



GRANT AND AGENCY FUNDING

AT

LOYOLA UNIVERSITY

INTRODUCTION

Grant and Agency Funding Account

WEB: <http://www.loyno.edu/financialaffairs/GrantsandContractAccounting.html>

The Grants and Agency section of the Office of Financial Affairs is responsible for post award accounting for all federal, state and private grants, contracts and cooperative agreements.

- Establishing Grants and Agency Fund account numbers
- Financial status reports
- Invoicing
- ACH draw downs and reporting
- Cost transfers (<http://www.loyno.edu/financialaffairs/forms.html>)
- Budget Transfers (<http://www.loyno.edu/financialaffairs/forms.html>)
- Cash Advances
- Approval of Requisitions for Grants and Agency Funds
- Financial audits (financial statements, program specific and A-133)
- Resolving Overdrafts
- Accounts Receivables reconciliation
- Wire transfers and disbursements
- Sub-recipient monitoring
- Close Outs

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Management Responsibilities of the Principal Investigators

OVERVIEW

The Principal Investigator (PI) of a grant, contract or cooperative agreement is responsible for the general management, review of appropriate levels of expenditures, as well as the performance of a sponsored project. Principal Investigators leaving Loyola University, either on sabbatical or permanently, should contact the Office of Grants and Sponsored Programs and the Office of Financial Affairs in advance of his or her departure to resolve any outstanding issues (program and financial) pertaining to his or her contract or grant award(s).

PROGRESS REPORTS

The Principal Investigator is responsible for submitting to the grantor all technical and progress reports for the project. Since each research project is audited for full compliance with the terms and agreement of the award in addition to the applicable guidelines for expenditures, it is critical that a copy of any required interim progress reports or final completion reports be sent by the Principal Investigator to Office of Grants and Sponsored Programs for inclusion in the official University file. Supporting agencies have and often exercise the right to refuse: (1) payment; (2) to act on requested modification; or (3) to make new awards to the Institution if progress and final reports are unreasonably delinquent.

SUPPORTING DOCUMENTATION

The Principal Investigator, department administrator, and/or designated Loyola employees are responsible for processing and maintaining the proper documentation to support expenditure charges to sponsored projects. Such documentation may include invoices, receipts, memoranda, PNFs, and/or vouchers. This documentation should be used in conjunction with Check Requests, Travel Expense Reports, and Cost Transfer Forms (<http://www.loyno.edu/financialaffairs/forms.html>) to correct charges (including payroll items).

FINANCIAL REPORTING

The Principal Investigator and/or Grant Accountant should review and approve all financial worksheets for reporting expenditures to the Grantor in a timely manner. Reporting delays impact future funding.

INDIRECT COSTS MAY NOT BE CHARGED TO GRANTS

The federal government issued a revision to OMB A-21 (A-21) in July 1993 to clarify that costs charged as indirect costs, or included in the indirect cost study as an overhead item, can NOT be charged to a grant as a direct cost. Additionally, the May 8, 1996 revision to A-21 incorporated the cost accounting standards into the cost principles for educational institutions. These cost standards were then applicable to grants and cooperative agreements, as well as contracts. CAS 9905.502 covers this item in detail.

The federal government requires that costs charged to grants through the indirect cost study should not be charged as direct costs to any grant. CAS 502 states that “the purpose of this standard is to require that each type of cost is allocated only once and on only one basis to any sponsored agreement.....Adherence to these cost accounting concepts is necessary to guard against the overcharging of some cost objectives and to prevent double counting. Double counting occurs most commonly when cost items are allocated directly to a cost objective without eliminating like cost items from indirect cost pools which are allocated to that cost objective.” A fundamental requirement of these standards is “All costs incurred for the same purpose, in like circumstances, are either direct costs only or indirect costs only...No final cost objective shall have allocated to it as a direct cost any cost, if other costs incurred for the same purpose, in like circumstances, have been included in any indirect cost pool to be allocated to that or any other final cost objective.”

The Principal Investigator of each grant is responsible for ensuring that the costs charged to the grant are appropriate. The Grant Accountant is responsible for general advisement to the Principal Investigators. Costs normally treated as indirect costs will not be charged to grants. These types of costs need to be eliminated from the budget proposal process.

Documenting Payroll Expenses

Principal Investigators and Account Managers are responsible for completing Personnel Notification Forms (PNF's) for any employee to be paid from a grant or agency account. PNF's should be sent to the Office of Financial Affairs for approval before submission to the Human Resources Department. Applicable fringe benefits will be charged to all salaries that are allocated to a grant account. Employees with split labor distribution should indicate that distribution on the PNF.

Federal regulations require that compensation for personal services charged to a grant be supported. The records must be incorporated into the official records of the University, they must reasonably reflect the activity for which an employee is compensated, and the records must encompass both sponsored programs and all other activities on an integrated basis. The criteria for this are noted in section J.6 of OMB A-21 which notes the following:

- The charges must be supported by the regular payroll distribution system.
- There must be an after the fact confirmation that the costs distributed to the grant agreement represent actual costs.
- This confirmation must occur at least every academic semester for faculty and monthly for support staff.

Note: for hourly staff, the university uses time sheets to confirm the actual hours charged to a sponsored agreement.

- The system must allow confirmation of activity to each sponsored activity and include 100% of the faculty member's effort.
- Short-term fluctuations between workload categories need not be considered.
- Charges may be made to sponsored agreements on the basis of estimates made before services are performed. When such estimates are used, significant changes must be identified and entered into the payroll distribution system.

Drawing Federal Funds

OMB Circular A-110 interim rules published in the federal register as 74.21, Standards for Financial Management Systems, require written procedures to minimize the time elapsing between the transfer of funds to the recipient and the issuance or redemption of checks. This is to keep the recipient from drawing federal funds but not dispersing the funds for more than a minimal period of time. The Grant Accountant is responsible for billing federal accounts and for drawing all federal funds.

The Grant Accountant should only bill for expenditures that have been incurred on grants.

1. Interim billings should only be done based on actual expenditures. Since the billings are done at the end of a period, it is clear that all the checks written to pay the expenditures on the account should have cleared, or can reasonably be assumed to have cleared.
2. Final billings require that items encumbered be billed. Our experience on final billings is that by the time the billings are reviewed and funds sent from the grantor, the encumbrances have cleared and the vendors have been paid. We will still bill for encumbrances when closing a grant, but this final billing will be done as late as possible after the end date of the grant so that the instances of having any items that are still unpaid, but encumbered, will be minimal.
3. Title IV programs are disbursed directly to student accounts, except for college work study. The Grant Accountant does not try to match any draw of federal funds to match the disbursement to the student's accounts. When the funds are placed in the student's account, they are considered as disbursed. The Grant Accountant only draws these funds based on the expended amount and then only at the end of a month. College work study funds are disbursed directly to the students. The Grant Accountant is to only draw funds down based on expenditures that have posted to the system. Generally this draw will be at the end of a month or quarter. It can be reasonably expected that the students have cashed their checks by the time the funds are drawn.

Indirect Costs Charged to Grants

The University has negotiated an indirect cost rate with the federal government. It is currently 61% of salaries and wages (<http://www.loyno.edu/ogr/rates.html>). The rate is renegotiated as required by federal regulations. This indirect cost rate should be included in the budget requested for every grant proposal for the university unless the budgetary guidelines specify a different overhead rate.

The Principal Investigator of each grant is responsible for preparing budgets for grant and subcontract submissions and including all appropriate indirect costs in the budget. The Grant Accountant is responsible for charging indirect costs in accordance with the budget award and reporting periods for each grant.

Program Income

Program income is gross income received that is directly generated by the federally-funded project during the grant period. If authorized by Federal regulations or the grant agreement, costs associated with the generation of program income may be deducted from gross income to determine program income.

Program income includes, but is not limited to, income from: fees for services performed; the use or rental of real or personal property acquired with grant funds; the sale of commodities or items fabricated under a grant agreement; and payments of principal and interest on loans made with grant funds. Except as otherwise provided in the Federal awarding agency regulations or terms and conditions of the award, program income does not include interest on grant funds, rebates, credits, discounts, refunds, or interest earned on any of them. Program income does not include the proceeds from the sale of equipment or real property.

The requirements for program income are found in the A-102 Common Rule, OMB Circular A-110 and Federal awarding agency laws, program regulations, and the provisions of the contract or grant agreements pertaining to the program.

Grant Account Establishment Procedures

It is critical that all requirements of each individual grant be noted prior to the grant beginning. The grant establishment procedure makes certain that the Principal Investigator knows the rules and other requirements of the grant. Since all grant proposals are submitted through the Office of Grants and Sponsored Programs or Institutional Advancement, all grant award documents should be sent to those Offices prior to the establishment of a grant account number in the Financial Records System (FRS).

Grant award documents should include:

- 1) An award letter or signed contract indicating the beginning and ending dates of the grant;
- 2) An approved budget;
- 3) Schedule of required interim and final progress and financial reports;
- 4) Grant terms and conditions;
- 5) CFDA number for federally funded grants or contracts; and
- 6) Name of the Principal Investigator or responsible person.

Under exceptional, infrequent situations, a PI may request that an account be established prior to the final execution of the contract. Please note that, unless a contract is fully executed by both the university and the funding agency, the funding agency has no obligation to reimburse the University if an award is not subsequently made, or is made for a lesser amount than expected. Therefore, special procedures must be followed prior to the approval and establishment of the internal grant account.

- 1) Requests to establish an account should be submitted in writing to the Financial Affairs Department and the Grants and Research Office. The request should include an explanation as to why the expenditure is necessary for the effective fiscal and programmatic conduct of the project.
- 2) The grant must have been approved by the University Pre-Award Internal Grant Clearance Process.
- 3) An approved budget must be established based upon the agency approved award.
- 4) A contract must be submitted by the awarding agency to the Grants and Research Office for review. The Grants and Research Office must submit the completed Internal Grant/Contract Clearance Form, a copy of the contract, and a copy of the approved budget to the Financial Affairs Department.
- 5) Once the Financial Affairs Department receives the documents referenced above, the Dean of the College or Vice President of the Division will be required to approve the establishment of the account. In the event that the funding agency does not execute the agreement, or the original agreement is altered in amount or content, any expenditures made from the account will be the responsibility of the college/division.

Faculty Salary Rates on Grants

The cost principles for educational institutions are very specific about faculty salaries charged to federal grants. The cost principles (OMB A-21 J.8.d) prescribe pay for faculty on grants during two periods:

- (1) During the academic year
- (2) Periods outside the academic year.

Section J.8.d (1) of OMB A-21, "Salary rates for academic year," states:

"Charges for work performed on sponsored agreements by faculty members during the academic year will be based on the individual faculty member's regular compensation for the continuous periods which ...constitutes the basis for his salary. Charges for work performed on sponsored agreements during all or any portion of such period are allowable at the base salary rate. In no event will charges to sponsored agreements, irrespective of the basis of computation, exceed the proportionate share of the base salary for that period."

Interpretation: Faculty members working on federal grants may charge a proportionate share of their base salary to the grant, but faculty may not increase their total compensation by working on a grant. The salary charged to the grant is based on their regular, annual compensation.

Section J.8.d (2) of OMB A-21, "Periods outside the academic year," states:

"Charges for work performed by faculty members on sponsored agreements during the summer months or other period not included in the base period will be determined for each faculty members at a rate not in excess of the base salary divided by the period to which the base salary relates..."

Interpretation: Faculty members may earn additional compensation for working on grants during the summer. The base salary is defined as the 9-month salary the faculty member is paid. The maximum monthly salary permitted under a grant is one-ninth of the base salary.

Spending Authority

Grants are awarded to Loyola for work to be conducted under the supervision of a Principal Investigator. The Principal Investigator is generally a faculty member.

The Principal Investigator generally submits a budget along with the grant application. In the budget the faculty member explains how the funds will be spent.

Different grantors have different rules with respect to rebudgeting grant funds. The Grant Accountant can assist Principal Investigators in determining the rebudgeting requirements when rebudgeting is needed. It is the Principal Investigator who must seek permission for the rebudgeting, if required. All approvals for rebudgeting must be received in writing and a copy provided to the Grant Accountant and the Office of Grants and Sponsored Programs.

Principal Investigators are aware of the items requested in a grant application. They are responsible for proper completion of the grant and have the professionalism to make every attempt possible to complete the grant, making any adjustments in actual items to be bought as the situation dictates. The Principal Investigator is responsible for the proper spending of grant funds. The Principal Investigator should understand the concept of the action he/she is to take when funds are awarded and that person has the knowledge to make adjustments to items noted in the grant application.

It is the Principal Investigator's responsibility to send any questions concerning the proper spending of funds to the grantor prior to making an expenditure which might be questionable if an outside person reviewed the spending on a grant.

Federal General Grant Requirements

Federal regulations list several general requirements that pertain to all federal funds. The University must insure that the Principal Investigators are aware of these requirements prior to conducting activities on a grant.

The Office of Management and Budget (OMB) has published a "compliance supplement" to inform auditors and institutions of general grant requirements.

Civil Rights

Purpose: The civil rights requirements, taken as a whole, prohibit discrimination against persons based on race, color, national origin, age, sex, or disability in any program or activity receiving federal financial assistance.

Labor Standards

Purpose: The laws and regulations ensure that the labor practices of recipients of federal funds are both equitable and safe for employees of the recipient organizations.

Hazardous Materials

Purpose: The requirements for the handling and disposing of hazardous materials protect laborers and mechanics from unsafe exposure to such materials.

Debarment and Suspension

Purpose: The regulations protect public and private institutions from fraud, waste, and abuse by debarring or suspending those persons that deal in an irresponsible manner with the federal government. The enforcement actions are intended to protect the public interest, and are not used solely for the purposes of punishment.

Drug-Free/Smoke-Free Workplace

Purpose: The drug-free requirements promote the national goal of reducing the use of illicit drugs by requiring federal recipients and contractors to certify that they

maintain a drug-free workplace. The requirements for a smoke-free workplace were enacted to protect children from second-hand smoke in indoor facilities.

General Restrictions on Lobbying

Purpose: The laws and regulations are intended to eliminate the use of federal funds to influence specific legislation or administrative rules.

Procurement Procedures

Purpose: The regulations require that procurement activities be performed in an equitable and competitive manner in an effort to promote equal treatment, efficiency, and economy in federal grant activities.

Conservation in Procurement

Purpose: The laws and implementing regulations ensure the conservation of selected resources by creating guidelines for their procurement.

Crimes and Prohibited Activities

Purpose: The laws and regulations preserve the integrity of the federal government and the public-at-large by holding federal contractors, recipients, and agency employees accountable for any criminal or prohibited activities they engage in under federal program.

Domestic Protection

Purpose: These provisions are meant to ensure that federal funds are expended to benefit American companies.

Utilization of Underserved Business and Surplus Labor

Purpose: The requirements help ensure the full participation of underserved businesses concerns, e.g., small/small disadvantaged and women-owned businesses, in the free enterprise system.

INVENTORY

Loyola University New Orleans maintains an inventory listing for all equipment items acquired via federal grants. A list of equipment items greater than \$5,000 that were purchased with federal funding will be maintained by the Principal Investigator and kept in the grant file. A physical inventory of said assets will be taken every two years. Differences between the inventory records and the physical inventory inspection will be reconciled and any exceptions will be investigated. In accordance with OMB Circular A-110, the inventory process will involve the verification of existence, current utilization, and continued need for the equipment.

The Principal Investigator's list shall include the following information.

- a) A description of the equipment.
- b) Manufacturer's serial number, model number, or other identification number.
- c) Source of equipment funding, including the award number and account number.
- d) Whether title vests in the recipient or the Federal Government.
- e) Unit acquisition date and cost.
- f) Location and condition of equipment.
- g) Disposition data, including date of disposal and sales price or method used to determine current fair market value.
- h) Date the information was reported.

This policy will be in effect August 1, 2008.

Prior Approval Requirements

The cost principles for educational institutions (OMB A-21) require prior approval from grantor agencies for certain items. This prior approval needs be obtained prior to the items being procured. Generally there will be no problem receiving the prior approval if the item is required to complete the grant work.

Prior approval must be obtained prior to procuring any of the items noted below on a grant. That prior approval may consist of the expenditure type being indicated in the grant application or it may be obtained from the grant program office during the time of the grant.

The prior approval will be obtained in writing and a copy will be sent to the Grant Accountant and the Office of Grants and Sponsored Programs.

Prior approval is required for the following items:

- Costs related to rearrangement and alteration of facilities
- Capital expenditures (including equipment)
- Insurance and indemnification expenses
- Pre-award costs
- Public information costs

Unallowable Costs

The cost principles for educational institutions (OMB A-21) specifically list certain costs that are unallowable on grants, either as direct or indirect costs. Principal Investigators need to be aware of them from a direct cost standpoint and the Grant Accountant needs to consider these when preparing the indirect cost study.

Unallowable items are:

- Alcoholic beverages
- Alumni Activities
- Bad debt expense
- Contingencies

- Contribution and donation expenditures
- Entertainment expenditures
- Fines and penalties
- Fund raising expenses
- Goods or services for personal use of employees
- Housing and personal living expenses
- Interest and other financial costs
- Lobbying expenses
- Selling and marketing expenses
- Student activity costs
- Trustee travel and subsistence costs
- Charges representing the nonrecovery of costs under other grant agreements.

The University also receives privately sponsored Awards that also have defined unallowable costs. For this reason, Department Administrators and Principal Investigators should always carefully review the Notice of Grant Award terms that are usually sent with the Award letter. If Award Terms and Conditions are not sent to the PI with the Award letter, private sponsors have web sites with beneficial information available.

Reporting Requirements

Federal regulations require that the University have a system to monitor when reports are due to a granting agency. Two types of reports are generally due. These are financial reports and Principal Investigator progress reports.

The Grant Accountant is responsible for monitoring and submitting the required financial reports. The Principal Investigator is responsible for monitoring and submitting required progress reports.

If Financial and Progress reports are not submitted timely, it may jeopardize future funding and may reflect negatively on the A-133 audit.

Grant Expense Transfers

Whenever possible grant expenses should be made directly to the Grant Account, however, occasionally it is more feasible to transfer the expenses incurred directly by a department to the grant account. These expense transfers should be made to the Office of Financial Affairs using the "Transfer Request Form" (<http://www.loyno.edu/financialaffairs/forms.html>).

Rebudgeting and Indirect Costs

Federal regulations and agency grant guidelines generally permit rebudgeting funds within direct cost categories. The specific references to rebudgeting in OMB A-110 relate to the need to have approval to rebudget into capital acquisitions categories. Individual grant/contract requirements may be more restrictive and should be reviewed prior to rebudgeting.

Loyola's indirect cost rate is based on salaries and wages; therefore, rebudgeting direct costs into the salary and fringe category has a potential impact on the amount of indirect costs that can be recovered.

Since the Principal Investigator has said that he/she requires a certain amount of direct costs in order to complete the work, it is the University's policy that in cases in which rebudgeting occurs and there is an increase in the direct salaries and fringes charged to a grant, the University will not rebudget from the direct cost categories into the indirect cost category to permit it to collect the additional indirect costs. The reason for this is that the University does not want to reduce the direct costs available to the Principal Investigator. In such a situation, the University will only collect indirect costs up to the awarded amount.

Should a Principal Investigator wish to rebudget, the Office of Grants and Sponsored Programs will review the documentation requirements for rebudgeting and inform the Principal Investigator of what needs to be done in order to rebudget.

It is the prerogative of the Principal Investigator to ask the granting agency to permit rebudgeting at any time the investigator desires. Even though this may not be required by the grant regulations, any rebudgeting request and subsequent approval will be included in the grant folder.

Close Out Procedures

Several actions need to occur every time a grant closes out. A review at close out time can eliminate problems and questions that might appear on audit.

The Grant Accountant will review grant expenditures on the accounting system to the approved budget and all appropriate budget revisions. The grant expenditures should match each category of the approved/revised budget.

The Grant Accountant will review to insure that the proper indirect costs and fringe benefits costs were charged. The amount charged should be recomputed and compared to the original indirect cost award and to the calculation made at closeout time. Any difference will be investigated and corrected.

The Grant Accountant will make a final review of all cost sharing.

The Grant Accountant will review that all financial reports were submitted and the Office of Grants and Sponsored Programs will review that the Principal Investigator has submitted all required progress reports.

The Grant Accountant will check to ensure that the cash and fund balance on the account are zero, that there are no encumbrances, and that the spending on the grant matches the final report sent to the grantor. At that time the account will be frozen, the account set to delete, and the grant can be closed out.

Cost Sharing Requirements

Matching, cost sharing, cost contribution, and in-kind are all terms used to refer to the share of the project costs which are required to be borne by sources other than a particular sponsoring agency's funds in support of a project. In some programs, legislation or regulation mandates these requirements. In other programs, the grantor wants a demonstration of the University's commitment to a project by asking the University to share in the project. For Loyola, the method and source of cost sharing is required to be shown and approved for all grants at the time the grant application is prepared and prior to submission to the grantor.

All costs used to satisfy the cost sharing requirements must be documented by the University and shall be subject to audit. The only costs that can be counted as cost sharing are labor costs and those charges that are invoiced and can be specifically identified as to cost, quantity, etc.

The University often uses release time given to Principal Investigators and/or other support staff to meet this requirement. Labor will be documented through the Time and Effort Grant Activity Report (LINK). The report should be submitted to the Office of Grants and Sponsored Programs each academic semester for faculty and monthly for support staff.

Direct charges will be purchase orders, requisitions, and other such charges directly identified as cost shared items. These will be regular purchases or internal charges that are similar to other costs borne by academic programs.

COMMONLY USED GRANT/CONTRACT TERMS

A-21 – Cost Principles for Educational Institutions. OMB Circular A-21 establishes principles for determining costs applicable to Federal grants, contracts, and other sponsored agreements with educational institutions i.e., unallowable costs are not to be charged to federal grants, such as alcohol, alumni activities, bad debts, charitable donations, lobbying, etc.

<http://www.whitehouse.gov/omb/circulars>

A-110 – OMB Circular A-110 sets forth standards for obtaining consistency and uniformity among Federal agencies in the administration of grants to and agreements with institutions of higher education, hospitals, and other non-profit organizations. Areas include debarment and suspension, cost sharing or matching, allowable costs, equipment, codes of conduct, financial reporting, etc.

<http://www.whitehouse.gov/omb/circulars>

A-133 – Administrative Principles that mandate how non-profit institutions administer federal grants and contracts. OMB Circular A-133 sets forth standards for obtaining consistency and uniformity among Federal agencies for the audit of states, local governments, and non-profit organizations expending Federal awards.

<http://www.whitehouse.gov/omb/circulars>

BUDGET – An estimate of project costs, based on anticipated amount of award to be received from Grantor. After a grant or contract is awarded it is a spending guideline based on the sponsor's approval.

CARRY FORWARD – An unobligated balance from a prior Award period, which the Sponsor approves for that amount remaining to be rolled into the current Award period. Note: For Awards under SNAP (Streamlined Non-competing Award Process) carry forward of the unobligated balance is automatic. For Awards not under SNAP a written request to the Sponsor is usually required.

CFDA – Code of Federal Regulations – Required on all domestic Federal awards.

CONTRACT – A written agreement to perform to mutual satisfaction to both parties of said "Contract". A set of deliverables is outlined within the contract.

COOPERATIVE AGREEMENT – An agreement whereby the Sponsor has control and oversight of the work that is contracted. There is substantial involvement between the agency and the recipient.

COST SHARING – When a grant/contract/agreement requires that the University pay for a portion of the projected costs required to complete the grant/contract/agreement. This has to be documented in the award, and Auditors require a financial paper trail of cost shared accounting.

DIRECT COSTS – Costs that can be identified specifically with a particular sponsored project (i.e., salaries, supplies, services, travel, equipment).

F & A – Facilities and Administrative Costs (formerly indirect costs). Government definition of what encompasses Indirect Costs. On Federal Awards these include, office supplies, postage, local telephone services and memberships. 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, an institutional activity, or any other institutional activity.

FSR – Financial Status Report. Also referred to as Form 269 by the government. The form on which a project's expenditures are reported to the Sponsor.

GENERAL LEDGER (GL) – Every expenditure the University posts to the financial system. This is used to create the University's financial statements.

GRANT – The legal instrument reflecting the relationship between the Sponsor and a recipient when the principal purpose of the relationship is the transfer of money, property, services, or anything of value to the recipient in order to accomplish a public purpose of support or stimulations authorized by Federal Statute.

GRANTOR – A government, state or private agency who awards a grant/contract/ agreement to the University.

INDIRECT COSTS – (Also see F&A). Indirect costs are a set percentage of every direct cost.

MATCHING FUNDS – When a Sponsor requires that the University supply a certain amount of funds to accomplish a grant's or project's goals and objectives. This has to be documented for auditing requirements.

OMB – Office of Management and Budget. It is the branch of government that governs federal grants/contracts and agreements and issues circulars. The circulars related to educational institutions are A-110 for administrative regulations, A-21 for cost principles and A-133 for fiscal audits of certain federal research programs.

OVERDRAFT – When an account's expenditures exceed the budgeted amount (also referred to as cost – overruns).

PRINCIPAL INVESTIGATOR (PI)/PROJECT DIRECTOR (PD) – The individual who has been awarded the grant/contract/ agreement on behalf of the University. He/she bears responsibility for completing the agreed requirements of the project and for submitting all reports on the research/project.

PROGRAM INCOME – When a grant or project is involved in an activity that produces income that can be attributed as a side-benefit of that grant or project (i.e, pamphlet sales at a grant-funded clinic). It is the gross income earned by the recipient that is directly generated as a result of the award.

REPORTING REQUIREMENTS – Set by the Grantor. The financial reporting is generated from the Office of Financial Affairs.

SUBCONTRACT – A contract whereby a job or service is to be performed by an outside organization and is paid for from grant/contract/agreement funds.

UNALLOWABLE COSTS – Defined in OMB Circular A-21. Unallowable are: advertising and public relations, alcohol, alumni activities, bad debts, charitable donations, commencement and convocation, contingency provisions, entertainment, fines and penalties, first class and other non-coach travel, goods or services for personal use, housing and personal living expenses for current or past University officers, interest, investment management, lobbying, losses, overdrafts on Sponsored Agreements, memberships in civic or community organizations, country clubs, social clubs and dining clubs, scholarships and student aid costs, selling and marketing products or services of the University, and student activity costs. *See section J of OMB Circular A-21.*

UNLIQUIDATED OBLIGATION – For financial reports prepared on a cash basis, it is the obligations incurred by the recipient that have not been paid.

UNOBLIGATED BALANCE – The unspent balance of a grant or contract which is not promised (obligated) to an outside vendor for goods or services or to be returned to the Sponsor.

Cost Accounting Standards And Facility and Administration Process

COST ACCOUNTING STANDARDS

With the 1995 revision to OMB's Circular A-21, four of the Cost Accounting Standards became applicable to colleges and universities doing business with the government. These four standards required that institutions apply the principle of consistency in the development of proposals and in the recording of costs (CAS 501 and 502) once an award has been received. The other two standards state that the institution will track and exclude "unallowable cost" (CAS 505) from all proposals, billings, and indirect rate computations (the F&A), and finally that the institution will record expenses in the year in which they were incurred (CAS 506).

CAS 501 – Consistency in Estimating, Accumulating, and Recording Cost. The basic restriction in this standard is that you may not propose costs in greater detail than you will be recording those same costs. For example, you may not propose using the actual cost of Dr. Brown's time and effort and record the cost using average departmental cost.

CAS 502 – Consistency in Allocating Cost Incurred for the Same Purpose. The basic restriction here is that cost incurred under like circumstances must be recorded in the same manner whenever that type of cost is incurred. For example, if the institute records an administrative assistant's salary and wages as an indirect cost, then all administrative assistants' salaries and wages must be recorded as indirect cost. (There are exceptions to this general rule in A-21, but the PI and the institution have the burden of proving that the exceptions are applicable.)

CAS 505 - Accounting for Unallowable Cost. This standard requires that the institution be able to identify unallowable costs and any directly associated costs of mutually agreed to be unallowable costs in the accounting records, and that such costs will not be included in any proposal or claim for reimbursement from the government as either direct costs or indirect costs.

CAS 506 - Cost Accounting Period. The institution must consistently use its fiscal year for the recording of cost to accounting periods. In other words, a cost which benefits one fiscal year will not be recorded as an expense of prior or subsequent accounting periods.

In total, there are some 19 standards currently issued by the CAS Board. Only these four are applicable to higher education institutes.