PRE-AWARD & POST-AWARD
Sponsored Projects Administrative Guide

Pre-Award
Sponsored Research Services (SRS)
Killgore Research Center, Room 184
Phone: 651-2984  email: srs@wtamu.edu
Web page: wtamu.edu/srs

Post-Award
Accounting and Business Office
Old Main, Room 104
Phone: 651-2077  email: jharvell@wtamu.edu
Web page: wtamu.edu/srs
PRE-AWARD

ADMINISTRATIVE GUIDE

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Killgore Research Center, Room 184
Phone: 651-2984 email: srs@wtamu.edu
Web page: wtamu.edu/srs
Purpose

This section of the handbook has been created to acquaint investigators with services offered by Sponsored Research Services (SRS) and to serve as a reference guide to the basic processes involved in obtaining external funding. Following this section are the financial guidelines and processes applicable after a sponsored project award is made.

Although WTAMU has two offices involved with external funding all federally sponsored projects and most other faculty or staff initiated sponsored projects will be submitted through Sponsored Research Services. Corporate and Foundation Relations, the other office involved with external funding, has the specific mission of helping the university community identify, establish, and coordinate private support to advance the mission of the university and address its strategic priorities. If there is any confusion as to which office you should submit your proposal through please call SRS at 651-2984 and we will assist in making the appropriate determination.

We hope this handbook will be a useful guide for you and we welcome your comments and suggestions for changes. Please send your suggestions to srs@wtamu.edu

Key Areas of Responsibility for SRS

SRS is WTAMU’s primary sponsored projects support office for PreAward and PostAward non-financial activities. The SRS office should always be consulted concerning questions of sponsoring agency policies or procedures. The key functions SRS provides are:

- Assist in identifying funding opportunities
- Review and interpretation of sponsor guidelines
- Budget and Budget Justification preparation with assistance from Principal Investigator (PI) or Program Director (PD)
- Review proposal for compliance with funding guidelines and institutional policies
- Edit proposal for grammar / make suggestions for strengthening the proposal (if requested)
- Prepare representations and certifications
- Submit proposal to funding agency
- Serve as liaison between WTAMU / PI or PD and sponsor
- Read / review terms and conditions of incoming awards and summarize on Summary of Terms & Conditions (STC) for easier award administration
- Negotiate unacceptable award terms
- Prepare and negotiate subagreements to outside entities
- Assist with routine requests to sponsor (e.g., no cost extensions, rebudgeting requests)
- Assist PI / PD with transfers of active sponsored projects to or from another institution
- Facilitate the President’s Undergraduate Summer Research Program and the Killgore Grant for faculty and graduate students
- Assist with day-to-day administration of the Export Control and Financial Conflict of Interest (FCOI) compliance programs
- Maintain proposal and non expenditure award data for local and state requested reporting
Identifying funding opportunities

WTAMU subscribes to Community of Science (COS) Pivot, a comprehensive funding database that includes federal government funding agencies, private and corporate foundations, and other funding organizations. As a faculty, staff or student of WTAMU you can create and save customized searches. Contact SRS, 651-2984, for additional information. Your SRS Grant Specialist will visit with you to assist in setting up your COS Pivot account and to demonstrate how to initiate customized searches.

In addition, your Grant Specialist can conduct a manual search of funding opportunities. Each day SRS Grant Specialists review numerous funding publications and will forward any information relevant to your interests.

WTAMU offers several opportunities for funding from University sources. Information can be obtained by visiting the Research web page at wtamu.edu/research.

Sponsor Guidelines and Proposal Forms

Once you have identified a sponsor that may be interested in your project, SRS can assist in completing the required proposal forms, and interpretation of the sponsor guidelines. First step is to submit a Notice of Intent (NOI) to SRS which alerts your Grant Specialist and Department Head of your intent to submit a proposal and the funding opportunity you are interested in. Your Grant Specialist will then meet with you to initiate a work plan by establishing a time line, assigning responsibilities and answering questions. The NOI form can be found on the SRS website, wtamu.edu/srs or in Appendix A.

Federal Sponsors

Federal sponsors are those from any branch of the U.S. Government. All funding from federal sponsors are subject to applicable federal regulations with respect to administration as well as WTAMU procedures and the following of system policies/regulations. SRS will assist you in ensuring your proposal and budget meet these requirements.

System Policy 15.01.01 Administration of Sponsored Agreements—Research and Other
System Policy 15.01.02 Federal Procurement Integrity Act
System Policy 15.01.03 Financial Conflicts of Interest in Sponsored Research
System Policy 15.02 Export Controls
System Policy 15.99.01 Use of Human Participants in Research
System Policy 15.99.02 Classified Information
System Policy 15.99.03 Ethics in Research, Scholarship and Creative Work
System Policy 15.99.05 Research Compliance

All proposals to federal sponsors are submitted through Sponsored Research Services and post-award financial administration is handled by WTAMU’s Accounting and Business Office. Most government agencies require electronic submission of proposals with an official institutional electronic signature. This electronic signature is only available through SRS.
Non-Federal Sponsors

WTAMU also receives funding from non-federal sponsors who may have their own terms and requirements related to their sponsored project funding. WTAMU procedures and system policies and regulations also apply to this source of funding. Once again, SRS will assist you in ensuring your proposal and budget meet these requirements and in interpreting the sponsor guidelines.

Preparing the Proposal

Preparing the proposal is the most important step in the grant process. Taking a systematic and methodological approach will result in a concise, well-written proposal that has a better chance of success. The proposal requirements are determined by the sponsor and can be found in the sponsor’s funding guidelines. Some sponsors are very specific requiring a certain number of pages, margin width, and font size. SRS will help ensure your proposal meets those sponsor requirements by assisting with the interpretation of the sponsor’s guidelines and reviewing the proposal against those guidelines and other applicable Federal, System and Institutional requirements.

Budget

Budgets should be an accurate reflection of the necessary expenses associated with a sponsored project including the applicable overhead (i.e., indirect costs (IDC) or facilities & administrative costs (F&A)). The budget is developed in conjunction with your Grant Specialist following the sponsor guidelines as well as the University, the System and Federal requirements. SRS Grant Specialists work closely with WTAMU’s Post Award office when questions arise during the development of the proposal budget to ensure budgeted costs are allowable, reasonable and allocable to the project.

Allowable costs are those categories of costs that can be charged to a sponsored project. Certain types of costs (ex: liquor) are not allowable and may not be charged at any time, others may be restricted by the sponsor.

Costs are considered reasonable if a prudent person would have taken the same action given the circumstances.

Allocable costs are those that actually benefit the sponsored project to which they are being charged.

System Policy 15.01.01, Administration of Sponsored Agreements—Research and Other
OMB Circular A-21, Cost Principles for Educational Institutions

Compensation during periods outside of the academic year, such as summer, cannot exceed the employee’s Institutional Based Salary (IBS) as stated in your appointment letter.

Incidental or Supplemental pay from a sponsored project is only applicable to faculty and must meet the following criteria: (See Appendix B)

1. Across departmental lines
2. Outside the scope of the employee’s regular appointment
3. Short term in nature, and
4. Provided for in the sponsored agreement, or approved in writing by the sponsoring agency.
**System Policy 15.01.01 Administration of Sponsored Agreements—Research and Other, section 10.2** specifically directs WTAMU to establish procedures to recover all F&A costs based on the rates negotiated with DHHS. The exception to this directive is if a sponsor has a written policy of paying a specific F&A rate for all similar agreements regardless of which institution or site is the recipient of the funding. To approve this exception a copy of the sponsor’s written policy is required. WTAMU’s most recent F&A rate agreement may be found at [wtamu.edu/srs](http://wtamu.edu/srs).

Any request to waive or reduce F&A on projects is considered a type of cost share and must be captured within the accounting system. To be captured there must be an alternate account to charge the expense to and must receive internal approvals prior to submitting the budget to the sponsoring agency.

Waiving of F&A costs results in two undesirable consequences.

1. **The F&A costs incurred by WTAMU are not recovered for the particular project activity.**
2. **It imposes an undesirable impact when future F&A rates are negotiated. Unrecovered F&A costs cannot be included in future negotiations of the F&A cost recovery rate.**

**F&A waivers that may be accepted (a F&A Waiver Form is required)**

- Start-up/pilot project in which WTAMU is willing to share costs in anticipation of future growth in external funding. This will be limited to a specific time period after which full recovery is expected.
- New faculty transferring grants to WTAMU from another institution at the prior institution’s rate. This will be limited to a specific time period after which full recovery is expected.
- Important outreach activities, including projects that WTAMU would otherwise fund using its own resources.
- Collaborative arrangements in which WTAMU is receiving benefit other than cash in support of the project. Such benefit will require documentation from the provider of the benefit. The documentation must be sufficient to meet audit requirements.

**F&A waivers that normally will be denied**

- Waivers requested solely because an award does not provide adequate direct costs for completion of the full scope of the project (e.g., total award is capped).
- Waivers based solely on precedent.
- Waivers that will not provide equitable treatment to all WTAMU researchers applying to the same sponsor.
- Waivers for awards under which intellectual property rights do not remain with WTAMU.
- Waivers for the purpose of meeting cost share requirements without a corresponding commitment from the researcher’s Department for a proportional direct cost commitment.

**Applicability and duration of waived F&A**

A F&A waiver will apply to the project and for the proposed amount of the waiver for the non-competing period of the project provided there is no material change in the project that affects the basis on which the waiver was approved.

The *F&A Waiver Form* may be found at [wtamu.edu/srs](http://wtamu.edu/srs) or ask your Grant Specialist.
Compliance

Funding agencies and WTAMU require institutional approval for projects that will involve human subjects, vertebrate animals, or hazardous biological chemicals, or radiological substances. Obtaining compliance approvals is the responsibility of the PI / PD. Financial Conflict of Interest disclosures must be current and Export Control procedures must also be considered for each project. Additional instructions for acquiring the required approvals can be found on the research web page [http://www.wtamu.edu/academics/wtamu-research.aspx](http://www.wtamu.edu/academics/wtamu-research.aspx). In all cases, the sponsored project cannot begin nor will access to grant funds be allowed without the necessary compliance approvals in place.

Export Control Regulations

It is the responsibility of the project PI / PD to be aware of this policy and to notify SRS of potential export control issues.

Export control regulations are federal laws that prohibit the unlicensed export of certain commodities or information for reasons of national security or protections of trade. For most research universities, the greatest concern centers on the “deemed export” of information, data, materials, items, and services having combined civilian and military uses, so-called “dual uses”. Controlled information, data, materials, items, and services may be “deemed” to be “exported” in two ways, both of which are common activities at research universities:

⇒ **Inside the U.S.:** Oral or visual communications with non-U.S. citizens through collaborative research, teaching or training, lab tours and related activities.

⇒ **Outside the U.S.:** Unauthorized presentation of a controlled article, data, etc. or simply carrying such information electronically to and inside a restricted country.

Most sponsored project activity is excluded from export controls because of the general exception for “fundamental research” under the export control regulations. The National Security Decision Directive 189 provides the following definition of “fundamental research”.

**FUNDAMENTAL RESEARCH**

“Basic and applied research in science and engineering, the results of which ordinarily are published and shared broadly within the scientific community, as distinguished from proprietary research and from industrial development, design, production, and product utilization, the results of which ordinarily are restricted for proprietary or national security.

Export regulations apply whether an external sponsored project is involved or not. Penalties are severe for non-compliance, including monetary and criminal punishment. The following link provides additional information: [http://www.wtamu.edu/environmental_safety/faculty-sop.aspx#Export_Control](http://www.wtamu.edu/environmental_safety/faculty-sop.aspx#Export_Control)

WTAMU adheres to principles of openness in research based on our mission of education, research and public service. **By not accepting sponsor restrictions on publication of scientific and technical information or foreign nationals, WTAMU protects the fundamental research exemption.**

System Policy 15.02, Export Controls
WTAMU SOP 24.01.01.W1.36AR, Export Controls
Financial Conflict of Interest in Sponsored Research

The “Financial Conflict of Interest (FCOI) in Sponsored Research” TAMUS policy was designed to promote objectivity in research by establishing standards that provide a reasonable expectation that the design, conduct, and reporting of research, regardless of the funding source, will be free from bias resulting from principal investigator/project director financial conflicts of interest. It applies to the principal investigator (PI), project director (PD) and any other person, regardless of title or position, who is responsible for the design, conduct or reporting of research or research activities. This policy is not applicable to students unless a student receives compensation from the project for their research efforts (e.g., scholarship, salary or tuition reimbursement). FCOI disclosure is required on an annual basis and within 30 days after acquiring a new significant financial interest. The disclosure requirement extends to covered family members as well.

See System Policy 15.01.03 Financial Conflicts of Interest in Sponsored Research and WTAMU SOP 24.01.01.W1.35AR Conflict of Interest in the Design, Conduct and Reporting of Sponsored Research and Educational Activities for additional information. Your Grant Specialist can also assist you in understanding the disclosure requirements.

This policy is distinct from and in addition to the general “Faculty Consulting, External Employment and Conflicts of Interest” Rule #31.05.01.W1 which applies to consulting and external professional employment by faculty members that is directly related to their academic and professional discipline.

Submitting the Proposal

The PI / PD must have a current Financial Conflict of Interest Disclosure on file with SRS before a proposal will be submitted to the funding agency. All proposals and/or applications for external support must be reviewed by SRS prior to being submitted to the sponsor.

The review process applies to all grant and contract proposals. It also applies to pre-proposals or other preliminary grant applications, such as concept papers, if they involve budget figures or a commitment of institutional resources.

Only the Chief Research Officer or a designee has institutional signature authority* for sponsored project proposals. Even when a funding agency’s electronic system gives the PI / PD authority to submit their own proposals they must be routed through SRS for review first. Likewise, proposals that do not require an institutional signature must still be routed through SRS before being submitted to the funding agency.

* No PI / PD is authorized to sign on behalf of West Texas A&M University
Adherence to the suggested proposal submission date of 5 days prior to the agency due date is strongly encouraged. Proposals need time to be reviewed by SRS, captured into Maestro (The TAMU System’s on-line research administration portal.) for electronic routing to and approval by your Department Head and Dean prior to the proposal being submitted to the funding agency. This is a change to current practices but is being initiated as a request from WTAMU Department Heads and as a good business practice.

⇒ SRS will review the proposal for compliance with sponsor guidelines  
⇒ SRS has the fiduciary responsibility to ensure all University, Sponsor, State and Federal regulations, laws, policies and rules are met

Meeting the suggested lead time may also provide SRS the opportunity to submit the proposal early; thus, avoiding any last minute unforeseen problems during electronic submissions.

For the occasional situation when you are unable to meet the 5 day lead time, please contact your Grant Specialist as soon as possible. SRS does not want to discourage proposal submissions, we will work with you on meeting the submission deadline.

PLEASE NOTE: For proposals that are either sent to a sponsoring agency without being reviewed by SRS, or which have been provided to SRS with less than 24 hours to review, WTAMU reserves the right to:

⇒ withdraw the proposal  
⇒ not accept the award if funded  
⇒ renegotiate the terms and conditions, budget, resources, etc., before accepting the award

Proposal Revision and Resubmission

If your proposal is turned down, request the reviewers comments and seek feedback from the program officer. If the comments are encouraging about resubmission, your chances of success on a resubmission are enhanced.

★ Respond specifically to the reviewers comments in the narrative of the revised proposal.  
★ Point out changes made to strengthen the proposal in the areas judged to be weak, and clarify information that may have been misinterpreted in the initial review.  
★ Work closely with the program officer and be willing to rethink aspects of the project based on the feedback.

Your Grant Specialist can assist with crafting the resubmission to address the reviewers’ comments.

Consider helping a colleague by allowing SRS to share the reviewers comments with other PI / PDs within WTAMU. Having insight into what the reviewers are looking for in a proposal is invaluable toward writing a strong and competitive proposal. SRS is willing to redact information you may consider confidential. Or better yet, consider mentoring a less experienced grant writer. SRS can help coordinate this.
Types of Sponsored Projects

Sponsored projects are established when funds are awarded to WTAMU by external sources in support of research, instruction, training, service or other scholarly activities. They are typically in the form of grants, contracts, or cooperative agreements. WTAMU accepts the written award and by doing so assumes the obligation to provide a deliverable in exchange for a sponsors’ funding. Sponsored projects require separate accountability for the funds received.

**Grants** generally have fewer conditions than other sponsored projects. They are awarded to support projects described in proposals and the PI / PD controls the direction of the project. Ordinarily, grants do not include commitments to provide specific deliverables other than a final report.

**Cooperative Agreements** are similar to grants but typically involve a significant level of sponsor participation in the administration and direction of the project.

**Contracts** are most often awarded based on proposals submitted in response to a Request for Proposal (RFP) call from the sponsor. A contract typically includes commitments to provide specific deliverables such as data analysis, surveys, or testing of a product. Because contracts normally include restrictive terms and require deliverables, the office of SRS will review the RFP closely for possible problematic terms and conditions before the proposal is submitted. Exception letters will often accompany the proposal if unacceptable terms or conditions are identified in the RFP.

**Award Negotiation and Acceptance**

Award notices are usually forwarded to SRS; however, if you receive a notice from the funding agency, please contact the Grant Specialist who worked with you on the proposal to be sure SRS has also received a copy. All award notices are reviewed and, if necessary, negotiated by SRS to ensure the terms and conditions are acceptable and institutional signature is acquired when necessary. The fully executed award document and the proposal is then distributed to the PI / PD and the Business Office who will establish an account for the project. As a PI / PD you are not authorized to accept an award on behalf of the institution.

**Remember that you must have received institutional approvals if the project will involve human subjects, vertebrate animals, hazardous biological, chemical or radiological substances before the project can begin.**

During the project period SRS serves as a liaison between the funding agency and the PI / PD. We handle any necessary subagreements and along with the post-award accounting and business office facilitate actions requiring agency approval/notification such as budget reallocations, changes of scope of work and time extensions. WTAMU’s post-award accounting and business office has prepared a document (*WTAMU Post-Award Accounting Procedures on Sponsored Agreements—Grants & Contracts*) to assist in the financial administration of your award. Be sure to frequently consult the following post-award financial section during the project period. Contact the SRS Grant Specialist assigned to your project with any questions you have about the overall administration of your project.

**Deliverables** can be:
- Performing specific research
- Accomplishing a specific objective
- Providing a service
- Producing a product or report
- Presenting results
Related Documents for Reference

OMB Circular A-21, Cost Principles for Educational Institutions

OMB Circular A110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations

System Policy 15.01.01 Administration of Sponsored Agreements—Research and Other

System Policy 15.01.02 Federal Procurement Integrity Act

System Policy 15.01.03 Financial Conflicts of Interest in Sponsored Research

System Policy 15.02 Export Controls

System Policy 15.99.01 Use of Human Participants in Research

System Policy 15.99.02 Classified Information

System Policy 15.99.03 Ethics in Research, Scholarship and Creative Work

System Policy 15.99.05 Research Compliance

WTAMU Post-Award Accounting Procedures on Sponsored Agreements (Grants and Contracts)

WTAMU SOP 24.01.01.W1.35AR Conflict of Interest in the Design, Conduct and Reporting of Sponsored Research and Educational Activities

WTAMU SOP 24.01.01.W1.36AR Export Controls

Appendix A - Notice of Intent (NOI)

Appendix B - Supplemental Pay
NOTICE OF INTENT
To Seek External Funding

Per WTAMU procedures, you are required to complete and submit this form to the Office of Sponsored Research Administration (Killgore Research Center #184) prior to generating a proposal to a funding entity. A funding entity is defined as a governmental agency, foundation, trust, business, industry, corporation or individual.

Principal Investigator/Project Director Information

Name ___________________________________________________________
Department _______________________________________________________
Office Address _____________________________________________________
Telephone Number ____________________ E-mail Address ______________________

PI/PD Signature __________________________________ Date ________________
(Your signature confirms agreement to PI responsibilities and your acknowledgement of meeting WTAMU requirements to be a PI/PD.)

Supervisor’s Signature ___________________________ Date ________________
(Your signature confirms your support (representing WTAMU) of the PI/PD pursuing the funding opportunity identified herein.)

Funding Entity Information

Name ___________________________________________ CFDA # ___________
Program/Grant Title (if applicable) _________________________________________
Letter of Intent _____ Pre-Proposal _____ Full Proposal _____ Cost-sharing Required _____
Due Date _______________ Physical delivery _______ or Electronic delivery _______

Brief Description of Project:
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
Only faculty qualify for **Supplemental Pay** on a sponsored project; however, the activity must meet the following criteria to be allowable.

1. The work requires special professional expertise beyond the capabilities of those:
   A. Being paid directly on the project or activity; or
   B. Within the same discipline or administrative unit that could be assigned to the project.

2. The work is clearly outside the scope of, and is to be performed in addition to, the faculty member’s regular full-time teaching, research or service responsibilities, and it can be performed without reducing effort or otherwise sacrificing the amount or quality of time spent on regular responsibilities.

3. The work is to be performed on a one-time or an intermittent basis.

4. Work must be across departmental lines or involving a separate or remote operation. *(OMB A-21, J.10.d.(1))*

5. Must be specifically provided for in the sponsored project agreement or approved in writing by the sponsoring agency. *(OMB A-21, J.10.d.(1))*

*(References: System Policy 33.99.07 Internal Faculty Consulting and Professional Services & OMB Circular A-21)*

**PROCESSES:**

**Approval:** *Prior to* engaging in compensable work on a sponsored project:

1. Complete outside consulting form.

2. Contact the **Business Office (651-2077)** or **Sponsored Research Services (651-3554)** to discuss the situation to ensure allowability.

**Compensation:** Normally provided at the same hourly rate as base salary and is subject to payroll deductions.
West Texas A&M University

Post-Award Accounting Procedures on Sponsored Agreements
(Grants and Contracts)

These are administrative procedures that must be observed by West Texas A&M University for all sponsored agreements and related cost share accounts. These procedures are in accordance with and provide supplemental interpretation of federal regulations contained in the Office of Management and Budget (OMB) Circulars A-21, A-110, and A-133, as well as Texas A&M University System policies. These procedures provide guidance which attempts to reduce the likelihood of improperly executed or managed sponsored activities.

Definition of Sponsored Agreements:
Sponsored agreements are projects and activities that are supported (in whole or in part) with funds, materials, or other resources provided by sources outside the university. Examples of projects and activities are research and instruction.

Types of Sponsored Agreements include, but are not limited to, the following:
- Cost-Reimbursement Contract
- Fixed Price Contract
- Grants
  - Project Grant
  - Consortium Grant
  - Demonstration Grant
  - Formula Grant
  - Grant-In-Aid
  - Step-Funded Grant
- Cooperative Agreement

(For further details on definitions and types of sponsored agreements, see Section 2 of the A&M System Administration of Sponsored Agreements 15.01.01.)

*Note all sponsored projects must follow WTAMU procedures and A&M System policies. However, not all WTAMU and A&M System spending policies and procedures are allowable for sponsored projects. In these cases, the cost should be charged to a faculty or departmental discretionary account.
Table of Contents

1. Definition and Types of Sponsored Agreements
2. General Procedures and Responsibilities
3. Account Set-Up
4. Determination of Allowable Costs
   a. Unallowable Costs
   b. Direct v. Indirect Costs
   c. Business Meals
   d. Miscellaneous
5. Required Documentation for Costs
6. Account Monitoring
7. Payroll/Time and Effort
   a. Time and Effort Purpose and Explanation
   b. Time and Effort Electronic System
   c. Summer Salary
8. Cost Share
   a. Types of Cost Share
   b. Criteria for Cost Share
   c. Allowable Forms of Cost Share
   d. Cost Share Accounts
   e. Documentation
9. Account Close-Out
10. Definitions
General Procedures and Responsibilities

In accepting sponsored agreements, university members are obligated to fulfill the purposes, and to meet the requirements, of the sponsored agreement. Expenditures of funds or use of resources provided by the sponsor or cost shared by the university member are governed by the sponsored agreement, WTAMU procedures, and system policies and regulations. Federal-sponsored agreements are also subject to OMB Circulars A-21, A-110, and A-133.

The university is entrusted with the use of public funds, facilities, and other property for the welfare of the public. Such funds or facilities cannot be diverted, nor personnel assigned, to serve the specific interests of a private firm or individual unless the costs for such use of facilities and personnel are reimbursed under the terms of a specific sponsored agreement. Each faculty and staff member who participates in sponsored research or other sponsored agreements are responsible for ensuring that any research or other activity undertaken or recommended for approval is clearly consistent with this procedures document and the A&M System regulation.

(Section 1 of the A&M System Administration of Sponsored Agreements, 15.01.01.)

Account Set-Up Procedures

In order to set up an account for a sponsored project, the following criteria must be met:

- The contract or agreement must be signed by all parties. (In special circumstances, exceptions can be made with written approval from the granting agency.)
- An initial meeting for each sponsored agreement must take place between the PI, the Accounting Grants Manager, and Sponsored Research Services to discuss project goals, procedures, timelines, budgets, etc. Required monthly, quarterly, or annual meetings will be discussed at that time.
- If the sponsored agreement has required cost share or matching, a matching/cost share account will be set up.
- A departmental account must be provided.
  - In the event that unallowable expenses need to be moved or the sponsored research account is overdrawn, this departmental account will be used.
Determination of Allowable Costs on Sponsored Agreements

Allowability of Costs

The tests of allowability of costs under these principles are: (a) they must be reasonable; (b) they must be allocable to sponsored agreements under the principles and methods provided herein; (c) they must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances; and (d) 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 (OMB Circular A-21 Section C.2).

Unallowable Costs

Unallowable costs on all funds associated with sponsored agreements (grant accounts, cost share, indirect cost) are determined according to the federal guidelines in OMB A-21.

Listed below is a partial list. See OMB Circular A-21 Section J for an exhaustive list and specific details as to what constitutes each item below.

*Note: Exceptions may apply if specifically stated in the contract.

- Advertising and public relations costs to promote the institution
- Alcoholic beverages
- Alumni/ae activities
- Bad debts
- Commencement and convocation costs (see OMB A-21 (J)(8) for exceptions)
- Contingency provisions
- Defense and prosecution of criminal and civil proceedings, claims, appeals, and patent infringements (see OMB A-21 (J)(13) for exceptions)
- Donations and contributions
- Entertainment costs
- General purpose equipment and other capital expenditures (see OMB A-21 (J)(18) for exceptions)
- Fines and penalties
- Goods or services for personal use
- Housing and personal living expenses of a university officer
- Insurance and indemnification
- Fund raising and investment costs (see OMB A-21 (J)(20) for exceptions)
- Lobbying
- Losses on other sponsored agreements or contracts
- Membership costs in any civic, community, country club, or other social or dining club or organization
- Pre-agreement cost
- Selling and marketing
- Student activity costs (intramural activities, student clubs, student publications)
Direct versus Indirect Costs

Some costs are allowable only as F&A (indirect) costs, such as office supplies, postage, membership, or administrative salary. Below are definitions and examples of common direct and indirect costs.

Indirect Costs: Indirect Costs (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 instructional activity, or any other institutional activity. (For further explanation of F&A (indirect) costs, please see OMB Circular A-21 Section F.)

Direct Costs: Direct costs are those costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or F&A (indirect) costs. Where an institution treats a particular type of cost as a direct cost of a sponsored agreement, all costs incurred for the same purpose in like circumstances shall be treated as direct costs of all activities of the Institution. (e.g., grant and cost share accounts).

<table>
<thead>
<tr>
<th>Normal Direct Cost</th>
<th>Normal F&amp;A (Indirect) Cost</th>
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<tbody>
<tr>
<td><strong>Compensation &amp; Employee Benefits</strong></td>
<td><strong>Compensation &amp; Employee Benefits</strong></td>
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<tr>
<td>Faculty, technicians, research associates and assistants,</td>
<td>Administrative or clerical positions such as administrative assistants, accountants, office personnel, purchasing agents, executive assistants, and other administrators. Faculty on non-sabbatical/triennial leave. (Administrative support may be allowable as a special circumstance under A-21).</td>
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<tr>
<td>including graduate research assistants and other students</td>
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<td>performing scientific or technical work, post doctoral</td>
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<td>associates and other technical and programmatic personnel</td>
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<td>necessary to meet the goals of the project.</td>
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<td><strong>Travel &amp; Meals</strong></td>
<td><strong>Travel &amp; Meals</strong></td>
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<td>That which is required to carry out the objectives of the</td>
<td>That which is related to administrative activities, food &amp;</td>
</tr>
<tr>
<td>sponsored project including travel to scientific sites.</td>
<td>drink during a lab meeting, entertainment (unallowable in the F&amp;A rate as well), alcoholic beverages (unallowable in the F&amp;A rate as well).</td>
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<tr>
<td><strong>Supplies</strong></td>
<td><strong>Supplies</strong></td>
</tr>
<tr>
<td>Laboratory and scientific supplies, including laboratory</td>
<td>Office supplies, custodial supplies, parts and supplies</td>
</tr>
<tr>
<td>notebooks, glassware, chemicals, field supplies, compressed</td>
<td>associated with repair and maintenance of general purpose</td>
</tr>
<tr>
<td>gases and liquids, radioactive material, software, animals.</td>
<td>equipment and facilities, paper, forms, personal stationery,</td>
</tr>
<tr>
<td>Parts and supplies related to scientific and technical</td>
<td>pads, pens, pencils, markers, printer and fax paper toner,</td>
</tr>
<tr>
<td>equipment.</td>
<td>and ink cartridges. (Some general purpose office supplies may be allowable as a special circumstance under A-21).</td>
</tr>
<tr>
<td><strong>Books &amp; Subscriptions</strong></td>
<td><strong>Books &amp; Subscriptions</strong></td>
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<tr>
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</tr>
<tr>
<td>Books and subscriptions not available in University or departmental library.</td>
<td>Books and subscriptions available in University or departmental library and general purpose books and reference materials.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>External &amp; Internal Copying</strong></th>
<th><strong>External &amp; Internal Copying</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Copying of progress reports.</td>
<td>Copying of new grant proposals, purchasing documentation and timesheets, library copy cards.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Animals &amp; Hazardous Materials</strong></th>
<th><strong>Animals &amp; Hazardous Materials</strong></th>
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</thead>
<tbody>
<tr>
<td>Hazardous materials, animal purchases, animal per diems.</td>
<td>Radioactive waste</td>
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<tr>
<th><strong>Communications</strong></th>
<th><strong>Communications</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Documented long distance calls</td>
<td>Local calls, telephone equipment purchases and installation/repair, cell phones and use, pagers, network charges (unless dedicated lines are required for large data transmissions with collaborators.)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Printing, Publications &amp; Illustration Charges</strong></th>
<th><strong>Printing, Publications &amp; Illustration Charges</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Reprints of manuscripts supported by award, scientific illustrative work and research subject recruitment.</td>
<td>Printing of proposals, advertising (dependent upon award).</td>
</tr>
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<table>
<thead>
<tr>
<th><strong>Postage &amp; Mailing</strong></th>
<th><strong>Postage &amp; Mailing</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Express service for project specific samples or in direct support of the project.</td>
<td>Express service of proposals and progress reports, local postage costs (depending upon award), international postage, bulk mail services (depending upon award) and University mail services.</td>
</tr>
</tbody>
</table>

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<tr>
<th><strong>Professional Services</strong></th>
<th><strong>Professional Services</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Lecture fee (not on research awards and depending upon training award) and consultant services.</td>
<td>Accounting services, legal, or audit services (unless specified in award).</td>
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<table>
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<tr>
<th><strong>Equipment</strong></th>
<th><strong>Equipment</strong></th>
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</thead>
<tbody>
<tr>
<td>Scientific equipment (and maintenance contract)</td>
<td>General purpose equipment (unless used specifically and exclusively for scientific purposes).</td>
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</table>

<table>
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<tr>
<th><strong>Other</strong></th>
<th><strong>Other</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Human subject payments and subrecipient costs.</td>
<td>Dues and memberships, parking fines (unallowable in the F&amp;A rate as well), taxes-non-payroll, and spouse/dependent tuition benefit.</td>
</tr>
</tbody>
</table>

**Note:** This matrix indicates when a particular cost is normally charged directly to a sponsored project or as an F&A cost. This listing of costs is not all inclusive but provides examples of those most commonly associated with sponsored projects.
Business Meals and Working Lunches

The cost of purchased meals while not on travel status will normally not be allowed as a direct charge to a federal or state grant because the WTAMU employee is not "traveling" and the cost is normally considered a personal expense.

However, when a food or beverage cost meets the following three criteria, and the Principal Investigator (PI) provides written justification of the business purpose of the expenditures and how they relate to the specific sponsored project, (including purpose of the meeting, list of attendees, beginning and end times, a business meal/working lunch form, and an itemized meal receipt), a meal cost may be charged to a sponsored project. The applicable criteria are:

1. The cost must be **allowable** under both the provisions of **OMB A-21** AND under the terms of the specific award. The food and beverages must not be directly related to a social event.
2. The cost must be **allocable**, that is, the project which pays the expense must benefit from it. More specifically, the food and beverage must be integral to a project-related event.
3. The cost must be **reasonable**, that is the cost reflects what a "prudent person" would pay in a similar circumstance.

Examples of **allowable** food charges:

- Lunch and refreshments provided for periodic all-day meeting of collaborators on a program project (with formal agenda and participants from different locations).
- A post-doc being recruited to fill an open position on a research grant travels to WTAMU. Her/his meal may be charged to the grant since she/he is on travel status, but the PI's meal may not.

Examples of **unallowable** food charges:

- Lab personnel meet weekly to discuss progress on the grant.
- PI has lunch/dinner with a colleague and discusses research.

***Tips are NEVER allowed on federal or state sponsored agreement accounts, TEES indirect costs accounts, or cost-share accounts.***
Miscellaneous

Equipment

Equipment is defined as “an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the institution for financial statement purposes, or $5000.” (OMB Circular A-21, J.18)

Equipment purchases must be approved by the granting agency explicitly and in writing, either in the agreement or sometime prior to the purchase. The Accounting Grants Manager must have a copy of this written approval (e.g., copied on the e-mail).

With a few exceptions, equipment should be purchased on sponsored agreement accounts within the first three months of the project period or three months after the account set-up. (When equipment is included on a sponsored agreement project, it is normally assumed that the equipment is necessary to perform the work outlined in the agreement.)

Equipment purchases must follow all state, A&M System, and WTAMU policies and procedures. This includes going through the bid process (OMB Circular A-110, 46).

Scholarships

When charging scholarships to a sponsored agreement account, the semester or term the scholarship is covering must be completed before the expiration of the grant. (e.g., scholarships for fall 2012 could not be posted to a grant that expires before 12/31/2012).

Travel

Sponsored agreement funds cannot be used for fees or services that a prudent person would consider unnecessary or excessive for the purpose of the travel. Since WTAMU is a public institution of the state of Texas, state guidelines must also be followed according to normal WTAMU procedures and A&M System policies. (OMB Circular A-21, J.53)

These charges, for example, would not be considered allowable on a sponsored agreement.
  - Early boarding fees
  - Valet parking charges (self-park is available for less thus the most prudent use of funds)
  - Internet (internet services are never allowable on grant funds because no documentation can be provided proving that the internet service was used exclusively for the sponsored agreement’s purpose)
  - Tips on meals are still never allowable on federal or state sponsored agreements, even in travel status
Foreign travel must be approved by the granting agency in writing, either specifically in the contract or sometimes prior to the travel. The Accounting Grants Manager must have a copy of this written approval (e.g., copied on the e-mail).

**Required Documentation of Costs**

All costs on sponsored agreement projects, including grant accounts, indirect cost, and cost-share, must be adequately documented. Usually, documentation that is normally accepted under WTAMU procedures is considered adequate for sponsored agreement projects. However, the following exceptions apply:

**Pro-Card**

For all purchases, fees, and refunds made on a pro-card, the following documentation is required:
- An itemized, readable receipt *(supplemental/missing documentation forms are only allowable for refunds or international transaction fees for which no other documentation was provided by the vendor)*
- A detailed description on the allocation log
  - Examples of sufficient descriptions:
    - Kernels to feed maize weevils for sorghum resistance research, storage containers
    - Rodents to feed lure owl for capturing Swainson’s hawks
    - Disinfection supplies for Ogallala spray tests
    - AWEA (American Wind Energy Association) Windpower conference registration
    - Books: Innovation Generation and Imagine
    - Refund for damaged item (camera)
  - Examples of insufficient or unallowable descriptions:
    - Lab supplies
    - Misc. supplies for research
    - Registration
    - Books
- For business meals, a business meal/working lunch form is required
- For international purchases where the receipt amount is in a foreign currency, the vendor’s currency and the equivalent U.S. dollar amount should be written on the receipt.
**In-Kind Cost Share**

For cost-share that has been labeled “in-kind”, such as facility, equipment or vehicle use, documentation must be provided. You must be able to document that the amount claimed as cost-share is the equivalent of an actual or reasonable expense.

For example, to claim in-kind cost share for facility use where the facility normally charges rental fees, the amount claimed must be the actual amount charged for renting the facility. So, in order to claim $2,000 in cost share to host a 4-hour conference, documentation must be provided showing that the facility normally charges $500/hour for facility rental.

If the in-kind cost share is only a representation of the actual cost, then a memorandum can be drafted by the Accounting Grants Manager. The in-kind cost must prove to represent fair market value (OMB Circular A-110, 23.C(2)). The PI would sign the memorandum to certify that the amount claimed is a reasonable representation of an actual cost. For example, if a facility is being used for a sponsored agreement at no cost that is not normally rented to outside vendors, research must be done to determine the rental cost of a facility of similar size and amenities. The memorandum would then use that cost as a basis for the amount of cost share.

(For further requirements concerning the documentation of cost share, please see OMB Circular A-110, 23)

**Account Monitoring**

Active monitoring of sponsored agreements is required under federal guidelines. “Recipients are responsible for managing and monitoring each project, program, sub-award, function or activity supported by the award” (OMB Circular A-110, 51.A).

Concerning post-award management of sponsored agreement funding, the following is a partial list of responsibilities of both PIs and the Grants Accounting office.

**Principal Investigators:**
- Awareness of his/her sponsored agreement’s guidelines and budget restrictions
- Allocate costs to the correct sponsored agreement accounts
- General awareness and approval of all expenses
- Comply with WTAMU procedures
- Know and comply with WTAMU’s sponsored agreement procedures
- Certification of time and effort

**Grants Accounting Office (Business Office):**
- Invoice and collect payments on sponsored agreements
- Prepare and submit financial reports
- Audit expenses for contract, WTAMU, A&M system, state, and/or federal guidelines
- Calculate and Invoice for Indirect Cost (F&A)
- Notify PI of posted/billed expenses with Budget Reports
- Notify PI of the expiration date of a sponsored agreement
Payroll and Time and Effort Reporting

Effort reporting is a process mandated by the federal government to verify that direct labor charges (salaries and wages) to federally sponsored projects are reasonable and reflect actual work performed. (OMB Circular A-21, J.10)

Effort reporting is considered a high risk area for many institutions. Failure to verify time and effort within the certification period or improper allocation of an employee's time according to a sponsored agreement can lead to breach of the agreement, loss of future awards, financial audit disallowances, and adverse publicity. Criminal charges may be brought against an individual who certifies a falsified report (Federal False Claims Act). Therefore, each system member and individual certifiers are required to document 100% of the effort for individuals paid or providing cost shared effort on federal, state and some privately sponsored projects. Variance between what is reported and actual time spent cannot exceed 10%.

The University Controller shall manage and be responsible for the effort reporting compliance program for employees for which it has primary responsibility. The Controller is responsible for managing the risk, including the appropriate knowledge and necessary authority to manage the risk. It is acknowledged that the Controller will work closely with the institutional compliance officer (Account Grants Manager) to ensure all specific risks are adequately mitigated and effectively monitored.

Purpose and Explanation of Time and Effort

A&M System policies require effort reporting when an individual is compensated by, or has agreed to contribute time to, a sponsored agreement project. This includes both effort directly compensated by a sponsored project and cost shared effort. While compensation from sponsored agreements determines eligibility for effort reporting, all sources of compensation (with few exceptions, see below) are used to calculate 100% an individual’s effort.

Its purpose is to provide a reasonable basis for distributing salary charges among direct activities (e.g., sponsored research, instruction, other sponsored activities, and cost sharing) and indirect activities (e.g., general administration, departmental administration, sponsored projects administration, academic dean’s office, operations and maintenance, and library operations). (A&M System Administration of Sponsored Agreements, 15.01.01 (Section 8.1)).

- The A&M System has put into place an electronic time and effort reporting system designed to effectively monitor sponsored research projects. The system allows users to view effort and submit certifications electronically.
- Total effort must equal 100% and includes all duties of the faculty or staff member, or student worker. These duties can include teaching, research, service, and administration. Estimates should reasonably reflect the activities for which the employee is compensated. (OMB Circular A-21, J.10) For example: If a faculty member states in a proposal that they are going to spend 20% of their time working on the grant, 20% of their salary will be paid out of the grant and 80% will be paid from departmental funds. If that same faculty member has some administrative duties that take up about 10% of their time, 20% would be paid from the grant, 70% would be paid from a departmental account and 10% will be paid from other university sources.
Effort for graduate students, non-exempt staff, and student workers working on sponsored agreement projects, allocation of time is often determined by the PI and/or director of the sponsored project. The PI will be required to certify the time and effort of these students and/or staff in the Time and Effort Electronic System.

- **100% Effort** is calculated using the Institutional Based Salary (IBS) and excludes bonuses, allowances, and other incidental compensation.
- IBS is used to compute salaries charged to sponsored projects unless further limited by the specific sponsored agreement. ([OMB Circular A-21, J.10.d(1)](https://www.whitehouse.gov/fsa/circulars/indirect-cost-assistance-office-of-mgrs-a21/))
  - IBS includes compensation for instruction, public service, research, and/or other normal job activities
  - IBS excludes fringe benefit payments; reimbursed expenses; temporary, supplemental compensation for incidental work; income earned outside of duties to the institution; and any portion of compensation deemed to be at-risk.

### Time and Effort Electronic System

Any faculty being paid from or contributing time to a sponsored project will be responsible for certifying their own time and effort. For situations where the employee is not available to sign (i.e. verify) the report may be signed by a person having direct knowledge of the work performed such as a supervisor.

The Time and Effort Electronic System will be available through Single Sign-On and anyone who has been designated as a PI on a sponsored agreement project will have access and will have to complete the required training on TrainTraq. If training is not completed within 90 days, computer access will be terminated per university procedures.

Once the reports are made available in the system, the PIs will be notified and have 30 days to sign or submit their certifications in the system. If the certification is not signed within the 30 days, than an e-mail reminder will be sent to the PI and the PI’s departmental head to encourage that the effort certification and/or any necessary payroll correction be completed. If the certification is still not signed after 45 days, another e-mail reminder will be sent to the PI, the PI’s departmental head, and the dean stating that the certification is now out of compliance and must be certified immediately. At 60 days, a final e-mail reminder will be sent to the PI, the PI’s department head, and the dean warning that the payroll will be moved to a departmental account of the grant accountant’s choice if the certification has not been received within **two (2) days**.

### Summer Salary

As stated above, compensation during periods outside the academic year (summer or other period not included in the employee’s base salary period) cannot exceed an employee’s IBS (Institutional Based Salary). ([OMB Circular A-21, J.10.d(2)](https://www.whitehouse.gov/fsa/circulars/indirect-cost-assistance-office-of-mgrs-a21/))

(For further information and explanation of time and effort, please see *A&M System Administration of Sponsored Agreements, 15.01.01 (Section 8)*).
Cost Share

Cost sharing is the portion of the total project costs of any sponsored agreement that is not provided by the sponsor (i.e., not charged to the sponsored agreement account). Cost sharing occurs when WTAMU is required or has volunteered to participate in sharing either direct or F&A costs of a sponsored agreement.

Cost sharing should be engaged in only when:
- mandated by the sponsor;
- needed to accurately reflect the level of effort required to conduct the project; or
- necessary due to the competitive nature of the award.

Types of Cost Share

**Mandatory Committed Cost Sharing:** A cost contribution explicitly required by the sponsor’s policies and incorporated into the proposal as a condition of the award. These costs must be captured in the payroll and accounting records of the institution.

**Voluntary Committed Cost Sharing:** A cost contribution not required by the sponsor but voluntarily offered in the proposal as a condition of the award. Cost sharing not quantified in the original proposal may subsequently be voluntarily contributed because sponsor funds are not sufficient to perform the agreed upon scope of the work. These costs must be captured in the payroll and accounting records of the institution. Examples of post-award cost sharing obligations include:
- The sponsor does not fund the project at the level of work requested in the proposal and the full amount is needed to accomplish the scope of the work. If system resources are committed to the project, then cost sharing has occurred.
- An overrun occurs on a sponsored agreement account. If the overrun is covered by system resources, it must be identified as cost sharing.

**Voluntary Uncommitted Cost Sharing:** Effort is defined by the OMB as “university faculty (including senior researchers) effort that is over and above that which is committed and budgeted for in a sponsored agreement,” and is faculty-donated additional time above that agreed to (committed) as part of the award. These costs are excluded from the payroll and accounting records of the institution.

Cost sharing is strongly discouraged (i.e., unless deemed necessary due to the competitive nature for a specific award), as these arrangements involve unique accounting procedures and require institutional resources. Cost sharing arrangements also necessitate increased monitoring to ensure compliance.

(Section 11.2 of the *A&M System Administration of Sponsored Agreements, 15.01.01*)
Criteria for Cost Sharing

To qualify as cost sharing, costs must be all of the following:

- allowable and allocable under OMB Circular A-21 and the terms of the related sponsored agreement
- verifiable through effort reports or other appropriate documentation
- necessary and directly related to the project objectives
- in compliance with the provisions set forth in OMB Circular A-110 or in the terms of the sponsored agreement.

The costs must not be:

- included as cost sharing for any other project; or
- paid by the sponsor under another award (federal funds cannot be used as cost sharing on another federal project without prior approval).

Allowable Forms of Cost Share Expenses

Costs treated as direct costs on sponsored agreements may be used to meet a cost sharing obligation. Costs included in F&A (indirect) costs may not (see below for cost sharing through reductions in F&A (indirect) rates). The following is a partial list of allowable forms of cost sharing:

- Direct expenses
  - Effort of the PI and/or employees committed to sponsored agreements, including their associated benefits costs
  - Tuition, fees, and stipends related to work performed by graduate students on sponsored agreements
  - Cost of equipment purchases when the purchase of equipment is necessary for, and dedicated to, the successful completion of the project
    Note: Existing equipment made available for, but not dedicated to, the performance of sponsored agreements is not considered cost sharing
  - Supplies and other direct costs
  - Travel

- F&A (Indirect) Cost Rate
  - Waived or reduced F&A costs. This is the difference between the applicable negotiated F&A rate and the amount of F&A awarded by the sponsor. This amount may be used as cost sharing if approved by the sponsor (also see Section 10.2 of the A&M System Administration of Sponsored Agreements, 15.01.01).
  - When the direct expenses are cost shared, the associated F&A (indirect) rate is automatically cost shared.
• Examples of expenditures which may not be used as cost sharing:
  o Expenditures normally treated as F&A (indirect), such as administrative salaries and office supplies
  o Unallowable costs, such as alcoholic beverages, entertainment, etc.
• If cost sharing is required or intended, it should be identified in the proposed budget and have received all required internal approvals before submitting the proposal or the budget to the funding agency.

Cost Share Accounts

If cost sharing is accepted by the sponsor as a condition of the award, accurate records must be maintained to verify that these funds have been provided. Cost sharing, whether voluntary or mandatory, will be accounted for by separate accounts, which will be set up in conjunction with the sponsored agreement account. In no instance may the same dollars be used as cost share for more than one grant.

Documentation

All types of cost sharing must be documented and identifiable in the accounting system, with the exception being waived F&A rates. The costs charged to those accounts will be documented in the same way as costs charged to sponsored agreements. For example, if the cost sharing is in the form of a salary contribution, the contribution will be documented by the time and effort certification system. If the contribution is in the form of travel costs, the costs will be documented in the same form as costs to travel (i.e., travel expense reports including airline and hotel receipts).

For further information regarding cost share, please see OMB Circular A-110, 23.

Account Close-Out

Sponsored Research Services will send a reminder to the PI 90 days before the expiration of a sponsored project to allow for the timely extension request if necessary. At 60 days, the Grants Accountant will send a notice detailing the remaining balance in the account and asking the PI to outline the expected costs for the rest of the period.

The following is a suggested checklist preparing for the close-out of an account:
  o Complete all pro-card purchases in time for them to post to the account before the expiration date (e.g., purchases made in May will post in June)
  o Complete all requisitions far enough in advance to allow for processing before the expiration date
  o Close out all encumbrances
  o
- Notify the appropriate department of any telephone, postage, or other monthly charges that should be charged to another account after the grant ends.
- Make sure any payroll change forms for yourself and others (grad students, student workers, etc.) have been turned into payroll in a timely manner.

After a sponsored agreement is closed, all reports and invoices sent to the agency and all records of payments received, shall be maintained by the Grants Accounting Office for a minimum period of three years in accordance with OMB Circular A-110, 53.

**Residual Funds**

Some sponsoring agencies provide funding for research projects via a fixed price agreement. Under this type of agreement, the University provides certain agreed upon goods/services/milestones and is paid a fixed dollar amount by the sponsor. Similar to other sponsored agreements, the actual costs incurred by the University to provide the goods/services/milestones must be charged to the related sponsored fund. Upon the completion of the project, the Principal Investigator (PI) or his/her designee must review the fund and compare the payments received under the agreement to actual expenditures incurred. The University will treat the net financial activity, as denoted under these categories, as follows:

- **Expenses incurred exceed the total payments received:**
  This negative residual balance is considered cost sharing for the project and must be absorbed by departmental resources.

- **Expenses incurred equal the total payments received:**
  This zero residual balance deems the project as complete.

- **Total Payment received exceeds the expenses incurred:**
  This positive residual balance may be retained or, in certain instances, refunded to the sponsoring agency.
  - Retained balances are considered institutional funds. These balances must be utilized to support the University's mission, in accordance with institutional and/or school policies. The funds shall not be used for personal or private (i.e., not related to University business) expenses.
Procedures

The PI is responsible for initiating the close-out of residual balances on fixed priced agreements. The procedures noted below should be followed based upon the type of the balance.

**Negative Balance (expenditures exceed payments)**
The PI or his/her designee should contact the Grants Accountant and provide them with the appropriate funded departmental Account. The PI or their designee should specify what expenditures, equal to the residual balance, to transfer to the departmental account, in a timely manner. After all expenses have been moved, the Grant Accountant will then close the account.

**Zero Balance (expenditures equal payments)**
The PI or his/her designee should instruct the Grants Accountant to close the account/fund.

**Positive Balance (payments exceed expenditures)**
The PI should initiate a Residual Balance Transfer Request (Request) and obtain the required approval(s) (see below). This Request should not be processed until the department satisfies the following general conditions:

- The grant period has ended.
- Final payment from the sponsor has been received.
- Encumbrances on the fund are zero.
- All outstanding transactions have been posted to the fund.

**Residual Balance Transfer**

**Request: Requirements**
The PI must generate a written Request to transfer the positive residual balance in a fixed priced agreement. The Request must be signed by the PI and contain the following data:

- Fund number
- Residual balance amount
- A confirmation that all of the terms and requirements in the agreement have been satisfied (i.e., deliverables, milestones, software/hardware, and all technical reports...).
- A confirmation that all of the project's costs were allocated to the sponsored fund.
- An explanation that describes the costs that were not incurred as anticipated and originally budgeted.
- An explanation of how the PI expects to utilize the residual balance amount for his/her research program or other University activities and the associated time period of use.
- If the PI does not already have a residual fund account set up, one must be requested. If they do have one, the number must be included in the transfer request.
Approvals and Routing

The PI must submit the Request to his/her respective Department Head. The Department Head must review the Request and denote, in writing, his/her approval to retain or refund the balance.

The fully approved Request should then be forwarded to the Grant Accountant in the Business Office. They will process the accounting entries to transfer the balance to the designated residual fund account/fund(s) (based upon the school's balance distribution policy for direct and F&A dollars) or refund to the sponsoring agency as designated on the Request.

Definitions

Cost Sharing or Matching: Project costs not borne by the sponsor. Cost sharing funds may come from an outside source in the form of cash contributions, volunteer services, or donated property; from the entity’s own funds; or from shared resources or facilities. If the award is federal, only acceptable non-federal costs qualify as cost sharing.

Direct Costs: Those costs that can be identified specifically with a particular sponsored project, or that can be directly assigned to such activity relatively easily with a high degree of accuracy.

Effort: The amount of time spent on any activity expressed as a percentage of total institutional activities for which an individual is compensated.

Effort Certification: A method of confirming that the effort supported or paid by the funding source has been performed, and effort expended in support of a project (but not paid by the funding source) has been performed.

Facilities and Administrative (F&A) Costs or Indirect Costs: Resources earned by an institution as a result of conducting sponsored projects. F&A rates are negotiated with the federal government and are applied to sponsored project direct expenditures to compensate an institution for indirect or overhead costs such as the use of its facilities and administrative services provided to the projects. F&A recoveries represent unrestricted resources (from an accounting classification standpoint) when received by the institution.

Institutional Base Salary or IBS: The total guaranteed annual compensation, stated in the appointment letter, an individual receives, whether the individual’s time is spent on research, teaching, patient care or other activities.
**Sponsored Project** or **Sponsored Activity** or **Sponsored Program**: An externally funded activity that is governed by specific agreement terms and conditions. Such a project/activity/program must be separately budgeted and accounted for, subject to terms of the sponsoring organization, and may include grants, contracts, federal formula funds, and cooperative agreements for research, instruction, and other sponsored activities.

**Incidental Pay/Supplemental Pay**
To be considered Incidental or Supplemental Pay, the work performed must be:

1. Performed by a faculty member only. (Staff members will never be allowed incidental pay charged to a sponsored project account.)
2. Across departmental lines,
3. Outside the scope of the employee’s regular appointment,
4. Short term in nature, and
5. Provided for in the sponsored agreement, or approved in writing by the sponsoring agency.

As stated in 2 CFR Part 220 (OMB Circular A-21
“since intra-university consulting is assumed to be undertaken as a university obligation requiring no compensation in addition to full-time base salary, the principle also applies to faculty members who function as consultants or otherwise contribute to a sponsored agreement conducted by another faculty member of the same institution. However, in unusual cases where consultation is across departmental lines or involves a separate or remote operation, and the work performed by the consultant is in addition to his regular departmental load, any charges for such work representing extra compensation above the base salary are allowable provided that such consulting arrangements are specifically provided for in the agreement or approved in writing by the sponsoring agency.”