

Grant Coordinator Meeting 2/19/04 Sponsored Programs Accounting

FY04 Internal Audit Review of Specific Sponsored Project

Observations:

1. Unallowable Direct Costs

Purchases were made for office supplies, postage, toner cartridges, monthly telephone line charges, and Ethernet charges. Per OMB Circular A-21 and the Iowa State University Sponsored Programs Costing Policy (see website: <http://ospa.iastate.edu/policies.htm>), these charges are typically considered indirect costs to the University and are normally not allowed as direct charges to federally sponsored program accounts. These types of charges may be treated as direct costs only where unlike circumstances exist and these costs are specifically documented in the proposal's budget justification.

2. Reimbursement for Phone Calls

Personal phone calls were reimbursed to the University, but were not applied to the account where the charges originally posted. Reimbursements should be processed as negative expenses using the same account and expense class code as the original transaction being reimbursed.

3. Documentation and Review of Expenditures

More than one individual maintained documentation for the project, including expenditures. Some documentation was missing, difficult to locate, or included incorrect receipts. The departmental office should ensure they receive a copy of the award documents from the Office of Sponsored Programs Administration (OSPA). All project expenditure documentation should be retained in one central location, preferably a departmental office. Costs charged to sponsored program accounts should be reviewed monthly for allowability and appropriateness, including review for compliance with the award's terms and conditions.

4. Business Purpose for Expenditures

Documentation for project expenses lacked detail and/or a business purpose. Expenditure transactions need to be adequately documented by identifying **who** purchased the item, **what** was purchased, **where** it was purchased, and **why** it was purchased. If all of this information is not contained on the receipt, invoice or sales ticket, it needs to be included in the explanation on the voucher or written on the receipt, invoice or sales ticket.

5. Expenditures with Incorrect Class Codes

Incorrect class codes were used on several expenditure transactions. Use of an incorrect class code can cause project expenditures to be listed in incorrect sponsored program budget categories on the Sponsored Programs Financial Report. Departments should pay close attention to the class codes assigned when preparing vouchers or processing p-card transactions.

6. Annual Conference Costs - Gift and Entertainment

Expenditures for the first annual conference included items identified as gifts and entertainment. Gifts and entertainment are unallowable expenses. The entertainment costs were determined to be speaker's fees. Departments should review costs for conferences to ensure that all costs are described accurately and only allowable costs are charged to federally sponsored program accounts.

7. Institutional Issues – Sponsored Programs Accounting

Sponsored Programs Accounting processed subcontractor invoices that did not include a signed certification statement or specific dates for the invoice period. Sponsored Programs Accounting has reviewed its procedures to ensure these items are included on invoices received from subcontractors.

The percent of effort verified on the EASE form for one employee did not match the final payroll distribution. A change funding source personnel action for the employee was processed after the EASE form was printed. Sponsored Programs Accounting is working with ATS to determine how best to respond to this issue.

Program Income

Program income earned as a result of a federally funded activity belongs to the sponsored project and must be used to advance project purposes. Section ___2 of OMB Circular A-110 defines program income as “gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award.” Program income includes, but is not limited to:

- income from fees or services performed under an award
- sale of commodities or items fabricated under an award
- use or rental fees of property acquired under the federal project
- registration fees from conference grants

The federal government has had a long-standing policy that program income constitutes sponsored project assets. Program income earned during the project period is to be retained by ISU and is to be used in accordance with the terms and conditions of the award. Under A-110, one of three alternatives may be selected by an awarding agency for the use of program income:

1. Additive Alternative
2. Cost Share Alternative
3. Deductive Alternative

If the award is for research and the award documents do not stipulate how program income is to be used, then the additive method is to be used. If the program is not for research, the default alternative is the deductive method.

The additive method is used most often by ISU projects. Program income received from an award's activity should be deposited in the related 4xx sponsored program account using the class code 91700 (Program Income Offset). The transaction will post to the 4xx account as a negative expenditure, thereby increasing the funds available for the project by reducing the cumulative expenditures on the project.

Unless the award terms specify otherwise, ISU has no obligation to the federal government regarding program income earned after the end of the project period.

Receipts in Excess of Budget Procedures

On a quarterly basis, the Sponsored Programs Accounting Office (SPA) monitors accounts to determine if GoldSheets have been processed for all receipts. The Sponsored Programs Financial Report is much more useful if the budget total is correct. If the budget amount is less than the total funds available on an account (or the total funds are more than the budget), a memo is generated to notify the principal investigator that a GoldSheet needs to be prepared to "catch up" the financial report and to register the new funds.

In December 2003, a new policy, *Processing Gifts and Contractual Awards*, requires all sponsored funding administered by Iowa State University to include a contractual agreement and all gifts to be administered by the ISU Foundation. The receipts in excess of budget memo sent out to PIs by Sponsored Programs Accounting has been revised to reflect this change in policy and is included in this handout.

In order to make the transition to the new policy, the Office of Sponsored Programs Administration (OSPA) is allowing departments to bring receipts in line with the budget by preparing supplemental budgets and attaching award documentation. Sponsored Programs Accounting will be sending out separate memos to Department Chairs to address funds deposited prior to December 2003.

When preparing the GoldSheet or supplemental budget, include any award documentation—agreements, letters from sponsor, cash report, etc. If cash received posted to the account with a receipt class code when it should have posted with a negative expenditure class code, prepare a cash receipt adjustment form to properly reclassify the cash reported. This might be appropriate where a reimbursement is taking place for expenses that are not the University's, i.e. travel reimbursement for faculty to attend a board meeting for a company on which he/she functions as an advisor outside of their ISU duties. A GoldSheet should **not** be processed for funds coded as negative expenditures or for gifts received.