# SPONSORED PROGRAMS AWARDS, EXPENDITURES, AND ALLOWABILTY

**APRIL 2015**
**Policy 2.2.01**

## Purpose:

This policy was developed to ensure consistent compliance with 2 CFR part 200 Uniform Guidance and the Cost Accounting Standards under which all federal funds must be managed. In addition and for consistency purposes, University of Kansas Medical Center Research Institute (RI) applies the basic principles of 2 CFR part 200 Uniform Guidance to all other sponsored projects. Some funds held at the RI are not sponsored funding and may be allowed additional flexibility. This policy should clarify those exceptions.

This policy provides the general principles for managing accounts held in including all sponsored projects, Principal Investigator (PI) accounts, fee accounts, matching accounts, etc. In addition, some sponsors have the authority to approve what would otherwise be considered an unallowable cost and the sponsor's determination will provide sufficient justification for allowance.

The RI is not in a position to finance or make arrangements to finance awards for which funding is not secured in advance, nor may the PI make expenditures before or after the dates of the award. This date restriction applies to all purchases and payroll charges.

## Policy Statement:

### I. Awards

State and institutional policies require that grant income be used for the purpose for which the income was awarded. As a result, "fund accounting" procedures are utilized and each project must have its own unique account number.

Funds will not be dispersed, nor an award set up, for payments received that have no corresponding documentation. Therefore, it is necessary that PIs follow proposal guidelines to prevent the loss of time and possibly funds.

Procedures for Award Set Up:

- Receipt of Award:
  At the time the award document is received, the RI Post Award office will assign an account number which is to be used on all financial transactions. The financial billing or reporting date is noted and all necessary reports will be prepared as of these dates. The RI will not accept checks unless accompanied by documentation that provides direction for the use of those funds. The RI will not accept cash for deposit in accounts.
- Normal Approval for establishing award accounts:
  Grant awards and finalized contract notifications are normally issued before the actual start date. Accounts are then established and expenditures can be made on the first day of the award.

### II. Expenditures

Procedures regarding Expenditures:

- Payroll over-expenditures:
  Any payroll over-expenditures will be the responsibility of the PI and/or Department. Any retroactive pay adjustments will need to be reconciled by the PI or Department within a 60 (sixty) working day grace period following the grant end date. Employees must be transferred off the grant by the PI and/or Department, and the RI notified of the transfer.

- Inadequate funding within the grant period:
  The PI should be aware of account balances and monitor the availability of funds. However, if the PI overspends the budget of a grant between the start and end dates, it is the responsibility of the PI to reconcile those expenditures; purchases will automatically be rejected during that period. Retroactive pay adjustments will also need to be reconciled by the PI The RI will communicate cost overruns to the PI and Department within 30 (thirty) days.
- Post expiration expenditures: The RI will not honor expenditures that are dated after the expiration of the award.
- The RI will notify the PI of the approaching end date of the grant 60 (sixty) days before the closing date of the grant. Failure to respond or failure to receive the notification will not be grounds to alter this policy.
- Internal and external billing expenses: Because most funding agencies require final financial reports to be submitted 90 (ninety) calendar days after the award expiration, all internal and external billing will need to be submitted no later than 60 (sixty) calendar days from the award end date. Any invoice, whether internal or external, that has been approved prior to the end date and sent to the RI within that sixty-day period will be honored and charged to the grant. Departments should communicate to vendors the time constraints for receiving invoices at the end of a project. Invoices that are not received with in that sixty-day period will not be honored. It will be the responsibility of the PI and the Department to pay those expenditures by other means.

## III. Allowable Costs

One of the most important underlying principles for determining the allowability and appropriateness of charges is ensuring that transactions are adequately documented. Adequate documentation includes an invoice or receipt that identifies WHAT was purchased, WHERE it was purchased, and WHO purchased it. In addition, WHEN it was purchased may also be a deciding factor on allowability. Adequate documentation is necessary to determine allowability and appropriateness.

The Principal Investigator/Project Director (PI/PD) or other responsible party overseeing an account and his/her department or unit are ultimately responsible for the allowability and appropriateness of expenditures charged to a sponsored project, PI account, or other service accounts. The PI/PD is in the position to determine the best use of his/her funds and should rely on the basic principles of the Uniform Guidance for allowability. Judgment on the reasonableness of all expenditures, and especially in the case of hospitality, is the responsibility of the department or unit managing the project or fund account. Certain types of expenditures are never allowable, except as noted below.

Allowable costs are those that are reasonable to the project; allocable; consistent; and conform to the restrictions set forth in the Uniform Guidance and the guiding principles of the sponsoring agency. The RI has the responsibility to ensure that the costs assigned to a sponsored project are allowable, applicable, reasonable, and treated in a consistent manner according to these costing principles. Allowability of costs on federally funded projects is subject to the guiding principles set forth in 2 CFR part 200 Uniform Guidance.

- An allowable cost is a cost that has been accounted for in the terms of agreement for the project.
- A reasonable cost is a cost that a prudent person would incur that is within the scope of the project.
- An allocable cost is a cost that is directly related to the sponsored agreement that specifically furthers the work of the project.
- A consistent cost is a cost that is treated in the same manner and placed in the same category as on other projects.

By applying prudent practices to costing decisions, one may determine whether a cost is allowable to a project. Questions to ask to determine the allowability of a cost are:

- Is the cost necessary for the continuation of the project?
- Is the cost reasonable to the scope of the project?
- Is there an “arm’s length” in the transaction to avoid conflict-of-interest issues?
- Would the cost survive public scrutiny, i.e. the “front page” test?
- Is the cost acceptable under the policies of the RI?

If any of the answers to the above questions in relation to your cost is “no”, the cost is not likely to be allowable. If an unallowable cost has been applied to a federally funded project, the cost must be transferred off the project to a non-sponsored account.

**IV. Unallowable expenditures include**:

- **Alcoholic beverages** charged to any fund account unless the use is for an official business purpose, for cooking, research, or course study. No federal funds may be used for the purchase of alcoholic beverages.
- **Flowers or gifts** of any kind in connection with the illness, death or personal benefit of employees or family members. Flowers used for public functions, such as retirement parties and convocations may be allowable from non-federal, non-restricted funds (e.g. a PI account) when they serve an official business purpose.
- **Employee hospitality functions** such as holiday parties and recognition lunches, departmental retreats, and retirement parties that serve a business purpose are allowable from RI non-restricted funds.
- **Any item of personal benefit** to the recipient as the Internal Revenue Service considers such items to have a taxable nature.

## SELECT EXPENDITURE CATEGORIES

The following expenditures categories have inherently been subject to more scrutiny, both in audit situations, internally and with the public.

***CELL PHONES, PDAs, SMART PHONES, and OTHER ELECTRONIC COMMUNICATION DEVICES:***

The monthly service fees for most all types of cellular and/or portable communication devices are generally considered an allowable cost on federal sponsored projects when accompanied by a detailed justification and explicit sponsor approval is received prior to the expense. The purchase of the material devices, enhancements, and non-recurring costs may be allowed from non-restricted accounts.

***COMPUTING DEVICES***

The 2 CFR 200 defines Computing Devices as machines that cost less than $5,000 and are used to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or “peripherals”) for printing, transmitting and receiving, or storing electronic information. Computing devices may be direct charged to a federal award if it can be justified as essential and allocable, but not solely dedicated to the project. All computing devices must adhere to the KUMC Information Resources purchasing procedures and security policies.

Non-federal sponsors may have specific requirements for direct charging of computing devices.

***FURNITURE and OFFICE EQUIPMENT:***

In general, purchase of furniture and office equipment, including but not limited to desks, cabinets, chairs, and copiers, is unallowable on federally sponsored projects or projects supported by federal flow-through funds unless itemized and justified in the proposal and approved in advance by the sponsoring agency as necessary for the successful conclusion of the project. These items may be purchased as necessary to further the PI’s research with funds from the PI account, or residual funds remaining after completion of a fixed-price contract.

***GENERAL PURPOSE ITEMS:***

Purchase of office supplies including paper, toner, pens, staples, folders, markers, postage, local telephone costs, or any other item that cannot be exclusively identified to a project are unallowable as direct costs on

federally sponsored projects. Purchase of these general purpose items may be allowable on non-restricted accounts and some sponsored projects only if the sponsor has approved the costs as noted by inclusion on the awarded budget and are allowable by the sponsor's own guidelines.

General use items such as coffee, coffee pots, refrigerators, microwave ovens, etc. for employee use only may be allowable from non-federal, non-restricted funds if the use is shared and the appliance is in a common area.

***HOME INTERNET CONNECTIONS:***

The cost of home internet connections is not normally allowed as a direct cost to any RI funding except in cases where the connection is a requirement for the successful completion of a project, and not merely a convenience to the employee. These cases are assumed to be very rare and will require the approval of the employee's applicable Dean, Director, or Chairperson.

***HOSPITALITY:***

Non-sponsored project funds may be used for official university hospitality expenses and will be processed provided the voucher documentation includes who (specify names and business relationship if not clear), why, where, what and when of the event, and indicates the nature of the business discussion or activity. It is the responsibility of the college and/or department/center to explicitly state the business purpose on all expenditure transaction vouchers authorizing payment of costs associated with employee related events.

The college and/or department/center should determine when non-restricted funds may be used for the purchase of coffee, soft drinks, doughnuts, or other food for university meetings with a KU business purpose. In general, such business meetings include staff external to the hosting department and the meetings are pre-planned or are held over lunch/dinner due to other scheduling conflicts.

***MEMBERSHIPS and SUBSCRIPTIONS:***

Institutional memberships that serve a broader than individual purpose, such as the American Council on Education, the American Association of Clinical Toxicologists and other institutional association memberships should be made at the vice chancellor, college or departmental levels. Personal memberships in professional organizations may be paid from non-sponsored funding. Professional memberships that are required to be purchased for participation at a conference may be allowable. Memberships of a purely social nature are not allowable.

Journals or other professional materials relating to the unit's business purpose are allowable if included in an allowable cost of membership. Institutional and individual subscriptions to business, professional or technical journals are allowable costs on non-sponsored project funds.

It is the responsibility of the college and/or department/unit to assure that the authorization or expense of memberships and subscriptions conforms to university policy as well as with any sponsoring agency polices.

***PUBLICATION COSTS***

Publication costs on federal awards are allowable during the period of performance and the 90-day closeout period.

***SALARIES FOR ADMINISTRATIVE PERSONNEL and OTHER DEPARTMENTAL EXPENSES:***

1. Salaries for administrative or clerical services are not normally allowed to be charged to federal grants or contracts. However, there are some exceptions to this federal guideline if the specific situation meets all of the following conditions: Administrative or clerical services are integral to a project or activity;
2. Individuals involved can be specifically identified with the project or activity;

3. Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and
4. The costs are not also recovered as indirect costs.

Circumstances where direct charging of the salaries of administrative or clerical staff to federal grants or contracts may be appropriate include: large complex programs, such as Program Projects or federally designated centers; projects that involve extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, etc, such as clinical trials; projects that require making travel and meeting arrangements for large numbers of participants, such as conferences; projects with the principle focus of preparation and production of manuals and large reports, books, and monographs, excluding routing progress and technical reports; and projects that are geographically inaccessible to normal departmental administrative services, such as seagoing research vessels and other research field sites that are remote from campus.

Administrative and clerical salaries may be allowed as direct expenses on non-federal projects if the sponsor does not impose any such limitations and they are justified and approved by the sponsor. These costs may be directly charged to non-restricted accounts.

***VISA COSTS AS PART OF RECRUITMENT***

Short-term visa costs as part of the recruitment process may be direct charged on federal awards. These costs must be critical and necessary for the conduct of the project, and be allowable under the applicable cost principles. Basic visa application and required fees, such as anti-fraud fees, are allowable direct costs provided they meet the above. Longer-term, premium or expedited fees, dependent fees, or renewal fees are **NOT** allowable as direct charges to a federal award.

Background checks for full-time appointments on a grant are allowable. However, if an individual leaves their position within the first twelve months of employment, the department shall be responsible for reimbursing the grant for this expense.

## EXCEPTION: PRE-AWARD SPENDING ACCOUNTS

Most sponsored-project awards are received in a timely fashion from the sponsors prior to the initiation of the project. Sometimes there are delays in the receipt of the award document that are beyond the university's control. Such delays can cause difficulties for the PI in initiating the project, hiring appropriate staff or students, purchasing supplies or equipment, or arranging for travel related to and necessary for the project. Sometimes, extensive delays create unreasonable burdens to meeting project objectives. The RI understands these challenges and will help the PIs, Deans, Directors and Chairs make a risk decision related to establishing a Pre-Award Spending account prior to receipt of the award document. There are some inherent risks related to beginning work on any project before the RI has an official document in hand, but these risks are sometimes acceptable when compared with the potential of a delayed award creating additional administrative burdens on both faculty and staff.

Some federal agencies that award grants or cooperative agreements will allow universities to make appropriate and allocable charges to a pending sponsored project up to ninety (90) days in advance of the date stated in the notice of award. When the RI is able to confirm that a federal grant or cooperative agreement is "in process" and the award notice will likely be received soon, the risk for establishing a provisional award account to allow the project a timely start is not very high. However, there is always some minimal risk that the project may not be awarded or that the award date will fall outside of the 90-day pre-award period. Therefore, for federal grants and cooperative agreements, it is required for the administrative department or center to agree in writing to assume responsibility for any charges made to a provisional financial account in the event the award does not materialize as anticipated. (Note: This is not a new aspect of this policy. This requirement has been in place for a number of years.) The Post-Award staff will attempt to confirm that the award is pending with the sponsoring agency prior to approving the pre-award account.

Sponsored projects that are awarded with contracts from federal and state governments, or for-profit sponsors pose greater risks than a federal grant when granting a provisional award. There is no 90-day pre-award authority given for such contracts (federal or non-federal). Spending authority and oversight are controlled explicitly through language that is specific to each contract. Unless the contract is in-house and currently under negotiation, it may be very risky to establish a pre-award account prior to receipt of the fully-executed award contract. Requests for pre-award accounts involving contracts will be carefully considered by the RI and will require complete backing by the department or center in the event the charges fall outside of the contract period or the contract itself does not materialize.

All compliance issues related to a sponsored project must be in place with appropriate approvals prior to granting a pre-award account. Compliance approvals for human subjects, research involving animals, conflicts of interest, etc., related to the project must all be current. All training requirements related to Public Health Services financial conflicts of interest (PHS FCOI) must be current, if applicable.

In the event that a pre-award financial account is not requested for a sponsored project, but work is initiated that will need to be charged to the sponsored project once an award is made, the department or center will be responsible for making all corrections to charges made to other non-sponsored accounts within ninety (90) days of receipt of the award. Under no circumstances should charges be made to an unrelated federal sponsored-project account while waiting for a new award. If charges must be initiated and the department or center is unwilling to back a provisional financial account, all charges should be made to an unrestricted account and will need to be moved retroactively to the appropriate account at the time of the award. Any charges made to an unrestricted account that are later determined to be outside of the award period or otherwise unallowable, will need to remain on the unrestricted account.

Although there are inherent risks involved in the backing of a pre-award financial account for a sponsored project, it is important to acknowledge that establishing a pre-award account is frequently less risky than beginning work on a project without funding. Employees should not be “hired” with the expectation of future funding.

Based on prior university experience, some agencies are considered to present a higher risk of failing to follow through on finalizing awards after initial positive notifications to PIs. Some State of Kansas agencies may fall into this category. Requests for the establishment of a pre-award financial account for a sponsored project from a sponsor considered to be higher risk may require additional approvals from the Associate Vice Chancellor for Research Administration on the Kansas City and Wichita campuses. The Post-Award Office at the RI should be contacted for further information.

**Related Policies:**

Entertainment Policy, KU Policy Library

**Contacts:**

Vice Chancellor for Research: 913-588-1698
Associate Vice Chancellor for Research Administration: 913-588-5436
Director of Sponsored Programs Administration: 913-588-1261

**History:**

Original Issue Date: 4/30/2008
Current Issue Date: 5/28/2015
RAC approved: 4/30/2008
Effective Date: 5/6/2008