

POLICY NO. 300
Area: General Administration

Revised: February 2010

Revisions Approved: April 2011

SUBJECT: Restricted Funds

Purpose:

This policy outlines the requirements necessary to assure compliance with university and external funding agencies rules and regulations in the management of restricted funds.

Applicability:

This policy applies to all restricted funds.

Definition:

Restricted funds are non-university funds which can only be expended for a specific purpose and usually over a specified time frame. Generally, the restriction is identified by the donor or funding agency of said funds. All restricted funds are given accounting treatment whereby they maintain their own integrity. Restricted funds can be from Federal, State, or Private funding sources. Restricted funds include grants, contracts, cooperative agreements, and/or donations.

I. PROCEDURE 300.1

I. Restricted Fund Initialization

- A. Prior to the creation of a restricted fund within the University automated financial system, official documentation must exist. Official documentation is evidenced by the following:
1. Award notice from granting, contracting and/or donating entity;
 2. Copy of check payable to Central State University with appropriate details evidencing purpose;
 3. Properly signed and authorized letter evidencing gift(s) and restrictions of how money may be expended; or
 4. Certain agencies require that the University sign an award document before the award can be effective. Only the University's designated authorized representative(s) may sign these documents and thereby legally bind the University to the agreement.
- B. Proposal for restricted funds must have been approved. These approvals are inclusive of the following:
1. All applications for restricted monies must be reviewed and approved by the respective Division Head.
 - a. Application generated from within the Academic Affairs area should have prior approval of applicable Chairperson and Dean.
 2. All applications for restricted monies must be reviewed by the Office of Sponsored Programs and Research (OSP&R) and approved by the Vice President for Administration and Chief Financial Officer or his/her designee.
- C. The establishment of each restricted fund will be evidenced by the preparation and proper dissemination of a "Chart of Accounts Document". The funds are established in sponsored project accounts so that they can be identified as having been received for externally sponsored activities. Costs to the project cannot be incurred and/or paid prior to the effective date of the award unless there is a pre-award costing clause or unless the granting agency otherwise formally agrees to such an arrangement. The OSP&R with the approval of the Vice President for Administration and Chief Financial Officer will interim fund accounts in two instances:

1. If an agency has confirmed in writing to Central State University that an award is forthcoming and the department guarantees reimbursement from its university budget for the expenditures if an award is not delivered; and
2. When the agency agrees to a pre-award costing clause.

The Principal Investigator (PI) or Project Director (PD) may make expenditures against an interim funded award pending receipt of formal award documents. If you need interim funding, contact the Director of OSP&R.

II. Budget Requirements and Related Matters

- A. The establishment and maintenance of a restricted fund budget requires the following:
 1. An award notice or a similar document, as previously noted, must be on file with the OSP&R;
 2. A copy of the current budget must be forwarded to the OSP&R. This relates to restricted funds whose monies may roll forward; and
 3. Any and all budget modification requests must be communicated to the OSP&R in writing.
- B. Application of Automated Financial System Grants Applications
 1. All restricted funds will be loaded into the automated financial system with a multiyear status code.
 2. Principal Investigators/Project Director may review the status of their budget in the automated financial system.
- C. It is the responsibility of the PI or PD to adhere to the budgetary restrictions of the restricted fund. This adherence includes:
 1. Proper recording and entering of all purchase requisitions, employment forms and related documents; and
 2. Detail review of all budget and financial reports of the restricted fund. Notification in writing to the OSP&R of any deviations or discrepancies.
- D. Expenditure Approval Process

The Principal Investigator/Project Director is responsible for the technical direction of the sponsored project and for the initial authorization of all

expenditures to be charged to that project. The Principal Investigator/Project Director is responsible for expending funds in compliance with agency, state and University regulations, and for ensuring that project-specific costs are reasonable, allocable and allowable on that project. To aid the Principal Investigator/Project Director in meeting this responsibility, the OSP&R serves in a stewardship capacity over university sponsored projects by monitoring expenditures to assist with compliance of the regulations. In this capacity, all planned expenditure requests require review and approval by the OSP&R prior to processing.

No commitments or expenditures on sponsored programs will be processed without prior OSP&R approval.

III. Accounting Requirements and Related Matters

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 all University Finance Policy and Procedures.
3. External funding agency regulations which are different from University Policy must be expressly stated on each purchase requisition with the applicable regulations attached.

A. 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 OSP&R 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:

1. The costs must be reasonable.
2. The costs must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances.
3. 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 Facilities and Administrative costs proposal.

There are five overall principles to managing the financial transactions of restricted funds. Policies and procedures within the OSP&R are 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. Equipment

Title to equipment acquired by a recipient with federal funds shall vest in CSU. CSU shall not use equipment acquired with federal funds to provide services to non-federal outside organizations for a fee that is less than private companies charge for equivalent services, unless specifically authorized by federal statute, for as long as the federal government retains an interest in the equipment.

CSU shall use the equipment in the project or program for which it was acquired as long as needed, whether or not the project or program continues to be supported by federal funds and shall not encumber the property without approval of the federal awarding agency. When no longer needed for the original project or program, the equipment must be used in connection with its other federally-sponsored activities, in the following order of priority: (i) Activities sponsored by the federal awarding agency which funded the original project, then (ii) activities sponsored by other federal awarding agencies.

During the time that equipment is used on the project or program for which it was acquired, CSU shall make it available for use on other projects or programs if such other use will not interfere with the work on the project or program for which the equipment was originally acquired. First preference for such other use shall be given to other projects or programs sponsored by the federal awarding agency that financed the equipment; second preference shall be given to projects or programs sponsored by other federal awarding agencies. If the equipment is owned by the federal government, use on other activities not sponsored by the federal government shall be permissible if authorized by the federal awarding agency. User charges shall be treated as program income.

When acquiring replacement equipment, CSU may use the equipment to be replaced as trade-in or sell the equipment and use the proceeds to offset the costs of the replacement equipment subject to the approval of the federal awarding agency.

CSU's property management standards for equipment acquired with federal funds and federally-owned equipment shall include all of the following:

1. Equipment records shall be maintained accurately and shall include the following information:
 - a. A description of the equipment.
 - b. Manufacturer's serial number, model number, federal stock number, national stock number, or other identification number.
 - c. Source of the equipment, including the award number.
 - d. Whether title vests in the CSU or the federal government.
 - e. Acquisition date (or date received, if the equipment was furnished by the federal government) and cost.

- f. Information from which one can calculate the percentage of federal participation in the cost of the equipment (not applicable to equipment furnished by the federal government).
 - g. Location and condition of the equipment and the date the information was reported.
 - h. Unit acquisition cost.
 - i. Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where CSU compensates the federal awarding agency for its share.
2. Equipment owned by the federal government shall be identified to indicate federal ownership.
 3. A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. CSU shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.
 4. A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented; if the equipment was owned by the Federal Government, CSU shall promptly notify the Federal awarding agency.
 5. Adequate maintenance procedures shall be implemented to keep the equipment in good condition.
 6. Where CSU is authorized or required to sell the equipment, proper sales procedures shall be established which provide for competition to the extent practicable and result in the highest possible return.

When CSU no longer needs the equipment, the equipment may be used for other activities in accordance with the following standards. For equipment with a current per unit fair market value of \$5,000 or more, CSU may retain the equipment for other uses provided that compensation is made to the original Federal awarding agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value of the equipment. If the recipient has no need for the equipment, CSU shall request disposition

instructions from the Federal awarding agency. The Federal awarding agency shall determine whether the equipment can be used to meet the agency's requirements. If no requirement exists within that agency, the availability of the equipment shall be reported to the General Services Administration by the Federal awarding agency to determine whether a requirement for the equipment exists in other Federal agencies. The Federal awarding agency shall issue instructions to the recipient no later than 120 calendar days after the CSU's request and the following procedures shall govern.

1. If so instructed or if disposition instructions are not issued within 120 calendar days after the recipient's request, CSU shall sell the equipment and reimburse the Federal awarding agency an amount computed by applying to the sale proceeds the percentage of Federal participation in the cost of the original project or program. However, CSU shall be permitted to deduct and retain from the Federal share \$500 or ten percent of the proceeds, whichever is less, for CSU's selling and handling expenses.
2. If CSU is instructed to ship the equipment elsewhere, CSU shall be reimbursed by the Federal Government by an amount which is computed by applying the percentage CSU participation in the cost of the original project or program to the current fair market value of the equipment, plus any reasonable shipping or interim storage costs incurred.
3. If CSU is instructed to otherwise dispose of the equipment, CSU shall be reimbursed by the Federal awarding agency for such costs incurred in its disposition.
4. The Federal awarding agency may reserve the right to transfer the title to the federal government or to a third party named by the federal government when such third party is otherwise eligible under existing statutes. Such transfer shall be subject to the following standards.
 - a. The equipment shall be appropriately identified in the award or otherwise made known to the recipient in writing.
 - b. The federal awarding agency shall issue disposition instructions within 120 calendar days after receipt of a final inventory. The final inventory shall list all equipment acquired with grant funds and federally-owned equipment. If the federal awarding agency fails to issue disposition instructions within the 120 calendar day period, CSU shall apply the standards of this section, as appropriate.

- c. When the federal awarding agency exercises its right to take title, the equipment shall be subject to the provisions for federally-owned equipment.
- d. Central State University's capital equipment definition is any item costing \$5,000.00 or more per unit with a useful life of one year or more.

C. Consumable Supplies

Federal regulations provide that title to supplies and other expendable property vests in the University upon acquisition. Upon termination of externally funded projects, unused supplies purchased on projects may be used on non-Federal sponsored projects only if they are no longer needed for any other federally sponsored project.

However, in either case, the University must reimburse the sponsoring agency for their share when the residual inventory of unused supplies purchased on this project exceeds \$5,000 in total aggregate value upon termination. The value to be reimbursed should be determined using the same calculations for equipment.

D. Subawards

Sponsored projects are normally conducted by CSU employees on the premises of the University. On occasion, however, some of the work may need to be obtained from other institutions, companies or organizations. The document which formalizes this third party relationship between CSU and another institution or commercial organization to perform a substantive piece of an award made to CSU

is called a subcontract agreement which is prepared by the Office of Sponsored Programs and Research. The third party performing work under a subcontract agreement is called the subcontractor. A subcontractor, then, is an institution, company, or organization that receives, at any level, financial assistance that is passed down from the recipient of the prime sponsored agreement. The responsibility of a subcontractor is to help CSU meet the requirements of the prime award. The portion of work being performed by the subcontractor constitutes a significant component of the project, and the subcontractor is required to provide the resources necessary to conduct that portion of the work as compared to a vendor providing goods or services for CSU's program.

E. Facilities and Administrative Cost (also known as Indirect Costs)

Facilities and Administrative costs where applicable, will be charged on transactional basis.

Facilities and Administrative costs are those costs also referred to as overhead, overhead costs, administrative costs, or indirect 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 Facilities and Administrative costs 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. Facilities and Administrative costs are calculated using a negotiated rate of expense recovery based on the total cost of the sponsored research project, minus the Facilities and Administrative costs rate. Negotiated rates are to be used for all agreements with the federal government and for most nonfederal projects, as allowable. Information on current Facilities and Administrative costs rates is available from the OSP&R.

Once the budget has been approved and an account established for the project, the PI/PD will generally not have responsibilities related to the recovery of Facilities and Administrative costs. Facilities and Administrative costs recovery is managed by the OSP&R.

Re-budgeting of facilities and administrative costs to direct cost requires the approval of the Director of OSP&R.

F. Chargebacks

Chargebacks relative to CSU bookstore, printing, telephone, and mailing will be recorded via a monthly journal voucher by the Controller's Office.

G. Interest

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:

1. On a monthly basis, a schedule of funds for which interest accrues will be given to the Controller's Office by the OSP&R. The Controller's Office will identify the interest earned and prepare the necessary journal voucher.
2. The Controller's Office will transfer the applicable interest to the appropriate account to correspond with the timing of the journal voucher.

H. Billings and Collections

The billing and collections of restricted funds will adhere to the following:

1. Billings and collections will be prepared on a monthly basis except where the funding agency requires a different schedule.

2. The official billings and collections will be prepared by the OSP&R. The invoices will be based upon the balances as indicated in the official university financial records, 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 OSP&R. The check or remittance must identify the applicable fund number.

I. 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/project director as well as the department head. 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, allocable to proper budget categories, allowable under sponsor and University policies, and properly documented and approved. Responsibility for allowability and proper justification lies with the principal investigator/project director and departmental administrator. All cost transfers will be reviewed by OSP&R. 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/project director have expenses for proposed projects that are expected to be awarded and the sponsor allows pre-award expenditures, the OSP&R 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 pre-award 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/project director has requested and the NIH has approved the "closely related project" designation.

2. Unallowable Cost Transfers

- a. Accounts in Overrun Status: Transfer of charges from any account in overrun status to a federal project is not allowed.
- b. 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.
- c. Salary Adjustments: Salary adjustments that do not coincide with certified effort are unallowable.
- d. Cost transfers that are not allowed by either the OSP&R 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 Investigator/Project Director and approved by the department head and OSP&R.

Salaries: Transfers for salaries must be made before submission of the Time and Effort Report 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 a Journal Voucher that is prepared and submitted by the OSP&R. When requesting a cost transfer, all supporting documentation including the following information is required:

- a. The date of the original charges.
- b. Description of the charges being transferred.
- c. Written Justification - 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 justification 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/project director as well as the department head and/or department administrator.

Once the Office of Sponsored Programs and Research approves the request, the Grants Manager will forward the documents for entry to the system. Any disapproved request will be returned to the principal investigator/project director. 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/project director and will be monitored for compliance by OSP&R.

J. 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 Facilities and Administrative costs that it would have collected had that time and effort been charged as a direct expense to the grant. Written authorization for cost sharing must be obtained from the Vice President for Administration and Chief Financial Officer and the Director of Sponsored Programs and Research before submitting a proposal requiring this kind of commitment by the University.

K. Matching Funds

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

L. Program Income

Program income is defined by OMB Circular 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.

M. Fiscal & Other Reporting on Sponsored Projects

The OSP&R is responsible for all fiscal reporting functions on research projects. These functions include preparation of invoices, ensuring proper charging of Facilities and Administrative costs, processing of journal entries, reporting of required cost sharing, and preparation of fiscal reports.

Fiscal reports are prepared in accordance with the terms and conditions of the award. There are times when the principal investigator/project director 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 to the OSP&R 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 OSP&R where it will be reported to the agency with the required fiscal reports. Documentation must be identified as cost sharing for a specific award.

N. 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/Project Directors share in this responsibility. In fulfilling these responsibilities, each Principal Investigator/Project Director needs to fully understand the following information:

1. 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.
2. The original copies of all equipment shipping documents are required by the Business Services and Capital Development office upon their receipt so that the Business Services and Capital Development office may submit the required reports.
3. 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 OSP&R and the Business Services and Capital Development office.
4. All property is required to be inventoried biannually, or more frequently as designated by the University.
5. 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 Business Services and Capital Development office.

6. All property must be adequately cared for, maintained, and safe-guarded.
7. 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.
8. All reports pertaining to property accountability and inventories are prepared by the Business Services and Capital Development Office, therefore, all requests received by faculty which are of such a nature should be forwarded to the Business Services and Capital Development office.
9. 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 Business Services and Capital Development 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 OSP&R 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 grantor 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 Business Services and Capital Development office via the OSP&R. The memorandum should include:
 - a. A description of the equipment including tag number, fund number for original purchase, and estimated current value;
 - b. A statement certifying the equipment is surplus at that time to the **needs** of the department and college; and

- c. 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 Business Services and Capital Development 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.

O. Administrative and Clerical Costs Restricted by OMB Circular A-21

The following is a summary of items that are prohibited as Facilities and Administrative 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).

IV. Revision of Budget and Program Plans

The budget plan is the financial expression of the project or program as approved during the award process. It may include either the funding agency and non-funding share, or only the funding agency share, depending upon funding awarding agency requirements. It shall be related to performance for program evaluation purposes whenever appropriate.

CSU may be required to report deviations from budget and program plans, and request prior approvals for budget and program plan revisions, in accordance with funding agency requirements, federal guidelines are detailed below:

1. For nonconstruction awards, recipients shall request prior approvals from Federal awarding agencies for one or more of the following program or budget related reasons.
2. Change in the scope or the objective of the project or program (even if there is no associated budget revision requiring prior written approval).

3. Change in a key personnel specified in the application or award document.
4. The absence for more than three months, or a 25 percent reduction in time devoted to the project, by the approved project director or principal investigator.
5. The need for additional Federal funding.
6. The transfer of amounts budgeted for indirect costs to absorb increases in direct costs, or vice versa, if approval is required by the Federal awarding agency.
7. The inclusion, unless waived by the Federal awarding agency, of costs that require prior approval in accordance with OMB Circular A-21, "Cost Principles for Educational Institutions," OMB Circular A-122, "Cost Principles for Non-Profit Organizations," or 45 CFR part 74 Appendix E, "Principles for Determining Costs Applicable to Research and Development under Grants and Contracts with Hospitals," or 48 CFR part 31, "Contract Cost Principles and Procedures," as applicable.
8. The transfer of funds allotted for training allowances (direct payment to trainees) to other categories of expense.
9. Unless described in the application and funded in the approved awards, the subaward, transfer or contracting out of any work under an award. This provision does not apply to the purchase of supplies, material, equipment or general support services.
10. No other prior approval requirements for specific items may be imposed unless a deviation has been approved by OMB.

Specific agency revision plans are outlined below:

U.S. Department of Health and Human Services

In general, DHHS grantees are allowed a certain degree of latitude to rebudget within and between budget categories to meet unanticipated needs and to make other types of post-award changes. Some changes may be made at the grantee's discretion as long as they are within the limits established by DHHS. In other cases, DHHS prior written approval may be required before a grantee makes certain budget modifications or undertakes particular activities. The grantee-initiated changes that may be made under the grantee's authority and the changes that require DHHS approval are outlined in NIH Grants Policy Statement (<http://grants.nih.gov/grants/policy/policy.htm>).

U.S. Department of Education

<http://www2.ed.gov/policy/fund/reg/edgarReg/edgar.pdf>.

National Science Foundation

1. If required in furtherance of the project, the grantee is authorized to transfer funds from one budget category to another for allowable expenditures. However, certain budget changes that may require prior NSF approval.
2. When a change requires NSF approval, the request must be submitted electronically via use of the Notification and Request module in FastLane. The request should clearly state which budget items, if any, are to be changed and by what amounts, and should explain the reasons for any changes.
3. Whenever the amount of Federal funds authorized by an NSF grant is expected to exceed the requirements of the project, as outlined in the approved proposal, by more than \$5,000 or 5 percent of the grant amount, whichever is greater, the grantee will promptly notify the NSF Program Officer.
4. Changes in Objectives, Scope or Methodology.
5. Changes in PI/PD, co-PI/co-PD or Person-Months Devoted to the Project.
6. Short-Term Absence of PI/PD or co-PI/co-PD.
7. Long-Term Absence of PI/PD or co-PI/co-PD.
8. Change in Person-Months Devoted to the Project.

For additional information please see

http://www.nsf.gov/pubs/policydocs/pappguide/nsf10_1/aag_2.jsp#IIC

Please contact OSPR to determine the allowability of your proposed changes.

Budget Modifications

1. Transfers within a restricted fund will be requested in writing by the PI/PD.. The OSP&R will complete the transfer after verification of available funds and agency guidelines.
2. Transfers from one restricted fund to another are unallowable.

3. The "Transfer To" and "Transfer From" information should be completed in total.
 - a. Specify fund and organization number.
 - b. Specify the correct account code.
 - c. State the amount in whole dollars, i.e., \$35 rather than \$35.02.

V. Personnel/Payroll Requirements

- A. It is necessary to have complete and consistent documentation of all payments for salaries and wages. The documentation required for individuals paid salaries and wages are as follows:
 1. "Employee Requisition" Form.
 2. "Employee Action Form".
- B. All individuals paid from restricted funds will be paid utilizing the following rules.
 1. Payment will be based upon properly prepared and submitted payroll documents.
 - a. Time card, if applicable.
 - b. Employee Action Form (EAF).
 2. Hourly amount calculated must be based upon the individual's regular calculable rate. This is determined as follows:
 - a. Annual Salary divided by 2080 hours; or
 - b. Regular hourly rate; or
 - c. Individuals who were not previously paid from University operating funds will have a rate which is usual and customary for the position.
 3. Faculty compensation will be consistent with the collective bargaining agreement.
 - a. Release time should be granted where possible. Restricted monies would be substituted for operating monies.

b. Payment for grant/contracts from Federal Award activities cannot exceed 1/3 of regular annual salary during non-academic portion of the year.

c. Faculty Overload & Salary Supplementation

Faculty members are allowed, with limitations, to conduct research during the academic year. The amount of pay faculty receives for this research must be commensurate with the base salary rate and the work performed. In addition, total salaries and workload as supplemented are considered as the full activity of the individual and thus constitute 100 percent of reported effort. Please refer to the University Faculty Workload policy and to the collective bargaining agreement for the definition of a full teaching load and for limitations on the amount of research time to collect bargaining agreement.

d. Faculty Consulting on Sponsored Programs

In general, there is no additional compensation when a faculty member consults on projects within the University. Section J 8. d. (1) of OMB Circular A-21 states:

"Since intra-university consulting is assumed to be undertaken as a university obligation requiring no compensation in addition to full-time base salary, the principle also applies to faculty members who function as consultants or otherwise contribute to a sponsored agreement conducted by another faculty member of the same institution."

There are limited exceptions to this rule in cases where the consulting arrangements meet the specifications described in Section J 8. d. (1) of OMB Circular A-21:

"in unusual cases where consultation is across departmental lines or involves a separate or remote operation, and the work performed by the consultant is in addition to his regular departmental load, any charges for such work representing extra compensation above the base salary are allowable provided that such consulting arrangements are specifically provided for in the agreement or approved in writing by the sponsoring agency."

The prior approval of the OSP&R and faculty member's direct supervisor is required when entering into such arrangements.

VI. Procurement Standards

A. Purpose of Procurement Standards

The purpose of establishing standards for use by CSU for the procurement of supplies and other expendable property, equipment, real property and other services with Federal funds. These standards are furnished to ensure that such materials and services are obtained in an effective manner and in compliance with the provisions of applicable Federal statutes and executive orders. No additional procurement standards or requirements shall be imposed by the Federal awarding agencies upon recipients, unless specifically required by Federal statute or executive order or approved by OMB.

B. Recipient Responsibilities

CSU is the responsible authority, without recourse to the Federal awarding agency, regarding the settlement and satisfaction of all contractual and administrative issues arising out of procurements entered into in support of an award or other agreement. This includes disputes, claims, protests of award, source evaluation or other matters of a contractual nature. Matters concerning violation of statute are to be referred to such Federal, State or local authority as may have proper jurisdiction.

C. Codes of Conduct

CSU shall maintain written standards of conduct governing the performance of its employees engaged in the award and administration of contracts. No employee, officer, or agent shall participate in the selection, award, or administration of a contract supported by Federal funds if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in the firm selected for an award. The officers, employees, and agents of the CSU shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, or parties to subagreements. The standards of conduct shall provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the recipient.

D. Competition

All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. CSU shall be alert to organizational conflicts of interest as well as noncompetitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, invitations for bids and/or requests for proposals shall be excluded from competing for such procurements. Awards shall

be made to the bidder or offeror whose bid or offer is responsive to the solicitation and is most advantageous to the CSU, price, quality and other factors considered. Solicitations shall clearly set forth all requirements that the bidder or offeror shall fulfill in order for the bid or offer to be evaluated by the CSU. Any and all bids or offers may be rejected when it is in the CSU's interest to do so.

E. Procurement Procedures

1. CSU will adhere to its written procurement policy and procedures. These procedures shall provide for, at a minimum that 1, 2 and 3 apply.
 - a. Avoid purchasing unnecessary items.
 - b. Where appropriate, an analysis is made of lease and purchase alternatives to determine which would be the most economical and practical procurement for the Federal Government.
 - c. Solicitations for goods and services provide for all of the following:
 - i. A clear and accurate description of the technical requirements for the material, product or service to be procured. In competitive procurements, such a description shall not contain features which unduly restrict competition.
 - ii. Requirements which the bidder/offeror must fulfill and all other factors to be used in evaluating bids or proposals.
 - iii. A description, whenever practicable, of technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards.
 - iv. The specific features of "brand name or equal" descriptions that bidders are required to meet when such items are included in the solicitation.
 - v. The acceptance, to the extent practicable and economically feasible, of products and services dimensioned in the metric system of measurement.
 - vi. Preference, to the extent practicable and economically feasible, for products and services that conserve natural resources and protect the environment and are energy efficient.

2. Positive efforts shall be made by CSU to utilize small businesses, minority-owned firms, and women's business enterprises, whenever possible. Recipients of Federal awards shall take all of the following steps to further this goal.
 - a. Ensure that small businesses, minority-owned firms, and women's business enterprises are used to the fullest extent practicable.
 - b. Make information on forthcoming opportunities available and arrange time frames for purchases and contracts to encourage and facilitate participation by small businesses, minority-owned firms, and women's business enterprises.
 - c. Consider in the contract process whether firms competing for larger contracts intend to subcontract with small businesses, minority-owned firms, and women's business enterprises.
 - d. Encourage contracting with consortiums of small businesses, minority-owned firms and women's business enterprises when a contract is too large for one of these firms to handle individually.
 - e. Use the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Department of Commerce's Minority Business Development Agency in the solicitation and utilization of small businesses, minority- owned firms and women's business enterprises.
3. The type of procuring instruments used (e.g., fixed price contracts, cost reimbursable contracts, purchase orders, and incentive contracts) shall be determined by the CSU but shall be appropriate for the particular procurement and for promoting the best interest of the program or project involved. The "cost-plus-a-percentage-of-cost" or "percentage of construction cost" methods of contracting shall not be used.
4. Contracts shall be made only with responsible contractors who possess the potential ability to perform successfully under the terms and conditions of the proposed procurement. Consideration shall be given to such matters as contractor integrity, record of past performance, financial and technical resources or accessibility to other necessary resources. In certain circumstances, contracts with certain parties are restricted by agencies' implementation of E.O.s 12549 and 12689, "Debarment and Suspension."

5. CSU shall, on request, make available for the Federal awarding agency, pre-award review and procurement documents, such as request for proposals or invitations for bids, independent cost estimates, etc., when any of the following conditions apply.
 - a. CSU's procurement procedures or operation fails to comply with the procurement standards in the Federal awarding agency's implementation of this Circular.
 - b. The procurement is expected to exceed the small purchase threshold fixed at 41 U.S.C. 403 (11) (currently \$25,000) and is to be awarded without competition or only one bid or offer is received in response to a solicitation.
 - c. The procurement, which is expected to exceed the small purchase threshold, specifies a "brand name" product.
 - d. The proposed award over the small purchase threshold is to be awarded to other than the apparent low bidder under sealed bid procurement.
 - e. A proposed contract modification changes the scope of a contract or increases the contract amount by more than the amount of the small purchase threshold.

H. Contract Administration

A system for contract administration shall be maintained to ensure contractor conformance with the terms, conditions and specifications of the contract and to ensure adequate and timely follow up of all purchases. CSU shall evaluate contractor performance and document, as appropriate, whether contractors have met the terms, conditions and specifications of the contract.

VII. Other

- A. Cost sharing should be kept to a minimum and must have prior approval of the OSP&R before submission of a proposal.
- B. A copy of all fiscal related correspondence should be forwarded to the OSP&R.
- C. Facilities and Administrative costs should be requested on all solicitations of restricted monies. Facilities and Administrative costs are calculated at the current official negotiated rate for the university. Exceptions may be made where deemed applicable by the Provost and Vice President for Academic Affairs and the Vice President for Administration and Chief Financial Officer.

D. Technical Reporting

The Notice of Award package indicates any technical reports that are to be provided by the principal investigator/project director. These reports are exclusively the responsibility of the principal investigator/project director. It is imperative that they are submitted on a timely basis. Failure to do so may jeopardize future funding for the University. A copy of any technical reports submitted to the sponsor should be forwarded to the Office of Sponsored Programs and Research.

E. Continuing the Project

A PI/PD has the choice of four options for extending a sponsored research project beyond the original date stipulated in the Notice of Award. The four options are:

1. Apply for a no cost extension;
2. Apply for a non-competing continuation;
3. Apply for a competing continuation;
4. Apply for a supplement or extension.

In many cases the sponsor or sponsor's terms of the award will determine which option is most appropriate. Each option also has financial implications for the project and Central State University. These four options are described in the section following:

No Cost Extension: No-cost extensions are requests to extend the termination date of a project without additional funds. A PI/PD must have prior approval before the project is allowed to continue past the termination date stated in the Notice of Award. In instances where additional time is required to complete the project, the principal investigator/project director should initiate a no-cost extension by sending a request to the OSP&R with an explanation of the work-related need for the time extension and how available funds will be used. The request should be submitted at least 60 days before the scheduled expiration date.

After approving the request, the OSP&R will forward the no cost extension request to the sponsor. If a sponsor has granted expanded authority privileges to Central State University, the OSP&R may extend the expiration date of the project one time, for a period of up to 12 months. As its name implies, projects receiving no cost extensions do not receive additional funding from the sponsor. However, a granted no cost extension frequently requires minor alterations to the budget.

Non-Competing Continuation: If a project has been approved for funding for more than one year, the PI/PD must complete a non-competing continuation application annually. This application usually includes a report on the work completed to-date, a financial report, plans for the next award cycle's work, and a budget plan. Non-competing continuations imply that the sponsor recognizes the project as on-going and assumes that, as long as the project is going well and funding is available, the project will be funded for multiple years. Non-competing continuation projects do not compete with new projects for a sponsor's funds.

With a sponsor's approval, funds may also be carried over from project year to project year. Non-competing continuations imply additional funding will be added to the total project award.

Competing Continuation: A competing continuation requests additional funds from a sponsor to continue the work of a previously funded project. Competing continuations compete with new applications for a sponsor's funds. If funds are not awarded to continue the project, and no additional funding from other sources is available, the project must be completed by the date indicated in the original Notice of Award.

Supplements and Extensions: A PI/PD may request additional funding in the form of a supplemental funding and an extension of the project's end date from a sponsor, for the purpose of finishing a project. The sponsor may ask for a new work plan and budget for the extension period. A PI/PD is advised to allow sufficient time for a sponsor to consider the request. Requests for supplemental funding and extensions must flow through the OSP&R for signatory approval.

F. Financial Management Problems

Overspent Projects: Overspending on a project can reflect poorly on the PI/PD, the OSP&R, and Central State University. It can indicate that the project was not planned carefully enough to support a request of sufficient funding to complete the project. It can also be seen as indication of haphazard internal financial management of a sponsor's funds. Because the implications of overspending are so serious, a major responsibility shared by the PI/PD and the OSP&R is to carefully monitor the budget. Accounts that are in danger of becoming over spent may be "frozen" by the OSP&R. This means that charges cannot be placed on "frozen" accounts without approval from the OSP&R.

If a project ends with a deficit, the PI's/PD's department or administrative area is responsible for covering the remaining expenditures. For those accounts that end with a deficit, prompt cost-transfer requests must be submitted by the department or the administrative area. The cost-transfer will initiate the process of moving remaining outstanding expenditures from the frozen sponsored research account to the appropriate departmental account.

Under-spent Projects: While the financial implications of under-spending on a project are not nearly as serious, severe under-spending, 20% or more of a project's total direct costs, can also reflect poor project planning, haphazard internal financial management of a sponsor's funds, or that the goals of the project were not met.

There is little virtue in ending a sponsored research project with a large balance of funds. Rarely does the sponsor allow the institution to keep the money. Rather, it must be returned to the sponsor where it can create a fair amount of accounting inconvenience. Institutions that return large unused portions of sponsored project funds are not rewarded for their frugality.

This does not mean that there will never be instances when there are legitimate reasons for major under-spending of a project. Nor does it mean that unbridled spending of remaining sponsored project funds should take place in the waning months of a project. Rather, careful planning, monitoring, ongoing communication with the sponsor, and revising of the work-plan as needed should be the norm throughout the life of the project.

G. Unexpended Funds

This section outlines the alternative possible for handling unexpended balances that cannot be carried forward into future project years. That is, the project is not to be continued, but is truly completed, and the PI cannot justify extending their project. The disposition of any balances remaining in a sponsored project account is determined by the sponsor and is reflected in the nature of the original award. While it is true that most unexpended balances must be returned to the sponsor, there are cases where Central State University may keep the funds. Three situations exist regarding how unexpended balances are handled. They include returning the funds to the sponsor, transferring the funds to a non-sponsored project account, or 'rolling over' the unexpended funds into another related sponsored project account.

Request a No-Cost Extension: Principal Investigators, if they anticipate unexpended funds, may request a no-cost extension. That is, the project will continue past the initially proposed ending date. This could allow the PI additional time to extend the research, or complete specific tasks.

Returning the Funds to the Sponsor: OSP&R is responsible for completing paperwork associated with returning unexpended funds. Procedures for this process differ based on Central State University's agreement with the sponsor and the sponsor's guidelines.

Funds Transferred to a Non-Sponsored Research Account: Some examples of this situation include foundations that convert unexpended funds into gifts to the University. Another situation involves awards made for a specific set of tasks for a fixed price. Once those tasks are completed the sponsor and PI have no other

contractual obligation to each other. Remaining unexpended funds may be used by the PI for further additional research. Unexpended funds that the sponsor allows Central State University to keep should be transferred to non-sponsored project accounts, usually these accounts are the PI's department or administrative area accounts.

Unexpended Balances Transferred to Another Related Research Account:

Occasionally, a sponsor will allow a researcher with multiple related awards to move an unexpended balance from one project to another, exceptions to the guidelines always exist based upon a sponsor, PI, or the OSP&R's interpretation of the guidelines and subsequent communication with a sponsor. PIs are advised that if any of the above situations seem to describe their particular financial situation at the time of completing a sponsored research project, they contact their grants specialist and discuss the possible alternatives.

H. Completing a Sponsored Research Project

As the official repository for all documentation related to sponsored activity at the University, the OSP&R maintains a file for each sponsored project undertaken. The file includes a copy of the proposal, a signed copy of the award, all relevant financial information, including copies of payroll authorizations and all invoices and documents requiring approval by the OSP&R, any correspondence between the University and the sponsoring agency, and copies of all project-related technical and financial reports. As the end date of a sponsored project approaches, each project is reviewed by the OSP&R staff to ensure that all agency-specific and University requirements have been met and that all necessary records are in the project file.

Most funding agencies require final financial and technical reports. In general, the financial reports are prepared and submitted to the sponsoring agency by the OSP&R staff and the technical reports are prepared and submitted to the sponsoring agency by the Principal Investigator. The PI/PD should arrange to move personnel paid on the project to an alternate funding source or advise them of pending layoff at least two months before the project ends. The PI/PD can facilitate this process by working closely with the Department of Human Resources in assisting project staff in finding suitable future employment. While under no obligation to do so, assistance in this area is appreciated by project staff and reflects an institution's gratitude for staff contributions to a successfully completed sponsored project.

The PI/PD may also need to terminate maintenance agreements, remove telephones or change billing instructions, return leased equipment or take other action.

I. Records Retention

Regulations require the University to maintain for audit purposes all project-related records, both financial and technical (including technical reports, lab notes, and all institutional committee approvals such as human subject, animal care, radiation, etc.) for a minimum of three years AFTER the acceptance of the final financial and/audit report. Therefore, Principal Investigators, Project Directors should retain complete grant/contract files for a minimum of three years after project termination. After that date, check with the OSP&R to ascertain whether longer retention is necessary.

J. Audit

Periodically, sponsored project accounts are audited by external agencies. Audits can originate from the state or federal governments, private sponsors, or other oversight bodies, and can be conducted by agency or contract auditors. Audits occur to ensure that the University is operating in accordance with state and federal regulations and generally accepted accounting principles. Auditors typically test direct costs under general expenditure systems (e.g., Time and Effort Reporting, Prior Approval System, Procurement System).

Program audits are coordinated by the OSP&R. If the audit team requires files, documentation or discussion with other campus personnel, arrangements are made through the OSP&R. All questions regarding allowability of expenditures, contract modifications, etc. are to be directed to the OSP&R. If you as an individual are contacted directly by an auditor, refer the auditor to the OSP&R. This is the best way to assure an accurate audit report.

During an audit it may be necessary for the OSP&R to contact departments or Principal Investigators to request information about a specific contract or grant. It is the responsibility of the Principal Investigator/Project Director to keep accurate records supporting all costs and copies of progress reports, laboratory notes, and documentation of the selection process used to hire contractors and of time and effort expended must be maintained for the same amount of time.

K. Foreign Travel

The OSP&R must approve requests for foreign travel on sponsored project funds before tickets can be issued. Because of special agency regulations for prior approval and the requirement by some agencies for utilization of U.S. flag carriers, the OSP&R should be contacted by the Principal Investigator/Project Director as far in advance of such trips as possible. Usually two to three months are required by the agency for approval of foreign travel, particularly if such travel is not already incorporated in the award budget. If the agency has more restrictive regulations, then the agency's regulations must be followed. For example, some federal agencies limit reimbursement for meals and lodging to the federal per diem rates. Only the contracting officer of the funding agency has the authority to allow any exceptions to agency policy. To secure this approval the Principal Investigator should write a letter requesting an exception,

forwarding the letter to the OSP&R for co-signature and processing. Be sure reimbursement is claimed only for those places and for those dates for which agency prior approval was received. Travel to any other cities on any other dates is not reimbursable from grant and contract funds. Even though actual expenses may be claimed for foreign travel, the charge must be reasonable and logical and should be included in a daily itemization of expenses.