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Acknowledgement is given to the websites and associated material from the University of Arizona, the University of Minnesota, the University of Pennsylvania, Stanford University, the University of Colorado Anschutz Medical Campus, and the Office of Contracts and Grants at CU Boulder, as information from these respective sites has been incorporated into this chapter.

SPONSORED PROJECTS ACCOUNTING

I. CHAPTER 14 – SPONSORED PROJECTS ACCOUNTING

The purpose of this chapter of *The Guide* is to serve as a resource for those whose work involves post-award responsibilities within the area of sponsored projects administration. Sponsored project agreements are legally and mutually binding agreements between the sponsoring agency and the Regents of the University of Colorado. Failure to comply with the required regulations and guidelines may jeopardize CU Boulder's ability to qualify for future funding, require the refund of monies awarded, create audit disallowances, and/or result in fines or penalties. Consequently, the information contained in this chapter is designed to facilitate a culture of compliance. The responsibility for compliance begins before the award is made, continues throughout the duration of the project, and does not end until the project is completed and the record retention period has passed.

II. APPLICABILITY

The material contained in this chapter applies to all individuals who are involved in any aspect of post-award administration. This includes:

- Anyone who authorizes the expenditure of sponsored project funds
- Anyone who manages sponsored project FOPPS in Funds 30 and 31
- All members of the research team
- All staff from central offices such as Sponsored Projects Accounting (SPA) and the Office of Contracts and Grants (OCG).

Important Points

1. In accepting a sponsored project award, all involved with the award agree to follow the cost principles and other rules or regulations mandated by the sponsoring agency.
2. **In no circumstance** may the terms of an award override university or state regulations.
3. At CU Boulder, approximately 90% of sponsored project funding comes from federal agencies—either directly, or in the form of a subcontract from another university or organization. Consequently, federal requirements serve as the basis for the information presented in this chapter of *The Guide*.
4. CU Boulder does receive some award funding from entities other than the federal government, such as state agencies or private sources. Since these organizations may have restrictions that are different from, and in certain circumstances more stringent than those of the federal government, **it is imperative that the rules and regulations outlined in every award agreement be understood and followed.**
5. Every award has the potential for having terms that are unique to that award or that are more restrictive than awards typically funded by the respective sponsor.
6. **KNOW THE TERMS, CONDITIONS, RULES, and REGULATIONS THAT GOVERN YOUR AWARD.**

III. KEY PLAYERS IN POST-AWARD MANAGEMENT

Post-award administration is a joint effort primarily on the part of the Principal Investigator and their departmental administration, OCG, and SPA. Each area has specific responsibilities to ensure that the CU Boulder complies with federal, state and sponsor guidelines. Failure to comply with any of the required guidelines or regulations may jeopardize CU Boulder's ability to qualify for future funding.

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Note: Additional information about Principal Investigator responsibilities, OCG responsibilities in the post-award environment, and SPA responsibilities with respect to sponsored project administration can be found in Section VI *Research Team Roles and Responsibilities* of this chapter.

Principal Investigator (PI)

Although the sponsored project agreement is with the institution, the Principal Investigator (PI) has primary responsibility for achieving the technical success of the project, while also complying with the financial and administrative policies and regulations associated with the award. Many PIs have administrative staff to assist them with the management of their projects. However, the primary responsibility for the management of both the sponsored project work and funds rests with the PI. With this responsibility comes the obligation to adhere to all terms and conditions of the award as well as all relevant university and state regulations, and also to adequately document all expenditures in accordance with sponsor guidelines and agreements.

Office of Contracts and Grants (OCG)

OCG is the coordinating office for sponsored project activities at CU Boulder, and serves campus faculty and staff by assisting in the preparation and submission of applications and proposals (including budgets), the negotiation and execution of mutually binding agreements, and the overall administration of externally funded projects. OCG also helps the campus with the review and negotiation of various non-funded agreements. Examples include property loan agreements and “master” agreements for the support of funded projects to be determined at a later date.

Sponsored Projects Accounting (SPA)

As a division of the Campus Controller’s Office (CCO), Sponsored Projects Accounting (SPA) is the coordinating office for the financial aspects of post-award sponsored project administration. This includes invoicing, reporting, and offering control and compliance support to departmental administrator and Principal Investigators.

Research Administration (= OCG + SPA)

On the Boulder campus, Research Administration is not a department per se, but rather a collaborative team made up of OCG and SPA. Despite different reporting structures (OCG to Vice Chancellor for Research, SPA to Senior Vice Chancellor and CFO), their functional areas of expertise provide a seamless and comprehensive spectrum of research administrative support from pre- to post-award; from proposal development to award closeout.

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IV. TYPES OF EXTERNAL SUPPORT

There are many types of financial support for research on the Boulder campus. These include gifts, sponsored projects, and fellowships. The distinction between a gift and a sponsored project is an important one because the purpose of a gift is fundamentally different from that of a sponsored project. As a result, the resources associated with gifts and sponsored projects are recorded in different funds and are subject to different regulations and processes.

Gift

A gift is any item of value given to the university by a donor who expects nothing of significant value in return other than recognition of the gift and disposition of the gift in accordance with the donor's wishes. With a gift, there are no quid pro quo or exchange transactions and no deliverable obligations to the donor. Gifts are irrevocable. Endowments, programmatic support, and scholarships are examples of gifts.

Sponsored Project

A sponsored project is an externally funded activity in which a formal written agreement—a grant, contract, or cooperative agreement—is entered into by the university and the sponsor. The conditions that follow describe characteristics of a sponsored project and help distinguish a sponsored project from a gift. A sponsored project entails:

- A defined scope of work that provides a basis for sponsor expectations,
- A detailed statement of fiscal accountability, and
- Specific deliverables.

The funding entity, or sponsor, can be a state or federal agency, a foundation, a non-profit organization, or a private enterprise such as business or industry. All government funds, except for financial aid and capital construction support, should be treated as sponsored projects and administered by OCG.

In addition to the characteristics listed above, sponsored projects may involve one or more of the following:

- The award contains intellectual property rights provisions benefiting the sponsor as a condition of the award
- The award restricts or monitors publications or use of results
- The award requires protection of confidential information relating to either party
- Award payments are contingent upon programmatic or fiscal reporting
- The award has a defined period of performance
- The proposal and/or award includes a detailed, itemized budget
- At the conclusion of the project, the sponsor requires the return of unexpended funds.

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Grants, Contracts, and Cooperative Agreements

The university is awarded sponsored projects in the form of grants, contracts, and cooperative agreements. The type of agreement usually reflects the relationship between the sponsor and the recipient. The following descriptions highlight distinctions between each type of sponsored project.

Note: The definitions that follow are those used by federal agencies. Non-federal sponsors may use these terms in a manner that may be either more loosely interpreted or more stringently applied.

Grant

A grant is a pledge of support in which the sponsor has little involvement in conducting the project. Grants are proposals submitted under **general** guidelines, e.g. Funding Opportunity Announcement, Request for Application, or Broad Agency Announcement.

Contract

A contract is an agreement in which the sponsor has more involvement than with a grant, and uses the project to achieve a specific outcome or deliverable. Contracts are proposals submitted under **specific** Requests for Proposals or Purchase Orders.

Cooperative Agreement

A cooperative agreement is one in which the sponsor has substantial involvement in the project. The sponsor and the recipient work together to achieve a specific objective.

For all sponsored projects, the funding agency regulations and the project award agreement must be reviewed to obtain specific information about implementing and administering the project.

Awards for Existing Projects

Not all awards received by the university are for new projects. Other types of proposals include the following.

Continuation Awards

A continuation award is a non-competing continuation of an active project that obligates funds for a subsequent budget period within the existing project. A continuation award typically is associated with a continuation proposal. With a continuation proposal, the sponsor initially agrees to fund a particular project for a certain period of time—five years, for example. The sponsor, however, usually requires an annual progress report before releasing funds to the university for each subsequent year of the project. This progress report actually takes

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the form of a proposal. Unlike the original proposal, the continuation proposal is minimal in nature.

Supplemental Awards

A supplemental award is an addition to an active project, treated essentially as a new proposal that adds funding to an existing budget period for additional work or for costs not anticipated in the original proposal.

Renewal Awards

A renewal award results from a competitive proposal of an active project and provides funds for the extension of a project beyond the original project period. In a renewal proposal, the “new” project entails the same type of work and is funded by the same sponsor as the original project

Fellowships

Students compete nationally with other college and university applicants for fellowships. A student fellowship is an appointment for advanced graduate training and offers financial support. Competition for fellowships is also available to post-doctoral individuals. Post-docs are not students.

V. AWARD FUNDING AND PAYMENT

Once the award has been received by CU Boulder, there is the expectation that funding will be forthcoming from the sponsor to cover the expenditures associated with the project. Funding can be administered in a variety of ways.

Funding Mechanisms for Sponsored Projects

The most frequently used funding mechanisms at CU Boulder are cost reimbursement and fixed price.

1. Cost Reimbursement

The cost reimbursement type of funding mechanism is set up so that the sponsor reimburses CU Boulder after-the-fact for actual dollars spent on allowable expenditures to carry out the project. A cost reimbursement award indicates that, while the sponsor agrees to fund the project up to the full extent described in the award notice, the sponsor will reimburse the university only for the actual, allowable costs incurred. Mechanisms used to administer cost reimbursement include letter of credit draw, billing, and autopay. Any budget that is unspent at the conclusion of the project typically reverts to the sponsor. Since it is difficult to estimate exactly the cost of a research project, most sponsored projects use the cost reimbursement mechanism for funding.

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2. Fixed Price

As stated previously, when an award is a grant or a cost-reimbursable contract, the expenses reimbursable to the campus are exactly equal to the amount actually spent on the grant or contract up to the maximum amount of the award. However, when an award is issued as a fixed price contract, the full value of the contract will be paid to the campus in exchange for the full performance of the work. In other words, the fixed price payment mechanism is set up in such a way that CU Boulder agrees to provide services or deliver a product for an agreed upon, fixed amount of compensation. When working with a fixed price award, the Principal Investigator agrees to accomplish the project objectives within a specific timeframe for a set dollar amount. The award amount remains constant whether the actual costs for the project fall short or exceed the amount of the award.

Using the fixed price funding method can be risky because any over expenditures become the responsibility of the department. On the other hand, if the actual expenditures are less than the amount of the contract, the extra funds may be retained by the university and are no longer restricted. The fixed price method of funding is almost exclusively associated with contracts.

Payments on Sponsored Projects

The sponsor provides payment to CU Boulder in a variety of ways:

- Advance payment either in increments or of the entire award amount
- Scheduled payments made upon receipt of deliverables
- Scheduled payments made according to a specified time frame
- Payments made upon receipt of invoices that include actual expenditure information
- Mixed payment method, e.g., the sponsor provides an advance partial payment and then schedules remaining payments upon the receipt of deliverables.

In some instances, most notably sponsored projects involving non-federal awards or federal flow-through agreements, CU Boulder is required to invoice the sponsor in order to receive payment.

1. Invoicing

Invoicing of sponsors is done by the billing staff within SPA. In the rare event the Principal Investigator's signature is needed on the invoice, the PI is responsible for returning the signed invoice to SPA. Similarly, if the PI is required to provide additional information to the sponsor for billing purposes, it is the responsibility of the PI and the departmental administrator to provide this documentation to SPA in a timely manner.

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2. Wire Transfers

Wire transfers can be set up to receive payment from sponsors. If a sponsor wishes to use this method to fund a project, the PI should contact SPA for assistance. SPA, in turn, will work directly with the sponsor and university Treasury to make the wire transfer arrangements.

3. Receipt of Payments

All payments in support of sponsored projects must be processed through SPA. Upon receiving payment for a project, SPA determines where and how the payment should be deposited and recorded. When necessary, SPA works with departments and OCG to ensure the correct accounting for award funds.

VI. RESEARCH TEAM ROLES AND RESPONSIBILITIES

Post award administration is a shared responsibility among all members of the research team including the:

- Principal Investigator and the respective Departmental Administrators
- Sponsored Projects Accounting Office (SPA) and
- Office of Contracts and Grants (OCG).

Each individual or department has specific responsibilities designed to ensure that CU Boulder is in compliance with sponsor regulations and guidelines. Failure to comply may jeopardize the ability of CU Boulder to qualify for future funding and subject the individual and/or the university to sanctions.

Principal Investigator (PI)

The Principal Investigator is the most crucial individual where the technical and fiscal management of a project is concerned, because it is the PI who holds overall responsibility for all aspects of the research project. This is true even when the PI has administrative staff to provide assistance. The PI is ultimately responsible for technical compliance, completion of programmatic work, and management of project funds.

Chancellor Philip DiStefano (then Provost and Executive Vice Chancellor for Academic Affairs) has said "...it is your personal and professional responsibility as Principal Investigators to know and to follow the university rules for carrying out sponsored research."

Principal investigator responsibilities include:

- Understand and comply with the sponsor's general policies as well as all specific terms and conditions applicable to the award
- Follow state regulations and university policies relative to human resources, procurement, travel, etc.

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- Adhere to CU Boulder requirements regarding human subjects, animal care, hazardous materials, bio-safety, and export controls
- Execute the technical aspects of the project and submitting all reports
- Provide timely communication to OCG and SPA about proposed audits, financial review, and financial/administrative inquiries by the sponsor.

1. Financial Management

The university holds the Principal Investigator responsible for managing every aspect of a sponsored project. Relative to the financial management of a sponsored project, the PI must:

- Maintain fiscal stewardship over the sponsored project, ensuring the reasonable and prudent use of the sponsor's funds by authorizing *only* those expenditures that are reasonable and necessary to accomplish the project's objectives and consistent with the sponsor's terms and conditions
- Carry out the project's financial plan as presented in the funded proposal. This includes:
 - Checking the project budget in the Finance System to make sure it accurately reflects the funding associated with the award
 - Following the sponsor's policies and procedures when making changes to the financial plan of the award
- Establish a means to ensure that actual spending does not exceed the amount authorized by the sponsor for the budget and/or project period
- Review monthly Finance System reports for the project to determine the appropriateness and allowability of all charges and credits and also to ensure that the pace of spending is proportional to the work actually performed and is consistent with that of the award budget period
- Correct all inappropriate and erroneous transactions in a timely manner according to applicable rules, regulations, policies, and procedures
- Work with OCG to obtain approvals for equipment purchase, travel, no-cost extensions, or other items that may require sponsor approval
- Per A-110, make sure that all obligations incurred by the project are liquidated within 90 calendar days after the project end date. If it is not possible to liquidate the obligations within the 90-day period, it may be appropriate to request a no-cost extension of the end date. Some extensions require funding agency approval, while others can be arranged internally by OCG
- Prevent spending after the end date.

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2. Spending the Award

When spending the award, the Principal Investigator must strive to be a good steward of sponsor funds by taking the following actions:

- Incur and authorize costs only for items that are allowable according to award stipulations, federal regulations, university fiscal rules and policies
- Incur and authorize costs only for goods or services that will be received and used during the project period
- Incur and authorize only those costs that provide a direct benefit to advancing the work of the project
- Accurately identify and categorize “personnel” expenses. An individual whose salary is paid through the university’s payroll system is considered to be an employee, and their pay should be classified as such. Payments for services to an individual who is not paid through the payroll system should be classified as subcontract expense or consultant pay.
- Adhere to sponsor limitations addressing the amount of money that may be spent in any single budget category
- Ensure that direct charges to a sponsored project for administrative and clerical salaries, office supplies, postage, telephones and phone calls and general purpose equipment are incurred only when specifically authorized in the award and in accordance with university policies
- Consistently categorize costs as either direct or indirect
- Work with OCG to obtain approvals for equipment purchases, travel, no-cost extensions, or other items that may require sponsor approval
- Keep the costs associated with a fixed price contract agreement within the amount agreed upon with the sponsor.

Administering the Award

When administering the award, the Principal Investigator must comply with all sponsor terms and conditions, as well as state regulations and university policies. Examples include:

- Ensure all cost sharing is identified and properly documented
- Review and approve the progress of the work and the related invoices for subcontracts
- Certify effort and verify that the effort expended is consistent with the terms of the award
- Comply with CU Boulder policies that address direct costs, cost sharing, and cost transfers.

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Deliverables

The award document typically outlines the type of deliverables and reports required by the sponsor, as well as the deadlines by which the sponsor must receive them. It is the responsibility of the Principal Investigator to:

- Provide deliverables to the sponsor in a timely manner as required by the award. When necessary, the Principal Investigator should work with the appropriate university and campus offices to complete financial, invention, and/or property reports.
- Submit technical and progress reports in accordance with the required formats, time schedules, and deadlines established by the sponsoring agencies.

Delinquent deliverables can result in negative consequences, including the possibilities that a sponsor will withhold all new awards to a particular Principal Investigator or to the entire campus, withhold payment of amounts owed to the university, and/or demand the return of funds already paid to the university.

Approaching the End of the Project

The responsibility for a smooth close out of a project primarily rests with the Principal Investigator and includes:

- Two or three months prior to the end of the project, determine if the project will be completed by the project end date. If more time is needed, work with OCG to request an extension.
- One or two months prior to the project termination date, start thinking about how to wrap up and close out the project. Consider report deadlines, securing and reviewing final invoices from subcontractors, moving employees off the project FOPPS to another FOPPS, and terminating monthly routine expenses such as telephone toll charges, clearing encumbrances, etc.

Records

The responsibilities of the Principal Investigator do not stop upon project completion and close out. There are ongoing records management responsibilities:

- Retain original financial source documents according to the [*Retention of University Records*](#) Administrative Policy Statement and its accompanying Records Retention Schedule
- Maintain supporting documentation for accounting and financial records that are initiated by the department
- Maintain all lab notebooks, technical documents, and reports related to the project.

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Sponsored Projects Accounting (SPA)

SPA is extensively involved in the financial post-award administration and management phase of every sponsored project.

1. Project Set-Up

SPA has an internal business process for setting up projects:

- Review the award notice for special terms and conditions. Examples include cost sharing, matching funds, prior approval requirements, and invoicing procedures.
- Create the project in the Finance System. This includes recording the budget for the project in accordance with the award notice from the sponsor.

2. During the Project

Members of the SPA staff have numerous and varied responsibilities throughout the duration of the project that supports the work of the PI:

- Monitor select expenditures in the Finance System with respect to allowability, allocability, and reasonableness, and make sure that all expenditures reviewed adhere to university, state, sponsor, and project-specific terms and conditions.
- Manage billing and cash collection activities:
 - Prepare and send invoices to funding agencies for reimbursement of costs incurred on grant and contract FOPPS
 - Administer letter of credit payment systems
 - Perform appropriate follow-up when payments are past due including tracking and aging receivables.
- Administer the electronic Personnel Effort Reporting System (ePERS). The ePERS is an online after-the-fact reporting system intended to provide accurate and reasonable documentation to the sponsoring agency regarding the distribution of effort expended by employees who work on sponsored projects
- Monitor cost sharing
- Monitor cost transfers
- Provide assistance in solving budget and accounting problems that may arise during and after the project period
- Provide interim financial reports as required by the sponsor.

3. Overall Financial Administration

SPA, along with the Principal Investigator, verifies that financial information relative to sponsored projects has been recorded accurately in the Finance System and reported correctly. Specifically, these include:

- Reconcile COFRS (State of Colorado accounting system, scheduled with replacement by CORE in 2014) to the Finance System with respect to sponsored projects

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- Prepare fiscal year-end reports for restricted funds
- Respond to inquiries or audits by sponsors.

4. At the Conclusion of the Project

SPA initiates project close out procedures to ensure the timely submission of all final financial reports and liquidation of all obligations incurred under the award. This involves:

- Prepare final financial reports as required by the sponsor. In doing this task, SPA provides support to the Principal Investigator
 - To make sure that expenditures reflected in the financial reports are in accordance with sponsor terms and conditions
 - To account for all cost sharing expenditures to be reported to the sponsors
- Inactivate and close the project FOPPS in the Finance System.

Office of Contracts and Grants (OCG)

OCG provides support to faculty and other CU Boulder personnel in obtaining and administering funds from external sources for sponsored projects. In the post-award environment, the primary responsibilities of OCG include:

1. Award Acceptance and Set Up

OCG reviews the award notice for special terms and conditions including:

- Prior approval requirements
- Matching funds
- Cost sharing
- Subcontract agreements, which OCG negotiates.

2. Approvals

As a means of ensuring compliance with state regulations, university policies, sponsor rules, and award-specific terms and conditions, OCG:

- Approves all purchase requests for subcontracts
- Approves equipment purchases made with sponsored project funds
- Reviews travel authorizations for travel being charged to a sponsored project FOPPS
- Obtains approvals for items that require sponsor approval.
Examples include equipment purchase, travel, no-cost extensions.

3. During the Project

OCG provides assistance with award administration and compliance issues during the course of a sponsored project. For example, OCG:

- Obtains approvals as described in #2, above
- Researches, analyzes, and clarifies sponsor policies, procedures, and regulations when needed on the part of CU-faculty and staff

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- Works with the Principal Investigator to prepare interim invention and property reports as required by sponsors.

4. Towards the End of the Project

As a project winds down, OCG assists Principal Investigators who need more time to complete the project via no-cost extensions.

5. At the Conclusion of the Project

OCG plays an important role in making sure that project close-out goes smoothly and is completed in a timely manner. Key responsibilities of OCG include:

- Prepare the final invention and property reports as required by sponsors
- Process and sign any necessary close-out documents (other than fiscal reports and final invoices) for contract awards.

VII. RULES AND REGULATIONS

Sponsored projects are characterized by numerous and complex rules and regulations. For example, sponsored project support is subject not only to the rules, regulations, and processes of the sponsor, but also to the laws and regulations of the state, and to the policies and practices of the university.

Rationale for the Rules

Regulations pertaining to sponsored projects serve to maintain the public trust. This involves trust in research results and outcomes, trust that human subjects and animals are treated with care, and trust that public funds are spent prudently.

Consequences of Non-Compliance

Failure to comply with regulations is viewed seriously by the sponsor, and consequences of mismanagement can be severe. Non-compliance can result in:

- Withholding of cash payments
- Disallowing all or part of the cost of the activity or action not in compliance
- Suspension or termination (either in whole or in part) of the current award
- Reductions in funding
- Withholding further awards for the project
- Increased scrutiny by sponsors and audit agencies
- Implementation of corrective action plans
- Imposition of additional regulations
- Loss of administrative flexibility

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- Harm to the reputation of CU Boulder
- Fines and/or jail time in the case of criminal conduct.

Overview of Federal Regulations

At CU Boulder, a high percentage of sponsored project funding comes either directly or indirectly (through subcontracts) from agencies of the federal government. Consequently, the university must comply with government-wide policies issued by the Office of Management and Budget (OMB). OMB is charged with assuring that federal grants and contracts are managed properly, and that federal dollars are spent in accordance with all applicable laws and regulations. In addition to the directives issued by OMB, the university must also adhere to other federal regulations including the Federal Acquisition Regulations (FAR) and the Code of Federal Regulations (CFR).

OMB Circulars Become CFR Title 2

In 2013, the Office of Management and Budget (OMB) completed a project to consolidate a number its Circulars that pertain to federal awards. The final guidance became [CFR Title 2: Grants and Agreements](#), Part 200—*Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. It became effective at the federal level on December 26, 2013 but will not apply to non-federal recipients, such as CU, until December 26, 2014. Therefore, we are in a transition phase and will continue to rely on the guidance provided by the original [OMB Circulars](#) until then. The guidance contained in the following OMB Circulars is now contained in Title 2 of the CFR (**bolded** apply to CU):

- **A-21, Cost Principles for Educational Institutions**
- A-50, Audit Followup
- **A-87, Cost Principles for State, Local and Indian Tribal Governments**
- A-89, Catalog of Federal Domestic Assistance
- A-102, Grants and Cooperative Agreements With State and Local Governments
- **A-110, Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations**
- A-122, Cost Principles for Non-Profit Organizations
- **A-133, Audits of States, Local Governments and Non-Profit Organizations**

1. OMB Circulars

Three OMB circulars provide the majority of guidance given to the university with respect to managing the federal funds it receives for sponsored projects. These circulars include:

- [A-21, Principles for Determining Costs Applicable to Grants, Contracts, and Other Agreements with Educational Institutions](#) (including the Cost Accounting Standards). This circular sets the ground rules for determining which costs can be incurred on grants, contracts, and other agreements with educational institutions that receive federal funds. *A-21* governs allowable and

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unallowable costs, as well as direct and indirect charges made by educational institutions to the federal government.

- [*A-110, Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*](#). This circular sets forth standards for the pre-award and post-award administration of federally-funded grants to and agreements with institutions of higher education. *A-110* includes provisions related to property management, procurement standards, record retention, and reporting.
- [*A-133, Audits of Institutions of Higher Education and Other Non-Profit Institutions*](#). This circular sets forth standards for obtaining consistency and uniformity among federal agencies for the audit of non-profit organizations that expend federal awards. *A-133* requires a single annual compliance audit of educational institutions that receive federal funds for sponsored projects in an amount exceeding \$500,000 per year.

2. Other Federal Regulations

Additional regulations pertaining to sponsored projects supported by federal funds are described briefly below.

- [*Code of Federal Regulations \(CFR\)*](#) is issued via the Government Printing Office. After publication in the Federal Register as a final rule, regulations are then codified in the CFR. The CFR is divided into 50 titles representing broad areas that are subject to regulation. Each title is next divided into chapters that bear the name of the issuing agency, and then further divided into sub-parts that cover specific regulatory areas.
- [*Federal Acquisition Regulations \(FAR\)*](#). The Federal Acquisition Regulations System was established for the codification and publication of uniform policies and procedures for acquisition by all executive agencies. The Federal Acquisition Regulations System consists of the Federal Acquisition Regulation (FAR), which is the primary document, and agency acquisition regulations that implement or supplement the FAR. Its purpose is to ensure the delivery of the best value product or service to the customer, while simultaneously maintaining the public trust. The official FAR appears in the Code of Federal Regulations at 48 CFR Chapter 1.

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The Most Restrictive Applies

It is possible for an individual grant or contract award to include restrictions that are more stringent than those normally required by federal agencies. Therefore, terms and conditions of each award must be reviewed and understood by the PIs, project directors, and departmental administrators.

Sponsor Policies – Non-Federal

Non-federal sponsors usually provide their grant management regulations as an integral part of the award document, often supplemented by a policy manual or brochure. The requirements of private sponsors vary widely and the individual responsible for managing a particular private award must become familiar with these requirements. For non-federal awards, the specific award agreement, together with university policy, usually guides the conduct of the project. State agencies, foundations, and private businesses may also publish their own guidelines.

University Policies

A selection of university-wide policies, as well as Boulder campus policies, pertaining to sponsored projects are noted below.

- **Laws and Policies of the Board of Regents**

Regent laws and policies provide an umbrella under which all other university policies operate. They apply to all university activity regardless of the sponsor or the source of funds.

- [Regent Laws](#) are the laws of the university as directed by the Board of Regents.
- [Regent Policies](#) are the operating policies of the university and include guidelines for implementing the laws of the Regents.

- **Policies for the CU System**

[Administrative Policy Statements](#) are based on external and internal mandates, laws, and regulations and are developed in the offices of the president and vice presidents. Of particular note:

[Sponsored Project Revenues](#)

[The OUC Accounting Handbook](#) provides instruction on how to comply with specific aspects of the University's Administrative Policy Statements (APS) and other university, state, and federal regulations.

Of particular note:

[Decision Chart for Distinguishing Revenues](#)

[Revenue Recognition – Special Revenue Types](#)

[Analysis of Sponsored Project Revenues](#)

[Procurement Service Center Procedures](#) cover purchasing and payables. Of particular note:

[Study Subject Payment](#)

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■ **CU Boulder Policies and Procedures**

The Boulder campus has developed its own policies and procedures relative to sponsored projects administration that are designed to complement those issued by the Board of Regents. At the campus level, these policies address a variety of topics including human subjects, recombinant DNA, hazardous materials, animal use and care, etc. The policies and procedures that follow provide a selection of those relevant to issues of post-award financial administration.

Policies ([CCO policy webpage](#) and [SPA policy page](#))

[Cost Sharing](#)

[Cost Transfer Guidelines/Procedures](#)

[Direct Cost Policy](#)

[ePERS \(electronic Personnel Effort Reporting\)](#)

[Participant Support Costs](#)

Vice Chancellor for Research Policies ([VCR policy webpage](#))

Other Department Policies

[Summer Resources](#): This link goes to the Division of Academic Affairs and includes information on the 3/9ths Rule, Summer Funding, and Summer Salary Limitations.

VIII. AN IN-DEPTH LOOK AT A-21

The full name of this circular is *Office of Management and Budget (OMB) Circular A-21, Cost Principles for Educational Institutions*. A-21 establishes principles for determining what costs can be applied against federally-funded grants, contracts, and other agreements with educational institutions. The principles are designed to ensure that the federal government bears its fair share of total project costs. Three important concepts that are found in A-21 include:

1. Cost Accounting Standards (CAS)
2. Allowable and Unallowable Costs
3. Direct Costs vs. Facilities and Administrative (F&A) Costs.

Cost Accounting Standards (CAS)

The CAS expand on the principles outlined in A-21, and deal primarily with the requirement for consistent treatment of direct and indirect costs. In May 1996 the CAS were incorporated into A-21 and they now apply to federally funded sponsored agreements. The four cost accounting standards applicable to higher education are located at [48 CFR](#) 9905.501, 9905.502, 9905.505, and 9905.506. include the following:

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CAS 501, *Consistency in Estimating, Accumulating, and Reporting Costs*

This standard requires that institutions have systems in place to provide for consistent costing practices in estimating, accounting, and reporting costs. In other words, the practices used to estimate costs in a proposal must be consistent with the normal practices used by the institution to accumulate and report costs. Practically speaking, this means that an institution's accounting system should be able to support the proposal budget and award reporting to the level of detail required by federal agencies.

Relevance of Standard 501 to members of the research team:

- Proposal budgets should use the same cost categories as those found in the university's accounting system.
- Committed cost sharing or matching funds included in proposals must be documented.
- Effort reports must document the effort charged to each project as well as the effort contributed as cost sharing. Non-salary costs must also be documented. **Note:** A deviation of 5% or greater between the budgeted amount and the actual amount necessitates that the employee's funding distribution be adjusted in the Human Resource Management System.

CAS 502, *Consistency in Allocating Costs Incurred for the Same Purpose*

This standard requires that institutions maintain the consistency requirements already in place in *A2I* by consistently categorizing costs as either direct or indirect (F&A). In other words, all costs incurred for the same purpose—and under similar circumstances—are either direct costs only or F&A costs only. Standard 502 applies to costs charged as well as to cost sharing.

Relevance of Standard 502 to members of the research team:

- Costs that are charged directly to a project must be consistently treated as direct costs across all activities of the university. This requirement also applies to direct costs used for cost sharing.
- Certain costs types are designated by *A-2I* as usually being indirect, e.g., office supplies, postage, telecommunications, general purpose equipment, etc. Costs falling into this indirect category cannot be charged directly to a sponsored project unless the cost is justified as meeting a special circumstance that is not covered by the university's indirect cost category. When a member of the research team believes a cost that is typically treated as an indirect cost should be treated as a direct cost on a particular project, the

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justification must be included in the proposal provided to the sponsor.

- Effort reports must document the effort charged to each project as well as the effort contributed as cost sharing. Non-salary costs must also be documented. **Note:** A deviation of 5% or greater between the budgeted amount and the actual amount necessitates that the employee's funding distribution be adjusted in the Human Resource System.

CAS 505, *Accounting for Unallowable Costs*

This standard requires that institutions have a system in place to identify unallowable costs and to exclude them from any charges made to the government, whether direct or indirect. *CAS 505* is used to facilitate the negotiation, audit, administration and settlement of sponsored projects by establishing guidelines that cover the identification and accounting for unallowable costs.

Relevance of Standard 505 to members of the research team:

- Each and every cost, whether direct or indirect, that is charged to a sponsored project or used as cost sharing on the project must be allowable.

CAS 406, *Cost Accounting Period*

This standard provides criteria for the selection of time periods to be used as cost accounting periods for estimating, accumulating, and reporting costs. It requires that the cost accounting period used be consistent with an institution's fiscal year and reflect current practice.

Relevance of Standard 406 to members of the research team:

- This standard does not specifically pertain to members of the research team. Rather, is it directed towards the university's finance departments.

Allowable Costs

An allowable cost is one that is permitted under the terms and conditions of the sponsored agreement. Examples of terms and conditions include costs must be incurred within the project effective dates and must be in accordance with the approved project budget. *A21* lists four general tests for allowability.

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Four Test of Allowability for Costs

1. Costs must be **reasonable**.
A reasonable cost results from an action that a prudent person would have taken under the prevailing circumstances at the time the decision to incur the cost was made. In addition, a reasonable cost is necessary to the performance of the sponsored agreement.
2. Costs must be **allocable**.
Allocability of cost involves an assessment of the relative benefits received from the incurrence of the cost.
3. Costs must be given **consistent treatment**.
According to A21, where an institution treats a particular type of cost as a direct cost of sponsored agreements, all costs incurred for the same purpose in like circumstances must be treated as direct costs of all activities of the institution. Consistent also refers to the costing or pricing methods used by the institution. The institution must use the same costing or pricing methods for all costs. For example, it is not permissible for CU Boulder to charge more for a cost assigned to a grant than it charges for that same cost when assigned to a CU Boulder funded FOPPS.
4. Costs must conform to any limitations or exclusions set forth in A21 or in the sponsored agreement.

Per A-21, examples of normally allowable costs include:

- Salaries of technical staff working on the project
- Laboratory supplies used on the project
- Long distance telephone charges associated with the project
- Printing and duplicating reports for the project
- Animal and animal care related to the project
- Travel in support of the project
- Research equipment repair and maintenance costs.

Tuition Remission

Tuition remission provided to graduate students is an allowable cost if it is in lieu of additional salary for services performed on a sponsored project. If the tuition remission is not salary, it is considered to be student aid. As a rule, student aid is normally not an allowable cost of sponsored projects. Tuition charges for a student must be charged to the same project as the student's salary.

Tuition remission is usually allowable on a training program award provided it is permitted by the terms of the sponsored training agreement. Tuition remission is typically allowable on fellowship awards.

Additional information about allowable costs can be found in the [Direct Cost Policy](#), and on the [Quick Reference Card](#). Information on allowability is also provided as an attribute for each expense account in the Finance System.

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Unallowable Costs

An unallowable cost is one that is not permitted under the terms and conditions of the sponsored agreement or under the rules and regulations of the state or the university. Examples of typically unallowable costs:

- Salaries for general administrative and clerical support
- Costs associated with general office administration such as office supplies, postage, local telephone costs, and membership dues or fees
- Entertainment costs
- Lobbying costs
- General purpose equipment
- Any costs incurred after the project end date.

Direct Costs

According to A21, a direct cost is one that can be identified specifically with a particular sponsored project, or that can be directly assigned to a particular sponsored project, relatively easily and with a high degree of accuracy. A direct cost is one that is of distinct and genuine benefit to the project. In order to charge a cost directly to a project, the goods or service must be:

- Used on the project
- Permitted by the sponsor
- Incurred during the period of performance
- Treated as a direct cost when incurred for the same purpose in like circumstances.

The following list provides a sampling of costs that are **not normally allowable** as direct costs on a sponsored project because these costs are normally incurred as indirect costs:

- Salaries and benefits of administrative and clerical staff
- Office supplies
- Postage
- Local (basic) telephone expense
- Cell phones (per the Department of Health and Human Services)
- Membership dues
- General purpose equipment.

It is not permissible to charge a project for goods or services that were never used on the project, or for a goods or services that were used on the project but are not allowed according to the terms of the award.

For a comprehensive look at the topic of direct costs, refer to the CU Boulder [Direct Cost Policy](#).

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Facilities and Administrative (F&A) Costs

F&A costs are costs incurred for common or joint purposes. In other words, they are university expenses that cannot be specifically identified with a particular project or activity. F&A costs are also referred to as indirect costs or overhead. Examples of F&A costs include the costs of building and equipment depreciation, utilities, and the numerous other costs necessary to operate the university such as costs associated with accounting and purchasing functions and administrative services provided by academic departments including administrative and clerical salaries, telephone equipment, postage, general office supplies, etc.

Special Circumstances that May Justify Direct Charging of Costs Normally Considered F&A

A-21 recognizes that, in certain circumstances it may be appropriate to treat a cost which is usually classified as an F&A cost as a direct cost on a federal contract or grant. Examples of special circumstances that may justify the direct charging of these costs are listed below. Direct charging of the costs described below is permissible only when specifically allowed in the award document.

1. Administrative and Clerical Salaries

When a project requires an extensive amount of administrative or clerical support, it *may be* appropriate to charge these salaries directly to the project. Examples include:

- Projects involving extensive data collection, data entry, and data analysis
- Projects requiring travel arrangements for large numbers or participants such as seminars and conferences
- Projects whose principal purpose is to prepare and produce large reports, manuals, books, etc.
- Projects that are geographically inaccessible to normal departmental administrative services, such as a project being conducted at a remotely located field research site
- Projects requiring project-specific database management, graphics or manuscript preparation, human or animal protocols, or multiple investigator coordination.

Non-Salary Costs

In the types of projects described below, it *may be* appropriate to charge normally indirect non-salary costs directly to the sponsored project:

- Projects involving a large mail survey could justify direct charging for the postage necessary to conduct the survey
- Projects involving a telephone survey could justify direct charging for the dedicated phone lines necessary to conduct the survey.

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IX. AN IN-DEPTH LOOK AT [A-110](#)

The full name of this circular is *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations. A-110*, which pertains only to grants, seeks to ensure that those institutions of higher education receiving federal grants demonstrate good business practices. *A-110* not only describes the requirements for adequate systems and standards of management, the circular also states that universities must have in place policies, procedures, and management systems appropriate for monitoring sponsored project performance.

The sections of *A-110* that are most relevant to the financial aspects of post-award administration are examined below. **Note:** This is not an all-inclusive review.

Subpart A - General

Circular *A-110* presents the standards for obtaining consistency and uniformity among federal agencies in the administration of grants and agreements with institutions of higher education, hospitals, and other nonprofit organizations. *A-110* provisions apply to recipient and subrecipient agreements awarded by the primary recipient. Federal awarding agencies generally cannot impose additional or inconsistent requirements outside the scope of *A-110*.

Subpart C - Post-Award Requirements **Financial and Program Management**

This section of *A-110* sets standards for financial management systems, payment methods, and rules to satisfy cost sharing and matching requirements, account for program income, approve budget revisions, conduct audits, determine allowability of costs, and establish fund availability.

Property Standards

This section of *A-110* specifies standards for the management and disposition of any property that is furnished by the federal government *and* whose cost was charged to a project supported by a federal award.

Procurement Standards

The purpose of this section within *A-110* is to ensure that materials and services are obtained in an effective manner. This section establishes procedures for the procurement of supplies and other expendable property, equipment, real property, and other services.

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Reports and Records

This section of *A-110* requires award recipients to manage, monitor, and report on each project, program, subcontract, function or activity supported by the award.

Termination and Enforcement

This section of *A-110* describes the conditions under which an award may be terminated, either in whole or in part. It also describes enforcement remedies and penalties should an award recipient fail to comply with the terms and conditions of an award.

Subpart D - After-the-Award Requirements

This section of *A-110* covers closeout procedures for sponsored projects.

X. AWARD ACCEPTANCE

The vehicle for award acceptance, a notice of award, is a legal agreement between the university and the sponsor. Award notices can assume the form of formal contracts, grants, or cooperative agreements. Before accepting an award or beginning work on an award, OCG must review the award notice for compliance with university policy and good business practice.

If an award notification is sent to the Principal Investigator or to a departmental office, the award notice and any agreements or contract materials **must be forwarded immediately** to OCG. The award is made to the university and not to the PI.

The award document is considered to be an **official agreement** regarding the scope of work, the amount of support the sponsor will provide, any cost sharing commitments on the part of the university, and other terms and conditions that govern the project. Award notices typically contain the following information:

- Title or description of the project
- Award beginning and ending dates
- Dates of the budget period, which may or may not coincide with the dates for the total project period
- Name of the Principal Investigator who is responsible for conducting the project in accordance with university policies and sponsor requirements
- Dollars committed or obligated (**Note:** Not all project funds may be released at the beginning of the project. The sponsor is under no legal obligation to pay dollars not yet obligated.)
- Future year commitments, which are funds that are contingent upon their availability as well as on satisfactory progress on the project
- Restrictions on spending which may be imposed by the sponsor and therefore limit the kinds of costs that can be charged to the project

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- Terms of payment, e.g., letter of credit, invoice
- Milestones or deliverables, which are specific work products that the university must deliver to the sponsor
- Reporting requirements (**Note:** Virtually all awards require technical and financial reports. Some awards also require patent and property reports.)
- Cost sharing or matching expectations if applicable
- Budget, particularly if it has changed from the budget submitted at the proposal stage.

XI. SETTING UP THE PROJECT

Project Create Process

The tasks associated with the project create process are shared by both OCG and SPA. OCG works with faculty to submit proposals for awards and upon receipt and acceptance of an award, the project create process gets underway. Many Principal Investigators think that when the award document arrives “the money is here.” In fact, budget authority and payment terms are two separate issues. The budget authority is set up at the beginning of the budget period through the project create process and cash is received throughout the budget period in accordance with the payment terms.

The purpose of the project create process is to ensure that all new projects, all pending award approvals, and all project changes are correctly entered into the Project Modules within the university’s PeopleSoft Finance System.

During the project create process SPA is responsible for:

- Creating the project in the Finance System
- Properly coding all attributes, including the billing attribute
- Setting up the project budget in Finance System
- Assigning a project number (15xxxxx) to each award
- Entering the project attributes in the Finance System and creating the speedtype
- Documenting cost sharing requirements and ensuring that the associated cost sharing FOPPS is set up in the Finance System.

Upon completion of these tasks, SPA returns the award document to OCG. OCG then notifies the Principal Investigator and departmental staff of the project number, start and end dates, award amount, and any other special terms or conditions associated with the award.

When OCG finishes its tasks, the award document is forwarded to the appropriate project accountant within SPA. The project accountant does one more review to ensure that the award documentation is current, accurate, and complete before spending begins against award funds.

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Hiring Personnel

Where sponsored projects are concerned, the responsibility for personnel hiring and supervision rests with the Principal Investigator for that particular project. The PI must keep in mind that all personnel actions are subject to university policy, including those funded by external sponsors. Due to the complexity of personnel rules and regulations, the PI should seek out a knowledgeable individual within the department—likely the departmental personnel and payroll liaison—to get assistance with personnel responsibilities, actions, policies, and procedures. All questions regarding employment issues should be addressed to the department's payroll or personnel administrator.

Establishing Subcontracts

When an award is received, if a substantive portion of the programmatic effort is to be performed by a third party, a formal agreement, referred to as the subcontract, is developed. The third party, or the legal entity that has agreed to work in collaboration with CU Boulder, is known as the subcontractor. A subcontract sets up a relationship in which each institution has its own Principal Investigator, and where CU Boulder is the prime awardee. Once the subcontract has been executed, the subcontractor becomes accountable to CU Boulder for the use of the funds provided. The subcontractor must also comply with all of the terms and conditions of the prime award.

Additional information about subcontracts can be found in Section XIX of this chapter.

XII. BEGINNING WORK ON A PROJECT

Work can officially begin on a sponsored project on or after the award's official start date as indicated on the award notice or contract *and* when the agreement has been fully executed by both parties *or* when a binding commitment from a sponsor has been received and the terms and conditions of the award have been accepted.

Pending Awards

In certain circumstances, it may be necessary to obtain a FOPPS number for a sponsored project before the award is finalized. It may also be necessary, upon occasion, to incur project costs before the award process is completed. For example, a Principal Investigator may wish to begin the hiring process before the actual project start date. In situations such as these, it may be permissible to begin work on the project provided that:

- Pre-award activities are allowed by the sponsor
- OCG approves a pending award

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- SPA sets up a pending project FOPPS and enters the information into the Finance System.

Prior to the finalization of an award, project charges **should not** be made to a departmental FOPPS and then transferred to a sponsored project FOPPS when the award is established. Charges should be made to a sponsored project pre-award pending FOPPS **only** so that they receive proper review and oversight. Furthermore, project charges should never be incurred on another sponsored project with the intent to transfer them to a different project at a later date.

Pre-Award Responsibility and Risk

The department assumes full financial responsibility for all expenditures incurred on a pre-award basis because there is a risk. If an award is not received, if a contract is not executed, or if a sponsor decides to disallow pre-award costs, the department must transfer any disallowed or unfunded costs to a non-sponsored project departmental FOPPS.

XIII. SPENDING THE AWARD: COMPLIANCE RESPONSIBILITIES

Principal Investigator Responsibilities

Although the Principal Investigator may have administrative staff to assist with the management of a project, the ultimate responsibility for the work of the sponsored project and the spending of project funds rests with the PI. The expenditure of funds on sponsored awards will **always** be subject to:

- The terms of the award
- CU Boulder policies regarding personnel, purchasing and travel

Therefore, the Principal Investigator must establish a means to ensure that:

- No more than the amount authorized by the sponsor for the project period is spent
- Sponsor limitations on the amount of money that may be spent in any single budget category is adhered to
- Costs are incurred only for goods or services that will be received and used during the project period
- Only those expenditures that are reasonable and necessary to accomplish the project objectives, and that are also consistent with the terms and conditions of the sponsor, are authorized
- Fiscal stewardship is maintained over the sponsored project, ensuring the reasonable and prudent use of sponsor funds.

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Essential Compliance Considerations for the Principal Investigator

For each and every anticipated purchase using sponsored project funds, consider this:

- Does the purchase further the purpose of the project?
- Will the expenditure about to be charged directly benefit the award?

If the answer to just one of the above questions is *no*, then find another source of funding for the purchase or don't make the purchase.

Sponsored Projects Accounting Responsibilities

The focus of SPA's work is to support the Principal Investigator and departmental administrator. To this end, SPA monitors selected expenditures within the Finance System to ensure that expenditure activity appears appropriate. This includes requisitions, payment vouchers, equipment purchases, and payroll expense transfers.

Requisitions

A manual process has been set up whereby the Procurement Service Center staff will not process a requisition charged to a sponsored project unless SPA has approved the requisition. In addition, SPA forwards any requisitions it receives for equipment, sub-contracts, and sub-awards to OCG for approval.

Equipment Purchases

Equipment purchases are monitored by the property staff within both CCO and OCG. For example, each month the CCO Property Accounting area provides OCG with a report of general purpose equipment purchases that were charged to sponsored projects. OCG, in turn, ensures that the cost of this equipment is allowable on the project and adequately documented in the project file.

Payroll Expense Transfers (PET)

The PET process prohibits departmental administrators from posting a PET if a sponsored project FOPP is used on any line. SPA staff must review, approve, and post (if approved) each and every PET involving a sponsored project. When a PET attempts to move salary that has already been certified on a particular project to a different project, SPA requires written justification regarding the transfer before it will move the payroll expense. This justification is placed in the project file.

Office of Contracts and Grants (OCG) Responsibilities

OCG reviews all travel authorizations for sponsored project travel and approves all capital equipment purchase requisitions prior to actual purchase.

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Travel

The OCG travel review is designed to meet the *A-110* requirement that requires the campus to have in place systems to monitor sponsored project activities. The purpose of the OCG travel review process is to ensure that all travel-related rules, regulations, policies, and procedures are followed, including those of the university, and the sponsor. The OCG process focuses on the following:

- Examining the relevance of the trip to the project
- Confirming that the traveler is either paid by the project or otherwise documented as being directly involved in the project
- Verifying that the travel will occur during the time period of the project
- Making certain that funds are budgeted in the project for the travel and that the available balance is sufficient to pay for the expenses associated with the trip
- Confirming that there are no funding agency restrictions or additional approvals needed for the travel.

Capital Equipment Purchases

OCG plays a critical role with respect to ensuring that the campus recognizes and complies with all funding agency requirements concerning capital equipment. This also includes those situations in which the funding agency defines capital equipment differently from the university.

Capital equipment, as defined by the university, is an item with a unit acquisition cost of \$5,000 or greater *and* an expected useful life of one year or more.

Routine Review

OCG examines the list of requisitions being charged to a Fund 30/31 FOPPS for those involving the purchase of equipment. OCG then further reviews these requisitions to determine if:

- The item of equipment is included within the approved project budget
- The funds to purchase the equipment exist within the FOPPS for the project
- The funds are budgeted in an equipment account within the FOPPS
- Additional sponsoring agency approval is necessary prior to making the capital equipment purchase.

Upon completion of a successful review, OCG approves the requisition to purchase the capital equipment.

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Special Circumstances

When a purchase involves **government-owned equipment**, OCG ensures that the proper account code (810200 for government titled equipment $\geq \$5000$ in value or 810800 for federal equipment components) is used on the transaction making the equipment purchase.

For the rare circumstance in which sponsored project funds are used to purchase equipment that **is not owned by the university or the federal government**, OCG confirms that the sponsoring agency has approved the purchase and makes sure that the proper account code (810300 - private titled equipment $\geq \$5000$ in value) is used on the purchasing transaction.

For those equipment purchases **requiring additional sponsor approval**, OCG obtains the necessary documentation and justification from the Principal Investigator or other appropriate individual regarding the purchase. OCG then prepares and/or cosigns the letter requesting the approval and retains the documentation while waiting for a response from the sponsor.

XIV. MANAGING THE PROJECT: PERSONNEL

In the context of sponsored projects, the term *personnel* encompasses a variety of individuals. The personnel types addressed in this section include those for whom effort reporting must be administered, such as Principal Investigators and non-hourly employees, as well as those who do not require effort reporting, such as hourly employees.

Effort Reporting for PIs and Non-Hourly Employees

Most sponsors assume that in the course of their work, Principal Investigators are involved in a combination of teaching, research, and service-related activities. It is reasonable to expect that a PI who primarily conducts research, may also serve on committees, have administrative duties, advise students, etc. Since federal sponsors will not pay for time spent performing non-project specific activities by the PI or other employees, personnel on sponsored projects are required to certify the percentage of time (or effort) that they devote to a particular sponsored project.

Effort reporting is a requirement imposed by the federal government upon those who receive federal funding for sponsored projects. Sponsoring agencies require reasonable assurance that labor costs charged to a sponsored project reflect the actual effort expended on the project. Consequently, regular and routine effort reporting is a requirement for all CU Boulder recipients of

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federal awards, as well as for CU Boulder recipients of federal subcontracts. Effort reporting attests to the appropriateness of salaries and wages charged to a particular contract or grant.

ePERS (electronic Personnel Effort Reporting System) is the effort reporting system at CU Boulder. ePERS is an after-the-fact certification system intended to provide accurate and reasonable documentation to the sponsoring agency regarding the distribution of effort expended by an employee.

On the Boulder campus, effort reports are generated on a semester basis and cover the periods below.

January – May	Spring Semester
June – August	Summer Semester
September – December	Fall Semester

An electronic Personnel Effort Report (ePER) is created for faculty, staff, or graduate students who received any amount of salary from a sponsored project, and/or had committed cost sharing on a sponsored project. These reports are generated by employee name, and made available for electronic certification in the university portal shortly after the semester ends. After delivery to the portal, the ePER information is updated every night thus capturing any changes to the semester's payroll distribution, even after the ePER has been certified.

To confirm that the distribution of payroll costs represents a reasonable allocation of the work performed by the employee during the period, the ePER must be electronically certified by the employee or by a responsible official in a position of authority and with firsthand knowledge with respect to the employee and the employee's work. If someone other than the employee certifies the ePER, he or she must have suitable means of verification that the work was performed as stated. Certification of the ePER asserts the accuracy of how effort was expended during the semester.

Once payroll has been certified to a particular project, SPA will not approve a PET that moves that payroll to another project except in highly unusual circumstances. Such transfers require documentation that adequately justify a change in the previous certification and must comply with the [Cost Transfer Guidelines](#).

Employees with a complex distribution of effort and employees who might have difficulty in recalling the allocation of their effort among multiple activities during the course of a semester, should maintain a record of their activities sufficient to assist them in completing their effort reporting with reasonable accuracy.

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Any payroll expense that is disallowed by a funding agency or an auditor due to non-certification becomes the responsibility of the respective department or institute.

Additional information about the ePER System is in the CCO Policy and Procedure [*electronic Personnel Effort Reporting System \(ePERS\)*](#).

Four Final Points about Effort

1. Due to the combination of sponsor regulations and the relative unstructured nature of research, accounting for the effort of personnel assigned to grants and contracts requires more attention than is typically paid to other academic activities.
2. The salaries and wages charged to a project must represent the proportionate share of effort that directly benefits the project.
3. Sanctions for non-compliance can be serious, including criminal charges.
4. The Principal Investigator is responsible for all financial activity charged to their sponsored projects, including charges associated with personnel effort.

Hourly Employees

Employees who are paid on an hourly basis are not included in the ePER process since the effort of hourly employees is certified when employees sign their timesheets through the time collection process.

XV.MANAGING THE PROJECT: PURCHASING

The purchase of goods and services for a sponsored project must comply with the overall intent of the award, the specific detail of the sponsor's regulations, and policies and procedures of the university.

Purchasing and the Principal Investigator

It is the responsibility of the Principal Investigator to initiate the purchase of all goods and services charged to a sponsored project. Furthermore, it is the responsibility of the Principal Investigator to approve only those expenditures that are appropriate for a particular award, as well as to monitor the allowability of all expenditures actually charged against a particular award. It is imperative that the Principal Investigator knows what costs are allowable according to the regulations, restrictions, terms, and conditions associated with each and every award.

Purchasing Documentation

Upon occasion, the Principal Investigator may delegate portions of the purchasing function to a departmental administrator or support staff. All persons involved in the procurement of goods and services on a sponsored project are responsible for ensuring that expenditures are adequately documented. Since the university regularly participates in both internal and

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external audits, the PI must be able to demonstrate through documentation the manner in which a specific expenditure directly benefited a particular project.

Purchasing Procedures

Most departments have a designated employee—usually an office manager, departmental administrator, or accounting technician—who handles purchasing for the unit. The Principal Investigator should work with this individual when performing procurement activities on a sponsored project. Information about the PSC and its purchasing procedures is available at <https://www.cu.edu/psc>.

Hot Topics in Purchasing

Items noted as hot topics in this section have been included for one of two reasons:

1. the number and complexity of regulations associated with the item
2. the high visibility associated with the item.

Travel

The sponsor expects that travel expenses charged to a project will be consistent with university policy.

Rules and Regulations

All applicable fiscal rules, university policies, and sponsoring agency regulations must be followed for travel done on sponsored projects. This holds true even when the award specifically provides a budget for a certain travel item that is not permitted according to university travel policy. For example, if an award contained a budget category designated to fund first class travel, the purchase of a first class ticket would likely be disallowed because the university does not permit first class travel except under special circumstances. There are also set mileage reimbursement rates for employees who use their own vehicles for official travel. Thus, even if an award allows for a mileage reimbursement in excess of the state limit, it is not permissible for an employee to be reimbursed at a rate greater than that authorized by the university. Unallowable travel expenses include, but are not limited to:

- Alcohol (except for approved official functions)
- Laundry (unless business trip >14 days)
- Mini bar
- Movie rental.

OCG Approval

OCG reviews all travel authorizations for sponsored project travel. The purpose of the OCG review is to ensure that the travel directly benefits the project and is an allowable expenditure. OCG examines:

- The relevance of the trip to the project

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- Whether traveler is paid by, or otherwise involved with, the project
- Whether or not funds exist in the project for the travel
- Any funding agency restrictions or additional approvals needed relative to the travel.

Foreign Travel

The purpose of the travel determines if it is foreign or domestic. For example, if the purpose of the trip is to attend a meeting in Germany, then even the domestic portion of the airfare traveling from Denver to New York in order to get a flight to Germany is foreign travel. If the purpose of the travel is to attend a meeting in New York and then go to a different meeting in Germany, the portion of the airfare to New York is domestic and the portion to Germany is foreign. American flag carrier restrictions usually apply to foreign travel. Some sponsoring agencies require specific agency approval for foreign travel.

Trip Completion

Upon completion of the trip, the expense report must be processed.

Problems occur in this process when:

- Original receipts are missing
- The travel authorization does not provide adequate information
- The travel expense does not directly benefit the project.

Visit the [PSC Travel webpage](#) for additional information about travel policies and procedures.

Consultants

A consultant is an individual who is not employed by the university but whose expertise is required by the Principal Investigator to perform the work of the project. Since sponsors may set limitations on allowable payment rates for consultants, the PI must carefully review the award for this information. **A consultant should perform no work on a project until it has been determined by the CU Boulder Department of Human Resources that the individual meets the legal criteria to be a consultant, i.e. independent contractor.** A [Scope of Work form](#) must be completed and submitted to HR.

A consultant is paid using a payment voucher. Therefore, in order to be paid, the consultant must submit a bill to the PI that details the following:

- Name and address
- Vendor ID (or SSN if the consultant does not yet have a vendor ID)
- Rate of pay and total amount of owed

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- Performance period
- Nature of services rendered
- Relevance of the consultant's work to the award.

Purchases Near the End of a Project

Goods and services not received during the project period do not benefit the project and therefore may not be charged to the project. Similarly, when goods and services are ordered and received near the end of the project, it is the responsibility of the Principal Investigator to demonstrate that these goods and services directly benefited the project. If this cannot be substantiated, then the costs for such goods and services may be disallowed. For example, it can be difficult to support that equipment ordered during the last six months of a project will directly, and substantially, benefit the work of the project.

XVI. MANAGING THE PROJECT: FINANCIAL MATTERS

Each sponsored project is assigned a FOPPS by SPA, and each FOPPS has individuals designated as the fiscal Principal and the Manager. The PI is always the Principal. Although the Principal Investigator often may delegate the duties associated with financial management of the FOPPS to the Manager or other subordinate, the PI assumes full responsibility for all financial activity associated with the sponsored project and recorded in the FOPPS. The financial responsibilities associated with a sponsored project include ensuring that:

- Revenue is deposited and recorded correctly
- Expenditures are allowable according to sponsor, state, and university regulations
- Funds are spent during the award period
- Fiscal oversight, including monthly transaction reconciling and FOPPS monitoring, is being conducted.

Strong financial management and diligent stewardship of award funds are fundamental elements of compliance.

Revenue

Sponsors are asked to transmit award funds directly to SPA. Upon occasion, however, checks may be addressed to the Principal Investigator or the department. These checks must be forwarded immediately to SPA for deposit. The check should be accompanied by a memorandum indicating as much about the check as is known by the department. Examples of useful information to include on the memo are the FOPPS #, the project number, the project name, and the Principal Investigator.

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If a project receives **program income** (gross income earned by the recipient that is directly generated by an activity supported by the sponsored project or that is earned as a result of the award) it is permissible for the department to make the deposit itself, without going through SPA. As noted in Chapter 10 *Cash Control of The Guide*, deposits should be made on a daily basis.

For sponsored projects that receive funds through a letter of credit or as a result of invoicing, these payment processes are administered by SPA.

By regularly monitoring the revenue activities of an award, the PI can avoid problems or enable a more expeditious resolution should a problem arise, thereby providing responsible stewardship of sponsor funds.

Expense

The most important responsibility with respect to spending award funds is to ensure that all expense transactions are allowable on the sponsored project. Thus, the Principal Investigator must make sure that each and every expense charged to the project is:

- Allowable according to the terms of the award
- Authorized according to university policies, state and federal regulations
- Of direct benefit to the project
- Charged to the correct FOPPS-Account combination
- Within the approved budget categories
- Within the funding available for the project
- Expended during the award period.

The PI must be familiar with the encumbrances recorded on a project in order to make accurate expense projections to avoid cost overruns and to ensure that the encumbrances on a project adhere to the same criteria as actual expenses charged against the project.

Monthly monitoring of award expenses is essential to ensure compliance with award conditions and sponsor regulations and also to promoting overall stewardship of resources.

Fiscal Oversight

The Principal Investigator holds responsibility for fiscal oversight of the sponsored project. This involves reconciling the transactions recorded in the project FOPPS and monitoring the FOPPS for the purpose of comparing the approved budget for the project to the revenue and expenses actually recorded in the FOPPS.

[m-Fin BALANCE SHEET SUMMARY](#)

[m-Fin EXPENDITURE TYPE SUMMARY](#)

[m-Fin FINANCIAL DETAIL](#)

[m-Fin OPERATING SUMMARY](#)

[m-Fin REVENUE AND EXPENDITURE SUMMARY](#)

[m-Fin SPEEDTYPE SUMMARY](#)

[m-Fin TRIAL BALANCE SUMMARY](#)

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Use [Cognos m-Fin financial reports](#) to monitor projects.

Reconciling the FOPPS

Every month the revenue and expense source documents for a sponsored project FOPPS must be reconciled to the Financial Detail report, the Outstanding Encumbrances report, and to the Balance Sheet. Projects must be reconciled for:

- Payroll expenses
- Vendor payments
- Subcontractor payments
- Travel expenses
- Equipment expenses
- Other operating expenses
- Accounts receivable.

The purpose of this transaction-by-transaction reconciliation is to answer the following three questions:

1. Are all transactions recorded in the FOPPS in the correct account for the correct amount?
2. Do all transactions recorded in the FOPPS belong in that FOPPS?
3. Do all transactions that should be recorded in the FOPPS appear on the respective statement?

When a discrepancy is found during the reconciling process, immediate action should be taken to resolve the error. In addition, diligent follow-up must be done to ensure all error corrections have been processed.

Monitoring the FOPPS

The primary purpose of monthly monitoring relative to a sponsored project FOPPS is to determine whether or not the project is financially on-track by comparing the budget for the project to the expenditures actually recorded in the FOPPS. For example, some sponsors pay close attention to pace of spending. For non-equipment based projects, if the project period is 75% complete, then it could be expected that the project would be 75% spent. In other cases, conducting a regular comparison between a project's budget and its actual revenues and expenses is an effective way of identifying potential revenue shortfalls and cost overruns. Corrective action such as adjusting spending patterns can be implemented to keep the project financially sound.

Other FOPPS Management Functions

Attributes

The descriptive information associated with each sponsored project FOPPS, also known as the attributes of the FOPPS, must be kept current.

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Attribute examples include FOPPS Manager, Fiscal Staff, Campus Box, Phone, etc. Update the attributes associated with a FOPPS whenever changes take place by email to spa@colorado.edu.

Records Retention

Official source records and supporting documentation for all activity processed on the FOPPS must be retained in accordance with the [Retention of University Records](#) Administrative Policy Statement.

Overexpenditures

Expenditures must stay within the budget established for the project and also within any specific expenditure guidelines dictated by the sponsor. In the event a project goes over budget, the PI is responsible for initiating the prompt removal of charges to a suitable non-sponsored project FOPPS. The charges should not be moved to another sponsored project unless the costs represent an error correction and are allowable and allocable for that particular project. See *Cost Transfers* in section XVIII.

Overexpenditures represent unbudgeted uses of university funds and are detrimental to the campus. It is Boulder campus policy to turn to other FOPPS within a unit for resources to cover any overexpenditures that are not resolved. If a unit is unable or unwilling to resolve an overexpenditure, it may require use of its indirect cost recovery (ICR) funds allocation.

Additional information about CU Boulder policies and procedures relative to overexpenditures on sponsored projects can be found in the [Over-expenditure on Contract and Grant Accounts Policy for CU Boulder](#) issued by the Graduate School.

XVII. MANAGING THE PROJECT: REPORTING

A final financial report is required for most sponsored projects. While the exact deadline for submitting the report is agency specific, the typical range for submission is either 30, 60 or 90 days after the project end date. Although certain agencies require that the Principal Investigator sign the financial report, SPA usually prepares and submits final financial reports to project sponsors. In order for SPA to complete the financial report in a timely manner, all final invoices from vendors and subcontractors must be paid promptly so that project expenses are reflected accurately.

In addition to the final report, many funding agencies require the preparation and submission of interim financial reports.

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XVIII. SPECIAL TOPICS IN PROJECT ADMINISTRATION

In accepting a sponsored project, Principal Investigators, project directors, departmental administrators, and CU Boulder all agree to follow the Cost Principles defined in *Circular A-21*, and the Post-Award Requirements described in *Circular A-110*. This section of the chapter will examine three topics that can be particularly complex with respect to sponsored project administration as noted in the aforementioned circulars: cost transfers in part C.4 of *A-21*, and cost sharing and program income in Subparts C.23 and C.24, respectively, of *A-110*.

Cost Transfers

A cost transfer involves the recording of an expense in a sponsored project FOPPS that had previously been charged elsewhere. CU Boulder permits cost transfers since the university recognizes that occasionally it may be necessary to transfer costs to a sponsored project FOPPS from a different university FOPPS due to an error or because additional information becomes known after the charge is initially processed.

Cost transfers should be considered “the exception, rather than the rule” and kept to a minimum. Frequent errors in the recording of costs may indicate the need for improvements in accounting practices and the strengthening of internal controls at the departmental level.

Costs transferred to a sponsored project FOPPS must meet the criteria for a direct cost. They must be allowable, timely, reasonable, consistent, of benefit to the sponsored project that is the recipient of the cost, and adequately documented. Additional information about direct costs can be found in the [Direct Cost Policy](#). The mechanism for doing a cost transfer is to complete a journal entry (JE) or a payroll expense transfer (PET). More information about cost transfers is available in the [Cost Transfer Guidelines](#).

Procedures for Cost Transfers

There are six steps to completing a cost transfer:

1. Identify a cost that has been recorded incorrectly through the monthly review of Finance System statements
2. Evaluate the cost transfer criteria i.e., proration, allocation
3. Prepare the online JE or PET to record the cost transfer transaction
4. Transfers require SPA approval
5. Review the monthly Finance System statements to verify the correct recording of the cost transfer transaction
6. Retain documentation pertaining to the cost transfer transaction.

Some of the steps listed above reflect basic fundamentals of sound financial management, while others pertain directly to cost transfers. The

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following section of the chapter will elaborate on those steps pertaining specifically to cost transfers.

Evaluate the Criteria

Prior to transferring a cost onto a sponsored project FOPPS, **all** of the following direct cost criteria must be met. The cost being transferred must be:

1. Allowable
2. Reasonable
3. Allocable
4. Treated consistently
5. In conformance with any limitations or exclusions set forth in *A21* or in the sponsored agreement
6. Timely
7. Beneficial to the project **and**
8. Adequately documented.

Prepare the Cost Transfer Transaction

The accounting process and mechanism used to prepare the cost transfer transaction depends upon the method used initially to record the cost.

1. For non-payroll related cost transfers including Procurement Card transactions processed in the Expense System, prepare an online JE in The Finance System.
2. For payroll-related cost transfers, prepare a PET.

The Quick Reference Card (QRC) shows the university's position for charging certain types of expense to federally sponsored projects per OMB A-21 and the campus [*DS-2 Disclosure Statement*](#). The QRC is available as follows:

- [QRC](#) – Pdf File
- QRC Paper Copy - Submit your request to accounting@colorado.edu. Include your name, the number needed, and the campus box number.

In addition to cost transfer information within this chapter, SPA also has [written guidelines for cost transfer journal entries](#).

Non-Payroll Cost Transfers

For **non-payroll transfers** including Procurement Card transactions processed in the Expense System, the following information must be included in the JE:

1. Information to include in the description field of the **Header Panel**:

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- A justification as to why the cost is being moved to this specific sponsored project FOPPS. The explanation must detail
 - The cause of the error (why and how the error occurred)
 - The need for the transfer
 - A description regarding how the cost being transferred was used on or provided a benefit to the sponsored project that is receiving the cost.

The detailed explanation contained in the Header Panel is particularly important for accountability on the part of the university to sponsors and auditors.

An example of *inadequate and unacceptable* cost transfer documentation is, “To correct an error,” or “To transfer cost to the correct project.” Additional examples of unacceptable documentation are located on the last two pages of this document.

An example of *adequate and acceptable* cost transfer documentation on a JE is “Agency gave new award # to project causing UCB to create new FOPPS, Project #. This JE transfers \$540 expense charged to initial FOPPS 30 12320 12321, Proj 1531200 as Journal ID PCB734, Journal Date 6/14/02, Journal Line 791, to new FOPPS 30 12345 12346, Proj 1532345.”

2. On a regular cost transfer using the JE panels, the description field of the **Lines Panel** is used to identify the specifics of the transaction. Examples of information to list in the description field include the Journal ID number, the Journal date, and the Journal line number. This information cannot exceed 30 characters. The preferred format for presenting the transaction information is noted below.

Payroll Cost Transfers - PET

For **payroll cost transfers**, it is essential to provide adequate information concerning the reason for the transfer on the **Reason Panel** of the PET. This includes a justification as to why the cost is being moved to this specific sponsored project FOPPS. The explanation must detail

- the cause of the error (why and how the error occurred)
- the need for the transfer

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- a description regarding how the cost being transferred was used on or provided a benefit to the sponsored project that is receiving the cost.

The information entered into the Reason Panel subsequently will become the description on the Journal Header. The reason will also be reviewed by SPA before the PET is approved and posted.

An example of *inadequate and unacceptable* documentation on a PET is, “To correct a payroll error.”

An example of *adequate and acceptable* documentation on a PET is, “The monthly review of the Finance System statement by the PI revealed an accounting error in charging payroll expenses to the grant. The payroll liaison had not been notified that this grad student was no longer assigned to this research project.” **Note:** The specific person and pay period are identified during the process of working through the online PET panels. The PET will be indicated on the ePERS by a “T.” If the PET occurs during the same semester as the incorrectly recorded charge, then the effort associated with the PET will be certified along with the other effort recorded on the PER. If the PET occurs in a different semester from the one in which the charge was incorrectly recorded, then the effort associated with the PET must be re-certified.

Note: For all payroll expenses that were previously certified, SPA requires justification explaining why the prior certification was incorrect.

Examples of Cost Transfers

Principal investigators, project directors, and departmental administrators should charge expenses in a manner that matches the cost with the benefits received from the activity, thereby eliminating the need to move expenses at a later date. Recognizing, however, that legitimate reasons can exist for the adjustment of expenses, certain exceptions are permitted.

Circumstances In Which Cost Transfers Are Normally Acceptable

- Correction of technical errors, such as a typo or transposition error
- Prorating or apportioning expenditures on an after-the-fact basis when an appropriate—and either self-evident or documentable—accounting technique is used to allocate the cost in accordance with the benefits

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- Redistribution of payroll from the previous pay period, when it is a one-time change from the individual's appointment
- Transfers when prior written approval has been received from the sponsor of the award to be charged, and the sponsor is fully informed of all circumstances surrounding the transfer.

Cost Transfers That May Be Allowable, But Which Raise Serious Questions

- Transfers of expense from a sponsored project FOPPS that is in overdraft to a different sponsored project FOPPS, when the expense being transferred does not appear to benefit directly the project receiving the charge
- Transfers that only use up unexpended balance, but do not appear to be of benefit to the project that is the recipient of the charge
- Transfer or correction of payroll distribution that was previously certified on a time sheet or on a Personnel Effort Report, or transfer or correction of payroll distribution for temporary hourly employees
- Transfer of an expense that was previously transferred
- Transfers after the end date of a project.

Cost Transfers That Are Generally Unallowable

- Transfer of an unidentified expense or lump-sum expenses to an award FOPPS. Each expense transferred to an award FOPPS must be identified according to Journal ID Number, Journal Date, **and** Journal Line Number. In addition, each transfer must explain how the cost will benefit the activity of the FOPPS receiving the charge.
- Transfers that fail to indicate how the cost benefits the receiving FOPPS, or that provide no explanation regarding why the cost was not correctly charged in the first place
- Transfers for which expenditures are apportioned between FOPPS, and the basis for determining the split is inappropriate or undocumented
- Transfers of expenses that were not incurred during the project period, unless specifically allowed by the sponsor
- Transfers of costs on the basis of available budget. For example, a transfers of costs during the last months of a project from one project to a different a project that has unexpended funds—for the sole purpose of using up the available budget—is not allowed.

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- Transfers of costs from any FOPPS in overdraft status to a sponsored project FOPPS, for the sole purpose of eliminating the overdraft, are not allowed
- Random or regular rotation of costs, CCOent any information on actual use. i.e., arbitrary charging of pooled costs such as photocopies or lab supplies.

It is **never permissible** to transfer Revenue, Cash, or Facilities & Administrative (F&A) expense either *from* a sponsored project FOPPS or *to* a sponsored project FOPPS.

Cost Transfer Monitoring by SPA

SPA monitors all cost transfers entered in the Finance System on a daily basis and must approve each journal. This review and approval process ensures that the transfer is appropriate and allowable and meets the criteria as expressed in the [Cost Transfer Guidelines](#).

Cost Sharing

Cost sharing refers to that portion of the costs of a sponsored project not borne by the sponsoring agency. Cost sharing frequently involves salary related to effort on the part of Principal Investigators or their staff. Cost sharing may also include non-salary items. Third-party in-kind is another type of cost sharing that involves contributions to, or assistance with, a sponsored project in a form other than money. Examples of third-party in-kind cost sharing include equipment, materials, or services of recognized value that are offered in place of cash.

To summarize, cost sharing takes place whenever the university allocates its own resources to a sponsored project or participates in an in-kind cost sharing arrangement on a sponsored project. Further guidance is provided in the [Cost Sharing Policy](#).

Cost Sharing Reminder

All cost sharing must be documented as an expense that is **relevant to** and **concurrent with** the sponsored project.

Types of Cost Sharing

Committed Cost Sharing is pledged in the proposal budget, budget justification, or budget narrative if a specific dollar value is noted in the award document or if an explicit dollar value can be assigned to the cost share commitment. There are two types of Committed Cost Sharing:

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a) Mandatory Cost Sharing is required as a condition of the award. It may be specified as either a minimum fixed percentage of the total project cost or a set dollar level that has been negotiated with the sponsor and approved by the contributing UCB units.

b) Voluntary Cost Sharing is offered by the recipient when not specifically required by the award.

Voluntary Uncommitted Cost Sharing is incidental support that is over and above what was proposed and agreed upon for the project.

Cost Sharing Criteria

Criteria for cost sharing are listed in *A-110* Subpart C, Paragraph .23. This states that all contributions, including cash and third party in-kind, are acceptable as part of the recipient's cost sharing obligation when such contributions meet **all** of the following seven criteria. Therefore, it is essential that all costs utilized for cost sharing:

1. Are verifiable from CU Boulder records
2. Are not included as a contribution for any other federally assisted project
3. Are necessary and reasonable for proper and efficient accomplishment of the project's objectives
4. Are allowable under the applicable cost principles
5. Are not paid by the federal government under another award, except where authorized by federal statute to be used for cost sharing
6. Are provided for in the approved budget when required by the federal awarding agency *and*
7. Conform to other applicable *A-110* provisions.

Cost Sharing Documentation

Cost sharing must be documented for the individual project and also for inclusion in the organized research direct cost base used to develop the facilities and administration (F&A) rate. The PI and the department are responsible for ensuring that **all** cost sharing obligations—including personnel, non-personnel, and third-party-in-kind—are identified and documented.

Cost Sharing Compliance

CU Boulder has a number of administrative processes in place to verify compliance with cost sharing obligations on sponsored projects. These include, but are not limited to, setting up specific FOPPS to record non-personnel cost sharing, monitoring effort, including cost sharing, on

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Personnel Effort Reports, and reporting project expenditures to the sponsor.

Specific FOPPS

Beginning November 1, 2000, SPA initiated a process that requires the creation of a separate cost sharing FOPPS for each project having non-personnel cost sharing. This FOPPS is set up in the Finance System prior to activating the project and is given a name that uniquely identifies it with a specific project e.g., “Cost Sharing for Project # 15xxxx.” Funds must be transferred into the cost sharing FOPPS in a timely fashion, and expenses must be recorded in the cost sharing FOPPS at the same rate they are being spent by the project itself.

Personnel Effort Reports

Under the electronic Personnel Effort Reporting (ePER) system SPA runs periodic reports to:

1. Monitor timely ePER certification
2. Verify that the distribution of effort matches what was approved by the sponsor
3. Review the reasonableness of the effort reported on the ePER
4. Ensure that cost sharing effort commitment is fulfilled.

Fiscal Reports

SPA prepares and submits fiscal reports as required by the sponsor. These reports include information about project expenditures including cost sharing.

Non-Compliance

Award recipients are responsible for monitoring and reporting on project and financial performance, including all types of cost sharing. Severe penalties can result from inaccurate, false, incomplete, or untimely reporting. Examples of penalties include, but are not limited to:

- Temporarily withholding cash payments
- Wholly or partly suspending or terminating the current award
- Withholding further awards for the project.

A more comprehensive list of penalties can be found in [A-110](#), Subpart C, Paragraphs .60 through .62.

Program Income

Program income refers to gross income earned by the recipient that is directly generated by an activity supported by the sponsored project or that is earned as a result of the award. Program income includes, but is not limited to, income from fees for services, the use or rental of real or personal property

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acquired under federally-funded projects, the sale of commodities or items fabricated under an award, license fees and royalties on patents and copyrights, and interest on loans made with award funds.

Note: Interest earned on advances of federal funds is not program income. Except as otherwise provided in federal awarding agency regulations or by the terms and conditions of a specific award, program income does not include the receipt of principal on loans, rebates, credits, discounts, etc., or interest earned on any of these.

Disposition of Program Income

A110 states that program income earned during the project period is retained by the recipient and should be used in a manner consistent with the project's intended purpose. According to federal awarding agency regulations or the terms and conditions of a specific award, program income should be used in one or more of the following ways:

1. Added to funds committed to the project by the federal awarding agency and recipient and used to further eligible project or program objectives
2. Used to finance the non-federal share of the project or program
3. Deducted from the total project or program allowable cost in determining the net allowable costs on which the federal share of costs is based.

Accounting for Program Income

At CU Boulder, the typical practice is for the department to deposit the program income directly into the FOPPS responsible for generating it. Questions concerning the correct account to use when recording program income should be directed to SPA. If departments prefer, they can forward program incomes checks to SPA for deposit.

License Fees and Royalties

Unless the regulations of a particular awarding agency or the terms and conditions of a specific award provide otherwise, there is no obligation to the federal government or non-federal sponsor with respect to program income earned from license fees and royalties associated with copyrighted material, patents, patent applications, trademarks, and inventions produced under an award.

Additional information about program income is available in [Subpart C, .24 Post Award Requirements Financial and Program Management, Program Income A-110](#).

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XIX. SUBCONTRACTS

Sponsored projects funded by agreements made with CU Boulder are usually conducted within the physical boundaries of the university or at field sites used by university personnel. On occasion, a portion of the required effort may be provided by one or more third parties such as other institutions, companies, or entities that are to be responsible for a discrete part of the project. When the portion of effort being performed by a third party constitutes a substantive component of the sponsored project, the third party is required to provide the resources and personnel necessary to conduct that portion of the work as an independent contractor. Costs normally associated with third party effort may include any or all of the following: labor, employee benefits, materials and supplies, travel, equipment, subcontracts, consultants, other direct costs, and facilities and administrative costs (indirect costs).

The subcontracting procedures contained in this section of *The Guide* address policies involved in subcontracting relative to *non-construction* activities. Should a project involve physical construction of new facilities or renovation of existing facilities, the Office of Facilities Management must be contacted prior to submission of the project proposal. Facilities Management facilitates compliance with Board of Regents and university administrative procedures, ensures that necessary approvals are obtained. The Office of Contracts and Grants (OCG) is available to assist departments with non-construction subcontracting procedures.

Subcontract Vocabulary

Awarding Agency: Initial provider of the grant or contract.

Key Personnel: The Principal Investigator of the subrecipient. This individual is essential to the work performed under the subcontract, and the subrecipient may not substitute other personnel for the key personnel. In addition, no significant decrease in the level of effort by the key personnel may occur with notice to and approval by CU Boulder.

Prime: The recipient of a grant or contract.

Prime Sponsor or Sponsor: Organization that makes an award directly to CU.

Subcontract: Document that OCG generates to formalize a third party relationship with another organization to perform substantive work based upon a *grant* or *cooperative agreement* award made to CU.

Subcontractor: Entity to which a *subcontract* is issued.

Subrecipient: Entity to which a *subaward* is issued.

Vendor: Entity that provides commercial goods and services.

Technically, the subcontract is called a *subaward* when the prime award is a grant or a cooperative agreement, and a *subcontract* when the prime award is

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a contract. The third party performing the work under a *subaward* is called the *subrecipient*, while the third party performing the work under a *subcontract* is called the *subcontractor*. To simplify the remainder of this chapter, the terms subcontract and subcontractor will be used as umbrella terms that also cover the terms subaward, subawardee, and subrecipient.

Subcontract Relationship

Central to the subcontract relationship is the amount of work to be performed on a project by the third party. For example, if the work being done on the project by the third party involves the performance of repetitive tests or activities requiring little or no discretionary judgment, then a consulting agreement or a purchase order (rather than a subcontract) would be issued using the university's procurement process. However, when the portion of the work being performed on the project by a third party is substantive, then a subcontract must be developed.

Documentation and Monitoring Requirements for Subcontracts

When CU Boulder issues a subcontract to a third party, it is a legally binding agreement.

General Compliance

CCOent specific additional award requirements, the level of documentation necessary when issuing subcontracts should be consistent with good management practices. These practices normally include obtaining the following information from the subcontractor at the time of proposal or award:

- A scope of work to be completed by the subcontractor
- A subcontract budget that meets the requirements of the federal sponsor and the awarding institution
- An institutional signature indicating commitment to perform the scope of work proposed, assuring the accuracy and reasonableness of the budget, and agreeing to enter into a subcontract if the proposal is funded
- All required representations, certifications, and assurances.

The awarding institution is responsible for providing an appropriate level of review with respect to the subcontractor's scope of work and budget. The normal proposal review process of the institution usually fulfills this.

The awarding institution is also responsible for maintaining a system for monitoring the activities of subcontractors to ensure that they are complying with the terms of the subcontract agreement. Responsibilities

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include general compliance in *A-133* section 400(d)(3) and subrecipient audit compliance in *A-133* section 400(d)(4)(5)(6)(7).

Audit Compliance

According to the requirements of *A-133*, OCG must obtain either a copy of the most recent fiscal year audit report of the subrecipient or a written certification that there were no audit findings relating to federal awards that the pass-through entity provided.

Upon receipt of the audit report or certification, OCG enters the information from the audit report into its subcontract database. In addition, OCG does the following, as appropriate:

- Issues a management decision on the audit findings within six months after receipt of the subrecipient's audit report, and ensures that the subcontractor takes appropriate and timely corrective action. This decision will be in the form of written documentation as to the analysis and follow up of any audit findings.
- Considers whether subcontractor audits necessitate adjustment of the pass-through entity's own records
- Requires each subcontractor to permit the pass-through entity and the auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with this part.

Subcontracting Procedures

There are numerous procedures associated with subcontracting. A partial list of these include: subcontractor selection, the subcontract proposal, incorporating the subcontract proposal into the CU proposal, establishing a separate FOPPS for the subcontract, preparing the subcontract, entering the subcontract information into the OCG database, processing subcontract documentation, subcontract negotiation and execution, special consideration for small businesses, and advance payments to subcontractors.

Subcontractor Selection

The procedures involved with subcontractor selection vary depending upon whether or not the subcontract and subcontractor are specified in the proposal and funded by the award.

Subcontract and Subcontractor Specified in the Proposal

When the subcontractor is specified in the proposal and the collaboration is funded, it is not necessary to comply with the procurement requirements for competitive bidding or sole source justification since the sponsor or peer review process already approved the subcontractor selection.

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Subcontract and Subcontractor Not Specified in the Proposal

When subcontract information is not disclosed in the proposal, it is the shared responsibility of the CU Principal Investigator, along with OCG, to comply with the procurement requirements of the sponsor as well as the procurement regulations of the university and state, in selecting a subcontractor.

Subcontract Proposal

Regardless of the method used in selecting a subcontractor, there must be adequate time provided between the receipt of a subcontractor's proposal and the due date for the sponsor's proposal, to allow CU's Principal Investigator sufficient time to discuss and negotiate the scope of work. If the proposed subcontract involves human subjects or animals, information about the subcontractor's compliance with its own policies must be included with the proposal.

A budget, itemized by major budget category—such as salaries and wages, employee benefits, supplies, equipment, travel, consultants, subcontractors, etc.—must be submitted by the subcontractor as part of its proposal. Greater itemization of certain categories may be needed if required by the sponsor's proposal guidelines or other requirements. Facilities and administrative costs (indirect costs) should be included as appropriate and as allowed, and should be calculated using the subcontractor's current rates. A copy of the subcontractor's negotiated rate agreement must be provided to OCG as a means of verifying the costs requested, and supporting those costs in case of an audit. If the subcontractor uses a rate for employee benefits, a copy of that rate agreement must also be given to OCG.

The subcontractor's proposal must be signed by a designated official from the subcontractor's institution or organization who is authorized to commit the subcontractor's resources to the completion of the project.

Incorporating Subcontractor's Proposal into CU's Proposal

The subcontractor's costs are included in CU's budget for the project as a direct cost. When calculating CU's facilities and administrative costs (indirect costs), the amount of each subcontract that exceeds \$25,000 should be excluded from the F&A calculation in accordance with A-21. F&A cost on the first \$25,000 is calculated using the appropriate on or off-campus rate. During the processing of a proposal by OCG, the subcontract portion is reviewed to ensure all required items have been incorporated.

Establishing a Separate FOPPS

A separate FOPPS is usually established to account for the expenditures of each subcontract.

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Preparing the Subcontract

Typically, when OCG receives a fully executed award from the prime sponsor, a subcontract with the proposed third party is prepared. The subcontract is usually a line item in the proposal budget for the prime award. Thus, the subcontract gets reviewed by the sponsor during the course of the proposal review. In this situation, the funding of the proposal normally indicates that the sponsor has:

- Approved the subcontract selection
- Determined that the costs included in the subcontract are reasonable relative to performing the subcontractor's statement of work.

If subcontract information was not included in CU's original proposal, sponsor approval typically is necessary prior to issuing the subcontract. In certain situations, sponsor approval may also be necessary even when the subcontract was proposed in the original proposal. In rare instances, it may be necessary for the sponsor to review and approve the proposed subcontract agreement before CU Boulder gives it to the subcontractor for review and signature.

When preparing the subcontract, it is important to adhere to the prime agreement terms and conditions, and also to flow down the appropriate clauses.

Subcontract Processing Documentation

Documentation Required for Grant-Funded Subawards

The following documents are necessary in order to process a *grant-funded* subaward:

1. A scope of work completed by the subrecipient
2. A budget that meets the requirements of the federal sponsor and the awarding institution
3. An institutional signature indicating commitment to perform the scope of work proposed, assuring the accuracy and reasonableness of the budget, and agreeing to enter into a subaward if the proposal is funded
4. A copy of the subrecipient's F&A agreement, if applicable
5. A copy of the subrecipient's fringe benefit rate agreement, or other relevant documentation, if applicable
6. All required representations, certifications, and assurances (e.g., human subjects assurance)
7. Debarment and Suspension (E.O.s 12549 & 12689; A-110, Appendix A.8)
8. Byrd Anti-Lobbying Amendment (31 U.S.C. 1352; A-110, Appendix A.7).

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Documentation Required for Contract-Funded Subcontracts

The following documents are necessary in order to process a *contract-funded* subcontract:

1. A scope of work to be completed by the subcontractor
2. A budget that meets the requirements of the federal sponsor and the awarding institution
3. A copy of the subcontractor's F&A agreement, if applicable
4. A copy of the subcontractor's fringe benefit rate agreement, or other relevant documentation, if applicable
5. A copy of the sole source justification, if applicable
6. All required representations, certifications, and assurances (e.g., human subjects assurance)
7. FAR 52.209-5 "Certification Regarding Debarment, Suspension, Proposed Debarment, and Other Responsibility Matters"
8. FAR 52.203-11 "Certification and Disclosure Regarding Payments to Influence Certain Federal Transactions"
9. FAR 52.223-1 "Clear Air and Water Certification" (not required for purchase orders issued under prime contractors awarded under solicitations issued on or after February 25, 2000)
10. A Certificate of Current Cost and Pricing if required as part of a prime contract and the value of the subcontract is \$550,000 or more
11. A Small Business Subcontracting Plan if required as part of a prime contract and the value of the subcontract is \$500,000 or more.

When applicable, a detailed cost analysis should also be included as documentation. Specific categories to address in this cost analysis are:

1. **Salaries and wages:** Include verification from the CU Principal Investigator that the amount of effort or number of hours is reasonable to perform the project. If possible, also include hourly rates or salary rates.
2. **Fringe benefits:** In the CCOence of copies of fringe benefits rates, rates need to be verified with the cognizant federal agency, if applicable.
3. **Equipment:** Include copies of vendor quotes for items of equipment.
4. **Travel:** Include a breakdown of airfare, per diem, lodging, number of travelers, number of days, registration fee if applicable.
5. **Materials and supplies:** Include a catalogue or vendor quotes if available.
6. **Other direct costs:** Include a catalogue or vendor quotes if available. In addition, include a breakdown of categories by items of cost.

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7. **Facilities and Administrative rates:** In the CCOence of copies of F&A rate agreements, rates need to be verified with the cognizant federal agency, if applicable.

Subcontract Negotiation and Execution

Once the subcontract is prepared, an advance copy may be sent, unsigned, to the subcontractor for review. The subcontractor may want to negotiate changes or request clarification of the terms and conditions. OCG negotiates and coordinates subcontractor-requested changes with department personnel and the Principal Investigator. Once the subcontract negotiations are complete, OCG executes the subcontract on behalf of CU and forwards the three copies of the subcontract and all associated documents.

Advance Payments to Subcontractors

Advance payments to subcontractors are generally not allowed. The reasons for this include:

1. Sponsor guidelines normally state that subcontractors are reimbursed for expense incurred for performing the work.
2. CU does not usually receive advance funding from its sponsors, therefore, it is poor fiscal management to advance funds to a subcontractor.
3. State of Colorado and Procurement Service Center purchasing rules normally do not allow advance payments.

Advance payments for subcontractors will be allowed only in very rare and unusual circumstances. The following are examples of such circumstances.

Note: These are examples only. The existence of a similar circumstance does not mean that advance payments will automatically be allowed.

- The subcontractor is a small business and is financially unable to withstand the cash drain. Additionally, the subcontractor's work is crucial to the project.
- The subcontract is part of a project funded by the State of Colorado which requires fiscal reports to be submitted by the end of the period of performance. It also provides for advance payments in order to make the project's financial affairs easier to manage.

Procurement Service Center (PSC) and the Purchase Order

The PSC takes the subcontract documents it receives from OCG and incorporates them into a purchase order that will be sent to the subcontractor. The purchase order provides the mechanism through which subcontractor invoices can be paid by CU. The PSC also assures that the subcontract complies with all applicable purchasing rules and regulations.

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Post Award Management of Subcontracts

After a subcontract has been issued, it is managed through technical and fiscal monitoring. Upon occasion, it becomes necessary to amend a subcontract.

Technical Monitoring

CU is responsible for ensuring that all subcontractor work is conducted and completed in a timely manner. Progress reports must be reviewed by the CU Principal Investigator and, when necessary, discussed with the subcontractor. These reports are usually incorporated into the overall technical reports submitted to the sponsor by the CU Principal Investigator. OCG is responsible for obtaining any other reports, such as invention, property, and/or audit reports, required by the subcontract terms and conditions.

Fiscal Monitoring

The CU Principal Investigator, or other authorized university personnel, must approve all subcontractor invoices and submit them to the PSC for payment. Invoice approval should include verification that direct costs were expended in accordance with the approved budget, and that the proper F&A and employee benefit rates have been applied. In addition, each subcontractor invoice should be checked to determine that the invoice number is correct, the costs are properly allocated, and the amount invoiced is within the estimated cost of the subcontract.

No invoice that exceeds the estimated cost of the subcontract will be approved for payment, even if the invoice has been approved by the PI.

Amendment to Subcontracts

In most cases, the terms and conditions of a subcontract will remain unchanged for the duration of the project. However, during the course of a subcontract, it may become necessary to change or modify one or more of its terms and conditions. Changes to the subcontract, such as time extensions, rebudgeting, or fund changes are done through an amendment to the subcontract.

Some changes, such as adjustments to the scope of work or changes to the Principal Investigator, may require sponsor approval before an amendment can be issued. Requests for changes should be submitted by the authorized official for the subcontractor, and also must be approved by the CU Principal Investigator. Once these two conditions have been met, OCG requests sponsor approval for the subcontract amendment.

When an amendment is done to a subcontract, both the old and new text should be referenced. It also should be noted in any amendment that “all

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other terms and conditions of the original subcontract remain unchanged.” If the amendment results in a change in the total estimated cost of the subcontract, then a revised budget must be incorporated with the amendment. The amendment is the vehicle that clearly states the changes and provides for the signature approvals of both parties.

Subcontract Close-Out Requirements

OCG takes the lead in coordinating close-out requirements relative to subcontracts. On a monthly basis OCG identifies all subcontracts that have terminated and requests the required reports from the subcontractor. Reports must be submitted within 60 days of the end date of the subcontract. The CU Principal Investigator obtains the required final technical reports in accordance with the terms of the subcontract. The reports that follow may be required for subcontract close out under the terms and conditions of the prime sponsor.

Close-Out Reports Required for Grant-Funded Subcontracts

The following reports are needed in order to close-out a *grant-funded* subcontract:

- Final Invoice* or Fiscal Report
- Final Technical Report, which should be obtained by the CU Principal Investigator
- Final Inventory of Property if required by prime sponsor
- Final Statement of Inventions
- Final Audit Notification if the subcontractor is subject to A-133
- Other reports as required by prime sponsor.

Close-Out Reports Required for Contract-Funded Subcontracts

The following reports are necessary in order to close-out a *contract-funded* subcontract:

- Final Invoice* or Fiscal Report
- Final Technical Report, which should be obtained by the CU PI
- Final Inventory of Property, if required by prime sponsor
- Final Statement of Inventions
- Small and Small Disadvantaged Business Report, if the subcontract is for \$500,000 or more
- Final Audit Notification, if the subcontractor is subject to A-133
- Other reports as required by prime sponsor.

***Final Invoice:** OCG obtains a copy of the subcontractor’s final invoice and checks it to make sure that the amount is within the estimated cost of the subcontract. OCG also obtains verification from the CU Boulder PI that the work done by the subcontractor was performed satisfactorily. OCG completes a final analysis on the subcontract to verify that direct costs were expended in

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accordance with the approved budget and sponsor terms and conditions, and that the proper F&A and employee benefit rates have been applied.

XX. PROPERTY AND EQUIPMENT

Many sponsors permit the acquisition of non-expendable equipment with project funds provided the equipment is required in order to perform the project. It is necessary to know who owns the equipment which is addressed in the sponsor's guidelines and/or in the property clause of the agreement. This information must be considered when preparing the proposal or when reviewing the award agreement because the property clause of the sponsored agreement or the applicable agency guidelines will specify the title-holder of equipment purchased with sponsored funds or of equipment received from the sponsoring agency.

It is the responsibility of the Principal Investigator to ascertain the specific requirements of the award *prior to* ordering equipment.

Prior OCG approval needed to acquire, trade, sell, transfer, or dispose of equipment funded by a federal award or other sponsor.

OCG has the primary responsibility for overseeing acquisitions, transfers, and disposals of all equipment acquired with federal award funds. In addition, OCG is the primary liaison with the federal government with respect to the receipt of, control of, and disposal of *government-owned equipment*. Government-owned equipment can exist at CU Boulder in two ways:

1. **Government Furnished Equipment**, in which an existing item of equipment that belongs to the government is provided to the campus for use on a project
2. **Contractor Acquired Government Property**, in which the terms of an award state that items purchased by the campus using award funds will belong to or will be titled with the government.

Equipment Ownership

Nearly all *grant* agreements stipulate that title to equipment purchased with grant funds vests with the university upon acquisition. In most cases, the government retains certain rights to the equipment such as the right to direct disposition of the equipment at the end of the project, or the right to have the equipment transferred to another institution when the PI leaves the university. Most *contracts* similarly stipulate that title vests with the university. However, every contract has the potential to contain specific language about title to equipment, and the contract language must be reviewed by OCG.

Normally, non-federal grants and contracts also stipulate that title to equipment purchased with project funds vests with the university upon acquisition. Similar to federally-funded equipment, in some cases, the sponsor may retain certain rights to the equipment such as the right to direct disposition of the equipment at the end of the project or the right to have the equipment transferred to another institution when the Principal Investigator

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leaves the university. In some cases, the award language states that title to the equipment vests with the sponsor until the end of the project, and then transfers automatically to the university.

Equipment Acquisition

Equipment can be acquired through a variety of methods including direct purchase, gift or donation to the university, fabrication or construction, transfers from another university or institution, and transfers from contract or grant sponsors. Because CU Boulder must recognize and comply with all funding agency and sponsored agreement requirements relative to capital equipment, including those requirements involving a definition of capital equipment different from the one used by the Boulder campus, **it is the responsibility of OCG to approve all capital equipment purchases made with sponsored project funds *prior to* the actual purchase, regardless of the method used to make the purchase.**

Equipment Management

CU Boulder is responsible for the security and protection of all equipment in its possession. All federally-funded grants and contracts contain provisions requiring the university to properly care for and manage all government-owned equipment. This includes both equipment purchased with grant or contract funds, as well as equipment provided by the government to the university for use on the sponsored project. Equipment purchased with federal funds, whether federally-titled or university-titled, must follow federal regulations that outline the requirements for property control and reporting:

- Office of Management and Budget (OMB) Circular A-21
- OMB Circular A-110
- OMB Circular A-133
- Federal Acquisition Regulation (FAR) Part 45
- Defense Federal Acquisition Regulations (DFAR).

In order to satisfy these regulations and accomplish effective equipment management, it is essential that all equipment-related tasks be carried out in an environment characterized by cooperation and shared effort. At CU Boulder, responsibility for equipment management rests collectively with:

- Departmental property managers
- Office of Contracts and Grants
- Property Accounting Office within CCO
- Property Services.

Responsibilities of Subcontractors for Equipment Management

Subcontractors, being under contract to CU Boulder, are responsible for all equipment furnished to them by the university. This includes U.S. Government equipment in addition to university-owned equipment.

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Subcontractor responsibilities include the proper care, security, and use of equipment. Subcontractors must be instructed to report instances of loss, damage, or destruction of any equipment furnished to them under the contract. Language concerning subcontractor responsibilities relative to equipment is incorporated into all subcontract agreements.

The subcontractor must also make sure that equipment and inventory records in its possession are accessible for inspection by select personnel from the U.S. Government and CU Boulder at all reasonable times.

Equipment Disposal

OCG approval is required when disposing of any equipment that is purchased with sponsored project funds or provided by the sponsor to the university for use on the sponsored project. Departments or employees are not authorized to give away, sell, or otherwise dispose of any equipment without proper approval. The departmental property manager must report, in writing, any instance of improper equipment disposal to the head of the responsible department. If the item in question is federally-owned property, the departmental property manager must immediately inform the OCG Property Officer. **Note:** OCG does not have to be notified about equipment that is returned to the vendor, such as a damaged item.

Equipment Resources

1. For comprehensive information addressing equipment ownership, management, and disposal, refer to the *Property Accounting System Guidelines and Procedures Manual*. This resource is accessible from the [CCO Debt and Asset Management webpage](#).
2. The OCG Property Officer is another recommended resource when questions arise about equipment related to sponsored projects.
3. [Property Central](#) is a joint venture between CCO, OCG, & Property Services

XXI. PROJECT CHANGES

It is not uncommon for the research plan of a project to be modified throughout the term of the award to ensure proper completion. As with any sponsored agreement issue, the ability to modify the project is determined by the terms and conditions of the agreement. This section of the chapter will cover the following:

1. Organizational Prior Approval System
2. Change in Objectives or Scope of Work
3. Budget Deviation
4. Re-Budgeting
5. Change in Personnel
6. Transfer of the project effort to another organization through a subcontract

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7. Transfer of the Principal Investigator to another institution
8. No-Cost Time Extensions.

Approval of Project Changes

Organizational Prior Approval System (OPAS) for CU Boulder

Federal awards, and federal grants in particular, normally allow the university to internally approve certain budget deviations or other project changes. At CU Boulder, OPAS is designed to serve two primary functions:

1. To demonstrate that the university has a system in place for monitoring award activity
2. To provide documentation that budget deviations are not the result of a change in the scope of work of the project.

For grants only (not contracts) *A-110* includes a provision that permits funding agencies to authorize CU Boulder, through OPAS to allow:

- Expenditures up to 90 days before the official award start date
- A single no-cost extension of the award's end date not to exceed 12 months duration.

All requests for budget or other project changes under OPAS, with the exception of no-cost time extensions, **must** be co-signed by the Principal Investigator's/project director's unit head or by another appropriate person who possesses adequate technical knowledge to understand and endorse the request. Once signed by the necessary individuals, OPAS requests should be forwarded to the director of OCG.

Since it is always possible for an individual award to have terms that are more restrictive than outlined above, *each award must be reviewed* because in certain circumstances, a particular agency may not unilaterally authorize pre-award costs or no-cost extensions under OPAS. In such instances, OCG must seek approval directly from the funding agency.

Changes Requiring CU Boulder Approval that *May Also Require Funding Agency Approval*

The budget and other project changes described below not only require the approval of CU Boulder, they may also require approval by the funding agency:

- Purchase of any item of capital equipment with an acquisition cost of \$5,000 or more and having a useful life of one year or more
- Purchase of any item of capital equipment that is general purpose in nature. Examples include computers, copy machines, furniture.
- Alterations and renovations

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- Travel expenditures exceeding the amount (generally 125%) indicated in the approved budget.

Funding agency approval is required whenever the change to a project involves an item that was not included in the budget as originally approved and funded by the awarding agency. Because each agency has its own set of rules, it may be necessary for OCG to write, or to co-sign, a letter to the agency requesting approval for the change. Questions about whether or not agency approval is required for specific changes should be directed to OCG.

Changes Requiring CU Boulder Approval that *Always Require Funding Agency Approval*

The following budget or other project changes **always require** approval from the funding agency and, therefore, are not appropriate for OPAS:

- Any change in the scope of work or the subject of the investigation
- Any significant change in the level of effort devoted to the project by the PI or project director. Typically the variance is 25% .
- Any prolonged CCOence from the project, usually considered to be three months or more, by the PI or project director
- Any subcontracting or consulting arrangements made with another party to do a substantial part of the work of the project, when the subcontracting/consulting arrangement was not included in the previously approved proposal budget
- Any rebudgeting of participant support costs or trainee support costs into another budget category
- Any budget changes affecting cost categories that are *restricted* in the sponsored agreement
- Transfer of the Principal Investigator to another institution
- Any reduction in the amount of cost sharing identified in the award budget.

If **any** of these events occur, they must be reported **immediately** to OCG so that the appropriate sponsor approvals can be requested. All requests for project changes that require sponsor approval must be signed by the Principal Investigator and countersigned by an institutional representative from OCG.

Types of Project Changes

This section covers some of the more frequently occurring project changes.

Change in Scope of Work

Any proposed change in the specific aims of the project as stated in the proposal or approved modifications, and/or any proposed change in the

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phenomenon under study, requires approval from the awarding agency. Examples of changes that require sponsor approval include, but are not limited to:

- Substitution of one animal model for another
- Any change from the approved use of animals or human subjects
- Shifting the emphasis of the research from one disease area to another.

When in doubt, it is best to err on the side of over-communicating with the program office. **Protect yourself in writing.**

Budget Deviation

A budget deviation is a process whereby funds available for spending on a particular project are permitted to be spent in a manner that differs from the original budget as approved by the agency. Since it is important for the original budget, as approved by the funding agency, to remain intact in the finance system—so that actual expenditures can be compared accurately with the approved budget—a budget deviation does **not** result in any change to the budget for the project, nor does it result in any change to the budget as recorded in the FOPPS.

Equipment-Related Budget Deviations

While most awards allow for budget deviations, in certain instances the budget deviation also needs to receive internal approval from OCG. This is the case for all equipment purchases not in the budget originally approved by the agency. These **must** be processed via OPAS since, when the award was issued, the understanding on the part of the funding agency was that all equipment necessary to accomplish the work of the project was included in the proposal.

The examples that follow show three different memos requesting permission to purchase equipment (in this case a computer) that was not in the budget originally approved by the agency for the project.

Memo #1 - Poor Request and Explanation

Please approve the purchase of a computer on my NSF grant. I need it so a student can do the research.

Memo #2 - Better Request and Explanation

Permission is requested to use my NSF grant funds (CHE-0299999, Project Number 1548888) to purchase a desktop computer costing \$2,300. The amount of data being generated by the project is greater than anticipated, and we have more students working on the project than planned. It is unworkable for the students to share the one computer available to them, so it would be useful to have another computer.

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Memo #3 - Best Request and Explanation

Permission is requested to purchase a DataMax Model 400xe computer costing approximately \$2,300 using funds from my NSF grant (CHE-0299999, Project Number 1548888). The data from this project presently is being analyzed on a single computer that is available to our student group. However, the amount of data being generated by the project is greater than we anticipated, and we have more students working on the project than we had planned. It is unworkable for the students to have to share the single computer available to them, so it would be useful to have another computer. This computer will be used solely for research purposes and will not be used for any administrative purposes.

Budget Deviations and Scope of Work

Most funding agencies believe that the PI is in the best position to determine how to conduct the work, spend the funds, and identify adaptations that may become necessary during the course of the project. Thus, the primary concern on the part of the federal government relative to the budget deviation is that there is **no change in the scope of work associated with the project**. Consequently, it is imperative that the files within OCG contain adequate information documenting that no change in the scope of work resulted from the budget deviation. In this manner, whenever a budget deviation might cause someone, such as an auditor, to question whether or not the budget deviation actually changed the scope of work for the project, the documentation is already in place.

The most important issue to address when explaining a budget deviation is that the budget deviation will cause no change in the scope of work for the project.

Re-budgeting

In contrast to a budget deviation, re-budgeting involves an actual reallocation of the funds available for spending on a project among budget categories. Since re-budgeting entails a change to the approved budget as established by the funding agency, only the funding agency can give re-budgeting approval. This approval must be in writing from an agency representative who is authorized to give such approval.

Change in Key Personnel

Whenever there is to be a significant change in the level of participation in the approved project by the Principal Investigator or project director, the university must notify the awarding agency as soon as such information is known. Significant change in level of effort on the part of the PI is defined as relinquishing active direction of the project either:

- Permanently *or* for a continuous period exceeding three months *or*

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- Through a 25 percent or more reduction in time devoted to the project.

Since approval of the project by the funding agency was based on the participation and qualifications of the key personnel named in the proposal and award, the awarding agency requires notification when key personnel changes. The awarding agency also has the option to approve or disapprove alternate plans for conducting the project.

Transfer of the Project Effort to Another Organization Through a Subcontract When the Subcontract is Not in the Original Budget

Transfer of a significant part of the research or substantive programmatic effort to another entity requires sponsor approval. The PI must submit a justification, a description of the scientific/technical impact on the project, and a budget estimate to the awarding agency. Subcontracting arrangements that are disclosed in the proposal, or modifications thereto, usually do not require additional post award approval.

Transfer of the Principal Investigator to Another Institution

When a Principal Investigator transfers to a different institution, it is the policy and practice of CU Boulder to relinquish the grants and contracts held by the PI. In this manner, the sponsor can issue new grants and contracts to the PI at their new institution. Because all grant and contract awards are issued to the university, (usually to the The Regents of the University of Colorado), the university must submit an official relinquishment letter to the sponsoring agency in order for an award to be relinquished by CU Boulder and issued to the PI's new institution.

Each funding agency has its own forms and procedures for administering this process. **In addition to the university, the funding agency also must approve any transfer of an award.** Therefore, it is imperative that the PI make contact quickly with the program director at the sponsoring agency to discuss the transfer and any specific needs the sponsoring agency might have. The PI must also contact the OCG counterpart at the new institution in order to submit to the funding agency a proposal or other information the funding agency may require. Furthermore, working with the OCG counterpart at the new institution will assist in facilitating a smooth and timely award transfer. The PI must allow for the amount of time it may take to determine the actual amount of funds remaining in a project that are available for transfer to the new institution.

Finally, issues relating to equipment and other property must be discussed between the PI and the respective CU Boulder department. If it is anticipated that, during the course of the transfer of the PI and the

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respective award to another institution, project work will be done and award funds will be spent at both CU Boulder *and* at the new institution, it is critical that the PI discuss the relocation and award transfer with the academic unit, OCG, the new institution, and the funding agency *early in the process*. The implications of this type of subcontracting are often complicating factors in the smooth transfer of the award.

There must be documentation that the academic unit has no objection to relinquishing the award. In order to facilitate this, OCG offers the following “model” memorandum for use by the units and the PI:

MEMORANDUM

To: Director OCG
From: Department Chair
Date: April 20, 2011

Dr. James Smith has accepted a position at California College effective September 1, 2011. Dr. Smith has an NSF grant (UCB Project No. 1548715) which he wishes to transfer to his new institution. The Department does not wish to nominate a substitute Principal Investigator for this grant and has no objection to the University of Colorado relinquishing this grant. I understand that \$20,000 will remain unexpended as of September 1, 2011 and that this amount will be relinquished to NSF for transfer to Dr. Smith’s new institution. I also understand that the Department will be completely responsible for any overexpenditure resulting from overestimating the balance of the grant to be relinquished.

Federal sponsoring agencies stipulate that the funding agencies retain certain rights to equipment purchased with federal funds. This can include the right to require that items of equipment purchased with federal funds be transferred to a Principal Investigator’s new institution. Consequently, it is the policy and practice of CU Boulder to permit PIs to take equipment with them when they move. However, this applies *only to equipment purchased with non-university funds*. It does not apply to items purchased with university funds, including a faculty member’s “start-up” funds.

It is possible, however, for a PI to negotiate with the department chair regarding a “trade” in which some award-funded items are left at CU Boulder and the investigator is allowed to take other “equivalent” items to the new institution. It is also possible to make arrangements with the PI’s new institution to purchase the CU Boulder items. Normally, this practice applies only when the PI is moving to another university *and* the university will not allow equipment to be transferred to a for-profit entity. In order to facilitate this trade, OCG offers a “model” memorandum for use by the units and the investigators as follows:

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MEMORANDUM

To: Director OCG
From: Professor James Smith
Subject: Equipment Disposal
Date: April 20, 2011

I will be leaving the University of Colorado to join the faculty at California College effective September 1, 2011. I would like to take with me the items listed below:

Please provide as much information as possible.

Item Description	CU Tag Number	Serial Number	Account Number	Date Bought	Amount
Apple MacBook Pro	21234	H345987BN	1537600	2/2009	\$1800.00
HP laser printer	21236	21333877748RT	1537600	2/2009	\$300.00

I will be using these items of equipment in the further conduct of my research at my new institution. I will provide a copy of the list of equipment items to the appropriate office at my new institution in order that their property inventory will reflect the addition of these items.

Concurrence:

The Department of Computer Science approves the equipment disposal as proposed herein by Professor Smith.

Department Chair

The required actions surrounding the transfer of an investigator to another institution are not necessarily difficult. In fact, they become quite routine with the major funding agencies. However, such transfers do not always proceed smoothly and efficiently. For example, not all federal agencies or other sponsors have clearly enunciated their Principal Investigator transfer procedures, a situation that can result in challenges and difficulties. Similarly, when the investigator is part of a research group that has shared equipment and projects, the transfers can be difficult to complete to the mutual satisfaction of all parties.

As routine as the transfer of a Principal Investigator from one institution to another can be, each is a separate and distinct case to be handled as circumstances warrant. Consequently, communication with all relevant parties, including the PI, the investigator's department chair and/or dean, the new institution, and the awarding agency, is paramount to completing the transfer in a manner that is satisfactory to all.

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No-Cost Extension

The award agreement issued by the sponsor establishes a project timeline, creates a schedule for the submission of reports and other deliverables, and states a project end-date. If a project will not be completed by the end-date indicated on the agreement, then an extension request must be completed by the Principal Investigator. If an extension is not requested, the university could be in breach of the agreement, which increases the risk of nonpayment or the potential for a lawsuit.

A no-cost extension offers an additional period of performance to complete the project and file reports, without the provision of additional funding by the sponsor. Requests for extensions must be submitted far enough in advance to allow processing prior to the original termination date of the project. The procedures used to request a no-cost extension vary depending upon the type of award and the sponsor.

Federal

For most federally-funded grants, but *not* contracts, CU Boulder is permitted to approve a single, i.e., **once during the life of a grant**, no-cost extension. The no-cost extension is for a period not to exceed 12 months beyond the termination date of the grant. Since not all federal sponsors have delegated the authority to institutions to grant no-cost extensions, Principal Investigators should work with OCG when making an extension request.

Every request for a no-cost extension, regardless of the funding agency, must be submitted to OCG **prior to the termination date of the award** and must provide the following information:

- Summary of progress-to-date regarding the work of the project
- Summary of the work to be completed during the extension period
- Justification for the extension, including a description of why the project could not be finished in the planned amount of time
- An estimate of the funds remaining in the project (both direct and F&A)
- A description regarding the manner in which those funds will be spent during the extension period.

Non-Federal

For sponsors other than federal agencies, contact OCG or the sponsor directly to determine if extensions are allowed.

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Reminders About No-Cost Extensions

- Sponsoring agencies do not permit no-cost extensions solely for the purpose of spending the funds remaining in an award. All no-cost extensions require genuine programmatic justification.
- Each and every no-cost extension must be approved by OCG under OPAS **before** the grant termination date. Additionally, CU Boulder must send notice to the funding agency about the no-cost extension being approved within 10 days of such approval.
- After-the-Fact, (after the project termination date), no-cost extension requests cannot be approved by OCG. They must be approved by the funding agency.

XXII. CLOSEOUT

All funding agencies demand strict adherence to the deadlines and reporting requirements set forth in the award instrument. For example, for federal awards most final financial reports are due to the agency no later than 90 days after the project end date. In addition, *A-110* rules and regulations require that “unless the federal awarding agency authorizes an extension, a recipient shall liquidate all obligations incurred under the award not later than 90 calendar days after the funding period or the date of completion as specified in the terms and conditions of the award or in agency implementing instructions.” Implicit within these regulations is the assumption that the university has been a good steward of the sponsor’s funds as follows:

- All relevant project costs are recorded in the accounting system within the project period
- Reported costs are allowable, allocable, and directly beneficial to the project
- Expenses do not exceed the budgeted amount
- Cost transfers, or error corrections, have been completed within the project period
- Cost-sharing obligations have been fulfilled and documented.

Failure to adhere to deadlines and complete the tasks as described above subject the university to consequences which can include, but are not limited to:

- Delay or withholding of payments on current projects
- Delay or withholding of future funding by sponsors
- Exposure to audit findings and disallowances
- Cash management issues such as the withholding of payment on invoices
- Revocation of the Expanded Authorities Agreement which affords the university latitude in the budgeting and management of federally awarded funds.

Problems with over-expenditures, questionable expenses, late charges, unexpended funds, undocumented cost sharing, and accounting errors can cause

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serious delays in both the reporting and billing functions. This negatively impacts the ability to have effective, efficient, and timely project closeouts. Therefore, the information presented in this section of the chapter is designed to expedite the closeout and reporting processes for sponsored projects.

Closeout Procedures for Grants and Cost Reimbursable Contracts

Closeout procedures are designed to ensure conformance with federal rules and sponsor regulations by promoting prudent fiscal management of sponsored projects nearing their end date, and by streamlining the administration of sponsored projects that have already ended. These final steps in closing out a project are vital to ensure complete recovery of costs.

Allowable Expenditures Near the End of the Project

As stated in *A-21* for federally-funded projects, and in most award agreements for projects supported by other sponsors, the Principal Investigator may charge the project only for allowable costs that directly benefit the work of the project and that result from obligations incurred during the funding period for the project. In other words, goods must be *delivered* and *used* for the benefit of the project during the project period. When a large number of purchases are made towards the end of the project, it gives the appearance that the budget balance available for the project is being spent not for the work of the project itself, but for the purpose of stockpiling goods for future research. Auditors are quick to review this type of expenditure activity at the end of the project period.

If additional time is needed to complete a project and spend the associated project funds, the PI must prepare an extension request and submit it to OCG well in advance of the scheduled end date for the project.

First Notice from SPA to the Contact for the Project

Approximately 45 days prior to a project's end date, SPA will notify the contact, as noted on the Finance System statement for the project, of projects that are approaching their end date. Although the "end date" typically refers to the termination date of a project, it could also be the end date of a budget period. The departmental administrator and PI should review projects that are ending in preparation for the closing process:

- Recurring charges that need to be stopped
- Personnel appointments that need to be terminated or moved to an alternate funding source
- Outstanding encumbrances that need to be resolved
- Standing purchase orders that need to be cancelled or revised so as to no longer charge the sponsored project FOPPS
- Overdrafts that need to be corrected

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- Subcontracts that need to be reconciled and closed.

If the project has been granted an extension, is in the midst of a re-budgeting request, or has received additional funding, it is imperative that the SPA accountant for the respective project be notified so that the closeout procedures can be adjusted accordingly.

Departments should review their FOPPS for charges processed against the project on a monthly basis. By the time the project ends, it could be too late for timely posting of expenses to the FOPPS.

Second Notice from SPA to the Contact for the Project

Approximately 60 days after the end date for the project, SPA begins reviewing projects that have ended. Of particular concern during this review process are:

- Over-expenditures
- Budget deviations
- Excessive under-expenditure
- Unallowable expense categories (refer to the [Direct Cost Policy](#))
- Undocumented cost-sharing.

SPA will send an email to the PI and designated contact for the project to advise them about specific items of concern pertaining to their project. The departmental administrator or PI is expected to complete the necessary transactions to correct the items noted by SPA. Examples include:

- Resolving over-expenditures
- Ensuring expenses are recorded in the appropriate account
- Removing unallowable expenses
- Verifying cost sharing by providing missing Personnel Effort Reports, or supplying documentation in support of required matching funds
- Correcting accounting errors.

Timeliness is essential when doing the transactions in preparation for project closeout, particularly where cost transfers are concerned. A cost transfer is a journal entry done for the purpose of correcting errors on a project. When a cost transfer is made within 30 days of the original charge, federal auditors have historically considered the transaction to be a valid correction and do not normally require an extensive explanation. However, when a cost transfer is made beyond the 30 day period, a detailed explanation is required. Furthermore, cost transfers made in excess of 90 days after the initial charge will not be permitted except with the most compelling and fully documented justification, and a detailed

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explanation for the delay in making the transfer. See [Cost Transfer Guidelines](#).

If, due to extenuating circumstances or problems outside the department's control, the closeout tasks cannot be completed, a detailed justification must be submitted to the SPA accountant within 30 days of the 2nd notice.

Third Notice from SPA to the Contact for the Project

If the problems highlighted in the second notice are not resolved within a period of 30 days, the department chair, in addition to the designated contact and the PI, will be alerted. The email will instruct them that:

- Over-expenditures must be removed, or documentation must be provided demonstrating that additional funding has been awarded
- Questionable expenses must be removed, or justification must be provided that shows they are allowable within the terms of the project
- Documentation must be provided that an extension has been awarded thereby delaying the due date for the final reports
- Documentation must be provided supporting that outstanding encumbrances are valid and will not cause an over-expenditure in the project.

Last Resort

If, after 30 days from the date of the third email, the outstanding issues still have not been resolved, the department receives notification that the SPA accountant for the project will complete the necessary corrections to clean up and close out the project. Per the [Over-expenditures on Contract and Grant Accounts memorandum](#), over-expenditures, unallowable expenses, or undocumented cost transfers will be charged directly to the Departmental Administration Indirect Cost Recovery (DAICR) FOPPS. Copies of the journal entries used to make these corrections will be sent to the contact, the PI, and the department chair of the respective project.

FOPPS that remain open beyond the project date can be hit with inappropriate charges after the project end date. Thus, if the project's work is done, the closeout process should be completed in a timely manner so that the FOPPS can be closed and not be subject to further charges.

Closeout Procedures for Fixed Price Contracts

When an award is issued as a fixed price contract, the full value of the contract will be paid to the campus in exchange for the full performance of the work. Upon project completion, both deficit and surplus balances on a fixed price agreement must be transferred to a non-sponsored project FOPPS.

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If the actual expenditures are less than the amount of the contract, the extra funds may be transferred to the department. A FOPPS in Fund 26 is the typical recipient of these funds. Prior approval of the Director of OCG is required because the transfer of the remaining funds to the department is permissible only when:

- Evidence exists that full performance of the project work on the contract is done and that the work is satisfactory to the funding agency
- The campus has received full payment from the funding agency
- The amount of the residual funds is not extraordinary in amount
- There is no evidence that the proposal budget was inappropriately estimated
- Neither the department nor the PI has outstanding budget deficits on any other projects
- The PI is not delinquent on any technical reports.

On the other hand, if project costs exceed the funding level at project completion, SPA will take one or more of the following steps until all project costs are covered:

- Write a memo to the Principal Investigator requesting an alternative unrestricted fund source to CCOorb the overrun
- Contact the department chair, dean, or other contact person at the college level for an unrestricted account to CCOorb the cost overruns
- Charge the cost overruns directly to the DAICR FOPPS. Copies of the journal entry recording this charge will be sent to the contact, the PI, and the department chair.

Reports

When a sponsored project ends, the filing of certain reports is required. While these requirements vary by sponsor, the following reports generally are necessary for most projects:

1. Final Technical Report
2. Final Report of Inventions
3. Final Inventory of Equipment
4. Final Financial Report (including cost-sharing, if applicable).

The PI should consult the program regulations governing their particular award to ensure that all award-specific reporting requirements are met during closeout. As stipulated in *A-110*, for federally-funded sponsored projects, the award recipient is expected to submit all final reports within 90 days after the end of the funding period. *A-110* does provide for an extension of this reporting deadline, but such an extension must be *requested in writing* and *approved in advance* of the end of the 90 day period. The university and the PI are obligated to complete final reports as quickly as possible. Failure to do

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so reflects adversely on the university and could negatively affect future funding.

The next section describes the respective responsibilities of the PI, OCG, and SPA relative to the reporting requirements associated with sponsored projects.

Technical Reports

The Principal Investigator is responsible for the preparation and timely submission of all technical reports and deliverables. This includes any periodic technical progress reports, deliverables involving technical results, as well as the final technical report. The sponsor usually indicates the format and deadline for these reports.

Most funding agencies withhold payments and will not approve subsequent awards to the project director, department, or university if technical deficiencies, such as late or inadequate technical reports, occur. OCG will notify the PI and/or department chair if a technical report deadline has not been met.

Invention Reports

OCG is responsible for the preparation and timely submission of all invention reports. However, when an actual invention has been developed as a result of the sponsored project, then the [Technology Transfer Office](#) becomes involved.

Property and Equipment Reports

OCG is responsible for the preparation and timely submission of all property and equipment reports.

Financial Reports

SPA is responsible for the preparation and timely submission of all financial reports. SPA, however, cannot submit the final financial report until the Principal Investigator has taken care of the following:

- Removing unallowable expenses from the project
- Resolving over-expenditures
- Correcting accounting errors
- Ensuring effort has been certified
- Verifying and documenting cost sharing.

Closeout Conclusion

Projects are considered to completed or “closed out” when the sponsor receives and approves all reports as required by the terms and conditions of the award, and notifies the university of its acceptance and closure of the

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project. Keep in mind that even after a project is “closed,” its financial records remain subject to future audit, and *cost disallowances may occur at any time.*

XXIII. RECORDS

Record retention is critically important where sponsored projects are concerned because under the legal terms of awards to the university, auditors have the right to access all official university records associated with a project. Furthermore, the university is obligated to make such records readily available for examination. Circular A-110 governs the retention and disposition of records pertaining to federal awards. According to A-110, financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the federal awarding agency. The only exceptions are the following.

- If any litigation, claim, or audit is started before the expiration of the three year period, the records shall be retained until all litigation, claims or audit findings involving the records have been resolved and final action taken.
- Records for real property and equipment acquired with federal funds shall be retained for three years after final disposition.

In spite of the retention periods cited above, the [Boulder Campus Records Retention Schedule](#) specifies a retention period of six (6) years after the expiration of the grant funding period or termination of contract for grant and contract accounting records, and four (4) years for federal contracts. This is the governing authority for CU Boulder. However, if the record retention regulations relative to a particular agency or a specific award are longer than those of the campus, they must be followed.

Refer to the following for additional information about records management:

- [Retention of University Records APS](#)
- [CCO Records Retention and Management webpage.](#)

XXIV. AUDITS

When the university accepts funds from outside organizations for research and other activities, those organizations presume that the university will expend the funds according to the purpose stated in the project proposal, as well as in accordance with all terms and conditions set forth in the award document. In addition, where federal awards are concerned, the federal government has an obligation to taxpayers to assure that recipients of federal funds provide proper stewardship of those funds. Audits are one piece of the overall sponsored project administrative process, and provide the important functions of ensuring

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compliance with pertinent rules and regulations, and protecting both university and sponsor assets and interests.

Auditors

Auditors can be grouped on the basis of their organizational affiliation:

- Federal auditors including auditors from the cognizant agency for CU Boulder, Department of Health and Human Services
- Other sponsor auditors
- External auditors hired by the state and university
- Auditors from the CU Department of Internal Audit.

Federal Auditors

The federal government sponsors a great deal of research at the university, and also provides considerable additional funding in the form of student grants and loans. As a result, federal agencies have legitimate audit interests which are defined in the provisions of award documents. These audits tend to be aggressive efforts to determine whether the university is managing its grants and contracts in accordance with federal regulations.

Auditors from Other Sponsors

Upon occasion, project sponsors other than those associated with the federal government send auditors to the Boulder campus for the purpose of determining whether the university is complying with sponsor rules and regulations in the management of its projects.

Independent Public Accountants

The State of Colorado's Office of the State Auditor is responsible for conducting all required audits and any other financial audits desired by the university. As a result, contracts are entered into with external independent public accounting firms for the purpose of performing several types of audits. Some of these audits are required by federal or state regulations, and some are carried out by, or in conjunction with, federal auditors.

University of Colorado Department of Internal Audit

The Department of Internal Audit independently examines and evaluates the activities of the university. Its objective is to assist members of the university in the effective discharge of their responsibilities by furnishing analyses, appraisals, recommendations, counsel, and information about the activities audited, and also to promote effective systems of internal control.

Types of Audits

Audits performed on sponsored projects at CU Boulder can, as a rule, be grouped into one of three distinct types:

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1. Claimed Cost Audits
2. Pre-Award Audits
3. Compliance and General Controls Audits.

At CU Boulder, the majority of sponsored project funding comes from federal agencies, either directly or in the form of a subcontract from another university or entity. The information that follows addresses financial audits by the federal government, since these are the audits in which the university most frequently participates with respect to sponsored projects.

Claimed Cost Audits

Sponsors may request their auditors to verify the allowability, allocability, and reasonableness of the direct costs that have been charged and billed by the university, especially in connection with cost-reimbursable grants and contracts.

Pre-Award Audits

Pre-award audits are typically conducted by sponsor auditors to verify the estimated costs submitted in proposals for large sponsored research projects. Pre-award audits are less common than audits of claimed costs.

Compliance and Internal Controls Audits

The University of Colorado is required to comply with a large and constantly changing body of government rules and regulations. Auditors of all types depend on the university's internal controls to achieve compliance and they periodically undertake separate audits to test the effectiveness of these controls. The university's independent public accountants (as contracted by the state) annually conducts a single federal compliance audit as required by the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The university's [Department of Internal Audit](#) also conducts audits that test the effectiveness of internal controls.

The A-133 Audit

A-133 requires an annual external audit of non-profit organizations that receive more than \$500,000 in federal funds for sponsored projects. During an A-133 audit, a sample of federal awards and their transactions are selected for review. Auditors examine transactions to make sure that they are in accordance with federal regulations, sponsor terms and conditions, and university policies. In addition to examining specific transactions, auditors also study the university's business processes to make sure they adequately monitor and control expenditures.

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During the course of studying transactions and documentation, auditors may look at specific transactions, effort reporting, cost transfers, program income, cost sharing, equipment use, financial and non-financial reporting, sub-recipient monitoring, and the F&A rate application. Auditors typically review existing financial records, and often request additional information about the transactions being examined. This may involve personal interviews with university personnel, written responses to questions posed by the auditors, or the provision of other documentation. Although auditors usually select small samples of transactions for testing, they may project any errors identified within the small sample to the entire population of expenses. Thus, the disallowance of even a minor cost can have substantial financial impact.

Auditors look for a number of things during the course of their work. In almost every *A-133* audit, auditors look for evidence to answer the following three questions:

1. Are the costs allowable?
2. Are the costs allocable?
3. Are the costs reasonable?

Allowable

Allowability for costs related to government-funded sponsored projects is determined by the provisions of the sponsored agreement, or by cost principles established by the federal government in [OMB Circular A-21](#). For example, *A-21* defines certain types of expenses, e.g., alcohol, lobbying, or entertainment, as being categorically unallowable. Other costs may be unallowable according to the specific terms of an award. Examples include unapproved foreign travel or administrative costs. Keep in mind that a cost that is appropriate according to university policy or procedure may be unallowable on a particular sponsored project.

Auditors are always alert to the possibility that unallowable costs might have been charged to a sponsored project, and may devote considerable energies to testing specific transactions to determine whether the costs charged are allowable. Therefore, it is imperative that the PI and departmental administrator know the regulations and restrictions associated with each and every award.

Allocable

An expense is allocable to a project only if the material or service being charged directly benefits that project. Allocability is not the same as allowability. For example, an otherwise allowable cost, such as salary or travel, may be unallocable to a particular project if that project did not directly benefit from the cost.

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Reasonable

Reasonableness is a subjective quality that requires application of the “prudent person” test. An auditor may legitimately question a cost that is clearly allocable and not otherwise unallowable if, in the auditor’s judgment, the cost exceeds what a reasonable person would have paid for the item or service in similar circumstances.

The *A-133* audit is often seen by federal and non-federal sponsors as a “report card” regarding the manner in which the university spends award monies. *A-133* findings are reported to the federal government and, as a result, become a public record that is distributed to all federal agencies through a clearing house. Thus, it is imperative that departments receiving federal funds for sponsored projects be able to demonstrate that each and every reported expenditure is appropriate according to the terms and conditions of the award.

Audit Findings and Resolution

When an audit is completed, the auditors issue a report setting forth their findings. The findings may range from broad comments about the adequacy of university systems relative to ensuring sound sponsored projects management, to specific disallowances of costs deemed improper. In some cases, the federal agency will extrapolate findings from a small audit sample to sponsored projects expenditures in their entirety, a practice that can have significant negative financial implications for the university.

The university reviews the draft audit report and has an opportunity to correct misconceptions and respond “for the record” when the university and the auditors cannot agree on the appropriateness or accuracy of a finding. While the university negotiates vigorously with the auditors regarding the appropriateness of their findings, sometimes it is necessary to repay previously expended funds. The financial liability for such audit disallowances, other than for those resulting from deficiencies in the university’s policies and procedures, rests with the organizational unit having primary responsibility for the project upon which the costs are questioned