
Sponsored Programs Reference Manual

ACP

Sponsored Programs Reference Manual

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Last update: June 2014

1. THE ENVIRONMENT FOR RESEARCH

Introduction

The Aspen Center for Physics is a \$2 million non-profit corporation. The Center's revenue includes registration fees, housing payments and gifts, as well as funding from external research sponsors, including the federal government, industrial sponsors and foundations. Understanding the entire process will help you to become a more effective research administrator.

The Principal Investigator (PI) has overall responsibility for the technical and fiscal management of a sponsored project, including the management of the project within funding limitations, and assuring that the sponsor will be notified when significant conditions related to the project status change. While responsibility for the day-to-day management of project finances may be delegated to administrative or other staff, accountability for compliance with ACP policy and sponsor requirements ultimately rests with the PI.

Proposal Preparation and Processing

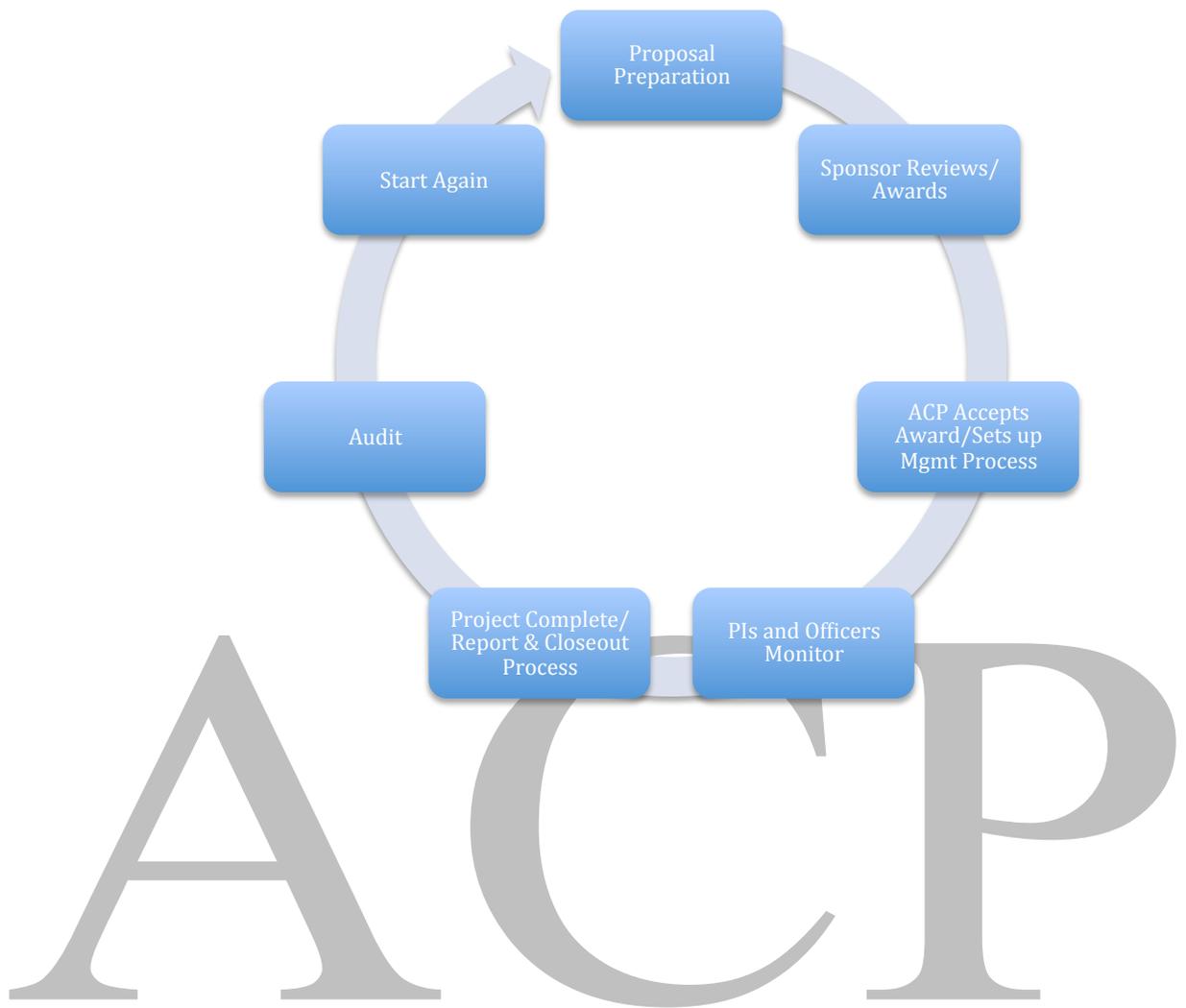
The ACP Corporate Secretary is responsible for submitting proposals and accepting awards on behalf of ACP.

Award Acceptance Process

After a proposal has been submitted for funding, the negotiation and acceptance processes begin. Awards are reviewed and, if necessary, negotiated by the appropriate Center official to ensure the terms and conditions are acceptable.

Performance/Project Monitoring

This is the core of research administration. While the research is underway, the project is being administered and monitored. Expenditure statements are reviewed and reconciled. Effort and salaries are distributed and certified.



Activities such as subaward setup and monitoring and procurement of materials and supplies, need to be performed during the course of the research.

Project Completion

At the end of each project, the Center must go through the closeout process. It is important to submit all deliverables (including technical reports and patent/intellectual property reports) to sponsors in a timely manner, as all reports normally must be completed and submitted within 90 days of the end of the project.

Project Audit

Every project's records must be kept a minimum of 3 years from project closeout for audit availability, and longer in certain instances. Audits may be performed during the life of the project or at completion, and any specific project may be selected randomly for a systems audit.

Your Responsibilities

It is the job of those who approve financial transactions for the Center to uphold the stewardship responsibilities delegated by the ACP Corporation. These responsibilities are fulfilled by assuring that the expenditures are:

- Allocable to the project based on benefit received.
- Reasonable and necessary for the performance of the project.
- Consistent with established Center policies and practices.
- Consistent with sponsor or donor restrictions.
- Applicable to the work of the Center, including instruction, research, and public service.

Everyone who authorizes the expenditure of Center funds for any purpose must understand how ACP's accounting system works, as well as the Center policies and federal regulations which are implemented through the system.

Key References -

ACP Policies and Procedures
Personnel Policy Manual

Accounting Office:

- Financial Reports
- On-line Systems

OMB Circular A-122

In the Public Interest:

ACP Report on Access to and Disclosure of Scientific Information

The Research Team

The administrative responsibilities and roles of the research team can be described as follows:

Principal Investigator

Has overall responsibility for all aspects of the research project.

Administrative Staff

Ensures compliance with award terms and conditions, ACP policies, and sponsor requirements.

Processes transactions to support research initiated by the principal investigator and his/her designee.

Provides guidance, training, clarification and interpretation of policies, terms and conditions.

Corporate Secretary

Reviews, advises and submits proposals and approves agreements.

Represents the Center on behalf of the ACP Corporation.

Role of the Federal Government—The Need for Regulation

In its role as a steward of the taxpayer's money, the government has a responsibility to provide principles for determining costs allocable to research and administrative regulations to augment the principles. These principles and regulations are discussed in this manual's chapter

on Sponsored Research Basics. The most significant for the research enterprise are the following:

OMB Circular A-110: Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations

OMB Circular A-122: Administrative Requirements for Grants and Agreements with Non-Profit Organizations

OMB Circular A-133: Audits of States, Local Governments, and Non-Profit Organizations

Federal Acquisition Regulations: Contracting Requirements

PAPPG: NSF's Grant Manual

Why do we have regulations?

Regulations serve to maintain the public trust; that is, trust in research results and outcomes and trust that scientific research is done responsibly. Administrators are charged with aiding the PI to ensure total compliance with regulations regarding research.

What are the consequences of violations of policy or regulation, which occur during the course of a sponsored project?

If a PI or his designate violated a regulation through a voluntary or involuntary act or omission, the individual and the Center could face severe penalties which affect the entire research enterprise at ACP, not just that particular project.

Consequences would include some or all of the following:

- Increased scrutiny by sponsors and audit agencies,
- Corrective action plans,
- Additional regulations, Fines, penalties,
- Potentially disallowed costs,
- Harm to the health and safety of individuals,
- Harm to ACP's reputation.

Key References

OMB Circular A-110

OMB Circular A-122

OMB Circular A-133

Federal Acquisition Regulations

Types of Sponsored Agreements

When the federal government or other entity decides to fund research or other sponsored activities, there are several different types of awards that can be used. Assistance awards (grants) allow the most flexibility. Procurement awards (contracts) tend to be more restrictive because they normally require specific deliverables. Other Transaction Agreements (OTAs) are used in limited circumstances and are not the ideal vehicle for support of Center research.

Assistance Awards

Grants. A grant is defined as assistance bestowed without expectation of any tangible deliverables other than a final report. It is the appropriate agreement to use in a relationship between the federal government and a recipient whenever:

- The principal purpose is the transfer of money, property, services, or anything of value to the recipient in order to accomplish a public purpose of support, and
- There is **no** substantial involvement anticipated between the government agency and the recipient during performance of the activity.

Cooperative Agreements.

A cooperative agreement is defined as assistance that substantially involves the sponsor in the outcome of the research results. It is the appropriate agreement to use in a relationship between the federal government and a recipient whenever:

- The principal purpose is the transfer of money, property, services, or anything of

value to the recipient in order to accomplish a public purpose of support, and

- There **is** substantial involvement anticipated between the government agency and the recipient during performance of the activity.

Procurement Awards

Contracts. A contract is generally described as a procurement action. The sponsor is procuring research from the institution and acts as the technical overseer. It is the appropriate agreement to use in a relationship between the federal government and a recipient whenever:

- The principal purpose of the agreement is for the government to acquire property or services for direct benefit and use of the federal government, and
- There **is** substantial involvement between the governmental agency and the recipient during the performance of the activity.

Other Transaction Agreements

An Other Transaction Agreement (OTA) is generally described by what it is not—that is, it is not an assistance or procurement award. It is the appropriate agreement to use in a relationship between the government and a recipient whenever:

- Commercial technology is more advanced than military, innovative commercial products should be introduced rapidly, and non-traditional partnerships are most effective, and
- The government determines that the activity requires that standard terms (particularly intellectual property) are inappropriate for the award.

The terms and conditions the Center is required to follow varies widely among these different award types. COEUS, ACP's award management system, indicates the specific award type as well as a summary of the terms and conditions of that award.

Non-federal agencies are less precise in their classification of awards, but the Center is still responsible for classifying these projects accurately in its accounting system.

Sponsored Projects

Characteristics of a sponsored project agreement include:

Specific statement of work (or a set of specific aims);

Detailed financial accountability and/or reporting;

Disposition of property; Deliverables, including a final technical report, and

Period of performance.

Sponsored projects are typically awarded to ACP in response to a proposal to accomplish a specific statement of work and commitment to a specified project plan. This statement of work is typically supported by both a period of performance and a budget, both of which are key to financial accountability. The written agreement typically includes detailed and complex financial accountability, including:

Project budget, including INDIRECT costs;

Specified period of time in which project funds may be expended, usually defined as “start” and “end” dates;

Requirement to return any unexpended funds at the end of that period, and

Regular financial reporting and the possibility of audit.

The Difference Between Gifts and Grants

Grants are made to ACP to accomplish a specific purpose and the funds carry terms and conditions stipulated by the sponsor. Grants are exchange transactions which require ACP to provide something of value to the sponsor, typically a deliverable such as a report.

Gifts are contributions made to ACP for which the donor receives nothing in exchange. Gifts may

be restricted to a specific purpose, or they may be unrestricted and used by the Center for any purpose consistent with ACP's mission and not-for-profit status. Other than restricting the purpose of the gift, the donor may not impose terms and conditions on the use of the gift funds or require deliverables from ACP.

Proper identification of gifts versus grants and appropriate classification of the purpose of gifts versus grants (i.e., as Instruction, Organized Research, etc.) of gifts and grants are important aspects of ACP's fiduciary responsibilities and accountability for proper stewardship of Federal funds.

The Administrative Staff and PIs are responsible for the administration of grants, contracts, cooperative agreements and gifts.

Center Policy and Federal Regulations

Sponsored projects are externally funded activities governed by terms and conditions specified in a written agreement between the sponsor and ACP, and they account for the **largest single source of revenue** to the Center.

Funding for sponsored projects is comprised of both direct and indirect (Facilities and Administrative) costs.

Direct Costs

assigned to that project or activity with a high degree of accuracy.

Expenses that are specifically associated with a particular sponsored project or activity and/or can be directly Expenses that are specifically associated with a particular sponsored project or activity and/or can be directly Example: On a sponsored project, examples of **direct costs** are technical staffing and project materials. One can directly associate the salary of a person working on a specific project and equipment and materials purchased and specifically used on the project.

Indirect Costs

Center expenses that cannot be specifically identified with a particular project or activity. Sometimes called "overhead," and "indirect (Facilities and Administration" at a University) these are the costs of administration, buildings, utilities, and the many other expenses necessary for the operation of the Center.

Example: One example of an indirect cost is utilities because they benefit many activities in a building. Separate utility meters could be installed in every room in the building to track power and water use, but that would be extremely expensive and impractical and would not measure usage for specific projects. Because individual indirect costs cannot be assigned to projects, the Center calculates a rate to determine the fair share of indirect costs each project should be charged and negotiates this rate with the government. The rate is then applied to all sponsored research projects- including federal and non-federal sponsors.

ACP administrators, regardless of working with sponsored projects, must understand the impact of sponsored programs and the related indirect cost recovery on ACP operations.

Your Role in Implementing Policy & Regulations

You have an important role in implementing ACP's policies and federal regulations. Whenever you order supplies, authorize the payment of salaries, reimburse a physicist, fill out an expense report, receive cash or checks, or perform any of the many tasks involving ACP finances, you are involved with financial data for the Center. The Center uses this information to manage its budget, and to be reimbursed for direct project costs and indirect costs from sponsors.

ACP Recovers INDIRECT Costs from Sponsors According to Federal Regulations

The federal government provides specific regulations regarding what costs are allowable and which are unallowable for reimbursement through direct and indirect cost recovery. Many of the Center's fiscal policies mirror federal cost regulations.

All Center expenses (costs), regardless of fund source, are sorted and categorized according to classifications included in federal regulations, so the calculation of the indirect cost rate can be

correctly determined. Consequently, each expense must be classified and coded properly according to the four cost principles (Allowable, Allocable, Reasonable, Consistent) as outlined in the chapter entitled "Sponsored Programs Basics," which are incorporated in ACP Policy.

Federal regulations which have been incorporated into Center policy, such as OMB Circular A-122.

The specific terms & conditions of each award.

Compliance

Compliance is an area of increased federal government emphasis, both in the areas of financial and programmatic compliance. Financial compliance normally is seen in the context of financial audits, both of systems and individual grants and contracts. Programmatic audits cover a wide range of activities, as described in OMB Circular A-133. The Circular applies to all sponsored activities where funding is derived from federal sources and includes a compliance supplement which specifies the auditors' areas of focus and the range of regulatory requirements placed on federal awardees.

ACP

CHAPTER 2 – SPONSORED PROGRAMS BASICS

Introduction

The Center uses the following federal requirements in establishing its procedures for administering all awards for research and other sponsored agreements:

OMB Circular A-122: Cost Principles for Non-Profit Organizations

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

OMB Circular A-133: Audits of Centers of Higher Education and Other Non-Profit Centers

FAR: Federal Acquisition Regulations: Contracting Requirements

The provisions of the OMB Circulars and the FAR are applicable to all agencies that award federal dollars. ACP has translated these principles into its Center policies.

What is OMB Circular A-122?

The Office of Management and Budget (OMB) is one of the agencies of the Executive Branch of the U.S. Government. OMB's predominant mission is to assist the President in overseeing the preparation of the federal budget and to supervise its administration in Executive Branch agencies. OMB evaluates the effectiveness of agency programs, policies, and procedures; assesses competing funding demands among agencies; and sets funding priorities.

Working cooperatively with federal agencies and non-federal parties, OMB establishes

government-wide grants management policies and guidelines through circulars and common rules. These policies are adopted by each grant making agency and inserted into their regulations.

One of the OMB Circulars, designated as OMB Circular A-122, is titled *Cost Principles for Non-Profit Organizations*. The cost principles in Circular A-122 provide the general accounting “rules” for non-profits. These principles define those costs that are allowable and allocable to the federal government.

ACP receives funding from different sponsors, including federal agencies, foundations, not-for-profit centers and for-profit companies. Each of these has the right to establish its own terms and conditions for its awards. In addition, each individual award may include specific terms applicable to that award.

The terms of an individual award take precedence over the general provisions of Circular A-122. For example, although travel is identified as an allowable cost in Circular A-122, a particular award may designate travel, or more likely, foreign travel, as unallowable. In that case, ACP may not charge those travel expenses to that project. A sponsor may also permit business class travel as appropriate for its award even though A-122 specifies that only coach class travel is normally allowable. Similar types of provisions may pertain to the acquisition of permanent equipment.

Some awards contain provisions for “pre-approvals” of specified expenses, particularly on contracts. Where required by the terms of the award, ACP **must** get the written approval from the sponsor before charging those expenses.

Cost Principles

Four Cost Principles: Allowable, Allocable, Reasonable, Consistent

1. A cost is **allowable** when:

- It serves a Center business purpose
- It is permissible according to ACP policy and federal regulations (regardless of whether or not it is a sponsored project)
- It is permissible (for a sponsored project) according to the terms and conditions of the Sponsored Agreement
- Rules for allowability are covered in OMB Circular A-122

2. A cost is **allocable**:

- For a sponsored project the cost must provide “benefit” to the project
- For a gift, it must correspond to the intent of the donor

3. A cost is **reasonable** if a prudent person would purchase the item at that price and determine whether a cost is reasonable by considering whether:

- The cost is necessary for the performance of the activity
- Incurrence of the cost is consistent with established Center policies and practices

4. A cost is **consistent** when like expenses are treated in the same manner in like circumstances. For the sponsored projects, consistency means that sponsors pay for costs either as a direct charge or as an indirect cost, not both directly and indirectly. The Center establishes policies that, if followed, ensure consistency.

What costs are specifically unallowable?

For costs reimbursed by the Federal government and other sponsors, costs are specifically unallowable under two general conditions:

1) They are for an unallowable **ACTIVITY** (a function that is prohibited for reimbursement by Federal regulations and typically recorded in a separate cost object or identified by the department)

2) They are for an unallowable **TRANSACTION** (something you buy, a line item general ledger code that is recorded in a cost object that is otherwise allowable)

Unallowable Activities Include:

Alumni Activities

Organized fund raising

Lobbying

General public relations and alumni activities

Managing investments solely to enhance income

Prosecuting claims against the federal government

Defending or prosecuting certain criminal, civil, or administrative proceedings

Housing and personal living expenses of Center staff

Selling or marketing of goods and services

All expenses in support of these activities are unallowable for Federal reimbursement. Unallowable activities are generally recorded in separate cost objects specifically designated for these purposes. The federal government will not reimburse the Center for these costs.

However, these activities may be entirely appropriate and permissible Center activities. In fact, many are necessary to the Center's survival.

Unallowable Transactions

In addition to the unallowable activities described above, certain costs are always unallowable, regardless of the activity they support. These "expressly unallowable" costs are listed in OMB Circular A-122. These costs are identified as unallowable by general ledger expense funds designed to segregate these costs from allowable costs. Expenses which are unallowable for federal reimbursement include the following:

Advertising (only certain types are allowable)

Alcoholic beverages

Entertainment

Fundraising or lobbying costs

Fines and penalties

Memorabilia or promotional materials

Relocation costs if employee resigns within 12 months

Certain recruitment costs, e.g., color advertising

Certain travel costs, e.g., first-class travel

Cash donations to other parties, such as donations to other non-profits

Interest payments

Goods or services for the personal use of employees, including automobiles

NOTE: Costs which are unallowable for federal reimbursement purposes may be allowable as a direct cost on a non-federal

project with the explicit written approval of the sponsor.

Specific general ledger funds that are used to identify unallowable costs are as follows:

16, 17 – Normally allowable NSF costs yet unfunded for some reason

55 – Investments

90 – General Fund

It is crucial to code and categorize expenses correctly to comply with ACP's obligation to the federal government for both direct and indirect cost recovery. The Center's ability to obtain federal grants and contracts is dependent upon its performance in meeting federal requirements.

The distinction between allowable and unallowable costs must be understood whenever Center expenses are recorded. The integrity of the Center's financial systems depends on the knowledge and skill of each of the individuals who process daily financial transactions.

Terms and Conditions of a Sponsored Project

Unallowable costs may also be identified in the specific terms and conditions of a sponsored project. These can be more specific than those outlined in OMB Circular A-122.

For example, if a sponsor specifies that international travel costs cannot be charged to a particular project, then those costs may NOT be charged to that project, even though ACP and federal regulation may allow them.

Cost Accounting Standards

In addition, ACP is required to describe to its federal auditors practices that the Center employs in seeking reimbursement of costs associated with its sponsored projects to

comply with Federal Cost Accounting Standards (CAS) included in OMB A-122. The four standards required of non-profits are the following:

- **Consistency in estimating, accumulating and reporting costs**

- The purpose of this standard is to ensure that each institution’s practices used in estimating costs for a proposal are consistent with cost accounting practices used by the institution in accumulating and reporting costs.

- **Consistency in allocating costs incurred for the same purpose**

- 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 or other cost objective. The objective of this standard is to insure that costs which are charged to sponsored agreements are either a direct cost or an indirect cost.

- **Accounting for unallowable costs**

- The purpose of this standard is to facilitate the negotiation, audit, administration and settlement of sponsored agreements by establishing guidelines covering the identification of costs specifically described as unallowable to ensure that unallowable costs are not charged to sponsors.

- **Accounting period**

- The purpose of this standard is to provide criteria for the selection of the time periods to be used as cost accounting periods for sponsored agreement cost estimating, accumulating, and reporting.

Project Workflow

A sponsored project is composed of a number of individual activities or steps:

Identifying the opportunity

Preparing the proposal

Reviewing and submitting the proposal

Negotiating the award

Establishing the cost object in the Center’s accounting system

Expending funds to carry out the activities for which the award was made

Reporting and close-out Audit

Each of these activities is discussed in detail, but the basic workflow is presented here:

Identifying the opportunity

Generally a PI is aware of funding sources for his/her research but needs access to the appropriate application forms. In some cases, a research opportunity for a contract appears on the website “Federal Business Opportunities” In all cases, an agency is required to post its Notice of Research Opportunity in some format, generally as a web announcement. In addition, the federal government has developed a link to federal funding sources -over time, all agencies will use this grants.gov portal to post federal research opportunities.

Individuals may also search for funding opportunities by clicking on the particular sponsor’s web site and searching within that agency.

What is a Proposal?

Although physicists are extremely familiar with this, new staff may not be, so this section is included. A proposal is a detailed request for funding prepared in accordance with the sponsor’s instruction. A proposal must comply with Center policies, as well as sponsor policies. It becomes an official offer and a

record of what was promised by ACP to a sponsor. The Principal Investigator is responsible for preparing the proposal but normally does so in conjunction with an administrative or fiscal officer.

A proposal must contain, as a minimum, three components:

1. Summary information: PI names, due dates, perhaps an opportunity number to which to apply and other technical items.

2. Statement of Work

The Statement of Work is the “what” and “why” of the project. Why should the work be done? It also contains the “how,” “where,” “when” and “who” of the project. What is the plan of action? How will the work be done? Where will the work be done? Who will do the work?

3. Budget

The budget is the financial expression of the project and must include the following:

- Estimated costs for the entire project period broken into “Direct” and “Indirect” costs
- Justification for all costs, and especially administrative charges, when applicable

Often the budget is the most confusing portion of the proposal to prepare. The budget should include all direct costs and indirect costs required to carry out the activity. Normally, budget categories include the following

Personnel costs

- Staff
- Employee Benefits and vacation accrual costs

Other Costs

- Equipment
- Materials and Services
- Travel
- Meeting Expense
- Consultants
- Allocation Costs (where rates have been approved)
- Indirect Costs

The budget must also differentiate those direct costs that are subject to indirect costs and those that are not.

The difference between the current negotiated indirect rate that ACP charges to a research project, and the rate that the project’s sponsor is willing to pay, is referred to as underrecovery. For example, if ACP’s indirect rate is 65%, and a sponsor agrees to pay only 50%, there is a 15% underrecovery of full indirects.

Reviewing and submitting the proposal

Proposals are usually submitted by the Center and not by individual PIs, though this can be negotiated with the Center’s Corporate Secretary.

PIs should allow adequate time for proposal review. Training may be necessary, such as financial conflict of interest disclosures for NIH and NSF proposals and grant management requirements for PIs.

Negotiating the Award

Awards are negotiated by PIs. In negotiating awards, PIs ensure that the terms and conditions are appropriate for the Center and do not compromise the fundamental policies of the Center. In certain circumstances, the Center may not be able to negotiate acceptable terms and the award is refused.

Establishing the cost object in the Center’s accounting system (SAP)

Accounting services are provided by the ACP Accounting Office using ACP’s FastFund accounting system. Sponsored project awards are entered into FastFund by staff.

Expending funds to carry out the activities for which the award was made.

The principal investigator (PI) is responsible for the appropriate expenditure of funds, even when (s)he delegates that responsibility to others. At ACP, a primary responsibility of staff is helping the PI determine which costs are allowable, reasonable, and in accordance with the project budget, and which are not. It is important to recognize that the final responsibility, however, lies with the PI.

Reporting and close-out

Awards should include information about project reporting and close-out requirements. Responsibilities for submitting documents to meet award terms and conditions are split at ACP, although ultimately the PI has the responsibility for timely submission.

Depending upon the type of award (grant, cooperative agreement, contract, other transactions), reports are due on a recurring basis during the life of the award (normally within 90 days of the final expiration date for all final documents). There are generally four types of reports, and the responsibility for preparing those reports, along with the formal submission schedule at the Center is described below.

Type of Report	Submitted by	Submission Dates During Award Period	Final Reporting
Technical (Progress)	PI	Annually	W/in 90 days
Fiscal (Financial)	ACP Staff	Quarterly	W/in 90 days
Property (Equipment)	ACP Staff	Annually or with Final	W/in 90 days
Intellectual Property	ACP Staff	Annually or with Final	W/in 90 days

Life Cycle of a Project

At ACP, the principal investigator (PI) has overall responsibility for the technical and fiscal management of a sponsored project. This includes the management of the project within funding limitations, and assurance that the sponsor will be notified when significant conditions related to the project status change.

This section addresses specific responsibilities involving the financial management of sponsored projects. Again, while responsibility for the day-to-day management of project finances may be delegated to administrative or other staff, accountability for compliance with ACP policy and sponsor requirements ultimately rests with the PI.

Preparation and Submission of the Proposal

The PI carries primary responsibility for the preparation of a proposal to an outside sponsor. At ACP, generally the technical proposal is prepared by the PI, often with the

help of Board Members and/or workshop and conference organizers. The budget and administrative details of the proposal are generally handled by the ACP staff or the ACP Corporate Secretary. In all cases, however, the PI—who certifies to the accuracy of the proposal—is the formally responsible party.

Proposal Budgeting

In proposing budgets for sponsored projects, the PI assures ACP and the potential sponsor that project finances are represented as accurately as possible. In addition, specific requirements, including cost principles as defined by the federal government in the Office of Management Budget (OMB) Circular A-122, must be adhered to at the proposal stage, as well as when funds are expended. It is important that actual project expenditures are consistent with the budget approved by the sponsor.

A. Allowability

Proposals should not include expenses which the federal government (in OMB Circular A-122 or other regulations), or the sponsor has identified as unallowable. Similarly, expenses which are normally to be considered as indirect expenses, e.g., administrative and clerical salaries, may not be proposed and budgeted as direct expenses unless there is an unusual situation and written justification is included in the research proposal.

B. Commitment of Effort

Proposals should accurately represent the amount of time that key personnel are committing to the project. In preparing proposals, PIs must be careful not to over-commit themselves or others. Commitment of effort must take into account the time required for teaching and service.

Federal regulations require a commitment of some effort on the part of the principal

investigator during each project year.

In some cases, the sponsor may require a specific commitment of effort even though salary is not requested by the PI. Otherwise, a general statement that the PI will support the project, but makes no explicit commitment of effort, should be included in the proposal

C. Cost Sharing

Proposed budgets should delineate the complete committed cost of the project, identifying the amount requested from the sponsor, and other costs that ACP explicitly commits to pay. A commitment to use other ACP resources to pay any portion of project costs that are borne by two or more of ACP's programs but not by all must be identified and tracked as cost sharing. At the time such awards are finalized, PIs must assure that adequate funds are identified and separately budgeted to pay for the cost sharing of expenses. Voluntary effort above and beyond what was committed does not have to be treated as cost sharing and tracked in ACP's accounting system. This effort is considered to be "voluntary uncommitted cost sharing" and is outside any effort that needs to be documented in the Center's accounting system.

D. Estimating Methods

When estimating project costs, methods must be consistent with ACP accounting practices and must allow expenditures to be accumulated and reported consistent with the estimate.

E. Budget Justifications

ACP is obligated to treat types of expenses consistently as either direct or indirect costs. If a proposed budget includes the direct expenditure of project funds for costs that would normally be charged indirectly, e.g., clerical and administrative expenses, general-purpose equipment, or operations and

maintenance, then those items must be supported in the proposal by an explicit written budget justification. In addition, when administrative and clerical costs are being proposed to a federal sponsor as a direct cost, the proposal must include an explanation of the activities and a justification.

Budget Preparation

Although the largest category of expense on any sponsored program budget is normally personnel expense, at ACP it may be participant support. Care should be taken in budgeting personnel to use current salaries as a starting point, with increases of normal increments for additional years of proposed effort. This is also the expense area most closely reviewed by sponsors and auditors. Special attention should be paid to the following:

- Employee Benefit and Vacation Accrual Costs. Check with the Finance Manager for these amounts. Particular attention should be paid to the method for including vacation time expenses in proposal budgets. The basic policy is that vacations are paid from indirect costs as a percentage of effort basis, the total projected salary should be reduced by the projected vacation time salary included in the total before applying the proposed percentage of effort. When budgeting for that same individual in terms of person months, only the person months to be spent at work should be committed in the proposal budget. The salary of 11 months plus one month of vacation will represent a total of 12 months.

Example Equation: (Annual Salary-vacation) % effort to project=Total (48K-4K) (.25) = 11K Total (reference table below)

Projected 12-month salary: \$48K

Salary for 1 month vacation: \$4K

Base 12-month salary requested: \$44K

Budgeted 25% effort of 12 month effort: \$11K

Direct Costs

Direct costs are expenses that can be identified specifically with a particular sponsored project and can be directly assigned to such activities easily with a high degree of accuracy.

Indirect Costs

Indirect costs are those that are incurred for common or joint objectives and therefore cannot be identified readily with a particular sponsored project. Indirect costs are sometimes called indirect (IDC) or overhead costs. Indirect costs are recovered from sponsors as a rate applied to grants and contracts.

Management of Project Expenditures

A. Authorization of Direct Charges

To authorize the expenditure of funds to be charged directly to sponsored projects, the Administrative Vice President and the Finance Manager must assure that:

- The estimated charge is reasonable and necessary for the performance of the project.
- The expenditure is allowable by the sponsor, OMB Circular A-122 and ACP policy.
- The expenditure is allocable to the project, i.e., provides benefit to the project, and is incurred within the period of performance.
- The funds are available within the authorized award amount and funding limitations.
- The justification for the expenditure is documented, including the relationship of the expenditure to the project.

- The method for distribution of costs is appropriate and documented.

- The charge is coded with the correct General Ledger code (fund and object code) and charged to the correct award.

B. Review of Project Expenditures

Monthly P&L Statements are the official record of project expenses and the basis for cost reimbursements from the sponsor to ACP.

P&L Statements for sponsored projects (including cost sharing cost objects) must be reviewed each month by a knowledgeable individual - i.e., the principal investigator or designee - so that adjustments can be made in a timely manner, and that rates of expenditures can be monitored to assure availability of funds.

Any questionable charges must be brought promptly to the PI's attention, and if needed, corrected by an appropriate transfer. Transfers should be initiated as soon as possible after a need has been identified. Whenever expenses are moved to or between sponsored elements, the PI must assure that the project which ultimately pays the expense is the project which benefited from that expense, and that there is adequate documentation to support the appropriateness of the transaction. These transfers must be in a timely way in accordance to policy. See ACP policy on cost transfers.

C. Substantiation and Verification of Project Expenditure

Adequate explanation and documentation for all project charges must be maintained for three years after the submission of the final financial report. Where documentation and justification cannot be provided to confirm the allowability, allocability and reasonableness of any project expense, the sponsor may deny reimbursement or the

expense may be questioned during audit. In this case, the Center will be expected to cover the expense from unrestricted sources.

D. Charging Salary to Projects

Salary being charged to sponsored projects and committed cost sharing must be supported by documentation of corresponding appropriate level of effort.

E. Charging of Vacation Accrual to Projects

Direct charging of vacation to a sponsored project is not allowable. ACP accrues for the vacation of staff charged to sponsored research projects. When a staff member takes vacation, the cost of the salary is charged to the project.

F. Charging Proposal Expenses to Ongoing Projects

Proposal preparation costs may not be charged to sponsored projects unless the proposal is being prepared for submission to a current sponsor for non-competing extension or continuation of its ongoing project. In those circumstances, it is appropriate to charge those proposal development costs directly to current projects. Costs for development of proposals for submission to other sponsors, or for work that is not a continuation of an existing project is not allocable to current projects and may not be charged to those projects.

G. Monitoring of Funds Within Sponsor Funding Limitations

PIs are responsible for the ongoing fiscal management of sponsored projects, including regular monitoring against project period budgets. Federal grants policy OMB Circular A-110 establishes the approved project budget as the financial expression of the project, and sponsors may evaluate the project against the budget at any time. Although sponsors allow certain flexibilities with respect to

rebudgeting, unobligated balances, and preaward costs, both ACP and sponsors expect expenditures to be consistent with the approved project and budget. Some sponsors may question or restrict expenditures that appear inconsistent with the project plan and budget. PIs are obligated to request prior approval when budget and program plan revisions indicate a significant change in scope, change in PI or other key person or the absence of the principal investigator for more than three months. Indicators of a change in scope can include, for example, significant expenditures beyond the amount authorized on the award, or requests for additional funding.

It is ACP's expectation that projects will be managed within their established budgets. If, as a result of unusual circumstances or unanticipated project expenses, a cost object is in overrun upon expiration of the term of the sponsored project, and if additional funds are not available from the sponsor, the PI must identify an appropriate source of unrestricted funds (e.g., gift, endowment, or operating budget) to cover the excess expense.

Since charges to clear overruns reflect direct project costs, they must not be transferred to other projects or be incorporated into cost pools which lead to indirect cost recovery. These dollars represent project costs being borne by ACP and, therefore, must be accounted for in the same manner as cost sharing.

H. Project Close-Out

In addition, PIs are responsible for overseeing the proper close-out of sponsored projects, including the timely submission of all required reports (including final technical reports and data needed by OSP to file the necessary patent/intellectual property reports). ACP staff prepares and submits final administrative reports, including financial and property reports. PIs must assure that such

documentation is accurate, adequate and readily available. In addition, some financial reports may require the PI's signature.

If final technical reports are to be completed after the project end date, and funds from the project are available to pay these expenses, a No-Cost Extension should be obtained prior to termination from the sponsor to cover the expense of producing and distributing those reports. If funds are not available from the project, then the PI must identify unrestricted funds to pay the final report costs.

Special Requirements Related to Sponsor Notifications and Prior Approvals

Remaining in communication with sponsors and with ACP administrative offices is an important part of project management.

In all cases, required notifications or requests for prior approval of contract or grant actions, including those described in the sections below, should be made in writing or via an electronic request to both the administrative and technical officials in the sponsoring agency.

A. Communication related to project and funding status

Separate regulatory requirements exist for notification to the sponsor in the case of federal contracts and in the case of federal grants. In all cases, such notifications must be made on a timely basis, in coordination with the ACP staff, in order to allow sufficient time to arrange for and process additional funds, or for the reduction in spending and effort in order to phase out the program in an orderly fashion if additional funds are not available.

Project and financial status of federal grants

OMB Circular A-110 lists administrative requirements for federal grants and establishes that prior written approval by the sponsor is necessary in the following circumstances:

- a. Change in the scope or the objective of the project or program (even if there is no associated budget revision).
- b. Change in a key person specified in the application or award document (see discussion of changes in PI status below).
- c. Need for additional federal funding.
- d. Transfer of funds allotted for training allowances (direct payment to trainees including participant support) to other categories of expense.

Prior written approval must be requested of granting agencies when either a significantly accelerated rate of project expenditures, or expenditures that are significantly behind budget projections, indicates that the scope of the project has been changed.

In addition, the specific award notice or the agency's policy manual or administrative guide may also establish requirements for communication with the sponsor during the course of the project.

B. Changes in Principal Investigator status

In addition, sponsors often have requirements regarding notification or prior approval of changes in availability of the principal investigator.

For FEDERAL CONTRACTS AND NON-FEDERAL PROJECTS, the terms and conditions of the particular agreement will govern.

For FEDERAL GRANTS, OMB Circular A-110 requires prior written approval from the awarding agency for either of the following circumstances involving the principal investigator or approved project director:

1. A reduction in time devoted to the project of 25% or more from the proposed and awarded level.
2. An absence from the project for more than three months.

The principal investigator should contact the ACP Administrative Staff to coordinate securing required approvals in either of the circumstances above.

C. Change in Principal Investigator

Sponsor notification and prior approval is usually required when a PI is no longer an officer, or leaves for another reason. A written request to change the PI is made on Fastlane software or the software used by the sponsoring agency.

CHAPTER 3 – DIRECT CHARGING

Introduction

Direct charging of appropriate expenses to research awards is the normal process by which research expenses are incurred and the Center is reimbursed by the sponsor. Direct costs are those which can be identified readily and specifically with a particular sponsored project with a high degree of accuracy.

General categories of direct expense include:

- Personnel (staff)
- Employee Benefit Costs
- Minor equipment
- Materials and Services
- Travel
- and may include:
- Meeting Expenses – Food and Beverages (only if explicitly approved by the sponsor)
- Consultants

Each of these categories is more fully described further in this chapter. Direct expenses charged to sponsored projects should be consistent with those included in the approved project budget. Direct charging of expenses at ACP is accomplished by incurring expenses and assigning these to the appropriate fund and cost object code in the Center's accounting system, Araize FastFund. The expenses posted to funds and cost objects in FastFund are the official source of research project costs at ACP. There are a number of quick references to ACP's FastFund financial system and an explanation of each of the systems and how one accesses the system.

Flexibility through the use of “Expanded Authorities”

One of the most advantageous changes in the last two decades is the adoption by the federal government of the so-called “expanded authorities,” whereby federal agencies, at their option, are authorized to waive cost-related and administrative prior written approval requirements stated in OMB Circulars A-122 and A-110. The expanded authorities give the PI greater flexibility to expend project funds. For example, agency waivers may include authorizing recipients to do any one or more of the following tasks without seeking approval from the sponsor:

- Incur pre-award costs (at the recipient's own risk) up to 90 days prior to award.
- Initiate one-time extensions of the expiration date of an award of up to one year.
- Carry forward unobligated balances to subsequent funding periods.

Note that these permissions are included in A-110 and, thus, are not applicable to contracts. Further, agencies may decide not to allow any one of the above permissions if their regulations differ from these permissions. However, these requirements are the default in A-110 for research projects.

Direct Expenses

To authorize the expenditure of funds to be charged directly to sponsored projects, the PI must insure that:

- The estimated charge is reasonable and necessary for the performance of the project and is incurred within the project's period of performance.
- The expenditure is allowable by the sponsor and, if charged to a federally-funded project, by OMB Circular A-

- 122.
- The expenditure is allocable to the project, i.e., provides benefit to the project.
 - The expenses do not exceed the authorized amount of funding on the award amount and adhere to other funding limitations.
 - The method of allocation of costs is appropriate and documented.
 - The charge is coded with the correct General Ledger identifier and charged to the correct fund.

Salary Distribution & Certification

One of the largest categories of direct project expense at ACP is personnel: salary and benefits. The principal investigator is responsible for reviewing salaries charged to projects. Percentages of salary charged to a project are validated and certified by the principal investigator or his or her designee who would be the Administrative Vice President.

Salary Distribution and Certification.

ACP's process for salary distribution and certification verifies that direct labor charges to federally sponsored agreements are reasonable, and reflect actual work performed. This is commonly referred to as effort reporting. This process shows the distribution of the effort of individuals among the various activities in which they work, as a percentage of total salary or wages (not as a specified number of hours) devoted to benefit the project, either as a direct charge or committed cost sharing.

Charges for work performed on sponsored agreements are based on the individual's

regular compensation. Charges for work performed on sponsored agreements are allowable at the base salary/wage rate. In no event should charges to sponsored agreements, irrespective of the basis of computation, exceed the proportionate share of the base salary for that period.

Other Salaries and Wages

Salaries and wages of staff should be charged to research cost object codes and funds to reflect the individual's activity on the project. For vacation-eligible staff, it is inappropriate to budget the equivalent of 52 weeks of salary in addition to the vacation accrual. Total annual salary and vacation accrual should not exceed 52 weeks. In cases where it is appropriate to budget salary at 52 weeks, appropriate documentation should be provided in the budget justification. Summer staff do not accrue vacation, and their wage charges should reflect the appropriate salary distribution for their activities on the project.

Examples of major projects, as follows:
 Large, complex programs such as program projects, that entail managing and coordinating teams from a number of institutions can make the project major. This is one of the few kinds of projects where it may be appropriate to charge all of the administrative costs directly to the project due to the complexity of the project.

Projects that involve extensive travel and meeting arrangements for large numbers of participants. In the case of a travel grant where the purpose of the award is to set up a meeting all of the administration associated with that project can be charged directly to the project, as long as the other criteria have been met.

If only a portion of the project involves extensive travel and/or meeting arrangements, then only the administrative expenses associated with making the travel

and meeting arrangements constitute a “major activity.” Only the administrative expenses associated with the “major activity” can be charged directly to the project.

Coordination of project-specific database management.

Many of these administrative activities seem routine and similar to general administrative support costs that are included in the indirect cost rate. However, because of the nature of the project and the fact that these administrative activities contribute directly to the technical scope of the project, it may be appropriate to direct charge the administrative costs, as long as the other criteria are met (i.e., the costs are explicitly included in the proposal budget, are properly justified, etc.). The purpose and circumstances described here are different than routine administrative and clerical costs, which should be treated as indirect costs.

Technical Materials

Technical material and supplies include Non-capital (“Minor”) equipment (any individual item of equipment costing less than \$5,000);

It is important to remember that when non-salary costs, normally considered to be indirect costs (per A-122 are planned and used for the project’s technical scope of work, the project does not need to be “major” for those costs to be charged directly. However, the expenses must be specifically identifiable and directly benefit the project.

Telephone Toll Charges

OMB A-122 provides that telephone toll charges are an allowable direct expense to a sponsored project. However, local telephone costs (monthly charge for operating costs and equipment, installation, etc.) should be treated as indirect.

Travel Costs

In most cases, domestic travel costs are allowable expenses against sponsored project cost objects. For most research awards (grants and cooperative agreements), foreign travel is allowable without specific written authorization from the agency, but typically must be approved by the sponsoring agency (by specific post-award request) when contracts are involved.

It is a requirement to use a U.S. flag carrier for all travel directly charged to federal awards (refer to the policy for exceptions). Also, the airfare must normally be at the lowest available coach class rate. It is sometimes difficult—in these times of code-sharing between the United States and foreign airlines—to identify United States flag carriers because the domestic carrier may lease seats to a foreign carrier (and vice versa). The Controller’s Office describes the requirements for use of foreign flag carriers and describes how U.S. flag carriers may be identified on a ticket or ticket receipt. In determining whether any specific travel expense is a legitimate charge to a particular sponsored project, one must consider

- How does the travel benefit the project?
- Are there any travel restrictions in the terms and conditions?

Some sponsors may limit the amounts or types of travel which they will reimburse. Check the terms of the award, or the sponsor’s guidelines, for particular provisions on travel expenses, pre-authorizations for certain types of travel, or line-item budget restrictions related to travel. All travel must directly benefit the sponsored project. Documentation of the benefit to the project must appear in the remarks section of the expense report.

Food and Beverages

The one circumstance in which local business meals might be directly charged is described in OMB A-122 under the heading “Meetings and Conferences.” This section (B.29) states:

“Costs of meetings and conferences, the primary purpose of which is the dissemination of technical information, are allowable. This includes costs of meals, transportation, rental of facilities, and other items incidental to such meetings or conferences. But see Attachment B, paragraphs 14., ‘Entertainment Costs’ and 33., ‘Participant support costs.’”

Expenses for Food and Beverages must include documentation substantiating the business purpose of the meal. This would typically include the description of the nature of the discussion, and relationship to the sponsored project if applicable, an agenda, a list of attendees, etc.

Auditors routinely question local food costs, and unless they find adequate documentation to show that the costs were associated with a bona fide technical conference or meeting, they may be disallowed. It is important to document how the food charges specifically benefit the project. If the research administrator knows in advance that a conference or meeting with food service is necessary, then the expense should be included as part of the proposal submission so that it may be approved by the sponsor. Meals while traveling for a sponsored project are allowable; however, meals eaten at a local business are rarely allowed on Federally sponsored projects. Food and beverage expenses are allowable only if they are explicitly identified in the approved budget or later approved by the sponsor.

When United States government officials visit ACP, the research administrator should avoid directly charging costs for their meals.

Typically, government officials are restricted from accepting meals and other benefits from

recipients of federal funding. Most of ACP’s federal sponsors who visit Aspen understand this rule, so they usually offer to pay for meals on site, and it is appropriate to accept their payment.

Cost Sharing

This chapter has emphasized the need to charge expenses appropriately to sponsored programs. That is the core principle for sponsored research projects. However, there is some flexibility which may be used under certain circumstances. If an individual cost specifically benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit. If an individual cost specifically benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then the cost may be allocated or transferred to benefited projects on a reasonable basis. This requires a methodology, documented at the time the cost is incurred, that allocates costs based on some common characteristic such as head count, square feet, or some other criteria that reflects the benefit received by the projects. The criteria shall be consistently applied regardless of the projects’ available funding.

This provides the PI with an opportunity to charge expenses to inter-related programs using a method that is reasonable but less burdensome than specific identification. In all cases, the methods used to allocate costs should be documented.

CHAPTER 4 -

ADMINISTRATIVE EXPENSES

Charging Administrative/Clerical Expenses

OMB Circular A-122 requires administrative and clerical expenses normally be treated as indirect costs, not as direct costs, except when the expenses are used to support a major project or activity. ACP requires that four criteria be met to direct charge administrative expenses to a sponsored project. (See Figure 5.1) The expense must be:

- Incurred for the performance of a major project or activity,
- Specifically identified in the proposal budget and justified as directly benefiting the project,
- Explicitly Budgeted and approved by the sponsor, and Supported by a written budget justification.

This is one of the few ACP policies that apply to federal awards only, unless a non-federal sponsor incorporates the rules of OMB A-122 into its award terms and conditions.

OMB A-122 provides examples of “major projects” where direct charging of administrative or clerical salaries may be appropriate:

Large, complex programs such as program projects. This is one of the few kinds of projects where it may be appropriate to charge all of the administrative costs directly to the project due to the complexity of the project. Over 90% of ACP’s effort goes to its major Program #1, Physics Events. The other Programs are #2, Outside Conferences; #3, Public Lectures; and #4 Fund Raising.

When data entry relates to the project and is a

significant part of the scope of work, it is a major activity. The data entry activity may seem administrative, but in this case, it is a technical part of the project. The cost associated with this activity can be charged directly to the project, as long as the other criteria are met.

Projects that involve extensive travel and meeting arrangements for large numbers of participants. In the case of a travel grant where the purpose of the award is to set up a meeting to discuss the technical aspects of a project, all of the administration associated with that project can be charged directly to the project, as long as the other criteria have been met.

If only a portion of the project involves extensive travel and/or meeting arrangements, then only the administrative expenses associated with making the travel and meeting arrangements constitute a “major activity.” Only the administrative expenses associated with the “major activity” can be charged directly to the project.

If the principal focus of a project is the preparation of a large report, manual, or website (excluding routine progress and technical reports), it may be appropriate to charge administrative costs directly to the project.

Coordination of project-specific database management, individualized graphics or manuscript preparation, multiple project-related investigator coordination, may be direct chargeable.

Many of these administrative activities seem routine and similar to general administrative support costs that are included in the indirect rate. However, because of the nature of the project and the fact that these administrative activities contribute directly to the technical scope of the project, it may be appropriate to direct charge the administrative costs, as long

as the other criteria are met (i.e., the costs are included in the proposal budget, are properly justified, etc.). The purpose and circumstances described here are different than routine administrative and clerical costs, which should be treated as indirect costs.

Consistency

Costs, except for direct and indirect salaries, which are incurred for the same purpose and in like circumstances must be treated consistently as either direct or indirect, and applied on a consistent basis throughout the Center. Consistency can be achieved simply by following ACP's policies.

On projects where administrative costs can legitimately be charged directly, those expenses should be proposed (with justification) and, if awarded, charged as appropriate. The administrative costs charged directly to the project must be consistent with the proposed budget and reflect actual work performed on the project.

If the sponsor disapproves of what has been proposed as an administrative direct charge, then that expense cannot subsequently be made to that project.

Administrative Expense Criteria

As indicated in the previous section, four criteria must be met to direct charge administrative expenses to a sponsored project. These criteria are described below in greater detail:

Incurred for the performance of a major project or activity

The administrative expense is for the

performance of one or more of the activities or projects listed in the A-122 examples of a major project. In order for the administrative activity(ies) to qualify for direct charging to federal sponsored projects, they must be significantly greater than the routine level of such services provided by academic units.

Specifically identified and directly benefiting the project

The administrative expense can be identified specifically with a particular sponsored project or activity, or can be directly assigned to the project or activity relatively easily with a high degree of accuracy, and provide direct benefit to the project.

Budgeted and approved by the sponsor

The administrative expenses are explicitly listed in the approved proposal budget and are not specifically disapproved in the award notice.

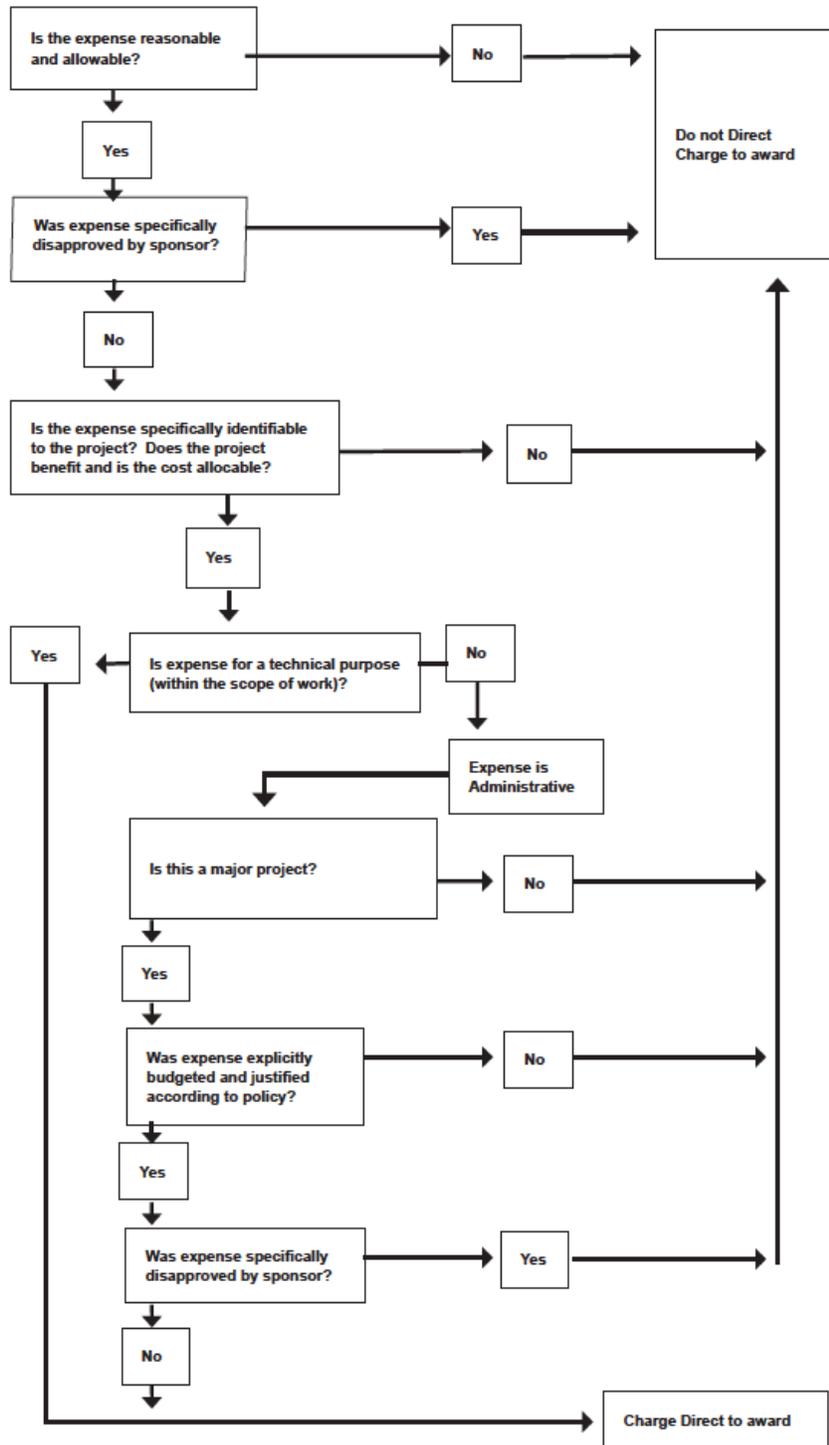
Supported by a Budget Justification

Explicit budget justifications for the administrative and clerical charges are included in the proposal. ACP does require an overall justification in the budget narrative that identifies the project as major and describes those aspects of the project that make it major.

If the administrative expense **does not** meet the criteria for direct charging as described above, the expense should not be proposed or charged as a direct cost to the project.

Figure 5.1: Charging Administrative and Clerical Expenses on Federally Funded Projects

The flowchart below will help you determine whether you can charge administrative expenses on federally funded projects.



Chapter 5 – Cost Transfers

Introduction

A cost transfer is a reassignment (transfer) of charges within or between cost centers or ACP funds. They are created to bill inter-fund costs, to adjust billing errors, or for other reasons associated with regular financial operations. When cost transfers to move expenses involve sponsored projects it is critical that the transfer meets the rules for allowability, allocability, reasonableness and consistency. Although costs should always be charged to the correct cost object code and fund when they are incurred, cost transfers are sometimes necessary.

When Are Cost Transfers Allowed?

ACP allows cost transfers involving sponsored projects only in special circumstances, including:

- Error correction.
- Transfers between cost object codes of the same sponsored project.
- Costs benefiting more than one sponsored project.
- Transfer of retroactive expenses (including pre-award costs) on a project necessitated by a delay in finalizing contract negotiation.

Any time you initiate a transfer, you invite the assumption that the transaction was not handled properly initially. If expenses are being transferred to a sponsored project, there will be considerable scrutiny of the reasons for the transfer, and the justification for moving those charges.

If a project has an overrun, there's a presumption that any proposed cost transfer is to alleviate the overrun, and it would not be allowed - the barrier is very high for these

types of transfers, and difficult to overcome the presumption. If you encounter this situation, please contact your PI for guidance. To bring the project into balance, a funding entry must be made, usually from the ACP General Fund.

Criteria for Cost Transfers

What is the criteria for a cost transfer involving sponsored projects?

Cost transfers must:

1. Conform to Center and sponsor policies (is it allowable, allocable, reasonable and consistent?)

2. Be Timely

• Cost transfers should be prepared and submitted as soon as the need for a transfer is identified but no later than 90 days after the posting is made and/or within 30 days of the project end date, whichever comes first.

• Cost transfers exceeding this time frame will require additional documentation as to why the transfer request was not made on a timely basis.

3. Be Fully Documented

Cost transfers must contain a justification that clearly shows:

• Benefit to the receiving project

• Allowability and allocability to the new sponsored project

• Reason for transfer

• Systemic causes are corrected so they will not recur

• The reason for any delay in the timely processing of the transfer if the transfer date exceeds the time frame in Item 2, above

- It was reviewed by a knowledgeable person (PI)

A good justification will allow anyone reviewing the cost transfer to understand how the expense benefits the receiving sponsored project.

It should answer: **who, what, where, when, and why**. It should be easily understood by anyone reviewing the cost transfer documentation (think: “if I leave, will an auditor be able to understand this two years from now?”). It may include documentation to support the justification. Some examples of documentation are:

- Allocation methodology.
- An invoice or packing slip.
- Notes on an expenditure statement, “per PI ...”

4. Have appropriate approvals

Cost Transfers: Examples

Example _:

Inadequate

“To allocate supplies from Program #2 cost object to the Program #1.”

Adequate

“The C++ Conference/Program #2, used a general cost object code to collect all supply charges during its week. The supplies in this cost transfer will be used by the Physics Summer Program #1 for the execution of its goals. All charges to sponsored projects were proposed and approved consistent with ACP and sponsor policy and included in the proposal budget. Documentation, including allocation methodology, is in departmental files.”

The inadequate justification does not address the questions of whether or not the supply charges are allowable and allocable to Program #1 to which they are being charged through

the cost transfer.

The adequate justification states that the Center is aware of the documentation requirements for these charges, attests that all requirements have been met, and states where the documentation records can be found. The length of a justification is irrelevant. A justification must include the pertinent facts, be succinct, and be easily understood by anyone who may read it now and in the future.

Example 2:

Does this journal voucher explanation provide adequate justification?

Program #2 purchased \$600 in paper supplies in June. The ACP Accounting Office processed a Cost Transfer in October for the supplies to Program #1, stating in the remarks that “per a conversation with the PI, it was determined that these expenses were charged to an old cost object in error. This journal entry is to transfer that expense to an appropriate object code for Program #1.”

Would you accept this as adequate justification?

- Did they state the original error?
- Is the expense allocable to the new Program #1?
- Was the transaction documented and processed in accordance with policy?

This journal entry would not be accepted as adequate documentation for this transfer for the following reason:

- Based on the information provided, it is unclear how to evaluate the appropriateness of the transaction. (How did the PI know that those supplies benefited the other program? Did he review an expenditure statement? Project Budget?) Why is it important to have

timely, well documented and carefully justified cost transfers?

1. Any time a transfer is initiated, the assumption is that the transaction was not handled properly initially. If expenses are being transferred onto a sponsored project element, there will be considerable scrutiny of the reasons for the transfer and the justification for moving those charges.
2. Frequent and poorly documented cost transfers may indicate problems in financial management.
3. Federal auditors scrutinize more closely the allowability, allocability, and reasonableness of cost transfers.
4. Federal research sponsors are giving increased attention to the reason behind cost transfers from and to sponsored projects.
5. There is a significantly increased audit risk for cost transfers made beyond the approved guideline.

Cost Transfers: Summary

When preparing documentation to transfer an expense, review the transaction and the documentation provided to support it.

Have you clearly shown that:

- The expense directly benefits the receiving project.
- The expense is allowable on the receiving cost object.
- There are no restrictions which preclude this transfer (e.g., restrictions on travel or equipment).
- The transaction meets all sponsor requirements.
- The transfer complies with all ACP policies.
- The reason the expense was charged incorrectly to the first cost object.

- The reasons for any delay in a timely processing of the transfer.
- Any systemic problems which might cause this problem to be repeated have been addressed.

Chapter 6 – Equipment Purchase and Property Management

Major and Minor Equipment

Equipment is an article of nonexpendable tangible personal property. ACP further distinguishes between capital equipment (unit cost of \$5,000 or greater) and minor equipment (unit cost between \$500 and \$4,999).

In addition, equipment:

Must have a useful life of more than one year;
and

Must be moveable, i.e., not be affixed to the building or structure. (Example: an air conditioning unit that you install into a window that can be removed and placed in another window would be capital equipment, but paying for ducting and vents and installing them into the roof/ceiling, etc. would be a renovation project, not equipment, because the building shell had to be modified.)

Capital (Major) Equipment

Federal government regulations allow centers to set their own capitalization threshold up to \$5,000. ACP's policy defines capital equipment as equipment with an acquisition cost of \$5,000 or more and a useful life of more than one year.

Additionally, the federal government does not allow capital equipment to be included in the Modified Total Direct Cost base. It is for this reason that indirects cannot be recovered on capital equipment charged to research awards.

ACP charges capital equipment to its General Fund and not to sponsored projects.

Minor Equipment

Minor equipment is defined as equipment with an acquisition cost between \$500-\$4,999. Minor equipment is included in the Modified Total Direct Cost base. Therefore, indirect cost is applied to minor equipment charged to research awards. Minor equipment is not subject to sponsor requirements governing capital equipment.

Sponsor Terms and Conditions for Major and Minor Equipment

Purchases of capital equipment are subject to agency/ sponsor regulations and award terms and conditions. Requirements associated with the purchase of minor equipment are consistent with those for materials and services.

It is important to check the terms and conditions of any particular award for information related to the acquisition, ownership, and disposition of capital equipment. Some awards do not allow the purchase of particular types of equipment, general purpose equipment for example, while other awards are made specifically for the purchase of equipment and do not permit other types of expenditures. Some awards require pre-approval by the sponsor before equipment may be purchased. The appropriate terms and conditions appear in the Notice of Award.

Purchasing Equipment on Sponsored Research Projects

Prior to purchasing any equipment for a sponsored project the following questions should be asked:

- Is the equipment necessary for the performance of the project?
- Is this equipment allowable? (according to sponsors terms and conditions)
- Is equipment purchase reasonable?

- Is this equipment purchase allocable to the project?
- Is the timing of the purchase consistent with the period of performance? (i.e. not purchased at the end of the project)

Is this equipment allowable?

Equipment that is purchased on a sponsored project must be necessary for the performance of the project and be consistent with Federal regulations, the requirements of the sponsor and the terms and conditions of the award to which the equipment will be charged.

When it is anticipated that the performance of a sponsored project will require acquisition of equipment, the PI should review the program announcement, solicitation, sponsor's policy, etc. to ensure that the equipment is allowed on the project prior to submitting the proposal. In some situations the sponsor will require a detailed listing and written justification for all equipment purchases.

Prior to making any equipment purchases, the PI and should review the terms and conditions of the Notice of Award to make sure that there are not any sponsor provisions that preclude the equipment purchase without sponsor approval. Here are a few examples of sponsor clauses regarding equipment purchases:

- Equipment may be purchased without approval.
- General purpose items may not be purchased without prior approval.
- All equipment purchases require prior approval. Equipment may not be purchased.

Is the equipment purchase reasonable?

The purchase of equipment must be reasonable with respect to timing and cost. If

equipment is necessary for the performance of a project, it is anticipated that the equipment will ordinarily be purchased in the initial stages of the project, not at the end of the project. The purchase of equipment should also be reasonable with respect to cost. While it may be impossible to precisely budget for the acquisition cost of equipment at the time the proposal is submitted, under normal circumstances the actual purchase price of equipment should approximate the amount in the approved award budget.

It is important for the PI to review the sponsor policy and terms and conditions of the award before using funds approved for equipment purchases for other purposes, or to use other award funds to purchase equipment. Sponsor policies and award terms and conditions vary in the amount of flexibility that the PI has in rebudgeting award funds between various cost categories.

Use of Equipment During and After the Period of Project Performance

The PI should review the sponsor policy and award terms and conditions to determine what restrictions, if any, exist for the use of equipment. The primary use of equipment purchased on a federally sponsored project should be for the performance of that sponsored project. However, federal regulations include a "hierarchy of use" that permits the equipment to be used for other federal projects; first on other projects funded by the agency that paid for the equipment and next on projects funded by other federal agencies.

After the period of performance there is typically no restriction on ACP's use of sponsor-funded equipment if ACP retains title. When the sponsor retains title to the equipment it has funded or furnished, the sponsor's policies and award terms and conditions should be reviewed to determine the appropriate use and disposition of the

equipment.

For questions regarding inclusion of equipment items in proposals, contact the ACP Administrative Staff or Grant Committee.

Types of Equipment

General Purpose Equipment is equipment, the use of which is not limited only to research, medical, scientific, or other technical activities. Examples of general purpose equipment include office equipment and furnishings, reproduction and printing equipment and motor vehicles.

Similar to the rules for the direct charging of administrative expenses, a parallel requirement for adequate budget justification exists whenever “general purpose” equipment is charged to a project. Federal regulations stipulate that the cost of multi-use equipment used for general purposes should not be direct-charged to sponsored projects. Multi-use general purpose equipment should be purchased using unrestricted funds. If general purpose equipment is necessary for the performance of the sponsored project, the budget justification should include detailed information linking the equipment acquisition to the technical work of the project.

Disposition of Equipment

Disposition of equipment occurs when the equipment is no longer needed for the sponsored project; in most cases, this occurs as the project nears completion. Disposition activities include reutilization, transferring equipment to other awards or centers, selling, or returning the equipment to the sponsor. If equipment is broken or obsolete, it may be eligible for disposal as scrap.

The ACP Administrative Staff is responsible for generating property management reports required by government agencies and sponsors

including financial, equipment status, and closeout reports.

Sponsor-owned Equipment and Property

In some situations a sponsor may provide award funds for the purchase of equipment or property but may retain ownership of the asset. Property which is owned by the sponsor may have acquisition and reporting thresholds that differ from ACP’s, so the award terms and conditions must be reviewed for specific requirements related to acquisition, use, maintenance, and disposition of equipment.

A sponsor may also furnish equipment to be used in the performance of a sponsored project. Again, the award terms and conditions should be carefully reviewed to ensure compliance with sponsor requirements.

Responsibilities for Sponsor-Funded/Owned Property

ACP is responsible for the control of sponsor-funded/ owned property provided under the terms of sponsored project contracts and certain sponsored project grants. The Center delegates the direct control, maintenance, and accountability of sponsor-funded/owned property used in connection with a contract or grant to the Principal Investigator.

Center policies and procedures on control of sponsor-funded/owned property are established by the Center to insure compliance with contractual requirements.

Property Management

The performance of sponsored projects may require the acquisition of equipment by ACP. The equipment may be purchased by ACP using Center funds, or the equipment may be budgeted as a direct cost of the project and paid for with sponsor funds. In some situations the equipment may be donated by third parties or furnished by the sponsor. The

requirements associated with the management of equipment and other property acquired by ACP vary depending on the dollar value of the acquisition, the source of funding and the method of acquisition.

Roles and Responsibilities

ACP Administrative Staff

The ACP Administrative Staff is responsible for the accounting and asset management for both ACP-owned, sponsor-owned and donated equipment. The ACP staff has information on specific procedures, policies, and instructions for acquiring, controlling, shipping, moving, and disposing of sponsor-funded, sponsor-owned and Center property (including loaned and donated property.) The staff conducts a physical inventory of Center property, including equipment, on a regular basis. Inventory results must be reconciled to the ACP property.

ACP

Chapter 7 – Project Monitoring Introduction

This chapter addresses a variety of issues which arise during the performance, completion and close-out phases of a sponsored project. If you have not read the chapter on Sponsored Programs Basics, sections entitled “Preparation of the Proposal Budget,” “Management of Project Expenditures,” and “Special Requirements Related to Sponsor Notifications and Prior Approvals,” you should do so before reading this Chapter.

Overall Responsibility and Delegation of Authority

Responsibilities for Center funds are delegated from the Corporation to Center trustees and officers. General responsibilities are described below.

1. General Responsibility

The Center has delegated to trustees, officers, and principal investigators (PIs) the responsibility for management of funds. Specifically, PIs have been delegated the responsibility for the management of funds in cost objects they supervise. The PIs have the authority to expend funds to accomplish their responsibilities, and are responsible for assuring that expenditures charged to their cost objects are:

- Allowable and allocable
- Reasonable and necessary
- Consistent with established Center policies and practices
- Applicable to the work of the Center
- Consistent with sponsor or donor expenditure restrictions

2. Overall Responsibility for Sponsored Programs

At the Center, the PI has overall responsibility for the technical and fiscal management of a sponsored project. This includes the management of the project within the funding limitations of the sponsored award, and assurance that the sponsor will be notified when significant conditions related to the project status change. While responsibility for the day-to-day management of project finances may be delegated to administrative or other staff, accountability for compliance with Center policy and sponsor requirements ultimately rests with the PI.

3. Delegation of Authority

Authority to create and approve transactions for the purchase of services and materials on a project cost object may be delegated by the PI. The PI retains accountability for prudent control of the project cost object codes and may place limits on the dollar level and the types of expenditures for which authority is delegated.

4. Limitations on Delegation of Authority

- **Expense Reimbursement:** No person may approve his or her own expense reimbursement, or the expense reimbursement of an individual to whom he or she reports either directly or indirectly.
- **Salaries:** No person may authorize any payroll transaction that affects his or her own salary, or payroll transactions that affect the salary of an individual to whom he or she reports either directly or indirectly.
- **Conflict of Interest:** No person may authorize a payment to a business or individual where there is a conflict of interest.

REMEMBER, when authorizing direct charges to a sponsored project, the

Administrative Vice President must assure that:

- The estimated charge is reasonable and necessary.
- The expenditure is allowed by the funding source and, if a charge to a federally funded project, by OMB Circular A-122.
- The expenditure is allocable to the project, i.e., provides benefit to the project.
- The funds are available within the authorized award amount and funding limitations, and the authorized period of performance.
- The justification for the expenditure is documented.
- The method of allocation of costs is appropriate.
- The charge is coded with the correct general ledger code and charged to the fund.

Pre-Award Costs

Does the project need a project cost object established in Pending status?

REMEMBER, sponsored project cost objects are not to be used as clearing accounts!

Solution

If the sponsor allows pre-award costs, ACP will create a project cost object in Pending status provided that the Center will assume financial responsibility. Be aware that some sponsors on some awards may not allow pre-award costs or may limit the period of time in which such charges may be incurred. Check sponsor guidelines before incurring such expenses.

How is a new project cost object created in Pending status?

If you know an award is forthcoming, review sponsor guidelines regarding pre-award costs. Certain agencies, programs or award types may have specific rules governing pre-award expenses. Some sponsors may limit the dollar value of such charges, or may set time limits for their expenditures.

With the designation of an unrestricted source of back-up funding, the Administrative Staff will set up pending status (not billable to sponsor). In such circumstances, the Center must assume all financial risk associated with the possible inability of ACP to negotiate or receive an acceptable fully executed award from the sponsor.

REMEMBER, Setting up a new project cost object where appropriate can save time and trouble in the long run. Any time charges are being transferred into a sponsored project cost object, as they would be if you were “clearing” early expenses and transferring them to the proper fund, careful documentation and justification will be required. It is easier to place the charges where they belong from the beginning!

Spending

When should expenses be reviewed and corrections be processed?

Statements of Activities (Revenues and Expenses) or P&Ls prepared and issued by the Accounting Office, are the official record of project expenses and the basis for cost reimbursements to ACP.

Expenditure statements for sponsored project and cost sharing cost object codes must be reviewed quarterly by a knowledgeable individual, i.e., the PI or a designee, so that adjustments, if necessary, can be made in a timely manner. To be considered timely,

expenditures must be reviewed and adjustments made in a reasonable time period. ACP's Account Review policy describes the process to be used for this review.

Any questionable charges must be brought promptly to the PI's attention and, if needed, corrected by an appropriate transfer. Transfers should be initiated as soon as possible after a need has been identified. Expenses may be transferred to an appropriate Fund. Whenever expenses are moved to or between sponsored cost objects, the PI must assure that the project which ultimately pays the expense is the project which benefited from that expense, and that there is adequate documentation to support the appropriateness of the transaction.

REMEMBER, when correcting project expenses: Make corrections in a timely manner.

Explain carefully and completely the reason for the transfer.

When is sponsor approval or notification required?

Federal grant policy OMB A-110 establishes the approved project budget as the financial expression of the project, and sponsors may evaluate the project against the budget at any time. Although sponsors allow certain flexibilities with regard to rebudgeting, unobligated balances, and pre-award costs, ACP and sponsors expect expenditures to be reasonably consistent with the approved project and budget. Sponsors may question or disallow expenditures that appear inconsistent with the project plan and budget. PIs are obligated to request prior approval when budget and program plan revisions indicate a significant change in scope.

For federal grants, advanced written approval by the sponsor's grant officer (not program officer) is required for:

Change in project scope. Reduction in PI level of effort by 25% or more.

1. If a principal investigator spends less effort on the project than proposed, then the PI and the responsible department should:

- a. Review and adjust salary charges.
- b. Review any cost sharing commitments.

2. In addition, for **federal awards**, the PI must notify the sponsor in writing if he or she plans to reduce his or her level of effort by any significant amount from the awarded level.

All approval, prior approval requests or notifications should be written by the PI and endorsed and submitted by Administrative Staff.

Late Expenses

Expenses including salaries, may not be charged to a project after the project end date unless the effort was provided or the goods or services were acquired and consumed during the project period. An exception may be made if specific written approval was received from the sponsor.

Question

How late in a project is it "safe" to order supplies or other project materials?

Answer

Any time, as long as the materials will be **ACQUIRED AND CONSUMED** during the project period.

If a requisition is submitted before the project end date, but the materials are received after the project end date, the expenses will be considered unallowable and unallocable to that project.

Committed dollars for an expense does NOT mean that the item was USED during the project period. Common sense would say that, if you order a new computer on the last day of a project period, it is not likely that the computer will be used for project performance.

The sponsor always retains the right to say “no.” Examples of reasons to say no might include:

- An extension may not be granted just because there is money left over. A programmatic benefit must be justified.
- Funding may have come from a prior year’s appropriation and cannot be extended.
- The amount requested in the extension request appears excessive to the sponsor.

Because of this reality, it is always a good idea to request the extension in enough time to manage an orderly accomplishment of project work, and to have a contingency plan in case the sponsor does not approve the extension.

Written requests for no-cost extensions should be prepared by the PI and then endorsed and submitted by ACP Administrative Staff. Some sponsors are developing electronic systems to handle no-cost extension requests and approvals.

No-cost extensions and OMB A-__0 Expanded Authorities Some federal sponsors have delegated the authority under grant awards to approve a one-time no-cost extension not to exceed 12 months to ACP. If authorized, an internal no-cost extension request should be made at least 30 days in advance of the project end date. The extension, although approved by ACP, must be requested by the PI.

Equipment Acquisition example

Equipment costs are allowable to the project, as long as there is documentation that the equipment was actually ordered, received, and used specifically on the project during the project period.

Final Reports example

Costs to prepare final reports are NOT allowable to the project, even if budgeted and adequate funds remain, if they are not incurred and charged during the project period.

Solution

If the final report cannot be produced during the original project period, and there are sufficient funds left in project cost objects, request a No-Cost extension from the sponsor. This will allow the expenditure of project funds after the conclusion of the project for the purposes specified in the extension request.

No-Cost Extensions

Does the project need a no-cost extension?

A no-cost extension extends the project period beyond the original project end date. There is no additional funding, as the phrase “no cost” suggests.

Close-out What happens at project expiration?

The ACP Accounting Office and the PI reviews projects quarterly and at closeout to ensure that costs are allowable, allocable, reasonable and consistent. Good project management over the life of an award will help to eliminate any problems after the award has ended and during the closeout. All expenses must be complete and posted to the appropriate fund no later than 60 days after the project end date. The Accounting Office will then prepare the final financial report and

submit it to the sponsor typically within 90 days of the close date. Sponsors have up to three years after the official closeout date to conduct a closeout audit and all records must be retained during that period.

Generally, no costs incurred after the end date are allowable. Ongoing correction of incorrectly charged expenses is preferable to adjustments in the last month of a project.

These guidelines apply to project closeout:

After the end date of a project, a cost overrun may not be cleared to another fund. Such cost overruns should be treated as Recorded Project Overruns charged to a discretionary cost object.

Unspent balances at the close of the project must, in most cases, be returned to the sponsor. Notable exceptions are fixed price contracts and sponsored agreements allowing carry-forward of funds.

If a disallowance is identified during preparation of the final fiscal reports, and approval which makes the cost allowable has not been received, the cost must be transferred to an unrestricted fund.

Final reporting requirements are sometimes identified in the award documentation. These reports might include the following:

Financial Reports.

Technical Reports: Technical reports are the responsibility of the PI. Some agencies permit technical reports to be submitted online.

Invention Reports: The ACP Administrative Staff will submit the final invention report to the sponsor, based on information provided by the PI.

Equipment Inventory Reports: These reports are prepared by the Administrative Staff.

REMEMBER, Sponsors can and do suspend funding in cases where progress or final reports are not submitted in a timely fashion. It is critical, therefore, to submit all reports per the reporting schedule that appears in the notice of.

The following is a handy closeout checklist for PIs and Administrative Staff:

Technical Reports

Does my report include:

- Grant or contract number, PI's name, project title, and performance period, including authorized extensions?
- Significant results of the project?
- Examples of project?
- Technical difficulties and solutions?
- List of publications, including articles in progress?
- If the award contains "objectives and/or deliverables," does the report discuss each of these?

Financial Reports

- Have all project expenditures been posted, i.e., have they appeared on monthly expenditure statements?
- Have I reviewed all project expenditure statements?

Invention Reports

- Have I disclosed all new technology to the Technology Licensing Office?

Property Reports

- Have I identified all materials and equipment acquired under this award, including property that was

Provided by the sponsor?

Record Retention

How long should financial records be retained?

Retaining financial records serves two purposes. In the short term, it provides those responsible for the management of cost objects with the means to monitor transactions and resolve problems. In the long term, it enables the Center to comply with Federal Acquisition Regulations, Internal Revenue Service regulations, and other federal, state and local regulations governing the auditability and retention of records.

Responsibility

- a. Online transactions – When the source documentation for a transaction is online, the ACP Administrative Staff is responsible for retaining the online transaction record.
- b. Paper documents – When the source documentation for a transaction is paper, the Administrative Staff is responsible for retaining it.
- c. Justification for transactions, either online or paper, should be maintained by the Administrative Staff, as appropriate.

2. Retention times

Legal and Audit Requirements – When requirements for long-term retention of records overlap, the responsible office should retain records for the maximum period needed to meet legal and audit requirements. A-110 specifies the following:

a. Direct charges to contracts and grants: Three years following the date, Accounting considers the project to have been formally closed by the sponsor, unless an audit or litigation is underway.

b. All cost objects included in indirect cost rate:

Three years following the final sign-off for that year by the federal government.

Longer retention times apply to certain documents. For information on a specific document or category of documents, the Administrative Staff should be consulted.

ACP's complete Record Retention policy is available online.

Key References - ACP Record Retention Policy

Audits and Auditors

What are audits and who are the Center's auditors?

Auditors and audits are necessary components of the research administration function. Webster's Dictionary defines the noun "audit" as "a methodical examination and review." As a verb, it means "to examine with intent to verify." The fact is, audits of one type or another are a regular part of the administrative process. The ability of officers and staff to contribute efficiently and effectively will play a big role in the outcome.

There are several different groups of auditors here on the ACP campus. They include:

ACP Audits

- Taylor Roth and Co - ACP's certified public accounting firm
- NSF Audits - ACP's cognizant federal audit agency
- Other agency or foundation audits

Federal auditors perform both systems audits and contract-specific audits as well as indirect cost and other compliance audits. The

majority of external systems audits are performed to comply with the federal requirements. Starting in 2015, organizations receiving less than \$750,000 per year in federal grants are not required to undergo the federal audit delineated in OMB Circular A-133 and its compliance supplement. The Center

The best way to assure that audits go smoothly is to create and maintain good records. ACP relies on a central database and records whenever possible. The information needed, e.g., the back-up documentation for an expense transfer or the certification of a monthly expenditure statement, resides in the Administrative Staff offices, and complete, orderly records can prove the truth of the old saying “An ounce of prevention is worth a pound of cure.”

What information does the Center make available to auditors?

ACP will provide, on a reasonably timely basis, government auditors with access to all documents and data that are relevant to government audit purpose, including:

Electronically maintained accounting information

It is possible to provide online access to the FastFund Accounting System and to the Center database should an auditing agency request access.

Online documents

Government auditors may freely access the most up-to-date version of Center policy and procedure documents at aspenphys.org/aboutus/governance/policies.

Other published Center documents

ACP will provide government auditors with copies of all published (i.e., available to the general public) documents upon verbal

request. The Center will also endeavor to provide auditors with hard copies of important published Center reports that are not available online.

Unpublished Center documents

ACP will provide government auditors with copies of all relevant unpublished Center documents, except those deemed by the Center to be legally privileged or protected. Questions about whether a particular document (including special data analyses) might be deemed to be privileged or protected should be directed to PI or Administrative Staff before that information is provided.

Interview information

Government auditors may interview Center personnel in connection with any audits that have gone through the appropriate opening procedures. The Administrative Vice President will set up these interviews upon request by government auditors. It is normal and necessary for as many personnel as possible, including staff and officers, to be present at all such interviews.

What should I do if I am asked to speak with an external auditor?

Before an audit is begun by any external auditors at ACP, the external auditors will be asked to communicate with the Administrative Vice President. Normally there will be an opening audit conference with the external auditors to discuss the scope, goals, and timing for the planned audit engagement. Other Center personnel who might be expected to be involved in the planned audit will be invited to this opening conference. After an understanding has been reached as to the scope of the proposed audit, and presuming it is deemed to be relevant, the external auditors may initiate procedures to seek information and documents from ACP.

ACP personnel who are contacted directly by external auditors should contact the Administrative Vice President. If ACP personnel are unsure whether an external audit has been approved, or have any other questions about an ongoing audit, they should communicate with the Administrative Vice President or the PI.

Note that the above protocol might not be followed in the case of special government investigations. In such cases, government investigators may decide to initiate contacts without first informing the Center. Although this is permitted, ACP personnel who are contacted by government investigators also have specific legal rights. They should always contact the Administrative Vice President or PI immediately.

REMEMBER, when talking with external auditors:

- Know with whom you are talking.
- Understand the focus of the audit.
- Have someone with you from the ACP Board and someone from the Administrative Staff.
- Limit answers to the questions you are asked.

Key References -

OMB Circular A-122, Cost Principles for Non-Profit Institutions

OMB Circular A-110, Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations

OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations

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