



Contract and Grant Manual

FINANCIAL - GENERAL

[\[Return to Manual Chapter Listing\]](#) Revised December 2011

[6-100 INTRODUCTION](#)

[6-200 EXPENDITURE AUTHORITY AND RESPONSIBILITY](#)

[6-210 THE PRESIDENT](#)

[6-220 CHANCELLORS AND UNIVERSITY VICE PRESIDENTS](#)

[6-230 CAMPUS DEPARTMENTS](#)

[6-231 Budget Authority](#)

[6-232 Accounting Officers Authorization of Extramural Funds](#)

[6-240 SIGNATURE AUTHORIZATION](#)

[6-300 EXPENDITURE ADVANCE BASED ON FIRM COMMITMENT](#)

[6-310 DELEGATION OF AUTHORITY](#)

[6-320 FIRM COMMITMENT REQUIREMENT](#)

[6-330 RESPONSIBILITY FOR LOSS](#)

[6-400 RESPONSIBILITY FOR FINANCIAL MANAGEMENT & CONTROL OF PROJECT FUNDS](#)

[6-410 RESPONSIBILITY ATTENDANT TO DELEGATED EXPENDITURE AUTHORITY](#)

6-420 SUMMARY OF STANDARDS FOR FINANCIAL MANAGEMENT

6-430 SUMMARY OF FINANCIAL MANAGEMENT DUTIES

6-440 RESPONSIBILITIES OF THE PRINCIPAL INVESTIGATOR

6-450 RESPONSIBILITIES OF DEPARTMENT CHAIR (OR EQUIVALENT OFFICERS)

6-460 RESPONSIBILITIES OF CAMPUS CONTROLLERS

6-500 ALLOWABILITY OF COSTS

6-510 GENERAL PRINCIPLES

6-520 CLASSIFICATION OF DIRECT AND INDIRECT COSTS

6-530 FEDERAL COST PRINCIPLES

6-531 Reasonable Costs

6-532 Allocable Costs

6-533 Consistent Treatment of Costs

6-534 Allowable Costs

6-600 FINANCING AGREEMENTS - ADVANCE PAYMENTS

6-610 POLICY

6-620 NEGOTIATION RESPONSIBILITY OF CONTRACT & GRANT OFFICERS

6-630 FEDERAL SPONSORS

6-640 STATE SPONSORS

6-650 PRIVATE SPONSORS

6-700 FINANCIAL REPORTING REQUIREMENTS

6-710 STANDARDS

6-720 FORMATS

6-999 RELATED UNIVERSITY REFERENCES

EXTERNAL REQUIREMENTS --FEDERAL

6-F01 2 CFR 220, OMB Circular No. A-21, "Cost Principles for Educational Institutions"

6-F02 2 CFR 215, OMB Circular No. A-110, 215.22(i)-(j), "Standards Governing Use of Banks"

6-F03 2 CFR 215, OMB Circular No. A-110, 215.24, "Program Income"

6-F04 2 CFR 215, OMB Circular No. A-110, 215.21, "Standards for Financial Management Systems"

6-F05 2 CFR 215, OMB Circular No. A-110, 215.52, "Financial Reporting"

6-F06 2 CFR 215, OMB Circular No. A-110, 215.25, "Revisions of Budget and Program Plans"

6-F07 2 CFR 215, OMB Circular No. A-110, 215.22, "Payment"

6-F08 Federal Acquisition Regulation, Part 31 & Part 32

EXTERNAL REQUIREMENTS--STATE

6-S01 State Administrative Manual 8099, "Cash, Maximization of Interest Earnings"

6-S02 State Administrative Manual 8758, "Charges for Inter-Agency Services"

6-100 INTRODUCTION

The University's general financial policy with regard to extramurally sponsored projects is set forth in University Regulation No. 4, "Special Services to Individuals and Organizations," set forth in [Academic Personnel Manual APM-020](#). This Regulation states that:

For all tests and investigations made for agencies outside the University, a charge shall be made sufficient to cover all expenses, both direct and indirect.

This policy objective should be applied in a manner which best accommodates the policies and objectives of the extramural sponsor and The Regents. Exceptions to the policy must receive appropriate reviews and approvals. For example, contributions of the Principal Investigator's time as well as any other form of cost sharing and contributions must have required campus approvals. (See [Chapter 5, "Cost Sharing."](#)) Waivers or reduction of the applicable indirect cost rate must be approved by the Office of the President. (See [Chapter 8, "Indirect Costs."](#))

This Chapter provides a general background to the University's financial practices with regard to extramurally funded projects. It traces the authority to expend funds from extramural sponsors and describes the financial responsibilities and considerations involved in the management of extramural agreements. [Chapter 7, "Budgets and Expenditures,"](#) provides more detailed information and definitions of allowable direct costs. [Chapter 8, "Indirect Cost,"](#) provides further background on the University's indirect cost policy and practices.

6-200 EXPENDITURE AUTHORITY AND RESPONSIBILITY:

6-210 THE PRESIDENT

The authority to expend contract and grant funds is authorized under The Regents of the University of California [Standing Order \(S.O.\) 100.4\(n\)](#), "Duties of the President of the University," which states:

The President is authorized to permit expenditures against contracts, grants, and gifts, or against firm commitments thereon, provided that the contracts, grants, and gifts have been solicited or negotiated in accordance with established Regental policy.

This Presidential expenditure authority has these important features:

- Contract and grant expenditure authority is an expressly stated power of the President.
- Expenditure authority is derived from S.O. 100.4(n) whereas authority to enter into the contract or grant is derived from S.O. 100.4(dd). ([See Chapter 13](#) for information about contract and grant authority.)

The Presidential authority to [spend contract and grant funds](#) under Standing Order 100.4(n) as well as the authority to [solicit and enter into extramural awards](#) under S.O. 100.4(dd) have been delegated to Chancellors and Vice Presidents.

6-220 CHANCELLORS AND UNIVERSITY VICE PRESIDENTS

The delegation of authority from the President to Chancellors and Vice Presidents under the authority in S.O.100.4(n) permits "expenditures or commitments of funds against any approved research, training, or development contract or grant when a fully executed contract is in hand or a written notice of grant award has been received." Section 6-300 below, "Expenditure Advance Based on Firm Commitment," discusses the restrictions in this delegation of expenditure authority to Chancellors in cases where a fully executed contract or notice of grant award has not been received.

Chancellors may further authorize individual campus departments to incur contract and grant expenditures through authorization of the department's budget by the Accounting Officer. (See 6-230.) After the budget has been authorized by the Accounting Officer, the department may delegate signature authorization to specific individuals within the department to incur expenses. (See 6-240.)

6-230 CAMPUS DEPARTMENTS

The expenditure authorization process involves two separate but related actions:

- a. Chancellor's approval of department's budget, (See 6-231) and
- b. authorization of the agreement budget and appropriation of funds by the Accounting Officer with the concurrence of the Principal Investigator. (See 6-232.)

6-231 Budget Authority

The *Accounting Manual*, Section [D-224-17, "Delegation of Authority--Signature Authorization,"](#) states that the foundation of the expenditure process of a campus department, or program as the case may be, is the approval of the department's budget by the Chancellor. The Chancellor's approval of the department budget in essence constitutes a delegation (to the department) of the Chancellor's authority to expend. For extramural funds, such as gifts, contracts, and grants, budgets are established on acceptance, and, ordinarily, are documented in a communication from the campus Accounting Officer to the departmental administrators. All approved budgets are then entered in the campus general ledger.

6-232 Accounting Officers' Authorization of Extramural Funds

Acceptance of the award agreement by the Contracts and Grants Officer under authority of [Standing Order 100.4\(dd\)](#) and approval of rebudgeting actions do not, in fact, constitute authorization to expend the awarded funds. With the concurrence of the Principal Investigator, the Accounting Officer has the ultimate responsibility for appropriating, recording and

journalizing, extramural fund transactions as part of the University operating budget. The agreement budget is authorized when the Accounting Officer enters the appropriation into the campus' general ledger and the assigned fund and account number become part of the campus accounting system.

The Accounting Officer must establish the agreement appropriation in the campus accounting system (via a uniquely assigned fund number) to enable the Chancellor's delegated authority in a campus department to expend contract and grant funds. Because the expenditure authority under Standing Order 100.4(n) is restricted to contracts and grants that "have been solicited or negotiated in accordance with established Regental policy," actions of both the Contracts and Grants Officer and the Accounting Officer must precede contract and grant expenditures by the campus department.

6-240 SIGNATURE AUTHORIZATION

Once the budget is established and the department has been authorized to expend the awarded funds for the budgeted purposes, individuals in a department who have delegated expenditure authority can proceed to incur expenses. [Accounting Manual, Section D-224-17, "Delegation of Authority--Signature Authorization,"](#) I.C. states:

Before budgeted funds can be expended, a record of the signatures of those authorized to originate and approve specified departmental business transactions must be provided to administrative and service departments. Such delegations include authorization to sign purchase requisitions, service department orders, requests for issuance of a check, payroll time reporting forms, etc. This requirement applies to the Department head and each staff member to whom authority has been delegated...

The Signature Authorization or Cancellation Form U242-1 (Exhibit I in Section D-244-17), or its equivalent, is the official record used to delegate expenditure authority and to record signature specimens. The U242-1 states, "A signature authorization is a delegation of authority and remains in effect until cancelled." In an electronic environment, some type of document is required to record the assignment of electronic signatures or authorization codes and the approval hierarchy levels and codes associated with a particular function or database.

6-300 EXPENDITURE ADVANCE BASED ON FIRM COMMITMENT

6-310 DELEGATION OF AUTHORITY

The [President has delegated to Chancellors](#) authority to approve expenditures for projects for which documentation of the award has not been received:

...when (a) the contract or grant is within the solicitation authority previously delegated to you and you have satisfied yourself that a firm commitment exists to reimburse the University for the amount of its own funds advanced, and (b) there is an essential need to advance or commit funds (which normally means to pay salaries or meet other expenses of a continuing project).

For projects which are beyond the solicitation authority of the Chancellor (e.g., actions requiring Office of the President approval), the President retains the authority to make the "firm commitment." (See [Chapter 13](#) for discussion of the contract and grant solicitation authority of the Chancellor.)

6-320 FIRM COMMITMENT REQUIREMENT

General Counsel has provided the following guidance in interpreting what constitutes a "firm commitment" which is incorporated in the April 14, 1980 delegation:

While firm commitment has no legal definition, it is obviously something less than a contract. The phrase is applicable to situations where University personnel are advised by representatives of Government agencies that a contract or grant will be forthcoming, and the only delay is a ministerial one of document processing. An agency representative making such a representation must be one who can be relied on for such representation.

6-330 RESPONSIBILITY FOR LOSS

The University has no provisions to cover losses resulting when an award is denied by the sponsor and the campus has incurred costs in advance of receiving the denial. Campuses have established policies for determining where to charge such losses.

6-400 RESPONSIBILITY FOR FINANCIAL MANAGEMENT AND CONTROL OF PROJECT FUNDS

6-410 RESPONSIBILITY ATTENDANT TO DELEGATED EXPENDITURE AUTHORITY

The *Accounting Manual*, Chapter D-224-17, "Delegation of Authority--Signature Authorization," Section II. B., "Responsibility Attendant to Delegated Authority," states:

. . . . individuals authorized to expend funds from a Department's budget must comply with all the applicable policies, regulatory requirements, laws, regulations, and special restrictions on the use of those funds. For example, expenditure of State General Fund funds budgeted for the Engineering Department is contingent upon compliance with certain requirements embodied in the *control language* of the State Appropriation Act. Similarly, expenditures for budgets that include Federal grants must comply with any applicable Federal requirements contained in Office of Management and Budget Circulars A-21, Cost Principles for Educational Institutions, [now published as [2 CFR 220](#)] and A-110, Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations [[2 CFR 215](#)]. Expenditures of a budget funded from endowments must conform to the terms and conditions of the bequest(s) involved. For extramural awards, funds generally must be expended according to the terms of the award, the budget for the project as approved by the sponsor, and any other applicable sponsor requirements.

Any unauthorized deviations from the approved award budget or award terms and conditions may subject the campus to risk of audit disallowance.

6-420 SUMMARY OF STANDARDS FOR FINANCIAL MANAGEMENT

Consistent with 6-410, the following list summarizes the basic standards which must be met to insure that extramural funds are properly managed:

- a. Funds must be expended consistent with:
 - (1) The purpose for which the award is made;
 - (2) The terms of the budget as approved by the sponsor;
 - (3) Any applicable sponsor requirements;
 - (4) Any applicable federal government-wide requirements such as *OMB Circulars A-21*, *Cost Principles for Educational Institutions*, [now published as [2 CFR 220](#)] and *A-110*, *Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations* [[2 CFR 215](#)].
 - (5) University policies and procedures;
- b. Fiscal transactions must be completed in conformance with internal control standards and supporting documentation requirements. (See [Chapter 7](#) for references to *Accounting Manual* sections which detail control standards and documentation requirements for different types of expenditures.)
- c. Fiscal records and reports must be prepared and submitted in a timely, accurate, and complete manner.

6-430 SUMMARY OF FINANCIAL MANAGEMENT DUTIES

The general financial management duties which must be assumed by the University in administration of contract and grant awards include:

- a. Preparation of the proposed budget according to University and sponsor requirements;
- b. Certification of current cost and pricing data when required;
- c. Acceptance of the agreement;
- d. Establishment of the approved award budget;
- e. Expenditure of funds consistent with agreement, sponsor, and University policies;

- f. Procurement of equipment and supplies and execution of subcontracts in accordance with sponsor and University policies;
- g. Recording of expenditures in the appropriate account in the month the expenditure occurs to enable accurate, current, and complete disclosure of financial results;
- h. Preparation and submission in a timely manner of all required interim and final fiscal reports, including cost sharing, if any;
- i. Preparation and submission in a timely manner of all required technical reports or other deliverables where required for payment;
- j. Avoidance of cost over-runs and unallowable cost-transfers;
- k. Identification of the need for revised budgets and/or need for additional funds;
- l. Negotiation of revised and/or increased budget in order to secure full cost recovery;
- m. Negotiation of advance payments provisions, including the establishment of letters of credit;
- n. Timely invoicing and monitoring for prompt payment when advance payments cannot be negotiated.
- o. Prompt completion of project close-out; and
- p. When warranted, submission of requests for waiver or exceptions to established University costing and other policies.

6-440 RESPONSIBILITIES OF THE PRINCIPAL INVESTIGATOR

The Principal Investigator has primary responsibility for financial management and control of project funds in accordance with University and sponsor policies and procedures. The campus Controller is also responsible for many of the management and control responsibilities listed in 6-430 as well as those listed in 6-460. Some of the responsibilities are shared with others, including the Contracts and Grants Officer, Department Chair and College Dean. However, it is the Principal Investigator who is involved in all aspects of award administration.

6-450 RESPONSIBILITIES OF DEPARTMENT CHAIR (OR EQUIVALENT OFFICERS)

The [Academic Personnel Manual \(APM\), Section 245](#), "Duties of Department Chairperson (or Equivalent Officers)" divides the Department Chair duties into two categories: leader of the department and administrator of the department. The administrative duties which are directly related to the financial management and administration of extramural funds, as provided in APM-245, Appendix A, include the following:

5. To prepare the budget and administer the financial affairs of the department, in accord with University procedures
- ****
8. To be responsible for the custody and authorized use of University property charged to the department, and for assigning departmental space and facilities to authorized activities in accordance with University policy and campus rules and regulations
- ****
10. To maintain records and prepare reports in accord with University procedures.

6-460 RESPONSIBILITIES OF CAMPUS CONTROLLERS

The campus Controller also has responsibility for many of the financial management duties listed in 6-430. The missions, goals, and objectives of campus accounting are outlined in [Accounting Manual, A-000-4](#), "University Accounting Program," Section III. C. 1. Specifically, among other things, the campus Accounting Office is responsible for:

- b) Monitoring all financial and budgetary transactions to ensure compliance with University and campus policies and procedures, with provisions of governing laws and related statutory regulations, with the terms and conditions prescribed by external funding sources, and with generally accepted accounting principles. This includes administering all funds to ensure that expenditures are kept within amounts appropriated and that estimates of revenue are adjusted as required.
- c) Preparing and distributing most campus financial reports and statements, including those for the total campus as well as those for Federal, State, and gift funds and for auxiliary and service enterprises, and preparing claims against funding agencies for reimbursement of expenditures incurred.
- d) Maintaining the campus sections of the General Ledger, the official book of accounts, and other required campus accounting records. This includes assigning account numbers, processing budgetary, financial, and lien entries to properly reflect the transactions of campus funds, ensuring that subsidiary ledger records maintained outside of the accounting office are reconciled to control accounts, and closing the General Ledger at fiscal year end.

6-500 **ALLOWABILITY OF COSTS**

6-510 GENERAL PRINCIPLES

Funds derived from contracts and grants are University funds and are to be expended in accordance with contract and grant terms and conditions and University policies. When University policy and funding agency restrictions on expenditures differ, the more restrictive of

the two policies shall prevail. Any questions on allowability of an expense should be directed to the campus Contracts and Grants Officer or other appropriate campus fiscal or administrative officer prior to incurring the expense.

6-520 CLASSIFICATION OF DIRECT AND INDIRECT COSTS

[Business and Finance Bulletin A-47, "University Direct Costing Procedures"](#) outlines University policy regarding direct charging of all appropriate costs to a sponsored agreement when such costs are not reimbursed as indirect costs through application of approved indirect cost or facilities and administrative (F&A) rates. For federal awards, [2 CFR 220 \(OMB Circular A-21\)](#), Sections D. and E., incorporate the following principles for determining direct and indirect costs:

Identification with sponsored work rather than the nature of the goods and services involved is the determining factor in distinguishing direct from F&A costs of sponsored agreements

F&A costs are those that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project

For specific information on direct cost elements, [see Chapter 7](#). For specific information on indirect costs, [see Chapter 8](#).

6-530 FEDERAL COST PRINCIPLES

It is the University's policy to follow the federal cost principles for federal awards as set forth in [2 CFR 220 \(OMB Circular No. A-21, "Cost Principles for Educational Institutions."\)](#) ([See 6-F01.](#)) Proper costs under federal awards must be reasonable, allocable, consistent, and allowable. *OMB Circular A-21* provides the general federal framework for determining costs applicable to grants, contracts, and other agreements with educational institutions. Section C. 2, "Factors Affecting Allowability of Costs," states:

The tests of allowability of costs under these principles are: they must be reasonable; they must be allocable to sponsored agreements under the principles and methods provided herein; they must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances; and they must conform to any limitations or exclusions set forth in these principles or in the sponsored agreement as to types or amounts of cost items.

6-531 Reasonable Costs

In the expenditure of extramural funds, the University follows the federal *OMB Circular A-21* definition of reasonable costs as "the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made" (the "prudent person" test.)

6-532 Allocable Costs

In the expenditure of extramural funds, the University follows the federal *OMB Circular A-21* definition of allocable costs: "A cost is allocable . . . if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received or other equitable relationship," also referred to as "the benefits test."

6-533 Consistent Treatment of Costs

In the expenditure of extramural funds, the University follows the *OMB Circular A-21* requirement that elements of cost ". . . must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances."

6-534 Allowable Costs

In the expenditure of extramural funds, the University follows the *OMB Circular A-21* test of "allowability" which is determined by the terms and conditions of the sponsored agreement, including the authorized budget, and applicable federal regulations. See 6-F01, subparagraph e, for a list of individual costs.

6-600 FINANCING AGREEMENTS - ADVANCE PAYMENT

6-610 POLICY

As a matter of sound financial management, the University seeks to minimize the use of its operating funds as working capital for extramurally sponsored projects. Because the University receives a large part of its total budget support from extramural sponsors, when monies from certain sponsors are not received simultaneously with cash expenditures, the University is forced into an unacceptable cash deficit management problem. With the objective to minimize the University's cash deficit problem, the University policy and procedures for operation of the cash advance program promulgated in the [Accounting Manual, C-557-21, "Contracts and Grants: Cash Advance Program"](#) states:

... campuses must secure advance payment for all sponsored projects, unless an advance payment arrangement is not feasible.

6-620 NEGOTIATION RESPONSIBILITY OF CONTRACTS AND GRANTS OFFICERS

The Contracts and Grants Officer is responsible for negotiating a cash advance payment method with the sponsor whenever feasible. Advance payments are specifically required for contracts with commercial sponsors since the University does not subsidize work for a for-profit company with State funding.

The responsibilities of Accounting Officers and other University personnel for other aspects of the University's cash management program are set forth in [Accounting Manual, C-557-21, Section VII., "Responsibilities."](#)

6-630 FEDERAL SPONSORS

The University policy regarding securing cash advances for federal awards operates within the federal guidelines established by the United States Department of the Treasury and 2 CFR 215 (OMB Circular A-110) [215.22, "Payment."](#) (See [6-F07](#)).

This University policy of securing advance payment is set forth in the *Accounting Manual*, [Chapter C-557-21, Contracts and Grants: Cash Advance Programs](#). While federal agencies have their responsibilities of monitoring cash advances, additional or excessive requirements outside of standard practices should be resisted. Extra reporting requirements should not be accepted unless the campus Accounting Officer agrees that the campus accounting office is able to comply with them.

6-640 STATE SPONSORS

Accounting Manual Chapter [C-557-21, Section III. B.](#), provides the following guidance on negotiating cash advance payments with State sponsors:

The State of California does not have a cash advance program comparable to the Federal program. The State, as a matter of policy, discourages cash advances or progress payment. Letters of credit are not available, but negotiations should always include a request for some form of cash advance. Even though the State agency may refuse to consider advances over the full term of the agreement, it may be possible to negotiate advances for the estimated costs of starting a program.

Use of the Interagency Agreement . . . rather than Standard Agreement . . . allows for negotiation of cash advances

State agencies generally will not consider advance payments, even though they are allowed in State interagency agreements. However, for State standard agreements, the [State Contract Manual](#) specifies:

7.32 • ADVANCE PAYMENTS

Advance payments by the state are permitted only when specifically authorized by statute and should be made only when necessary. Contracts or agreements containing provisions for advance payments by the state should preferably provide for small periodic payments rather than the total contract price or lump-sum advances (GC §§ 11256 - 11263 and 11019).

Contract and Grants Officers are encouraged to request advance payments whenever possible, particularly under interagency agreements, and when the University is advancing significant start-up funding for the State under a State agreement. State policies are described in [6-S01](#) and [6-S02](#) below.

6-650 PRIVATE SPONSORS

Accounting Manual, Chapter C-557-21, Section III. C, "Private Sponsors," states:

Each contract and grant issued by a private sponsor should be negotiated to include some method of cash advance payment. Sponsors are generally receptive to negotiating cash advances; however, because of individual policies and needs, flexibility is necessary. The preferred advance would be to receive the full amount at the time of execution of the contract or acceptance of the award. If negotiation results in an agreement to pay periodic advances based on estimated reimbursable costs, the understanding should be clearly spelled out in the contract. The sample advance payment clause attached as Appendix I should be tailored to meet the campus' needs and its ability to comply.

During negotiations, the Contracts and Grants Officer should coordinate with the campus Extramural Funds Office if an invoice or financial report is required to secure periodic cash advance. A clause which may be used as a model in negotiations for a cash advance provision when the sponsor requires that the advance request be based on estimated expenditures appears in the *Accounting Manual*, Chapter C-557-21, Appendix I.

Advance payments are required from for-profit sponsors. ([See 6-620.](#)) The campus Contracts and Grants Officer and the Extramural Funds Accounting Officer should work out a mechanism so that the Contracts and Grants Office is notified in the event of persistent failure or material breach of contract advance payment terms by the sponsor.

6-700 FINANCIAL REPORTING REQUIREMENTS

6-710 STANDARDS

The [Accounting Manual, Chapter A-000-4, "University Accounting Program"](#), Section II, provides a brief statement of the goals and objectives of the financial accounting and reporting program, as follows:

The University, as a public institution, has a special stewardship obligation to process properly and accurately all receipts and disbursements of funds; to account for all financial resources received and used; to ensure that all financial transactions conform to legal requirements and administrative policies, and are recorded in accordance with generally accepted accounting principles for colleges and universities; and to provide reports which present to University administrators and the public a complete picture of the University's funds and their use.

The University accounting program records all financial transactions by account and fund numbers in order to control expenditures against established budgets and to prepare management reports. Among other duties, the campus Accounting Officers prepare "Departmental

information to assist managers in administering their funds by presenting budgets, expenditures, liens, and remaining balances." (See *Accounting Manual*, Chapter A-000-4, Section IV.C.)

Further policy regarding submission of financial reports to extramural sponsors who have provided advance payments is outlined in the *Accounting Manual*, Chapter C-557-21, "Contracts and Grants: Cash Advance Programs", Section VI. A., "Reporting Requirements," which states:

To avoid possible suspension of funding under an advance payment program, the requisite reports should be filed within the time frame specified by the granting agency.

This *Accounting Manual* Chapter also provides additional policy guidance concerning reporting requirements, such as recording expenses in the appropriate account in the month the expense is incurred, thereby allowing for accurate, current, and complete disclosure of financial results; substantiating cost transfers in a well-documented and timely manner; and conforming with internal control standards and adequate supporting documentation requirements.

6-720 FORMATS

The University must prepare various financial reports on contract and grant expenditures for internal management purposes and to meet external reporting requirements.

Sponsors have different budgeting and financial reporting requirements. Contracts and Grants Officers must coordinate with the appropriate campus Accounting Office officials whenever a sponsor requests financial data or documentation which is not routinely provided by the accounting system. The [Accounting Manual, Chapter A-115-2](#), "Accounting Codes: General Ledger," outlines the account code structure and the cost categories which are routinely provided by the accounting system. Acceptance of funding agency restrictions or practices which are unreasonable or otherwise are deemed arbitrary which would result in paperwork burden or hardships for the University should be avoided.

The federal government has adopted certain standard financial reporting formats for use with federal grants under [2 CFR 215](#) (*OMB Circular No. A-110*), Section 215.52, "Financial Reporting." (See [6-F05](#).) Contracts and Grants Officers should insure that budgeting and reporting requirements accepted in federal agreements are consistent with these federal government-wide reporting requirements. See [17-400](#) and [17-410](#) for University policy on negotiating and responding to external reporting requirements and other paperwork requirements.

6-999 RELATED UNIVERSITY REFERENCES

- [Academic Personnel Manual, Section 020](#), "Special Services to Individuals and Organizations," June 28, 1958. (Formerly known as University Regulation No. 4.)
- [Bylaw 21.4, Duties of the Treasurer](#)
- [Standing Order 100.4, Duties of the President, Sections \(n\) and \(dd\)](#)

- [*Business and Finance Bulletin A-47, "University Direct Costing Procedures"*](#)
- [*Business and Finance Bulletin A-60, "Short-Term Investment Pool \(STIP\)--Distribution of Income"*](#)
- [*Business and Finance Bulletin BUS-29, "Management and Control of University Equipment"*](#)
- [*Business and Finance Bulletin BUS-43, Materiel Management*](#)
- [*Accounting Manual Chapter A-000-4, "University Accounting Program"*](#)
- [*Accounting Manual Chapter A-000-7, "Official Documentation Required in support of University Financial Transactions"*](#)
- [*Accounting Manual Chapter A-115-2, "Accounting Codes: General Ledger"*](#)
- [*Accounting Manual Chapter C-173, "Cash: Cash Controls"*](#)
- [*Accounting Manual Chapter C-557-21, "Contracts and Grants: Cash Advance Programs"*](#)
- [*Accounting Manual Chapter D-224-17, "Delegation of Authority -- Signature Authorization"*](#)
- [*Accounting Manual Chapter D-371-36, "Disbursements: Invoice Processing in Response to Purchase Authorizations"*](#)
- [*Accounting Manual Chapter P-196-13, "Payroll: Attendance, Time Reporting, and Leave Accrual Records"*](#)
- [*Accounting Manual Chapter R-212-2, "Receivables Management"*](#)
- [*Accounting Manual Chapter R-265, "Reports"*](#)
- [*Academic Personnel Manual, Section 245, Appendix A, "Duties of Department Chairpersons \(or Equivalent Officers\)"*](#)

EXTERNAL REQUIREMENT--FEDERAL

6-F01 [2 CFR 220](#) - Office of Management and Budget Circular No. A-21, Cost Principles for Educational Institutions

PURPOSE

A-21 establishes principles for determining allowable direct and indirect costs.

APPLICABILITY

A-21 cost principles apply to all federal awards to educational institutions.

SUMMARY OF PROVISIONS

This Circular establishes principles for determining costs applicable to federal grants, contracts, and other agreements with educational institutions. A-21 lays out a framework for classifying various costs that might be incurred in the course of research, training, or other activities performed under the auspices of an educational institution and supported by the federal government.

a. Major Functions of an Institution

Since different kinds of costs are associated with different activities, A-21 first defines the major functions of an institution. These activities are (a) instruction, (b) organized research (separately budgeted and accounted for), (c) other sponsored activities (extramurally financed projects other than instruction and organized research), and (d) other institutional activities.

b. Allowable Costs: Direct and Indirect

Certain costs may be charged to a sponsored agreement (i.e., to a grant, contract or other agreement between an institution and the federal government) and other costs may not be so charged. The former are called allowable costs in A-21. The general factors affecting the allowability of costs are discussed in 6-530.

Costs that can be specifically identified with a particular institutional activity (at least relatively easily with a high degree of accuracy) are called *direct costs*. Costs that are incurred for common or joint objectives, and therefore cannot be identified readily and specifically with a particular institutional activity, are called *indirect costs*. According to the Circular: "Identification with the sponsored work rather than the nature of the goods and services involved is the determining factor in distinguishing direct and indirect costs of sponsored agreements."

c. Indirect Cost Rate Pools

Indirect cost rate proposals are based on actual costs. A-21 defines the categories of indirect costs and the standard method of allocating each category to the major functions of the University. Alternate methods are allowed under special circumstances. The basic categories (or "pools") are: (1) depreciation and use allowance (on buildings and capital improvements to land); (2) operation and maintenance expenses (for the physical plant); (3) general administration and general expenses (not related solely to any major function of the institution); (4) departmental administration expenses (for common or joint departmental activities); (5) sponsored projects administration (not otherwise included in general administration expenses); (6) library expenses; and (7) student administration and services.

d. Types of Indirect Cost Rates

The true indirect cost rate (determined after the fact) for a particular major function (e.g., organized research) would be the sum of the costs incurred in support of that function in each indirect cost pool, divided by the total direct costs for that function. A-21 specifies that these direct costs consist of salaries and wages, fringe benefits, materials and supplies, services, travel, and subgrants and subcontracts up to \$25,000 each. In practice the rates are usually negotiated in advance so that they can be applied to particular sponsored agreements when the actual direct costs are incurred. There are several options given for how rates may be negotiated. The most common choices are "predetermined fixed rates" and "fixed rates with carry-forward provisions." Predetermined rates fixed for a definite period into the future are often used when both parties (the government and the university) are reasonably confident about the probable level of indirect costs during the period. The main advantage of this type of rate is that it simplifies the calculation of the rates, i.e., there is no after-the-fact adjustment of costs recovered no matter what the true rate was for the period. A more accurate (but more complicated to administer) rate type is the fixed rate with a carry forward provision. This means that, while the rate is fixed in advance of a given period, any under- or over-recovery of indirect costs can be taken account of and built into the rate for the next period.

e. Specific Types of Costs

A-21, in Appendix A, also contains specific guidance on fifty-four (54) types of costs which includes a brief discussion of what the category includes and what parts of it (if any) are allowable costs. It should be emphasized that the issue here is allowability; the principles apply whether a particular item is treated as a direct or indirect cost. These sections are subject to some interpretation. The purpose of this list (and of the Circular in general), however, is not to lay down a step-by-step process; it is to provide a general framework within which universities are to use "logic and reason" in making individual determinations. The fifty-four (54) types of costs addressed are the following:

1. Advertising and public relations costs

2. Advisory councils
3. Alcoholic beverages
4. Alumni/ae activities
5. Audit and related services
6. Bad debts
7. Bonding costs
8. Commencement and convocation costs
9. Communication costs
10. Compensation for personal services
11. Contingency provisions
12. Deans of faculty and graduate schools
13. Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringement
14. Depreciation and use allowances
15. Donations and contributions
16. Employee morale, health, and welfare costs and credits
17. Entertainment costs
18. Equipment and other capital expenditures
19. Fines and penalties
20. Fund raising and investment costs
21. Gains and losses on depreciable assets
22. Goods or services for personal use
23. Housing and personal living expenses
24. Idle facilities and idle capacity
25. Insurance and indemnification
26. Interest
27. Labor relations costs
28. Lobbying
29. Losses on other sponsored agreements or contracts
30. Maintenance and repair costs
31. Material and supplies costs
32. Meetings and conferences
33. Memberships, subscriptions, & professional activity costs
34. Patent costs
35. Plant and homeland security costs
36. Preagreement costs
37. Professional service costs
38. Proposal costs
39. Publication and printing costs
40. Rearrangement and alteration costs
41. Reconversion costs
42. Recruiting costs
43. Rental costs of buildings and equipment
44. Royalties and other costs for use of patents
45. Scholarships and student aid costs
46. Selling and marketing

- 47. Specialized service facilities
- 48. Student activity costs
- 49. Taxes
- 50. Termination costs applicable to sponsored agreements
- 51. Training costs
- 52. Transportation costs
- 53. Travel costs
- 54. Trustees

f. Compensation for Personal Services

The cost element called "compensation for personal services", i.e. salaries and wages, is important because it makes up a large portion of both the direct and indirect costs incurred under sponsored agreements. Allowable personnel costs must be categorized in terms of the major functions of the institution (research, training, etc.) and in terms of indirect cost pools (departmental administration, student services, and so on). A-21 provides for various methods for documenting the distribution of charges for salaries and wages, and also lays down criteria which any particular method chosen by an institution must meet. The gist of these criteria is summed up in the word "confirmation;" there must be some way to verify that salary and wage charges made within the institution's payroll system represent actual costs. At most institutions the confirmation is accomplished by means of Personnel Activity Reports (PARs) completed after the fact on a regular basis by the employees themselves or other responsible persons with suitable means of verification that the work was performed.

PRIMARY UNIVERSITY RESPONSIBILITY

It is the responsibility of the [Associate Vice President and Systemwide Controller - Financial Accounting](#) to provide guidance to ensure the University's compliance with A-21. The [Costing Policy & Analysis Office](#) is responsible for indirect costs rates and providing guidance on the Personnel Activity Report (PAR) system and on the allowability of costs to federal awards. Campus Accounting and Contract and Grant Officers are responsible for implementation of local procedures to ensure compliance.

UNIVERSITY POLICY IMPLEMENTATION

Regarding the general policy framework for direct cost accounting, policy implementation is incorporated into *Business and Finance Bulletin A-47, "University Direct Costing Procedures."*

Please see the "Reference" section of the following *Manual* chapters for further information on the University policy and procedures issued on specific topics:

<u>Topic</u>	<u>Manual Chapter</u>
Audit and Disallowance of Costs	Chapter 4
Cost Principles and Costing Policies--General	Chapter 6

Cost Principles and Costing Policies--Specific Elements of Costs	Chapter 7
Cost Sharing	Chapter 5
Indirect Costs	Chapter 8

EXTERNAL REQUIREMENTS--FEDERAL

6-F02 [2 CFR 215, Office of Management and Budget Circular No. A-110, 215.22, Payment, \(i\)-\(j\), Standards Governing Use of Banks](#)

PURPOSE

The purpose of 2 CFR (*OMB Circular A-110*)215.22(i)-(j) is to set forth standards governing the use of banks and other institutions as depositories of funds advanced under federally funded grants and other federally funded agreements.

APPLICABILITY

The standards promulgated by 2 CFR 215.22(i)-(j) are applicable to all federal agencies in their administration of grants to, and other agreements with, public and private institutions of higher education, public and private hospitals, and other quasi-public and private non-profit organizations. The term "other agreements" does not include procurement contracts, but does include cooperative agreements.

When the [federal granting agency is a member](#) of the [Federal Demonstration Partnership \(FDP\)](#), the [FDP A-110 Research Terms and Conditions](#) apply.

SUMMARY OF PROVISIONS

Subsections 2 CFR 215.22(i)-(j) set forth standards governing the use of banks and other institutions as depositories of funds advanced under grants and other agreements. It covers restrictions on government requirements for separate bank accounts, deposits in banks with FDIC insurance, and emphasis on use of minority banks.

The FDP terms implement these requirements.

PRIMARY UNIVERSITY RESPONSIBILITY

The President is responsible for all matters relating to bank accounts and banking relationships, according to the Standing Orders of the Regents of the University of California, [Section 100.4, "Duties of the President of the University."](#) Additionally, the duties of various University Officers are outlined in:

[Accounting Manual, C-173, "Cash: Cash Controls"](#)

[Accounting Manual, C-557-21, "Contracts and Grants: Cash Advance Program"](#)

UNIVERSITY POLICY IMPLEMENTATION

The Treasurer has developed procedures to ensure deposits are made in banks with FDIC insurance and collateral security in the event that cash advances exceed FDIC coverage limits.

University policies regarding bank accounts and letter-of-credit agreements are outlined in the two *Accounting Manual* sections identified in PRIMARY UNIVERSITY RESPONSIBILITY, above.

Consistent with these policy statements, Contract and Grant Officers must collaborate with the Accounting Officer in accepting any terms on Letters of Credit.

EXTERNAL REQUIREMENTS--FEDERAL

6-F03 2 CFR 215, [Office of Management and Budget Circular No. A-110, 215.24, Program Income](#)

PURPOSE

The purpose of *OMB Circular A-110, 215.24* is to set forth standards governing the use of income earned by assistance recipients from the federally supported activities.

APPLICABILITY

The standards promulgated by *Circular A-110, 215.24* are applicable to all federal agencies in their administration of grants to, and other agreements with, public and private institutions of higher education, public and private hospitals, and other quasi-public and private non-profit organizations. The term "other agreements" does not include procurement contracts, but does include cooperative agreements.

When the [federal awarding agency is a member](#) of the [Federal Demonstration Partnership](#) (FDP), the [FDP A-110 Research Terms and Conditions](#) apply. The *FDP Research Terms and Conditions* implement the requirements of section 215.24 with additional clarifications.

SUMMARY OF PROVISIONS

The following is the full text of Section 215.24 of Circular A-110:

215.24 Program income.

(a) Federal awarding agencies shall apply the standards set forth in this section in requiring recipient organizations to account for program income related to projects financed in whole or in part with Federal funds.

(b) Except as provided in paragraph (h) below, program income earned during the project period shall be retained by the recipient and, in accordance with Federal awarding agency regulations or the terms and conditions of the award, shall be used in one or more of the ways listed in the following.

(1) Added to funds committed to the project by the Federal awarding agency and recipient and used to further eligible project or program objectives.

(2) Used to finance the non-Federal share of the project or program.

(3) Deducted from the total project or program allowable cost in determining the net allowable costs on which the Federal share of costs is based.

(c) When an agency authorizes the disposition of program income as described in paragraphs (b)(1) or (b)(2), program income in excess of any limits stipulated shall be used in accordance with paragraph (b)(3).

(d) In the event that the Federal awarding agency does not specify in its regulations or the terms and conditions of the award how program income is to be used, paragraph (b) (3) shall apply automatically to all projects or programs except research. For awards that support research, paragraph (b) (1) shall apply automatically unless the awarding agency indicates in the terms and conditions another alternative on the award or the recipient is subject to special award conditions, as indicated in Sec. 215.14.

(e) Unless Federal awarding agency regulations or the terms and conditions of the award provide otherwise, recipients shall have no obligation to the Federal Government regarding program income earned after the end of the project period.

(f) If authorized by Federal awarding agency regulations or the terms and conditions of the award, costs incident to the generation of program income may be deducted from gross income to determine program income, provided these costs have not been charged to the award.

(g) Proceeds from the sale of property shall be handled in accordance with the requirements of the Property Standards (see Sec.215.30 through Sec. 217.37).

(h) Unless Federal awarding agency regulations or the terms and condition of the award provide otherwise, recipients shall have no obligation to the Federal Government with respect to program income earned from license fees and royalties for copyrighted material, patents, patent applications, trademarks, and inventions produced under an

award. However, Patent and Trademark Amendments (35 U.S.C. 18) apply to inventions made under an experimental, developmental, or research award.

PRIMARY UNIVERSITY RESPONSIBILITY

Campus Contract and Grant Officer and Controller with concurrence of Principal Investigator for items (a) through (f); OP Materiel Management for item (g); and OP Office of Technology Transfer for item (h).

UNIVERSITY POLICY IMPLEMENTATION

Regarding royalties received as a result of copyrights or patents (Sec. 215.24 (h)), policy implementation is incorporated in the [University Copyright Policy](#) and the [University Patent Policy](#), and described in this *Contract and Grant Manual*, [Chapter 11, Intellectual Property](#).

Regarding income from the sale of property, see [Section 15-540](#) of this *Manual*. Regarding all other program income, use of any program income to be earned during the project period is determined by the terms of the individual award and may be subject to negotiation by the Contract and Grant Officer and implemented by the Accounting Officer, with the concurrence of the Principal Investigator, within the parameters of alternatives 2 CFR 214.24 Sections (b)(1), (b)(2) and (b)(3).

EXTERNAL REQUIREMENTS--FEDERAL

6-F04 2 CFR 215, Office of Management & Budget Circular No. A-110, [215.21, Standards for Financial Management Systems](#)

PURPOSE

The purpose of 2 CFR 215, *OMB Circular A-110*, 215.21 is to set forth standards for financial management systems of assistance recipients, and to prevent federal sponsoring agencies from imposing stricter standards.

APPLICABILITY

The standards promulgated by 2 CFR 215.21 are applicable to all federal agencies in their administration of grants to, and other agreements with, public and private institutions of higher education, public and private hospitals, and other quasi-public and private non-profit organizations. The term "other agreements" does not include procurement contracts, but does include cooperative agreements.

SUMMARY OF PROVISIONS

The following is the complete text of 2 CFR 215, *OMB Circular A-110*, 215.21, Standards for Financial Management Systems:

215.21 Standards for financial management systems.

- (a) Federal awarding agencies shall require recipients to relate financial data to performance data and develop unit cost information whenever practical.
- (b) Recipients' financial management systems shall provide for the following.
 - (1) Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements set forth in Sec. 215.52. If a Federal awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient shall not be required to establish an accrual accounting system. These recipients may develop such accrual data for its reports on the basis of an analysis of the documentation on hand.
 - (2) Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.
 - (3) Effective control over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.
 - (4) Comparison of outlays with budget amounts for each award. Whenever appropriate, financial information should be related to performance and unit cost data.
 - (5) Written procedures to minimize the time elapsing between the transfer of funds to the recipient from the U.S. Treasury and the issuance or redemption of checks, warrants or payments by other means for program purposes by the recipient. To the extent that the provisions of the Cash Management Improvement Act (CMIA) (Pub. L. 101-453) govern, payment methods of State agencies, instrumentalities, and fiscal agents shall be consistent with CMIA Treasury-State Agreements or the CMIA default procedures codified at 31 CFR part 205, "Withdrawal of Cash from the Treasury for Advances under Federal Grant and Other Programs."
 - (6) Written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.

(7) Accounting records including cost accounting records that are supported by source documentation.

(c) Where the Federal Government guarantees or insures the repayment of money borrowed by the recipient, the Federal awarding agency, at its discretion, may require adequate bonding and insurance if the bonding and insurance requirements of the recipient are not deemed adequate to protect the interest of the Federal Government.

(d) The Federal awarding agency may require adequate fidelity bond coverage where the recipient lacks sufficient coverage to protect the Federal Government's interest.

(e) Where bonds are required in the situations described above, the bonds shall be obtained from companies holding certificates of authority as acceptable sureties, as prescribed in 31 CFR part 223, "Surety Companies Doing Business with the United States."

The [FDP Research Terms and Conditions](#) in 215.21 are:

The recipient's financial management system shall meet the standards specified in paragraph (b) of 2 CFR 215.21.

PRIMARY UNIVERSITY RESPONSIBILITY

The [Chief Financial Officer](#) is responsible for University implementation of these financial management standards. The standards are implemented by the [Associate Vice President and Systemwide Controller](#) - Financial Accounting and by campus Controllers.

UNIVERSITY POLICY IMPLEMENTATION

The general structure and process of University accounting activities are outlined in *Accounting Manual*, [Chapter A-000-4, "University Accounting Program."](#) *Accounting Manual* [Chapter A-000-7, "Official Documentation Required in Support of University Financial Transactions,"](#) specify records which must be prepared to support financial transactions.

Accounting Manual, [Chapter D-371-36, "Invoice Processing in Response to Purchase Authorizations,"](#) provides rules for verifying and certifying invoices and outlines departmental and accounting office responsibilities. Purchasing policies are detailed in *Business and Finance Bulletin* [BUS-43, "Materiel Management,"](#) and policy for accounting for inventorial equipment is found in *Business and Finance Bulletin* [BUS-29, "Management and Control of Inventorial Equipment."](#)

EXTERNAL REQUIREMENTS--FEDERAL

6-F05 2 CFR 215, Office of Management and Budget Circular [No. A-110, 215.52, Financial Reporting](#)

PURPOSE

The purpose of 2 CFR 215, (*OMB Circular A-110*), 215.52 is to prescribe uniform reporting procedures for assistance recipients, and to prevent Federal sponsoring agencies from imposing additional reporting requirements.

APPLICABILITY

The standards promulgated by 2 CFR 215, (*A-110*), 215.52 are applicable to all federal agencies in their administration of grants to, and other agreements with, public and private institutions of higher education, public and private hospitals, and other quasi-public and private non-profit organizations. The term "other agreements" does not include procurement contracts, but does include cooperative agreements.

When the [federal granting agency is a member](#) of the [Federal Demonstration Partnership](#) (FDP), the [FDP A-110 Research Terms and Conditions](#) apply.

SUMMARY OF PROVISIONS

The following is the complete text of *A-110*, 215.52, Financial Reporting:

215.52 Financial reporting.

(a) The following forms or such other forms as may be approved by OMB are authorized for obtaining financial information from recipients.

(1) SF-269 or SF-269A, Financial Status Report.

(i) Each Federal awarding agency shall require recipients to use the SF- 269 or SF-269A to report the status of funds for all nonconstruction projects or programs. A Federal awarding agency may, however, have the option of not requiring the SF-269 or SF-269A when the SF-270, Request for Advance or Reimbursement, or SF-272, Report of Federal Cash Transactions, is determined to provide adequate information to meet its needs, except that a final SF-269 or SF-269A shall be required at the completion of the project when the SF-270 is used only for advances.

(ii) The Federal awarding agency shall prescribe whether the report shall be on a cash or accrual basis. If the Federal awarding agency requires accrual information and the recipient's accounting records are not normally kept on the accrual basis, the recipient shall not be required to convert its accounting

system, but shall develop such accrual information through best estimates based on an analysis of the documentation on hand.

(iii) The Federal awarding agency shall determine the frequency of the Financial Status Report for each project or program, considering the size and complexity of the particular project or program. However, the report shall not be required more frequently than quarterly or less frequently than annually. A final report shall be required at the completion of the agreement.

(iv) The Federal awarding agency shall require recipients to submit the SF-269 or SF-269A (an original and no more than two copies) no later than 30 days after the end of each specified reporting period for quarterly and semi-annual reports, and 90 calendar days for annual and final reports. Extensions of reporting due dates may be approved by the Federal awarding agency upon request of the recipient.

(2) SF-272, Report of Federal Cash Transactions.

(i) When funds are advanced to recipients the Federal awarding agency shall require each recipient to submit the SF-272 and, when necessary, its continuation sheet, SF-272a. The Federal awarding agency shall use this report to monitor cash advanced to recipients and to obtain disbursement information for each agreement with the recipients.

(ii) Federal awarding agencies may require forecasts of Federal cash requirements in the "Remarks" section of the report.

(iii) When practical and deemed necessary, Federal awarding agencies may require recipients to report in the "Remarks" section the amount of cash advances received in excess of three days. Recipients shall provide short narrative explanations of actions taken to reduce the excess balances.

(iv) Recipients shall be required to submit not more than the original and two copies of the SF-272 15 calendar days following the end of each quarter. The Federal awarding agencies may require a monthly report from those recipients receiving advances totaling \$1 million or more per year.

(v) Federal awarding agencies may waive the requirement for submission of the SF-272 for any one of the following reasons:

(A) When monthly advances do not exceed \$25,000 per recipient, provided that such advances are monitored through other forms contained in this section;

(B) If, in the Federal awarding agency's opinion, the recipient's accounting controls are adequate to minimize excessive Federal advances; or,

(C) When the electronic payment mechanisms provide adequate data.

(b) When the Federal awarding agency needs additional information or more frequent reports, the following shall be observed.

(1) When additional information is needed to comply with legislative requirements, Federal awarding agencies shall issue instructions to require recipients to submit such information under the "Remarks" section of the reports.

(2) When a Federal awarding agency determines that a recipient's accounting system does not meet the standards in Sec. 215.21, additional pertinent information to further monitor awards may be obtained upon written notice to the recipient until such time as the system is brought up to standard. The Federal awarding agency, in obtaining this information, shall comply with report clearance requirements of 5 CFR part 1320.

(3) Federal awarding agencies are encouraged to shade out any line item on any report if not necessary.

(4) Federal awarding agencies may accept the identical information from the recipients in machine readable format or computer printouts or electronic outputs in lieu of prescribed formats.

(5) Federal awarding agencies may provide computer or electronic outputs to recipients when such expedites or contributes to the accuracy of reporting.

The FDP Research Terms for 215.52 are:

This article specifies financial reporting requirements (it thereby implements, and does not incorporate, 2 CFR 215.52). If payments are made in advance, in accordance with Article 22.(a) of these general terms and conditions, *the Federal Cash Transactions Report* (SF-272) or its electronic equivalent shall be submitted within 15 days following the end of each funding quarter. If payments are made by the reimbursement method, see agency specific terms and conditions for the applicable financial reporting requirements.

PRIMARY UNIVERSITY RESPONSIBILITY

The campus Controllers are responsible for adhering to the financial reporting requirements outlined in 215.52 utilizing financial data generated by the Principal Investigator and/or responsible Program Administrator.

UNIVERSITY POLICY IMPLEMENTATION

Policies and procedures governing the objectives, organization, and structure of the University Accounting program and the responsibilities of Controllers are outlined in *Accounting Manual*, [Chapter A-000-4, "University Accounting Program."](#) Additional

guidance regarding submission of financial reports is provided in the *Accounting Manual*, [Chapter C-557-21, "Contracts and Grants: Cash Advance Program."](#) Policies and procedures regarding billing of charges to federally-supported contracts and grants are given in *Accounting Manual*, [Chapter R-212-2, "Receivables Management."](#)

EXTERNAL REQUIREMENTS--FEDERAL

6-F06 2 CFR 215, Office of Management and Budget Circular No. A-110, [215.25, Revision of Budget and Program Plans](#)

PURPOSE

The purpose of 2 CFR 215 (*OMB Circular A-110*), 215.25 is to set forth criteria and procedures to be followed by federal sponsoring agencies in requiring recipients to report deviations from financial plans and to request approvals for financial plan revisions.

APPLICABILITY

The standards promulgated by *A-110*, 215.25 are applicable to all federal agencies in their administration of grants to, and other agreements with, public and private institutions of higher education, public and private hospitals, and other quasi-public and private non-profit organizations. The term "other agreements" does not include procurement contracts, but does include cooperative agreements.

When the [federal granting agency is a member](#) of the [Federal Demonstration Partnership](#) (FDP), the [FDP A-110 Research Terms and Conditions](#) apply. The *FDP Research Terms and Conditions* vary from the standard 2 CFR 215 (A-110) terms in this section 215.25.

SUMMARY OF PROVISIONS

This section sets forth the requirements for prior approvals for rebudgeting. It incorporates the expanded authorities for pre-award costs, one time extensions, and carry forward of unobligated funds.

PRIMARY UNIVERSITY RESPONSIBILITY

The Principal Investigator and/or Program Director is responsible for identifying any need for revision of the budget, with the assistance of the Accounting Office. Submission of requests for revisions will be coordinated by the campus Contract and Grant Officers and implemented by the campus Accounting Officers.

UNIVERSITY POLICY IMPLEMENTATION

The University accounting system, as detailed in *Accounting Manual*, [Chapter A-000-4, "University Accounting Program"](#) provides for monitoring of expenditures in the various budget categories of a sponsored project and control over expenditures in those categories which are restricted by the terms of the funding agreement. The need for internal control standards and adequate supporting documentation also is outlined in *Accounting Manual*, [Chapter C-557-21, "Contracts and Grants: Cash Advance Program."](#)

EXTERNAL REQUIREMENTS--FEDERAL

6-F07 [2 CFR 215, Office of Management and Budget Circular No. A-110, 215.22, Payment](#)

PURPOSE

The purpose of 2 CFR 215 (*OMB Circular A-110*), 215.22 is to standardize methods of making payments to assistance recipients.

APPLICABILITY

The standards promulgated by *A-110*, 215.22 are applicable to all federal agencies in their administration of grants to, and other agreements with, public and private institutions of higher education, public and private hospitals, and other quasi-public and private non-profit organizations. The term "other agreements" does not include procurement contracts, but does include cooperative agreements. Note *FDP* clarifications to this section. (See references above in 6-F06.)

SUMMARY OF PROVISIONS

The following is the complete text of 215.22, Payment:

215.22 Payment.

(a) Payment methods shall minimize the time elapsing between the transfer of funds from the United States Treasury and the issuance or redemption of checks, warrants, or payment by other means by the recipients. Payment methods of State agencies or instrumentalities shall be consistent with Treasury-State CMIA agreements or default procedures codified at 31 CFR part 205.

(b) Recipients are to be paid in advance, provided they maintain or demonstrate the willingness to maintain:

(1) written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient, and

(2) financial management systems that meet the standards for fund control and accountability as established in Sec.215.21. Cash advances to a recipient organization shall be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual disbursements by the recipient organization for direct program or project costs and the proportionate share of any allowable indirect costs.

(c) Whenever possible, advances shall be consolidated to cover anticipated cash needs for all awards made by the Federal awarding agency to the recipient.

(1) Advance payment mechanisms include, but are not limited to, Treasury check and electronic funds transfer.

(2) Advance payment mechanisms are subject to 31 CFR part 205.

(3) Recipients shall be authorized to submit requests for advances and reimbursements at least monthly when electronic fund transfers are not used.

(d) Requests for Treasury check advance payment shall be submitted on SF-270, "Request for Advance or Reimbursement," or other forms as may be authorized by OMB. This form is not to be used when Treasury check advance payments are made to the recipient automatically through the use of a predetermined payment schedule or if precluded by special Federal awarding agency instructions for electronic funds transfer.

(e) Reimbursement is the preferred method when the requirements in paragraph [215.12\(b\)](#) cannot be met. Federal awarding agencies may also use this method on any construction agreement, or if the major portion of the construction project is accomplished through private market financing or Federal loans, and the Federal assistance constitutes a minor portion of the project.

(1) When the reimbursement method is used, the Federal awarding agency shall make payment within 30 days after receipt of the billing, unless the billing is improper.

(2) Recipients shall be authorized to submit request for reimbursement at least monthly when electronic funds transfers are not used.

(f) If a recipient cannot meet the criteria for advance payments and the Federal awarding agency has determined that reimbursement is not feasible because the recipient lacks sufficient working capital, the Federal awarding agency may provide cash on a working capital advance basis. Under this procedure, the Federal awarding agency shall advance cash to the recipient to cover its estimated disbursement needs for an initial period generally geared to the awardee's disbursing cycle. Thereafter, the Federal awarding agency shall reimburse the recipient for its actual cash disbursements. The working

capital advance method of payment shall not be used for recipients unwilling or unable to provide timely advances to their subrecipient to meet the subrecipient's actual cash disbursements.

(g) To the extent available, recipients shall disburse funds available from repayments to and interest earned on a revolving fund, program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional cash payments.

(h) Unless otherwise required by statute, Federal awarding agencies shall not withhold payments for proper charges made by recipients at any time during the project period unless (1) or (2) apply.

(1) A recipient has failed to comply with the project objectives, the terms and conditions of the award, or Federal reporting requirements.

(2) The recipient or subrecipient is delinquent in a debt to the United States as defined in OMB Circular A-129, "Managing Federal Credit Programs," Under such conditions, the Federal awarding agency may, upon reasonable notice, inform the recipient that payments shall not be made for obligations incurred after a specified date until the conditions are corrected or the indebtedness to the Federal Government is liquidated.

(i) Standards governing the use of banks and other institutions as depositories of funds advanced under awards are as follows.

(1) Except for situations described in paragraph (i)(2), Federal awarding agencies shall not require separate depository accounts for funds provided to a recipient or establish any eligibility requirements for depositories for funds provided to a recipient. However, recipients must be able to account for the receipt, obligation and expenditure of funds.

(2) Advances of Federal funds shall be deposited and maintained in insured accounts whenever possible.

(j) Consistent with the national goal of expanding the opportunities for women-owned and minority- owned business enterprises, recipients shall be encouraged to use women-owned and minority- owned banks (a bank which is owned at least 50 percent by women or minority group members).

(k) Recipients shall maintain advances of Federal funds in interest bearing accounts, unless (1), (2) or (3) apply.

(1) The recipient receives less than \$120,000 in Federal awards per year.

(2) The best reasonably available interest bearing account would not be expected to earn interest in excess of \$250 per year on Federal cash balances.

(3) The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.

(l) For those entities where CMIA and its implementing regulations do not apply, interest earned on Federal advances deposited in interest bearing accounts shall be remitted annually to Department of Health and Human Services, Payment Management System, Rockville, MD 20852. Interest amounts up to \$250 per year may be retained by the recipient for administrative expense. State universities and hospitals shall comply with CMIA, as it pertains to interest. If an entity subject to CMIA uses its own funds to pay pre-award costs for discretionary awards without prior written approval from the Federal awarding agency, it waives its right to recover the interest under CMIA.

(m) Except as noted elsewhere in this Circular, only the following forms shall be authorized for the recipients in requesting advances and reimbursements. Federal agencies shall not require more than an original and two copies of these forms.

(1) SF-270, Request for Advance or Reimbursement. Each Federal awarding agency shall adopt the SF-270 as a standard form for all nonconstruction programs when electronic funds transfer or predetermined advance methods are not used. Federal awarding agencies, however, have the option of using this form for construction programs in lieu of the SF-271, "Outlay Report and Request for Reimbursement for Construction Programs."

(2) SF-271, Outlay Report and Request for Reimbursement for Construction Programs. Each Federal awarding agency shall adopt the SF-271 as the standard form to be used for requesting reimbursement for construction programs. However, a Federal awarding agency may substitute the SF-270 when the Federal awarding agency determines that it provides adequate information to meet Federal needs.

PRIMARY UNIVERSITY RESPONSIBILITY

The campus Controllers are responsible for securing payment from sponsors of extramural projects based upon payment terms and conditions accepted by campus Contract and Grant Officers.

UNIVERSITY POLICY IMPLEMENTATION

Detailed procedures for administering advance payment through letter of credit or Treasury Check are detailed in the *Accounting Manual*, [Chapter C-557-21, "Contracts and Grants Cash Advance Programs."](#)

EXTERNAL REQUIREMENT--FEDERAL

6-F08 Federal Acquisition Regulation ([FAR](#)), [Parts 31](#) and [32](#) and Related Clauses

PURPOSE

The [Federal Acquisition Regulation \(FAR\)](#) is the primary regulation for use by all federal agencies in their acquisition of supplies and services with appropriated funds.

APPLICABILITY

The FAR applies to all contracts for the acquisition of supplies and services awarded by any federal agency. The FAR does not apply to grants and cooperative agreements covered by [31 USC 6301, et. seq.](#), the *Federal Grant and Cooperative Agreement Act*.

SUMMARY OF PROVISIONS

The general financial sections of the FAR are Part [31.3, "Contract Cost Principles and Procedures](#)," and [Part 32, "Contract Financing."](#) Specific contract clauses relating to allowable cost and payment are found in [Parts 52.216](#) and [52.232](#).

a. [FAR Part 31, "Contract Cost Principles and Procedures"](#)

[Subpart 31.1, "Applicability"](#) establishes the general principles for determining applicable cost principles for a given type of recipient organization and a given type of contract. The cost principles are applicable whether the institution is a prime contractor or a subcontractor under a prime contract with another type of organization.

[Subpart 31.2](#) specifies the cost principles for contracts with commercial organizations; [Subpart 31.3](#) specifies the cost principles for educational institutions; [Subpart 31.6](#) specifies the principles for state and local governments; and [Subpart 31.7](#) specifies the principles for nonprofit organizations.

The Subpart 31.3 provides that the cost principles in OMB Circular No. A-21 are the applicable cost principles for educational institutions. It incorporates the provisions of A-21 by reference.

The FAR contract clauses governing general financial issues of allowable costs are set forth at 52.216. The FAR contract clauses governing payment and limitation of funds are set forth in Part 52.232.

b. [FAR Part 32, "Contract Financing"](#)

FAR Part 32 prescribes policies and procedures for contract financing and other payment matters, including coverage on advance payments, progress payments based

on costs, contract debts, contract funding, and assignment of claims. The FAR contract clauses governing contract financing are set forth in FAR Part 52.232.

PRIMARY UNIVERSITY RESPONSIBILITY

Responsibilities related to FAR Part 31 are presented in Section 6-F01 above. Detailed procedures for administering advance payments through letter of credit or Treasury Check are provided in *Accounting Manual*, Chapter C-557-21, "Contracts and Grants: Cash Advance Programs."

Guidance on acceptance of specific FAR clauses is issued by OP RPAC (formerly *Contract and Grant*) [Operating Guidance Memos](#) as well as on the RPAC (*Research Administration*) [website, "Guide to Clauses."](#)

EXTERNAL REQUIREMENT - STATE

6-S01 State Administrative [Manual Section 8099 - Cash; Maximization of Interest Earnings](#) and [Chapter 8400 - Disbursements](#)

PURPOSE

Section 8099 lists and summarizes all the other *State Administrative Manual* sections related to the State's requirements to maximize interest earnings on State money. Chapter 8400 sets forth the requirements for State agencies when paying invoices.

APPLICABILITY

The *State Administrative Manual* (SAM) applies to all State government agencies.

SUMMARY OF PROVISIONS

The SAM sections summarized in Section 8099 set forth (1) the procedures for State agencies to follow in order for the State to secure prompt reimbursement and deposit of funds it receives. [Section 8422.104](#), "Invoices for Contractual Services" provides the requirements for payments under State contracts. Advance payments are permitted only when authorized by law or under interagency agreements. However, State agencies generally will not provide advance payments unless absolutely necessary for the performance of the work under the agreement.

LEAD AGENCY

State of California [Department of General Services](#).

PRIMARY UNIVERSITY RESPONSIBILITY

Contract and Grant Officers are responsible for requesting start-up costs when necessary and monthly rather than quarterly payments in arrears when State agencies use interagency agreements.

UNIVERSITY IMPLEMENTATION

Guidance is issued via OP RPAC Operating Guidance Memo.

EXTERNAL REQUIREMENT - STATE

6-S02 [State Administrative Manual Section 8758 - Charges for Interagency Services](#)

PURPOSE

Section 8758 lists the types of charges allowed on interagency agreements and sample clauses to include in such agreements.

APPLICABILITY

The section applies to all State agencies.

SUMMARY OF PROVISIONS

Section 8758 states that charges for interagency services can include direct, indirect, and central service costs. Advance payments are allowed.

LEAD AGENCY

State of California Department of General Services.

PRIMARY UNIVERSITY RESPONSIBILITY

Contract and Grant Officers are responsible for requesting interagency agreements from State agencies. Accounting Officers are responsible for requesting advance payments when allowed by the terms of an interagency agreement.

UNIVERSITY IMPLEMENTATION

Guidance is issued via OP RPAC Operating Guidance Memos as needed.