

PROCEDURES 300.4
Area: General Administration

Adopted: September 18, 1998

Certified by _____

Dr. Adolphus Andrews
Vice President
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Revisions Approved:

SUBJECT: ACCOUNTING REQUIREMENTS AND RELATED MATTERS

- A. The accuracy of the accounting records is required without exception. The recording of financial transactions for each restricted fund will adhere to the following:
 - 1. All transactions will be recorded in accordance with generally accepted accounting principles.
 - 2. All transactions will be in accordance with University Finance Policy and procedures. This is inclusive of but not limited to the following policies:

- a. Travel
- b. Capital Purchases

Central State University's capital equipment definition is any item costing \$500.00 or more per unit with a useful life of one year or more.

This definition is consistent with current definitions of both the State of Ohio and OMB Circular A-110, the Uniform Administrative Requirements for Federal Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations. For further information regarding agency-specific regulations on equipment purchases, consult the Notice of Award package.

- 3. Restricted fund regulations which are different from University Policy (i.e., travel) must be expressly stated on each purchase requisition and have attached pertinent documents.
- 4. Allowable, Allocable, and Reasonable Costs

The concepts of allowability, allocability, and reasonableness of costs address directly the legitimacy of a cost charged against a specific sponsored research account. A primary responsibility of the GAO is to insure that all costs charged to sponsored projects are allowable, allocable, and reasonable.

Determination of allowability, allocability, and reasonableness of a given expense is based on specific guidelines of the sponsor and according to federal cost principles.

Allowability, allocability and reasonableness are defined and determined by the Office of Management and Budget (OMB), the sponsor's requirements and/or University policy. OMB Circular A-21, Section C, states that "The recipient institution is responsible for ensuring that costs charged to a sponsored research agreement are allowable, allocable, and reasonable ..." Each financial transaction charged against a sponsored research account is evaluated against these three concepts.

Allowability: Expenses charged to a sponsored account must meet the following allowability criteria:

- C The costs must be reasonable.
- C The costs must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances.
- C The costs must conform to any limitations or exclusions set forth in the sponsored agreement or in the Federal Cost Principles (OMB Circular A-21).

Allocability: Once allowability criteria have been met, the cost must be evaluated against the criterion of allocability. That is, the cost has been incurred solely to support or advance the work of a specific sponsored research project.

Reasonableness: Costs must also be reasonable. That is, the cost must be able to withstand public scrutiny, i.e. objective individuals not affiliated with the institution would agree that a cost is appropriate on a sponsored project or as a component in its indirect cost proposal.

There are five overall principles to managing the financial transactions of sponsored research funds. Policies and procedures within the Grants Accounting Office developed in support of these principles. The five principles are:

Consistency: Transactions must be handled in a consistent manner. That is, policies and procedures have been established to address similar types of transactions in a routine manner.

Timeliness: Transactions must be handled within a reasonable period of time consistent with time frames outlined for federal agencies, a private sponsor, and Central State University.

Justification: There must be a reason for the transaction that supports the project's goals, and adheres to guidelines outlined by federal agencies, a private sponsor, and Central State University,

Documentation: Sufficient documentation to support the transaction must exist. The documentation must be retained, organized, and complete enough to stand up to an audit.

Certification: Transactions must be approved and carry all the correct authorizing signatures.

B. Specific accounting treatment is necessary for many types of transactions. Those are as follows:

1. Indirect Costs

Indirect costs where applicable, will be recorded as a standard monthly journal entry.

Indirect costs are those costs also referred to as overhead, overhead costs, or administrative costs. They are actual costs incurred to conduct the nominal business activities of an institution and are not readily identified with or directly

charged to a specific sponsored research project. The normal activities of the University that generate indirect cost expenses include: general administration and general expenses, sponsored projects administrative expenses, operation and maintenance expenses, library expenses, departmental administrative expenses, and students administration and services. Indirect costs are real and auditable. If the University does not collect full reimbursement for these costs, other University resources must be used to subsidize them. Indirect costs are calculated using a negotiated rate of expense recovery based on the total cost of the sponsored research project, minus the indirect cost rate. Negotiated rates are to be used for all agreements with the federal government and for most non-federal projects, as allowable. Information on current indirect cost rates is available from the Grants Accounting Office.

Once the budget has been approved and an account established for the project, the PI will generally not have responsibilities related to the recovery of indirect costs. Indirect cost recovery is managed by the GAO. The Office maintains a database for each sponsored research account that computes indirect cost recovery monthly based on the project's monthly costs specific budget categories. The sponsor is then billed for this indirect costs.

**REBUDGETING OF INDIRECT COST TO DIRECT COST
REQUIRES THE APPROVAL OF THE VICE PRESIDENT FOR
FINANCE.**

Indirect cost recovery provides an essential source of funds which the University relies upon to provide adequate facilities and administration for the conduct of research. Without indirect cost recovery, student tuition revenue would have to subsidize research.

2. Charge-backs relative to printing, telephone and mailing will be recorded via a monthly journal voucher. The amount charged will be as noted on the Central State University Charge-back Invoice form. The invoice form (copy is attached) is to be completed by the charging organization manager and submitted to the Grants Accounting Office. The invoice is due by the end of each calendar month for which a charge is to be recorded. The invoice should have attached appropriate supporting documentation evidencing the amount charged.

3. Interest accrued on applicable funds will be recorded on a monthly basis.

The interest, where required, will be transferred not only in the general ledger, but also to the appropriate bank account. The determination of said entries is as follows:

a. On a monthly basis, a schedule of funds for which interest accrues will be given to the Office of Cash Management by the Grants Accounting Office. The Office of Cash Management will identify the interest earned and prepare the necessary journal voucher.

b. The Office of Cash Management will transfer the applicable interest to the appropriate account to correspond with the timing of the Journal voucher.

C. The billing and receipting of restricted funds will adhere to the following:

1. Billings will be prepared on a monthly basis except where the funding agency requires a different schedule. Advance payments should be negotiated where possible.

2. The official billings will be prepared by the Grants Accounting Office. The invoices will be based upon the balances as indicated in CUFS, without exception. Amounts billed will be based upon expenditures. An accounts receivable will be recorded for all amounts billed. Advance billings will be based upon the immediate cash needs of the applicable project.
3. All checks or remittances that are received will be sent to the Grants Accounting Office, the check or remittance must identify the applicable fund number.

D. Cost Transfers

A cost transfer is a direct charge expense transferred from one account to another after the charge has been posted in a financial accounting record. Since costs must be charged to accounts accurately and according to applicable rules and regulations, original transactions should not need correction. However, in certain circumstances, charges may have to be moved from one account to another. Therefore, cost transfers are allowable with proper justification and approval by the principal investigator as well as the department head and/or department administrator. An adequate explanation for all cost transfer actions must be clearly stated on the accounting document.

A transfer of an expense to a sponsored account is allowed in order to link with the benefit it is providing. For example, if an employee changes his/her effort percentages from those reported on his/her original effort statement, a payroll cost transfer is the means of making the corresponding change in salary distribution. Cost transfers are not permitted merely to solve funding problems or for other reasons of convenience.

1. Allowable Cost Transfers

To be acceptable, cost transfers must be timely (see Cost Transfer Deadlines below), allocable to proper budget categories, allowable under sponsor and University policies, and properly documented and approved. Non-salary cost transfers under \$500 are not reviewed by The GAO. Responsibility for allowability and proper justification lies with the principal investigator and departmental administrator. All non-salary cost transfers in excess of \$500 will be reviewed by GAO. They may be approved in the following cases:

a. Errors/Corrections

Cost transfers can be made to correct clerical or accounting errors such as a transposition of numbers. Such transfers must be documented with a full explanation of how the error occurred;

b. Pending Award Expenses

If principal investigators have expenses for proposed projects that are expected to be awarded and the sponsor allows preaward expenditures, The GAO prefers that they request an account number to enable these expenditures to be incurred. As an alternative, expenses that have been charged to a departmental account in anticipation of an award, can be transferred to the sponsored account if the charging document has been identified as a preaward charge.

c. Closely Related Projects (applicable to NIH grant awards only)

The National Institutes of Health (NIH) allows cost transfers between closely related projects if the principal investigator has requested and the NIH has approved the "closely related project" designation.

2. Unallowable Cost Transfers

a. Beyond the Deadline

Any cost transfer that is requested after the deadline will not be allowed. Extenuating circumstances will be reviewed and considered on a case-by-case basis.

b. Accounts in Overrun Status

Transfer of charges from any account in overrun status to a federal project is not allowed.

c. Expiring Accounts with Unexpended Funds

Cost transfers to a project having unexpended funds and made in the last months of a project are not allowed.

d. Salary Adjustments

Salary adjustments that do not coincide with certified effort are unallowable.

Cost transfers that are not allowed by either the GAO or the sponsor must be absorbed by the originating department.

3. Cost Transfer Deadlines

All cost transfers must be made in a timely manner. Cost transfer requests made after the following deadlines must include a justification for the delay, be signed by the principal and approved by the department head and GAO.

Salaries: Transfers for salaries must be made before submission of the Effort Certification Statement and, if a project is terminating, within 30 days after the project's end.

Non-salary Items: Transfers for non-salary items must be made within 60 days of the original charge and, if the project is terminating, no later than 30 days after the project's end.

4. Completing a Cost Transfer on a Sponsored Account

Cost transfers for non-salary items are completed by an Expense Transfer. Attach all supporting documents, including the following information:

- ◇ The date of the original charges
- ◇ Description of the charges being transferred
- Why the cost is being transferred- this explanation cannot merely state that the transfer was made "to correct error" or "to transfer to correct project." For instance, if the transfer is necessary because of an error, the form must state how and why the error occurred. This information is needed to adequately support the validity of this expense on the project.

Requests for cost transfers that lack adequate justification will be returned to the originating department for documentation or justification. Cost transfer requests must be signed by the principal investigator as well as the department head and/or department administrator.

Once The Office of Sponsored Programs approves the request, the grant administrator will forward the documents for entry to the system. Any disapproved request will be returned to the principal investigator. In order to assure proper accountability to federal sponsors of research projects at Central State University, this policy must be adhered to by principal investigators and will be monitored for compliance by GAO.

E. Cost-Sharing

Universities are often required to contribute funds or resources towards the costs of certain awards from federal, state, or private agencies. This requirement is known as cost-sharing. OMB Circular A-110, "Uniform Administrative Requirements," sets forth the criteria for cost-sharing as follows:

1. Are verifiable from records;
2. Are not included as contributions for other federally assisted programs;
3. Are reasonable and necessary to the project;
4. Are allowable and allocable charges;

5. Are not paid by the federal government under another assistance agreement; and
6. Are provided for in the approved budget when required by the Federal awarding agency.

The most common way of meeting cost-sharing requirements is in the contribution of academic year time and effort, usually of the Principal Investigator or co-Principal Investigators. When cost-sharing is met by contributing time and effort, the University may, with written agency authorization, claim as cost-sharing the fringe benefits and indirect costs that it would have collected had that time and effort been charged as a direct cost to the grant. Written authorization for cost sharing must be obtained from the Vice President for Finance and the Director of Sponsored Programs before submitting a proposal requiring this kind of commitment by the University. The amount of cost-sharing required and the method of meeting that requirement are indicated to the Principal Investigator in the Notice of Award package.

F. Matching Funds

Some grants (generally for equipment acquisition) require the University to provide a substantial portion of the total costs of the acquisition. The GAO requires certification of availability of matching funds before accepting such awards.

G. Program Income

Program income is defined by A-110 as recipient earned gross income that is directly generated by a supported activity or earned as a result of an award. Program income includes, but is not limited to, income from fees for services performed, the use of property acquired under federally funded projects, the sale of commodities or items fabricated

under an award, or license fees. Program income does not include the receipt of principal on loans, rebates, credits, discounts, etc., or interest earned on any of them. When program income is anticipated on federal awards, the sponsoring agency usually specifies in the award terms and conditions how the program income is to be used; it may be added to the funds committed to the project, deducted from the total project costs, or used as cost sharing. Federal regulations require that program income be spent in support of the project before the University requests additional cash payments from the agency.

H. Fiscal & Other Reporting on Sponsored Projects

The GAO is responsible for all fiscal reporting functions on research projects. These functions include preparation of invoices, ensuring proper charging of indirect costs, processing of journal entries, reporting of required cost sharing, and preparation of final fiscal reports.

Fiscal reports are prepared in accordance with the terms and conditions of the award. Each report is a joint effort between the GAO and the Principal Investigator. There are times when the Principal Investigator may have to provide copies of expenditure documents, information to complete patent or invention statements, and documentation of cost sharing. It is critical that this information/documentation be provided the GAO in a timely fashion in order to meet agency-imposed deadlines for submission of the fiscal report.

When cost-sharing other than time and effort reporting is required on an award, the documentation is to be collected by the Principal Investigator's department and submitted monthly to the GAO where it will be reported to the agency with the required fiscal reports. Documentation must be identified as cost sharing for a specific award.

I. Property Management

The University is charged with records maintenance and control of all property purchased, fabricated or otherwise acquired. It is also the University's responsibility to report to the sponsoring agency all equipment purchased with grant/contract funds. Principal Investigators share in this responsibility. In fulfilling these responsibilities, each Principal Investigator needs to fully understand the following information:

- a. Property is to be used only for the purpose for which it was acquired or furnished in accordance with the terms of the specific grant or contract;
- b. The original copies of all equipment shipping documents are required by the University Controller/Property Manager upon their receipt so that the Controller's Office may submit the required reports;
- c. Property that is purchased or otherwise acquired on grants or contracts, may not be loaned, sold, traded in, discarded, moved, or cannibalized without the prior approval of the GAO and the Property Manager;
- d. All property is required to be inventoried biannually, or more frequently as designated by the University;
- e. Losses, damage, and destruction of property must be reported to the University as it occurs; returns, turn-in, trade-in or sale of property must have the prior approval of the Controller/Property Manager;
- f. All property must be adequately cared for, maintained, and safe-guarded;

- g. University property, including contract or grant property and items rented or leased by the University, may be removed from campus when necessary to conduct official business of the University. However, the written approval of the University is required prior to removing such property from campus. The employee removing such equipment from campus must assume financial responsibility for the property unless he/she is specifically relieved of such responsibility;
- h. All reports pertaining to property accountability and inventories are prepared by the University Controller's Office, Therefore, all requests received by faculty which are of such a nature should be forwarded to the University Controller's Office;
- i. Upon termination, completion, or cancellation of a grant or contract, all property with title held by the sponsor must be returned immediately to the granting agency. To ensure that the University fulfills its responsibility in such cases, the Principal Investigator and Department Chairperson must cooperate with the University Controller's Office; If a Principal Investigator is leaving Central State University and wishes to take any equipment on a grant or contract to his/her new institution, the Principal Investigator should contact the GAO soon as possible to ascertain the ownership of title to the equipment. If the sponsoring agency retains title, the equipment will be transferred with the grant or contract or will be returned to the agency upon its request. If title is vested in the University, the equipment may be transferred to the new institution if the department and college agree. The department chair and college dean must write a memorandum on the Principal Investigator's behalf to the University Controller's Office via the GAO. The memorandum should include:

1. A description of the equipment including tag number, fund number for original purchase, and estimated current value;
2. A statement certifying the equipment is surplus at that time to the **needs** of the department and college; and
3. A contact person and phone number, if known, for the institution to which the equipment is to be transferred.

The University is normally reimbursed for the fair market value of University purchased equipment and the University Controller's Office will arrange the sale of such equipment with the new institution. Any person who attempts to transfer or sell equipment without proper authorization may be subjected to punitive action.

J. Administrative and Clerical Costs Restricted by A-21

The following is a summary of items that are prohibited as direct costs on federal and federal flow-through funds unless specifically approved by the granting agency:

1. The payment of secretarial and administrative personnel;
2. Office supplies;
3. Postage;
4. Memberships; and
5. Telephone costs (not including long distance charges).

PROCEDURES:

Personnel/Payroll Requirements 300.5

Other 300.6