

spa

sponsored programs accounting

WINTER 2010

Rochester Institute of Technology

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features

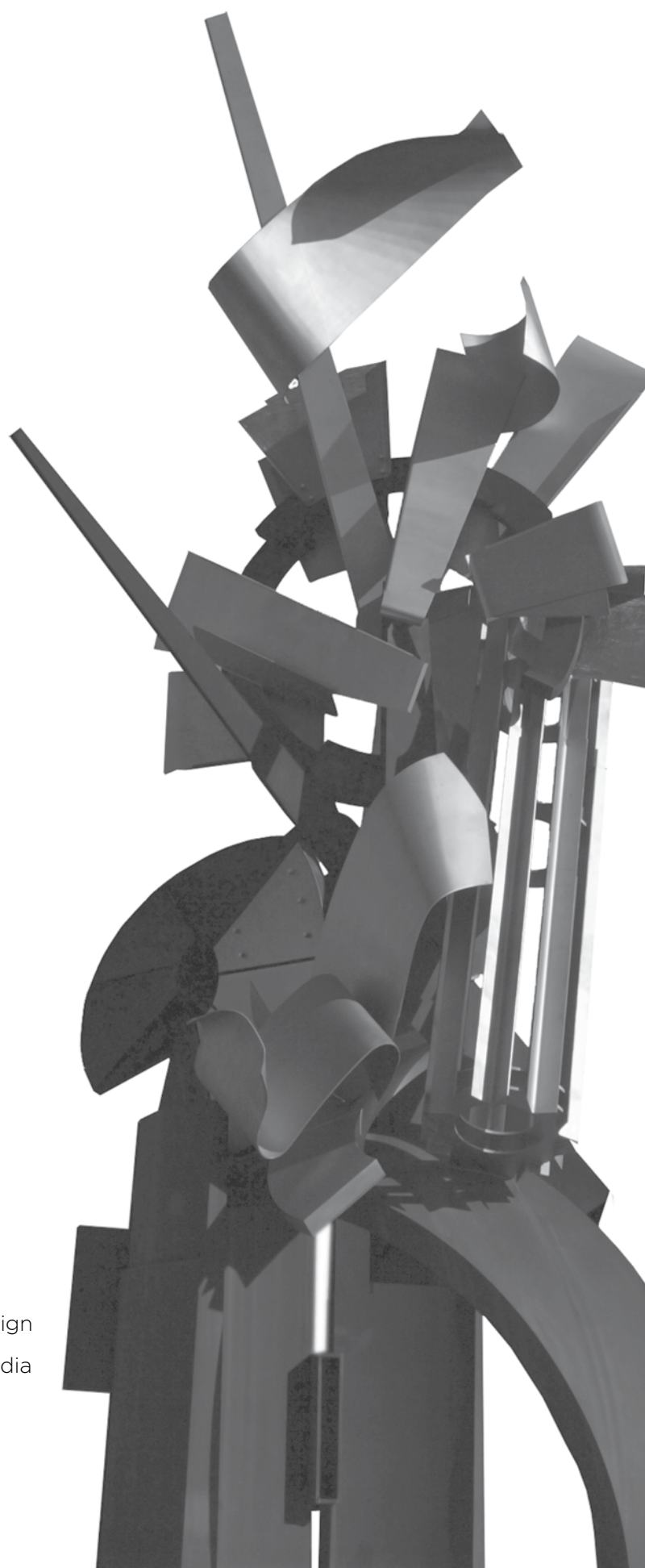
- 2 Letter from the Director**
Allocability - a basic principle to know and use
- 3 New SPA Procedure**
What's the default account on your ProCard?
- 4 Best Practices**
Meals and Refreshments – who pays?
- 5 SPA Spotlights**
Meet the CIMS team
- 6 Frequently Asked Questions**
Cost sharing: what, when and how?

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spa, is a newsletter published four times a year and will include regular features, process changes, sponsoring agency announcements, a calendar of upcoming events and personal introductions to the SPA staff.

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The Fundamentals of Sponsored Programs Accounting

Every federal award requires that we follow extensive regulatory requirements issued by the federal Office of Management and Budget (OMB). Called OMB Circulars, these regulations define administrative, audit, and costing requirements applicable to grants, contracts, cooperative agreements, and other forms of financial assistance. For instance, at over 100 pages, OMB's Cost Principles for Educational Institutions specifically defines (and often limits or restricts) the types of costs we can charge to sponsored projects.

The good news is you don't have to be an expert in or memorize the OMB Circulars - staff in Controller's Office, Sponsored Programs Accounting, and Sponsored Research Services are responsible for overseeing many of these requirements and we are always available to answer your questions. However, OMB has established a number of basic principles that everyone involved with sponsored projects should understand. Therefore, over the next several issues of the SPA Newsletter, we will be introducing these fundamental concepts.



“After reading this, you may say to yourself that this is just **plain common sense**. However, many of the recent allegations of non-compliance directed at major research institutions have been **based on this principle**.”

The first basic principle and perhaps the most important is allocability, which means that salaries and wages, equipment, travel, supplies, etc...are chargeable or assignable to a sponsored project only in amounts equivalent to the value received by the project. A cost is allocable if it is (1) incurred solely to advance the work under the sponsored project or the cost (2) benefits both the sponsored project and other work of the institution, in proportions that can be approximated through use of reasonable methods. So for example, if a principal investigator is spending 50 percent of his/her time on a sponsored project funded by the National Science Foundation and 50 percent on instruction-related activities, then no more than 50 percent of that individual's salary and related fringe benefits is allocable to the NSF award, regardless of the dollar amount of salary support provided for in the sponsor's approved budget.

OMB also defines circumstances when costs are always unallocable to federal projects. For example, any costs allocable to activities sponsored by industry, foreign governments or other sponsors may not be shifted to federal projects. In addition, any costs allocable to one sponsored project may not be shifted to other sponsored projects in order to meet deficits caused by cost overruns, spend down remaining balances, or to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience.

After reading this, you may say to yourself that this is just plain common sense. However, many of the recent allegations of noncompliance directed at major research institutions have been based on this principle. Therefore, we recommend that when charging or assigning costs to federally sponsored projects, you adequately document how the amounts charged in whole or in part are equal to the value received by the project.

William Harrison

03 new spa procedure

SPA approval of sponsored projects as procard default accounts

In the past, when a principal investigator received a new award and anticipated a large volume of small dollar purchases, he/she may have assigned the new project's account number as their procurement card's default account. However, in a recent sponsored programs audit, RIT's Office of Institute Audit, Compliance & Advisement (IACA) highlighted this practice as one that creates the risk of transactions being charged to incorrect object codes and/or projects.

IACA recommends using an operating or discretionary account as the card's default account, rather than a specific sponsored project. This practice provides an incentive to the individuals responsible for procurement cards to review and reallocate transactions to the proper account/object code. In addition, for principal investigator's that have multiple projects and only one procurement card, this process significantly reduces the risk of inappropriate charges inadvertently and erroneously being left on the project assigned as the default.

As a result, SPA now reviews all applications for procurement cards defaulting to a grant or contract account. On an exception basis, SPA will approve the application only if the principal investigator agrees to establish an effective documentation and review process. For example, an effective review process must include the use of the [Grant/Contract Procurement Card Purchase Approval Form](#) (or equivalent document) and the timely review and approval of the monthly transactions by the principal investigator.

To further reduce the risk of incorrect charges, each month SPA tells the PaymentNet Administrator which sponsored projects have ended and asks that they be removed from the Paymentnet system to prevent charges to the account.

To assist you with this process, we have a recommended best practice for the procurement card reconciliation process (described fully in the [SPA Newsletter, 2009 Summer Issue](#).) In addition, if you would like any assistance with this process or any other process related to the administration of your award, contact Yancey Moore – SPA Training Specialist, 5-5354, ylmcto@rit.edu

Meals and Refreshments during Non-Travel Status

One question we hear often from principal investigators is whether meals and refreshments (meals at a local restaurant or refreshments at internal meetings, etc...) can be charged to their project for local participants, i.e., RIT faculty, staff, and students on non-travel status. Our answer is almost always NO for the following reason: government officials and auditors often view meals and refreshment costs for local participants outside of travel status as entertainment and/or not necessary for the performance of the project.

For example, in a 1991 audit report, the Government Accountability Office (GAO) identified charges to National Science Foundation (NSF) grants totaling \$5,000 for pizza, deli sandwiches, luncheons, and dinners for local staff and students. GAO wrote that these costs were entertainment expenses and therefore unallowable under the Federal cost principles. Since that time, Federal officials have routinely questioned similar costs.

However, many sponsors do identify very limited situations where meals and refreshments for local participants at meetings or conferences are allowable. For example, NSF specifically states that “[w]hen certain meals are an integral and necessary part of a conference (e.g., working meals where business is transacted), grant funds may be used for such meals. Grant funds may also be used for furnishing a reasonable amount of hot beverages or soft drinks to conference participants and attendees during periodic coffee breaks.” NSF instructs recipients to “specifically and clearly” identify these costs in their proposals. Finally, NSF prohibits the cost of meals or coffee breaks for intramural meetings of the grantee organization.

The key phrase in the NSF guidance and that of other Federal sponsors is that the meals and/or refreshments (not the event itself) must be an integral and necessary part of a conference to be chargeable. For example, intramural meetings when all or most of the participants are faculty, staff, or students may be necessary, but they can occur without refreshments and therefore, the food is not integral, necessary or chargeable to the Federal award.

Two other common situations include (1) recruiting and interviewing grant personnel or (2) a professor is visiting from another institution to conduct work on the grant. In both of these situations, the meal costs of the interviewee or visiting professor are allowable and can be charged to your Federal project if they are on travel status; however, the meals of others in attendance cannot.

Finally, the U.S. Department of Justice provides its awardees with the following advice for the provision of food and beverages on its conference awards:

- Provide a speaker/program at a lunch or dinner
- Support the event with a formal written agenda
- The event where food is served must be mandatory for all participants
- Do not pay for bar charges using registration fees or make alcohol available at the event
- Provide appropriate break foods (e.g., light refreshments)
- Surrounding events (both before and after food/beverages are served) must provide several hours of substantive information (exhibits are not deemed substantive information)
- Do not end events with a meal and/or break.
- All costs must be allowable, reasonable, and necessary
- Maintain the following documentation:
 - Names of all the attendees
 - Prepare a statement that specifies the nature of the business conducted during the meal, why the meal was a necessary part of the meeting or conference and explain how it directly benefited the sponsored project
 - Attach a copy of the meeting or conference agenda

Debbie Calendine

Staff Accountant

Debbie Calendine joined the Controller's Office in August 2006 as a Staff Accountant and College Partner in the Center for Integrated Manufacturing Studies (CIMS). At that time, Debbie's accounting responsibilities included accounts receivable, financial reporting, and providing operational support to the CIMS Assistant Director for Finance and Accounting Operations. Due to her extensive involvement in the fiscal administration of CIMS grants and contracts Debbie moved to the Sponsored Programs Accounting team in 2007. Since then, Debbie has been able to leverage her 20 years of accounting and financial experience to support the CIMS organization in this dual capacity. Debbie's work ethic, positive can-do attitude, and exceptional customer service orientation has made her integral part of both the SPA and CIMS teams.



Joe Mendan

Financial Reporting Specialist

Joe Mendan joined the Sponsored Programs Accounting team in February 2008 as the Financial Reporting Specialist supporting the Center for Integrated Manufacturing Studies (CIMS). Before coming to RIT, Joe worked for 7 years at Harris RF Communications where his responsibilities included the development and reporting of R&D budgets, department overhead budgets, capital budgets & resource planning management. Joe's extensive experience working in an engineering research environment resulted in a smooth transition into the CIMS organization. In his dual role, Joe is primarily responsible for the fiscal management of all externally funded grants and contracts, including compliance and financial reporting. He also works closely with and provides direct support to the CIMS Assistant Director for Finance and Accounting Operations to manage numerous departmental financial activities. In this dual capacity, Joe has quickly become a vital part of both the SPA and CIMS' financial & compliance teams. In fact, Joe was recognized in 2009 along with Debbie Calendine and Randy Jones as the CIMS Team of the Year. Just recently, Joe and Debbie have taken on administering grants and contracts for both the NanoPower Research Labs (NPRL) and the Golisano Institute for Sustainability (GIS).

Cost Sharing:
What, When, How?



Are there different types of cost sharing?

Yes, there are three types of cost sharing: mandatory, voluntary committed, and voluntary uncommitted cost sharing. Mandatory cost sharing is required by the sponsor as a condition of the award and is specifically included in the notice of award or approved budget. Voluntary committed cost sharing is offered in the proposal but not required by the sponsor. Finally, voluntary uncommitted cost sharing is a cost associated with a project, which was not committed in the proposal or funded by the sponsor. As required, we track mandatory and voluntary commitments in the Oracle financial system using “C” accounts. However, we do not track voluntary uncommitted cost sharing, which is not subject to federal tracking, reporting, and documentation requirements.

What is Cost Sharing?

Cost sharing is that portion of the total project costs paid by RIT, or a third party, rather than by the sponsoring agency. All contributions, including cash and third party in-kind, are generally acceptable as cost sharing or matching when the contributions meet all of the criteria specified in OMB Circular A-110, Sub-part C, Section .23.

Can existing equipment or facilities, such as laboratory space, be offered as cost sharing in the proposal?

No, existing equipment and facility costs are recovered by the University through the application of our indirect cost (F&A) rate to each sponsored project.

What costs are acceptable as cost sharing?

In general, costs normally treated as direct costs on sponsored projects may be used to meet cost share obligations. Examples of expenditures that may be used to meet cost share obligations include, but are not limited to faculty, staff, or student salaries, supplies, travel, or equipment purchased solely for the project. Unacceptable forms of cost sharing include unallowable costs, such as alcoholic beverages, entertainment, and memberships in community organizations, educational discounts, or any other costs that are not relevant or necessary (i.e., allocable) to the project.

How do I track and monitor my cost share commitment?

Mandatory and voluntary committed cost sharing is tracked separately in the Oracle financial system using “C” accounts associated with the main project number. For example: cost sharing associated with project 30123 is tracked under project C0123. Expenses should be charged directly to the cost sharing project as proposed. Cost sharing projects should be reviewed monthly using the SPA Grants Statement for the C account.

Can I use the difference between the retail and educational discounted prices for goods or services as cost sharing on my project?

No, these discounts are usually provided to all educational institutions, and are not considered out of the ordinary. However, if a vendor or service provider discounts their goods or services well below the normal educational discounted price, then the difference may be used as cost sharing with prior approval of the sponsor.

workshop calendar



WORKSHOP TITLE	DATES	
Introduction to Accounting for Grants and Contracts	February 9, 2010	July 26, 2010
Other Direct Costs	February 25, 2010	July 28, 2010
Compensation and Effort Reporting for Grants and Contracts	April 13, 2010	July 28, 2010
Accounting for Cost Share Commitments	March 16, 2010	July 26, 2010
Audits and Compliance	June 15, 2010	July 30, 2010
Annual Recertification Workshop	June 22, 2010	
Annual SPARC Celebration	Sept. 6, 2010	

* Watch for more information about 2010 Summer Salary Hands-on workshop scheduled for Tuesday, April 27th at 3:00 in Building 78-2120.

announcements

American Recovery and Reinvestment Act (ARRA)

By now, you've probably heard of the American Recovery and Reinvestment Act, signed into law by President Obama on February 17, 2009, to create jobs and spur economic activity. What you may not know is that so far RIT has received over \$1 million in Recovery Act funding from federal agencies such as the National Science Foundation, the National Institutes of Health, the Department of Education, and the Department of Energy.

In addition to its economic objectives, the Act also includes significant new reporting requirements for all recipients. For example, recipients must report quarterly on the amount of monies spent, the technical status of the project, the number of jobs created and/or saved, and many other project-related details, all of which are posted online so the public can track where the funds are going and how the funds are being spent.

If you are interested in learning more about RIT's Recovery Act funding, go to www.recovery.gov.