



SPONSORED PROJECTS MANUAL

**University Policies and Procedures
For Requesting, Accepting, and
Administering Grants, Contracts,
And Cooperative Agreements**

For use with WBS Element/Grant Numbers

06/23/2008

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1.0 OVERVIEW

1.1 *Purpose and Scope*

The Sponsored Projects Manual (Manual) is designed to acquaint the Principal Investigator (PI) or Grant Assistant with policies and guidelines regarding programs and projects sponsored by outside entities using grants, contracts, and cooperative agreements. The Manual is divided into five Sections:

1. Overview
2. The Grant Accounting Office
3. Getting Started
4. During the Life of the Project
5. Closing Process

For easy access, Appendices referenced in the text are placed following the text they pertain to. Forms created and/or distributed by other departments have been purposely omitted to avoid possible future distribution of obsolete versions of the forms. The Current rates or dates were purposely not used to avoid possible misuse and/or distraction from the intended purpose of the example.

The Grant Accounting Office is always available to answer your questions. Our office hours are Monday through Friday, 8:00 a.m. - 5:00 p.m. The office is located at 304 & 307 Warriner Hall. The GAO is glad to schedule individual appointments with a Principal Investigator (PI) and/or Grant Assistant to discuss or review any matter involving the post-award administration of sponsored projects. Your comments and suggestions are always welcome. The Grant Accounting Office telephone numbers are Kasie Natzel 774-7361, Lakshmi Vungarala 774-7359, Hillary Pierce 774-1280, and Tracy Daugherty 774-1162 and the fax number is 774-1209. Our mailing address is 307 Warriner Hall, Mt. Pleasant, MI 48859.

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1.2 ***Glossary of Terms Commonly Used in this Manual***

This glossary provides definitions for terms commonly used in this manual. Readers will find definitions for more specialized terms in this section to which they specifically pertain.

Applicant

Although CMU is the legal applicant and fiscal agents for grants, contracts and cooperative agreements, the term “applicant” is commonly used in this manual to refer to CMU employee or designee who serves as the Principal Investigator or Project Director and who initiates and prepares the application or proposal. Where the legal distinction between the institution and the individual as applicant is relevant, this manual provides specific clarification and guidance.

Application or Proposal

The application or proposal is the written request for support submitted to a sponsor. At a minimum, an application includes a statement of work and a dollar request. Although applications and proposals are necessarily estimates, they are typically incorporated in the sponsor’s award as a term or condition. For this reason, CMU requires institutional review and approval of applications and proposals before they are submitted to a sponsor for consideration.

CMU

Central Michigan University

Cost Sharing and Matching

In general, cost-sharing and matching represent that portion of project costs not borne by the Sponsor. **For the purpose of the Manual, both Cost-Sharing and Matching will be used interchangeably.**

Departmental Administrator / Grant Assistant

The individual that assists the PI or the project director.

F&A

Facility and Administrative Costs

GAO

Grant Accounting Office

G/L

General Ledger

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IDC

Indirect Cost

Narrative Technical and Performance Reports

Reports that are completed by the PI. These terms are used interchangeably.

Overdraft/Deficit

This occurs when the grant expenditures are greater than the fund availability. These terms are used interchangeably throughout the document.

ORSP

Office of Research and Sponsored Programs

Principal Investigator (PI) or Project Director

T & E

Time and Effort Reporting

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2.0 THE GRANT ACCOUNTING OFFICE (GAO)

2.1 WHY DOES THE GRANT ACCOUNTING OFFICE EXIST?

2.1a. Post-Award Administration

The post-award administration of sponsored projects at CMU consists of the following:

- 1) Safe guard project funds;
- 2) Invoicing of funds;
- 3) Receipts of funds;
- 4) Monitoring Internal and external policies and procedures and reporting.

The pre-award office, Office of Research and Sponsored Programs, (ORSP) provides assistance from the proposal stage through CMU's acceptance of the award. Furthermore, the pre-award offices are also involved if an action has the potential of amending or modifying the award document. Appendix 1 - PRE AND POST-AWARD INVOLVEMENT provides a list of possible actions and describes both the pre-award and post-award involvement for each action.

2.1b. Mission of the Grant Accounting Office

The GAO exists to perform the post-award administration of sponsored projects by preparing financial and other non-scientific reports to Sponsors on sponsored projects, monitoring for compliance with Sponsor and CMU requirements, assuring reimbursement of project expenditures, providing training and support to departmental administrators, coordinating award documentation and approval processes, and answering questions and providing information to Sponsors and CMU personnel in a prompt, accurate and cordial fashion.

The GAO performs these duties and responsibilities in order that it may safeguard project funds, maximize CMU's cash flow position, maintain good relations with Sponsors and CMU personnel, and are viewed by Principal Investigators and Departmental Administrators as facilitating the progress of the sponsored project.

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2.1c. APPENDIX 1: PRE AND POST-AWARD INVOLVEMENT

ITEM	PRE-AWARD OFFICE OF RESEARCH & SPONSORED PROGRAMS	POST-AWARD GRANT ACCOUNTING OFFICE
NEGOTIATIONS	Negotiates Awards & Modifications	
PRE-AWARD COSTS	Approves Department's written requests and negotiates amount included in Award document	Assigns and creates WBS Element number; notifies PI & ORSP
AWARD DOCUMENT	Reviews, negotiates, and accepts Award documents	Reviews Award document for items affecting all financial aspects, including allowability, invoicing, and reporting
REQUESTING A WBS ELEMENT NUMBER	Provides necessary documentation and requests that WBS Element number be established, assigns department responsible for the project	Reviews documentation for completeness, assigns WBS element number.
DEPOSITS		Determines Cost Object, G/L Account, and reviews for appropriateness
PROGRAM INCOME	Reviews at proposal stage	Determines amount to report to Sponsor as indicated in the General Ledger
TIME AND EFFORT CERTIFICATION		Distributes and collects Time and Effort Certifications each semester
CONSULTANT REQUEST	Reviews and approves consultant requests	
JOURNAL ENTRY		Reviews and processes Journal entry for appropriate charges and GL's
REBUDGETING OF FUNDS	Reviews and approves Rebudgeting Forms and also countersigns requests requiring Sponsor's approval; notifies the GAO of approval	Reviews and Processes Approved Rebudgeting Forms
PRIOR APPROVAL	Reviews and approves requests and also countersigns requests requiring Sponsor's approval; notifies the GAO of approval	Revises financial records, as needed
NO-COST EXTENSION	Reviews and approves requests, and also countersigns requests requiring Sponsor's approval; notifies the GAO of approval	Revises financial records, as needed
PURCHASE REQUISITION	No review by ORSP, unless over \$5000	No review

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2.2 WHO IS THE GRANT ACCOUNTING OFFICE?

The Grant Accounting Office (GAO) has a staff of three grant accountants (Appendix 2 – ORGANIZATIONAL CHART). DEPARTMENTAL ASSIGNMENTS provides a quick reference when deciding who at the GAO can best assist you with your questions or concerns. It provides direct dial telephone numbers and email addresses for the staff of the GAO.

2.2a. APPENDIX 2: DEPARTMENT ASSIGNMENTS

DEPARTMENT ASSIGNMENTS GRANT ACCOUNTING OFFICE

Kasie Natzel
307 Warriner Hall, Mt. Pleasant, Michigan 48859
Telephone 989-774-7361 Fax 989-774-1209
natze1kl@cmich.edu

Lakshmi Vungarala
307 Warriner Hall, Mt. Pleasant, Michigan 48859
Telephone 989-774-7359 Fax 989-774-1209
vunga1lj@cmich.edu

Hillary Pierce
304 Warriner Hall, Mt. Pleasant Michigan 48859
Telephone 989-774-1280 Fax 989-774-1209
franc2ha@cmich.edu

Sue Parsons / Assistant Controller
304B Warriner Hall, Mt. Pleasant Michigan 48858
Telephone 989-774-7358 Fax 989-774-1209
parso1sm@cmich.edu

DESCRIPTION	GRANT NUMBER STARTING WITH	ACCOUNTANT	TELEPHONE
FEDERAL GRANTS/CONTRACTS	F6XXXX	LAKSHMI VUNGARALA	774-7359
FEDERAL MATCHING W/PASS THROUGH	P6XXXX		
STATE GRANTS/CONTRACTS	S6XXXX	Kasie Natzel	774-7361
STATE MATCHING W/PASS THROUGH	P6XXXX		
PRIVATE GRANTS/CONTRACTS W/O PASS THROUGH	P6XXXX	Hillary Pierce	774-1280
PRIVATE/CONTRACT MATCHING			
PRIF, REF & FIT	C6XXXX		
CONTRACTS MATCHING			
SCHOLARSHIPS			

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2.3 WHAT DOES THE GRANT ACCOUNTING OFFICE DO?

The Grant Accounting Office (GAO) primarily performs the following three main functions:

2.3a. Invoicing and Cash Collections

The GAO maintains detailed financial records for all projects. Detailed financial records include invoices issued; cash received, and balances due. The GAO also prepares and submits, in a timely manner and in accordance with Sponsor specific requirements, project invoices, financial reports, and other reports as required.

2.3b. Record Keeping and Audit Resolutions

The GAO is responsible for maintaining files adequate for financial audit resolutions and for serving as liaison and negotiator when financial audits are conducted. The GAO deals with Internal, External, Independent, and Regulatory Auditors as necessary.

2.3c. Monitoring for Compliance

The third main function is that of monitoring for compliance in order to assure that sponsored projects are administered in accordance with both CMU and Sponsor guidelines and procedures. In order to accomplish this task, the GAO staff keeps up-to-date on any changes involving both external or internal policies and procedures.

3.0 GETTING STARTED

PRE-PROPOSAL ACTIVITY

3.1 Roles and Responsibilities.

3.1a. ORSP

- Informs the University community of opportunities for project sponsorship.
- Provides guidance on the development of proposals.
- Prepares or reviews and approves Confidentiality Agreements.

3.1b. PRINCIPAL INVESTIGATOR

- Contacts ORSP before providing cost estimates or making commitments to prospective sponsors.
- Contacts ORSP before accepting any confidentiality or nondisclosure agreement.

3.2 NEGOTIATIONS

Prior to making an award, a Sponsor may wish to negotiate the terms and/or amount of the award. All sponsored projects negotiations are conducted by the pre-award office, ORSP. Please refer any questions pertaining to negotiations to the ORSP office.

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3.3 PRE-AWARD COSTS

Some Sponsors, such as the National Science Foundation and the National Institutes of Health, allow for "90 days pre-award spending". If a Principal Investigator (PI) has received verbal notification from the Sponsor that his/her project has been funded, the PI may be able to request a WBS Element number prior to receiving the award document. This can be done by the Departmental Administrator or PI writing a memorandum to the pre-award office stating the justification for pre-award spending. The memorandum should be cosigned by the PI's Departmental Chairperson, or his/her designee, and should state that in the event that the funding does not materialize, departmental discretionary funding will cover costs incurred on the project. This request must be approved by the pre-award office provided that: (1) the Sponsor allows for CMU approval of such costs, (2) the approval is requested and granted prior to the incurrence of actual costs, (3) the advance funding is necessary for the effective and economical conduct of the project, and (4) the costs are otherwise allowable on the project. When approved by the pre-award office, the request for a WBS Element number "in advance" is forwarded to the Grant Accounting Office (GAO) to establish a new WBS Element number.

If the Sponsor does not allow CMU to approve Pre-Award Costs, it may still be possible to obtain the Sponsor's approval during the negotiation process. Contact the pre-award office if the need for Pre-Award Costs exists. When a Sponsor approves Pre-Award Costs, the award document may stipulate the amount of pre-award costs the project is authorized to incur.

3.4 ESTABLISHING A GRANT NUMBER AND WBS ELEMENT NUMBER

After an award is formally accepted by CMU, the pre-award office attaches the award document to the proposal and forwards it to the GAO. Award documents received by the Principal Investigator or Grant Assistant must be sent through the pre-award office for a formal request for a WBS Element number.

The GAO reviews the documentation for completeness. **Your assistance in ensuring a complete project file is extremely important.** Any revised budgets submitted to the Sponsor or any attachments referenced in the award documents sent directly to the PI or Grant Assistant by the Sponsor should be forwarded to the pre-award office. Missing documentation can cause an incorrect WBS Element number to be set up or incorrect financial reports to be submitted.

To ensure consistent and uniform application of the criteria followed in the establishment of new WBS Element numbers. The authority to establish new WBS Element number, to modify, or close existing WBS Element numbers is restricted to the Grant Accounting Office (GAO). However, the GAO does not establish a new WBS Element numbers until a formal award has been received from ORSP.

Based on the documentation received, the GAO determines the grant number using the following guidelines.

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GRANT NUMBER DEFINITION

<i>TYPE</i>	<i>GRANT NUMBER</i>	<i>WBS ELEMENT/SOURCE</i>
Federal	F6XXXX	6XXXX1 = External 6XXXX2 = Internal
State	S6XXXX	“
Private	P6XXXX	“
CMU Sponsored Grants	C6XXXX	“

Grant number---The alpha character indicates TYPE of agency funding. (Eg. F6XXXX = Federal). Sponsored projects are designated as Current Restricted Funds.

WBS Element Number---indicates the SOURCE of funds. A WBS element number ending in “1” represents external agency funds and a WBS element number ending in “2” represent internal funds. (Eg. 6XXXX1 = External, 6XXXX2 = Internal).

CMU is required to account for each project/award separately. Therefore, a new Grant number is issued for every new award. This procedure is also followed when a Sponsor, such as NIH, makes an award covering a specified “Project Period” (e.g., 5 years) but incrementally funds the project by a “Budget Period” (e.g., 12 months). More than one Grant number can be issued for one project when special circumstances arise.

Other information, such as the effective dates of the project, department’s Grant number associated with the project, primary purpose of funding, and special mailing instructions for invoices, is determined at this time. ORSP assigns the Grant number and forwards the request to the GAO where the WBS element number is created and the Grant number/WBS element numbers are activated in the financial system. The GAO notifies the PI or Grant Assistant and ORSP by email or telephone of the newly assigned WBS element numbers. Once the WBS element numbers are issued, an award folder is prepared.

3.5 REVIEWING THE AWARD DOCUMENT

The Grant Accountant reviews very closely all award documents, guidelines, and/or terms and conditions. For each funded project the following must be determined:

- a. Amount awarded and committed match amount.
- b. Budget categories approved by the Sponsor (including cost-sharing)

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- c. F&A rate(s).
- d. Departmental cost center number charged with unallowable expenses or overdrafts
- e. Sponsor Restrictions - e.g., no foreign travel, no equipment
- f. Sponsor Limitations - e.g., rebudgeted amounts cannot exceed 5% of budgeted categories, consultant fees cannot exceed a specified amount
- g. Reports Required - e.g., financial, patent, property, etc.
- h. Submittal Requirements - due dates, format, distribution

It is at this point that it becomes crucial for The GAO to have the most current budget information. If a revised budget bypassed the proper channels (pre-award office), the GAO could possibly be referring to an incorrect budget. Consequently, the amounts listed in the Grant Summary Report would be incorrect. In addition, if the total amount awarded does not equal the proposed budget, the GAO may not be able to allocate the award until the proper revised budget is received from ORSP.

Since one of the major responsibilities of the Grant Accountant is to assist the Principal Investigator in administering his/her sponsored project, it would be of great advantage to the Grant Accountant to review the award document in the same detail as ORSP. Appendix 3 - TERMS OF AWARD is provided to assist you in summarizing restrictive details of a sponsored project.

APPENDIX 3: TERMS OF AWARD

PROJECT GRANT NUMBER: _____ PERIOD OF PROJECT _____

PI: _____ CONTACT AT ORSP _____

CONTACT AT THE GAO _____

_____ **PASS-THROUGH FUNDS**, NAME OF PRIME SPONSOR: _____

REBUDGETING

_____ Expanded Authority

_____ Budget changes in excess of \$_____ or _____% require prior Sponsor's approval

_____ Expenses exceeding budget categories require prior Sponsor's approval

_____ Other: _____

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3.6 BASIS OF FUNDING

3.6a. Cost-Reimbursement

An award made on a **Cost-Reimbursement** basis refers to an award where the Sponsor makes a commitment to award/obligate a specified amount but the actual money is not received by CMU until after the Grant Accounting Office (GAO) bills for the expenses incurred on the project. On a Cost-Reimbursement award the Principal Investigator may spend the amount awarded/obligated and should not be concerned with the timing of when the actual money is received. The GAO has both the responsibility of requesting payment (reimbursement) and monitoring the timely receipt of those payments. It should be noted, however, that Sponsors have been known to withhold payment because of non-submittal of technical reports. If this occurs, the PI will be notified by the GAO and/or the pre-award office of his/her responsibility to ensure proper payment by monitoring the proper submittal of the delinquent technical report.

3.6b. Fixed-Price

A few sponsors award **Fixed-Price** Contracts. This type of award stipulates a fixed amount usually paid when the deliverables are received and accepted by the Sponsor regardless of the actual expenses incurred. In the event that a minimal unexpended balance is left at the end of a Fixed-Price Contract and payment in full has been deposited, the GAO, during close-out procedures, transfers the unspent balance to the department's designated discretionary Cost Center unless otherwise notified in writing by the PI.

3.6c. Advance Payment

Some Sponsors enclose a check with their award document or make **Advance Payments** based on a payment schedule specified in the award document. Many Sponsors, however, require the return of any unspent funds left at the end of the project.

3.7 INVESTMENT OF FUNDS

When advance payments are received these funds reside in the university pooled cash. CMU is required to pay the Federal Government interest earned on the unexpended funds on hand for more than 3 days. Both the computation and the processing of the payment for the interest earned on advanced Federal funds is the responsibility of Accounting Services and does not affect the PI or the sponsored project.

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3.8 DEPOSITS

The GAO is responsible for the reporting/accounting of revenue received for a grant. The actual deposit is done by the GAO. If you receive a check that needs to be deposited to a sponsored project, it is critical that you indicate the purpose of the check, e.g., reimbursement for expenses incurred on G/L Account, payment for sales or services, advance payment of grant and send the check to the GAO. The GAO determines the grant number or the receivable the check is deposited to.

3.9 PROGRAM INCOME

Program Income is gross income earned by a sponsored project from activities, part or all of which are borne as a direct cost by the sponsored project. Examples of Program Income include:

1. Fees earned from services performed under the project, such as those resulting from laboratory drug testing.
2. Rental or usage fees, such as those earned from fees charged for the use of equipment purchased with sponsored project funds.
3. Funds generated by the sale of commodities, such as tissue cultures, cell lines, or research animals.

Some Federal Sponsors require that program income be used for the purpose of the project and be reported. Others consider income as Program Income only during the life of the project. For these Sponsors, once the project terminates, income derived is no longer considered Program Income. Therefore, it need not be reported and it may be credited to a discretionary account. Other Sponsors, however, consider revenues received after the termination of an award to be Program Income. Consequently, it is critical to carefully review the terms of the award.

In order to identify Program Income properly, use G/L account number 541000. Departments must ensure that this G/L Account is properly used to record Program Income. Isolating Program Income in a distinct G/L Account allows it to be accurately reported.

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3.10 ALLOW-ABILITY OF COSTS

The costs of a sponsored project are comprised of the **allowable** direct and F&A Costs incident to the project's performance. Costs charged to a sponsored project are normally allowable if (a) they are reasonable, (b) they are allocable to the sponsored project, (c) they are given consistent treatment, and (d) they conform to any limitations or exclusions set forth by the Sponsor. **Direct costs** are those costs that can be identified specifically with a particular sponsored project. **F&A Costs** (Facilities & Administrative Costs) are those costs that are incurred for common or joint objectives and, therefore, cannot be identified readily or specifically with a particular sponsored project (OMB Circular A-21). **Unallowable** costs are those costs that may not be charged to a sponsored project due to Sponsor and/or CMU regulations or restrictions.

Since most, if not all, transactions originate at the departmental level; it is the Principle Investigator and/or the Departmental Administrator's responsibility to ensure that unallowable costs are not charged to sponsored projects. It is the GAO's responsibility to assist the P.I./Departmental Administrator in reviewing for unallowable costs. The GAO determines allowability by reviewing the G/L Account used in the transaction. In the event an unallowable charge is made to a sponsored project and another appropriate source of funding is not identified by the department, the GAO is authorized to transfer the unallowable charge from the sponsored project to the departmental current allocated Cost Center.

CMU has many systems in place which assist the PI and the Departmental Administrator in ensuring that unallowable expenses are not charged to a sponsored project. However, the integrity and reliability of the data collected by any accounting system particularly one in which many different people generate input to the system, is dependent upon the consistent application of established approved guidelines and procedures. This principle is especially true for the complex accounting system that exists today at CMU. Enough cannot be said about the importance of each of us being conscious of our responsibility to help ensure that we maintain the integrity and reliability of our accounting data. Using the correct revenue or expense classification within the correct fund code for each and every transaction is of the utmost importance in maintaining the integrity and reliability of the accounting system at CMU. If, after referring to the Accounting Services Guidelines, you have questions regarding the correct G/L Account to use, contact the Grant Accounting Office.

3.11 PRIOR APPROVAL

In some instances the Sponsor's prior approval is required to authorize an expense on a project. Requests for project modifications should be sent through ORSP. After reviewing the award document and Sponsor guidelines, ORSP determines whether the authorization can be obtained internally or whether written Sponsor

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approval is required. If Sponsor approval is needed, in most instances, only the ORSP has the authority to give Sponsor approval.

If Sponsor approval is required, the pre-award office transmits the request to the Sponsor. Once the approval is received, ORSP forwards a copy to the GAO, the PI, and the Departmental Administrator. The GAO makes any necessary changes to the CMU accounting system.

4.0 DURING THE LIFE OF THE PROJECT

4.1 TIME AND EFFORT REPORTING

Educational institutions which receive funding required by OMB Circular A-21 "Cost Principles for Educational Institutions" to maintain an effort reporting system, the purpose of which is to assure that the distribution of pay is in accordance with actual effort expended (by funding source and activity). Time and Effort Reporting was established to meet this requirement by accumulating data that accounts for 100% of effort for Faculty/Staff.

Prior to the end of each semester Time and Effort notices are sent to **all** Faculty/Staff employees required to report their time. The Faculty/Staff who receives the notice is asked to complete the form.

Biweekly employees are not required to submit Time and Effort certification since these employees certify that the payroll distribution on their time sheet represents a reasonable estimate of their effort.

4.2 FACILITIES & ADMINISTRATIVE COSTS / INDIRECT COSTS (F&A / IDC)

4.2a. General

The Federal Government has changed the name of Indirect Costs to Facilities and Administrative (F&A) Costs. F&A costs rates are negotiated by an outside consultant. The negotiated rates are required to be used on applications/proposals unless the Sponsor stipulates otherwise.

4.2b. Calculation of F&A Costs

The required data to properly calculate F&A costs is obtained from the award documents and/or approved budget and is entered/recorded as Master Data by the GAO when the grant number is established. The F&A rate and base to which the rate is applied can vary from project to project. The amount of F&A costs to be charged to the project is calculated twice a month. The GAO calculates the F&A costs on current month activity. The F&A costs are computed at the negotiated rate and will appear on the General Ledger as an expense to G/L Account 955800.

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4.3 COST-SHARING

4.3a. General

Cost-sharing amounts and sources are determined at the proposal stage and must be approved by ORSP. Sponsors require that cost-shared expenses indicated on a proposed budget be treated in the same fashion as the Sponsor's funds. Therefore, they must be properly accounted for and reported. Most of the information provided in this Section is from the OMB Circular A-110 "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and other Non-Profit Organizations". Unless the non-federal Sponsor specifically states otherwise, the GAO also uses the federal guidelines for non-federal sponsored projects. Cost-sharing can be mandatory or voluntary. Voluntary cost-sharing can be committed or uncommitted.

4.3b. Definitions:

Project Costs: Project costs are all allowable costs (as set forth in the applicable Sponsor cost principles) incurred by a recipient (CMU) and the value of the in-kind contributions made by the recipient or third parties in accomplishing the objectives of the sponsored project during the project period. Please refer to Part 10 Allowability of Costs, Section 3 GETTING STARTED for a more detailed explanation on allowability of costs.

Cost-Sharing and Matching: In general, cost-sharing and matching represent that portion of project costs not borne by the Sponsor. A Sponsor may require that a certain percentage (e.g., 40%) of the total project costs be paid by CMU. When this occurs, the Sponsor will pay only their corresponding percentage (e.g., 60%) of the total expenses incurred by the project. In 1999, the Department of Health and Human Services defined "Matching" as generally used to refer to a statutory requirement to share in the costs of the project. "Cost-Sharing" was defined as when an institution shares in the costs of the project voluntarily. **For the purpose of the Manual, both Cost-Sharing and Matching will be used interchangeably.**

Mandatory Cost-Sharing: Cost-sharing specifically required by the Sponsor in order to fund the project. Mandatory cost-sharing is indicated in the proposed budget. Sponsors require that committed cost sharing be tracked, documented and reported.

Voluntary, Committed Cost-Sharing: Cost-Sharing that is not required by the Sponsor in order to fund the project, but is offered by the grantee institution as a demonstration of its commitment to the project. However, this type of cost-sharing could be required due to an imposed limitation by the Sponsor. When cost-sharing is not required by the Sponsor, listing a Principal Investigator's effort in the proposed

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budget with no funds requested from the Sponsor is also an example of Voluntary, Committed cost sharing. When voluntary cost sharing is included in the proposal budget, it is considered committed cost sharing once the award has been made.

Voluntary, Uncommitted Cost-Sharing: Cost-sharing not indicated in the proposed budget or imposed by Sponsor's limitations. Allowable expenses incurred above the award amount are an example of Voluntary, Uncommitted Cost-Sharing.

Cash Contributions: Cash contributions represent the recipient's (CMU's) cash outlay, including the outlay of money contributed to the recipient by non-Sponsor third parties. These are costs that can be verified by CMU's General Ledger.

In-Kind Contributions: In-kind contributions represent the value of non-cash contributions provided by the recipient (CMU) and non-Sponsor third parties. In-kind contributions may be in the form of charges for real property and non-expendable personal property, and the value of goods and services directly benefiting and specifically identifiable to the project or program. These costs will be recorded by the GAO according to CMU's General Ledger.

4.3c. General Guidelines:

- 1) Cost-sharing charges incurred by the recipient (CMU) as project costs may consist of project costs financed with cash or represented by services, real property and personal property. Financing may also be, contributed or donated by non-Sponsor agencies, institutions, private organizations, individuals, or CMU.
- 2) All contributions, both cash and in-kind, shall be accepted as cost-sharing when such contributions meet all of the following criteria:
 - a) Are verifiable from the recipient's (CMU's) records;
 - b) Are not included as contributions for any other sponsored project; unless sponsor allows;
 - c) Are types of charges that would be allowable under the applicable cost principles;
 - d) Are not paid by the Sponsor under another sponsored project;
 - e) Are provided for in the approved budget when required by the Sponsor.
- 3) Volunteer services must be documented and, to the extent feasible, supported by the same methods used by the recipient (CMU) for its employees (e.g., time record, certification of effort).
- 4) Cost-shared expenses should be purchased (paid) from the sponsored project's internal WBS element number.

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4.3d. Cost-Sharing of Salaries

The amount and/or percent of cost-shared salary is decided at the proposal stage of a project. Regardless of whether the Sponsor requires Cost-sharing or not, if the proposed budget indicates a percent effort with no salary, the cost-shared salary must be documented by a time and effort certificate. In addition, some Sponsors, to impose a salary cap that has the result of requiring cost-shared salary for the amount of salary exceeding the salary cap. Government funded projects cannot be used to cost-share effort on any other sponsored project. **The source of cost-sharing can only be from a non-governmental source.**

4.3e. Cost-Sharing Equipment

A Purchase Requisition is processed using the sponsored project's WBS element number and the department cost center. Please note university policy defines capitalized equipment as items > \$5,000.00.

4.3f. Cost-Sharing Other Direct Costs

The proper transaction form (e.g., Travel Voucher) is processed using the sponsored project's WBS element number and the department cost center.

4.4 RE-BUDGETING OF FUNDS

4.4a. General

After a project gets underway, a Principal Investigator (PI) may determine that funds need to be rebudgeted in order to meet project objectives. Some Sponsors give universities the authority to approve rebudgeting of funds in-house as long as there is no change in scope to the project.

The Public Health Service has defined a "Significant Rebudgeting" action that may be determined as a change in scope to the project as follows:

Significant rebudgeting occurs when expenditures in a single direct cost category deviate (increase or decrease) from the categorical commitment level established for the budget period by more than 10 percent of the total costs awarded (excluding carry over amounts).

4.4b. Internal Approval

Prior Sponsor approval is required for all changes in scope to a project. CMU's internal procedures for the rebudgeting of funds have been established to indicate to both auditors and Sponsors that a conscious decision has been made to determine whether a rebudgeting action will cause a change in scope to the project. If it is determined that the rebudgeting action could be viewed as a change in scope, the rebudgeting request must be approved by the Sponsor. If a change in scope will not

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occur, and the Sponsor so allows, the request for rebudgeting can be approved internally. If you are not sure as to whether a rebudgeting request can be approved internally, contact ORSP.

The PI or Departmental Administrator may re-budget funds internally by submitting a request to the pre-award office. If internal approval can be given for the rebudgeting request, the pre-award office will sign the request and forward it to the GAO. The GAO reviews the form and updates the CMU accounting system. The form is filed by the GAO in the project folder.

4.4c. Sponsor Approval

Rebudgeting requests that require the Sponsor's prior approval are made according to the sponsor's guidelines. The request should provide such information as reason why the funds are needed, reason why the funds are available, and the anticipated dollar amounts. Various Sponsors require that the request be cosigned by the Principal Investigator and a University Official (pre-award office). If you have any questions regarding the contents of the request, contact the pre-award office. The request should be forwarded to the pre-award office for review and transmittal to the Sponsor. Once the Sponsor has approved the request, the pre-award office forwards a copy of the approval to the GAO and the revised award categories are entered by the GAO into the CMU Accounting System.

4.4d. Calculations for Re-budgeting of Funds

Most Sponsors do not restrict the rebudgeting of funds to and from indirect costs, therefore care should be taken to consider the impact on F&A Costs when rebudgeting funds.

4.5 OVERDRAFTS (Deficits)

Overdrafts on sponsored projects are caused by expenses exceeding either the amount awarded or the revenue received. Every month, the GAO reviews unencumbered balances and notifies the PI or departmental administrators and appropriate CMU officers of restricted fund expenditures in excess of available funds. Every possible effort should be made by the PI or Departmental Administrator to clear up overdrafts (deficits) as soon as possible. If the unfunded expenditure is not removed from the sponsored project and an appropriate funding source is not identified, The GAO may transfer funds to cover the project overdraft. The transfer is made from the departments previously determined departmental cost center. If extenuating circumstances regarding an overdraft (deficit) exist, contact the appropriate GAO staff member to discuss the situation.

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4.6 SUBCONTRACTS

4.6a. General

A Subcontract document is required when an Institution awards to a third party a portion of the funds it has received for a sponsored project. Proposals for Subcontracts are incorporated in the main proposal as a mini proposal. Most Sponsors require that prior written approval be obtained when a subcontract is not stipulated in the initial proposal/application. However, some Sponsors require prior written approval even if the subcontract is stipulated in the approved budget. Review of the award's terms and conditions should indicate when prior written approval is required.

The subcontract document is negotiated by the pre-award office and usually contains the same restrictions as the prime award. When the subcontract document has been signed by both parties, the pre-award office forwards a copy of it to the GAO.

4.6b. Subcontracts Awarded To CMU

In a subcontract relationship, the Sponsor is the entity making the award to CMU, regardless of the source of funds. For example, when NIH makes an award to Z Company that requires a Subcontract to CMU, NIH is the "Prime Sponsor" and Z Company is "The Sponsor". The Subcontract should be reviewed carefully as some Prime Sponsors require that terms and conditions contained in the Prime Award be "flowed-down" to the Subcontractor. Consequently, the Subcontract may include a brief statement indicating that the Subcontractor (CMU) must comply with all terms and conditions included in the Prime Award.

Proposals/applications that will result in a Subcontract award to CMU must be submitted through the pre-award office and treated in the same manner as if they were being submitted directly to the Prime Sponsor.

4.6c. Subcontracts Awarded By CMU

The pre-award office composes and negotiates Subcontracts awarded by CMU. The GAO reviews the Subcontractor's invoice for accuracy by comparing it to the approved budget included in the Subcontract document. If a budget category is exceeded to such an extent as to constitute change in scope according to the prime sponsors guidelines the Subcontract and Prime sponsor's guidelines are reviewed for any restrictions on rebudgeting. When a budget category is substantially exceeded, which could signify a change in scope, the GAO notifies ORSP or the PI to request the Subcontractor to submit a formal request to rebudget funds between categories.

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4.7 UNALLOWABLE COSTS

Unallowable costs are those costs that may not be charged to a sponsored project due to Sponsor and/or CMU regulations or restrictions. Different Sponsors have different regulations and restrictions. In some cases, the same Sponsor could also have different regulations or restrictions depending on their source of funds, type of award (grant, contract, agreement), and purpose of the funds (research, training, conference travel, etc.). Therefore, only through a close review of the documentation provided by the Sponsor (or referenced in the award document) can one determine if the costs are considered allowable or unallowable.

In addition, when a Sponsor awards funds to an institution (CMU), they require the institution to establish internal controls that will safeguard the Sponsor's funds. Some special internal controls have been established by CMU to assist the PI or Departmental Administrator in meeting this requirement.

4.8 INTERIM REPORTING REQUIREMENTS

4.8a. Interim Financial Report

One of the main functions of GAO is to prepare and submit financial reports in a timely manner and in accordance with Sponsor specific requirements. Sponsor requirements vary as to the timing and format required for the submittal of financial reports. The timing ranges from monthly submittal to requiring only a final financial report. The format also encompasses a wide range. A Sponsor may require a financial report that indicates only a one line total for expenses incurred for a year. On the other hand, a Sponsor may require a very detailed report/billing that lists every expense down to the last paper clip purchased on the project. Copies of all invoices and travel voucher, etc., may also be required to be attached to the billing or report. In addition to the Sponsor's reporting requirements, the GAO also reviews the project requirements and restrictions in order to determine if unallowable expenses have been charged to the project.

All financial reports/billings are reviewed by the GAO for unallowable or questionable expenses. F&A Costs charged to the project and/or cost-shared are also verified. Both current and cumulative reported expenses are reconciled to the General Ledger. In addition, the cash status of the Cost Object is reconciled to the revenue received and/or outstanding invoices. Sponsors are also sent letters requesting the status of any delinquent payments.

Some Sponsors have very strict requirements for reporting expenses. When a Sponsor requires that costs be grouped in a way that cannot be accommodated by CMU's financial system, the GAO will contact the PI or the Departmental Administrator

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request assistance in grouping the expenses in accordance with the Sponsor's requirements. A delay in submitting the proper paperwork (Payroll forms, prior approvals, etc.) to clear up any unallowable or questionable expenses can, and very often does, delay the submittal of the report/billing. A Sponsor may also require an explanation of excessive unobligated balances. **Therefore, your prompt assistance in submitting any paperwork requested by the GAO is crucial in meeting a Sponsor's deadline.**

Occasionally a Sponsor may contact the Principal Investigator or Departmental Administrator and request financial information. Refer any of these requests to the GAO staff. The financial reports submitted by the GAO are normally based solely on the expenses indicated on the CMU accounting system. Confusion can occur if the figures provided by the PI or Departmental Administrator include costs that are not yet reflected on the CMU accounting system.

4.8b. Interim Narrative Report

The GAO is not responsible for the monitoring or submittal of required narrative reports. The only time the GAO becomes involved with narrative reports is when a Sponsor holds a payment pending receipt of a delinquent narrative report. When this is the case, the GAO notifies the PI or the Departmental Administrator of the withheld payment. Past experience has shown that in most cases the narrative report has, in fact, been submitted. However, copies were not sent to all the required people and/or offices. The PI or the Departmental Administrator should closely review the award document for guidance on the distribution of narrative reports.

4.9 NO-COST EXTENSIONS

Due to unanticipated circumstances, a Principal Investigator may need additional time to complete the project. A request for a no-cost extension must be submitted to the pre-award office and should provide such information as cause of delay, objectives to be accomplished, and period of extension. Requesting an extension simply to allow sufficient time to spend the available balance is not acceptable. For assistance regarding the specific contents of the request or the lead time required to process the request on time, contact the pre-award office.

Some Sponsors, authorize CMU to extend a project as long as the Sponsor is notified in advance. After the pre-award office approves the request for a no-cost extension, they notify the Sponsor of the internal approval to extend the project and send a copy of the internal approval to the GAO. The CMU accounting system is then changed by the GAO. Additional requests for no-cost extensions of projects previously extended by CMU require the Sponsor's written approval.

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For projects that require the Sponsor's written approval for a no-cost extension, the GAO cannot extend the termination date until the written approval from the Sponsor is received.

5.0 CLOSING PROCESS

5.1 FINAL REPORTS

5.1a. General

Most Sponsors require final reports to be submitted within a specified time period from the termination date of the project. Meeting this deadline becomes especially crucial when the award document specifically stipulates that final invoices/billings received after the specified time period are not acceptable and will not be paid. As previously stated, these deadlines can only be met when the GAO and the PI or the Departmental Administrator work closely together.

5.1b. Final Financial Report

After allowable expenses have been finalized, the GAO will complete the final financial report. The GAO routinely follows up on the cash status (revenue minus expenses) of the grant until the final payment is received from the Sponsor. When the final payment is received, the cash status of the grant will indicate a zero balance. For projects funded in advance, if the Sponsor requires that any unobligated balances be returned, the GAO processes an Invoice voucher form for the amount to be returned to the Sponsor. The check is mailed with the Final Financial Report. For Fixed-Price Contracts with a balance at the end of the project, the final payment must be received before the balance amount is transferred to the department. Please be aware that for cost-reimbursement awards, the Sponsor can, and often does, hold the last payment until the Final Narrative Report has been received and accepted by the Sponsor.

5.1c. Final Technical/Narrative Report

The GAO requires that copies of Final Technical Reports be submitted to the GAO. Timely submission of the Final Technical Report is of great importance since Sponsors may hold final payments until the report is received.

5.2 CLOSING A GRANT

After a project has ended and the final reports/invoices have been submitted by the GAO to the Sponsor, the GAO begins procedures to close the Grant. Closing a Grant prevents the processing of any future transactions to the WBS element numbers. Only the GAO is authorized to close a Grant.

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5.3 RECORD RETENTION

Most sponsors require that records be retained for a minimum of five years from the date the final expenditure report is submitted or final payment is received. The GAO retains its records approximately five years from the termination date of the project. If paper documentation is only maintained with the Department (e.g., paper backup for Journal Entries, Credit Card receipts, etc.), it is imperative that the Department retains the back-up documentation for the period required by the Sponsor. This documentation may be requested by ORSP if the expense is picked during an audit.

5.4 AUDITS

5.4a. General

One of the main functions performed by the GAO is record keeping and audit resolution. The GAO maintains files on awards adequate for inspection by internal and external (independent and regulatory) auditors and serves as liaison and negotiator with auditors. It should be noted that documentation of transactions that exist only at the departmental level would also need to be made available for audit inspection. The GAO is involved in all financial audits of sponsored projects. In conjunction with pertinent Departments and Offices, the GAO assists in preparing and submitting all responses to external audit recommendations or findings on sponsored projects. If you receive a call or a letter informing you that an external audit team either wants to pay you a visit, or is at your doorstep, please immediately contact the GAO. The GAO is routinely involved with the following audits:

5.4b. OMB Circular A-133 Audit

Effective July 1, 1990, universities and other non-profit institutions must have audits conducted in compliance with OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations". Auditors are required to determine if: (a) fund statements are presented accurately; (b) CMU has an internal control structure that provides reasonable assurance that federal awards are being managed properly and ensures compliance with laws and regulations that could have material effect on the fund statements; and (c) CMU has complied with those laws and regulations that could have a direct and material effect on its fund statement amounts and on each major federal assistance program. The GAO is also responsible for submitting CMU's A-133 Audit Report to the external auditors. In addition, The GAO also provides other non-federal institutions a copy of this audit report when these non-federal institutions have made awards (Subcontracts) to CMU from a Federal prime source.

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5.4c. Property Audit

CMU is directly responsible and accountable for property purchased with Government funds.