Sponsored Projects
Post Award

Rich Andrews
Assistant Vice Chancellor & Controller
Accounting and Fiscal Services
University of California, Irvine

Presentation Goals

• Provide some very basic information.
• Instill an understanding that compliance with Federal Regulations is important.
• Emphasize that Business Officers provide compliance leadership.
• Have some Fun!
Federal Regulations

OMB Circular A-21

- Cost Principles for Educational Institutions for Grants, Contracts, and Other Agreements.

Please see “OMB Circulars” at:

Federal Regulations

OMB Circular A-21

- Defines types of costs.
- Defines Principles for consistent treatment of costs.
- Incorporates certain Cost Accounting Standards Including Disclosure Statement (DS-2) Requirement.
Federal Regulations

OMB Circular A-110
• Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations.

Please see “OMB Circulars” at:

Federal Regulations

A-110: Financial Management Standards
• Sufficient Internal Controls.
• Requires complete financial results of each sponsored project.
• Procedures for determining reasonableness, allocability, and allowability of costs.
• Requirements for supporting documentation.
• A-133 Audits
• Procurement Standards
Categories of Costs

- Direct
- Facilities and Administrative (a.k.a. Indirect)
- Unallowable

Direct Costs
- Costs easily identified with a specific sponsored project.
- Costs assignable with a high degree of accuracy to a sponsored project.
- Program-Specific Activities.
- Examples: Salaries, lab supplies, travel, equipment, sub-contracts.
Categories of Costs

Facilities and Administrative Costs

• Costs that cannot be specifically identified with a particular sponsored project.
• Examples: Chancellor’s Office, Dean’s Office, Payroll Office, building maintenance.
• F&A costs are recovered through the application of a negotiated rate.
• Sometimes called: “Indirect costs”

Categories of Costs

Unallowable Costs

• Costs which may not be allocated to sponsored projects, either as direct or indirect costs.
• Examples: Lobbying, public relations, alcoholic beverages, first-class air travel, fund raising.
Cost Accounting Standards

• 501: Consistency in estimating, accumulating & reporting costs.
• 502: Consistency in allocating costs incurred for the same purpose.
• 505: Accounting for unallowable costs.
• 506: Cost accounting period.

Cost Accounting Standards

• Goal is consistent charging of expenses throughout the campus.
• Example: For all departments, equipment maintenance agreement expenses would have to be consistently charged as direct or F&A.
• Important to understand your campus’ costing practices.
Cost Transfers

Cost transfer

- The process of moving expenses from one account/fund/sub/object code to another.

Cost Transfers

- Record the cost correctly the first time!
Cost Transfers

Cost transfers can only be made under the following conditions:

- To correct an erroneous recording,
- To record a change in the original decision, or
- To redistribute high-volume, low-cost charges.

Cost transfers must meet the following tests:

- Have general ledger reference from the original charge.
- Fully explained, justified, and authorized.
- Supporting documentation.
- Timely (within 120 days of original charge).
Cost Sharing

- Costs which support a project, but not funded by the granting agency.
- Included as part of the project’s budget.
- Allowable costs.
- Funded by the institution.
- Used only once.

Effort Reporting (PARS)

- Support salary charges.
- Directly paid from a federal or federal flow through award.
- Completed on a scheduled basis.
Effort Reporting (PARs)

- Supports cost sharing.
- Effort report reflects the cost share commitment.
- After the fact certification of effort.

NIH Salary Cap

- An Employee’s rate of pay can not exceed the approved NIH salary cap of $15,292 per month ($183,500 per year).
- The salary cap amount usually changes every year.
NIH Salary Cap Example

- Monthly Salary = $20,000
- Sponsored Project Percentage = 10%
- Chargeable to the Project = $1,529.20 (10% of max rate $15,292), not $2,000 (10% of $20,000)
- The difference ($470.80) must be charged to non-federal funds

Overdrafts and Final Reports

Overdrafts
- Overspent your budget
- Need to find alternate funding source

Final Reports
- Technical Reports
- Financial Reports
Types of Audits

- Internal Audits
- External Audits
- Funding Agency Audits

Impact of Disallowances

- Disallowance for “unallowable” costs.
- Projecting errors to large populations results in large audit adjustments.
- Multiple years.
- Actions against employees where misconduct leads to disallowance.
Overview

The Role of the Business Officer:

- Understand OMB A-21.
- Be aware of additional award restrictions.
- Exercise good judgment.

The Role of the Business Officer:

- Demonstrate accountability.
- Know where to find help.
- Strengthen internal controls.
- Document! Document! Document!
- Business Officers provide essential leadership!
Conclusion

QUESTIONS??

THE END!