

GRANT COORDINATOR MEETING 9/22/04 SPONSORED PROGRAMS ACCOUNTING

FISCAL RESPONSIBILITY OF DEPARTMENTS

Principal investigators and administering departments are responsible for the allowability and appropriateness of all expenditures on sponsored program accounts. This responsibility includes reviewing the sponsor's terms and conditions as stated in the award documents, and following the sponsor's rules and regulations for expenditures. This responsibility also includes ensuring expenditure transactions are 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.

Overexpenditures, unallowable costs, uncollectible accounts receivable (as determined by SPA) should be promptly covered by the PI and/or department. The Sponsored Programs Accounting Office is authorized to stop transactions and initiate transactions to resolve deficit balances if the PI and department do not take appropriate action.

AWARD REVIEW AND ACCOUNT MONITORING

Departmental Responsibilities

Beginning of Award:

- Review award documents and determine the applicable terms and regulations governing award administration
- Determine which expenses are allowable and appropriate and communicate understanding to all individuals authorized to spend funds
- Provide projected sources of cost share to SPA if not specifically identified in the award documents
- Work with the Office of Sponsored Programs Administration (OSPA) to initiate subcontract agreements

Departmental Responsibilities

During Award:

- Use appropriate class codes when preparing transactional documents (regular voucher, honorarium voucher, deposits on-line)
- Review all transactions posted on the monthly departmental statement for allowability and appropriateness
- Reconcile transactions listed on the monthly departmental statement to expenditure documentation

- Transfer unallowable and inappropriate costs to appropriate accounts
- Monitor accounts for cost overruns and initiate corrective action (correction vouchers, personnel actions)
- Monitor accounts for budget deviations and request rebudgeting if needed
- Initiate requests to OSPA for preaward spending, no-cost extensions, and equipment purchases not in the original budget if needed
- Maintain records to document cost share other than salary and unrecovered indirect costs
- If requested, assist SPA by working with sponsor when payments are delinquent
- Review and approve invoices from subcontractors
- Cover deficits resulting from cost overruns and uncollectible accounts

ACCOUNT CLOSEOUT

Sponsors usually allow 15-90 days after the termination date to closeout a project. All technical work should be completed prior to the termination date. The closeout period is to be used only for accumulating final technical and report costs and preparing technical and financial reports.

Departmental Responsibilities

30-90 Days before Termination:

- Communicate with the PI and determine whether or not an extension will be required, based on both the progress of the technical work and the level of funds remaining
- If an extension will be required, initiate request or ensure request is initiated by PI
- If additional funding on the same award number is expected or an extension will be requested, communicate this information to SPA
- Initiate any cost transfers or corrections prior to termination (personnel action forms, correction vouchers, etc.)
- Review costs incurred for allowability and appropriateness and remove any unallowable or inappropriate costs
- Review costs incurred for budget deviations and request rebudgeting approval if required

Departmental Responsibilities
0-90 Days after Termination:

- Ensure all costs initiated before the termination date have posted and all encumbrances have cleared within the closeout period (usually 15-90 days per the sponsor's terms and conditions) Remember: SPA often needs time to prepare the final invoice or final financial report
- Review costs posted after the termination date to ensure that there are no costs on the account which are for transactions initiated after the termination date (or recurring transactions for periods after the termination date)
- Deliver technical reports or deliverables to the sponsor by the deadline
- Notify SPA if the technical report or deliverable will not be submitted by the due date in the agreement
- Clear overdrafts and bring account balance to zero

UPDATED CORRECTION VOUCHER TEMPLATE FORMS

- The Correction Voucher template form has been updated. A new Payroll Correction Voucher (CV) is to be used for hourly payroll cost transfers.
- The new template forms can be found on the ISU website, indexed under University Form Templates, Accounting/Financial, or at: <http://www.ats.iastate.edu/forms/acctform.html>. These and other accounting template forms have been updated in the past year. Please check to ensure that you are using the latest versions of these forms.
- The new Payroll CV and the Accounting CV require a Justification for Transfer whenever the To: account is a 4XX account. These justifications need to have sufficient detail regarding the purpose of the transfer. Failure to provide a justification will result in the CV being returned to the department.
- CVs with 4XX accounts on the To: side need to be routed to Sponsored Programs Accounting, 3609 ASB.

SOME REMINDERS TO PREVENT CVs FROM BEING RETURNED

- Use the new forms.
- Include a sufficient justification on your correction vouchers.
- Do not transfer charges to a federal or federal flow-through award from an overspent account.
- Do not transfer charges that are over 90 days old to a federal or federal flow-through award. Charges over 90 days old cannot be moved onto a federal account, *even if the charges are appropriate for the account*.
- Do not transfer charges to an award if the charges are not within the To: account's award period.

EXAMPLES OF ACCEPTABLE COST TRANSFER EXPLANATIONS

Cost Transfers (CVs) must be supported by a justification that contains a full explanation of how the error occurred and a statement as to the correctness of the requested transfer.

- Account 4xx-xx-xx was not set up at the time the charge incurred. This transfer moves the expense to the appropriate project's account.
- Incorrect account charged due to a keying error. Account 4xx-xx-xx should have been charged. (Account numbers should be similar.)
- It was discovered during a review of departmental statements that the above expense was charged incorrectly to 4xx-xx-xx. Moving charge to the appropriate project's account.
- Account 4xx-xx-xx is overspent. Transferring excess charges to a fixed-price residual (or incentive or unrestricted funds).
- A change in administrative personnel in the department caused a delay in changing the appropriate project's account number for these intramural charges.

TRANSACTION CODES – FM SYSTEM

The following are definitions for the transaction codes (e.g., **E/RVH**) that appear on transactional detail screens in the Financial Management (FM) system. These transaction codes do not appear on the printed departmental statements.

The first character refers to what type of transaction it is.

A - Allocations - Can be a balance carried forward from the previous fiscal year, or an appropriation from the State of Iowa.

E - Expenditures - Funds used to obtain a good or service.

R - Receipts - Funds collected. Receipt class codes start with a zero.

S - Estimated Income - Used by the Controller's Department for budgeting purposes.

The last three characters refer to the source of the transaction.

ALO - Allocations (Original) - Initial allocations for state-appropriated funds, per the budget.

BFW - Balance Forward - For accounts that do not zero out at the end of the fiscal year.

BTA - Budget Transfer Allocation - A transfer of allocations between state-appropriated accounts, after the initial allocations.

BTR - Budget Transfer Receipt - A distribution of funds collected through Accounts Receivable.

BTC - Budget Transfer Close - All state-appropriated funds are zeroed out as of June 30.

CAN - Cancellation - Checks previously written are canceled, with the funds returned to the original accounts.

CME - Credit Memo - Funds received by ACH transfer or wire transfer.

CRA - Cash Receipt Adjustment - Changing an account number or class code when the original transaction was a Deposit Online or Credit Memo.

CRE - Cash Receipt Entry - Cash and checks deposited through the Treasurer's Office.

CVR - Correction Voucher - Includes both Payroll and Accounting Correction Vouchers.

DME - Debit Memo - Payments made by means other than an ISU check (e.g., cash, foreign currency draft, ACH transfer, wire transfer).

ESI - Estimated Income - Anticipated receipts for the current year's budget for state-appropriated accounts.

FTT - Funds Transactional Transfer - Moving expenses or receipts between accounts without affecting the class code previously used.

IBA - Internal Budget Adjustment - A transfer of allocations between the state-appropriated accounts controlled within the college.

INT - Intramural Charges - One university department charges another for goods or services.

PAC - Project Allocation Correction - Moving an allocation between section-project numbers within the same fund account.

PEC - Project Expenditure Correction - Moving an expenditure between section-project numbers within the same fund account.

PRC - Project Receipt Correction - Moving a receipt between section-project numbers within the same fund account.

RET - Revenue and Expense Transfer - An alternative to a Correction Voucher or Cash Receipt adjustment, for moving receipts or expenditures.

RVH - Regular Voucher - The source document for checks written.

TFB - Transfer Fund Balance - Transferring allocations between accounts that are not state-appropriated.

Website where this information is listed:

<http://www.ats.iastate.edu/vpbf/accounting/transactioncodes.htm>

This web page was last updated on September 2, 2004.

FOUNDATION ACCOUNT RESPONSIBILITIES

Donor Responsibilities

- To ensure document accurately reflects intent of the gift

ISU Administrator Responsibilities

- To ensure criteria allows for reasonable assurance of meeting donor's intent
- To follow donor intent in the use of the funds
- To spend funds in a timely manner

ISU Foundation Responsibilities

- To match donor's intent with reasonable assurance of spending
- To assist ISU administrators in interpreting spending criteria
- To report spending of funds to donors

ISU Departmental Spending on Foundation Accounts

- Spending must follow donor intent
- Spending documentation should clearly indicate how expenditure meets donor intent
- University policies apply
- Prudent use
- Monitor over and under spending
- All expenditures are public record
- Periodic reviews will be performed by Internal Audit and by the Foundation Auditors

Additional Information

- No receipts should be deposited into 497 parallel foundation accounts
- Do not deposit checks as negative expenditures into 497 Parallel Foundation accounts merely to avoid paying the 5% gift fee. If you don't go through the ISU Foundation to record and deposit gifts, the donor does not get credit for the gift and is unable to claim the gift on his/her tax return.
- When processing expenditures, document what it is for and how the expenditure complies with the donor's intent.

DISPOSAL OF PROPERTY PURCHASED WITH FEDERAL FUNDS

Iowa State University retains title to equipment purchased with Federal funds unless the awarding agency policy differs or a restricted equipment condition is stated in the award documents. During the award period of the project or program for which the equipment item was purchased, it should be made available for use on other projects or programs if this use will not interfere with the project's work. First preference should be given to other projects or programs sponsored by the agency that financed the equipment; second preference should be given to those sponsored by other Federal awarding agencies.

Equipment items can be used on the project or program for which it was acquired as long as it is needed after the ending date of the grant or contract. When the item is no longer needed for the original project or program, ISU shall use the equipment in connection with its other federally sponsored activities giving the same preference as indicated above.

Equipment that is excess to departmental operating needs or is being used as a trade-in or to offset the cost of replacement equipment will have Federal disposal requirements to follow if the item has a current value of \$5,000 or more. This applies whether the equipment item was purchased in whole or in part with Federal funds. Iowa State University is required to request disposition instructions from the Federal awarding agency, and may need to ship the equipment elsewhere or compensate the Federal awarding agency for this equipment. The department should contact the Sponsored Programs Accounting Office for assistance in complying with these Federal requirements.

NSF OIG CONFERENCE GRANT DESK AUDIT

ISU received notice of review and request for information in June of 2003. The purpose of this review was to assess compliance with terms and conditions of award.

Financial Information and Supporting Documentation Requested – Round 1 - June 2003

- Brief Description of Accounting System and Description of the Types of Records Maintained
- Costs Incurred by Expense Category by Year
- Program Income
- Documents to support all costs claimed and disposition of program income

ISU had three weeks to respond and discovered that conference registration fees were not treated as program income by the administering department. In June of 2003, ISU reported program income and made an adjustment to this financially closed award.

Request for Additional Information and Return of Excess Program Income – Round 2 – September 2003

- A list of attendees
- Copies of Registration Forms
- Documentation of Registration Fees Collected
- List of Conference Sponsors and Contributions
- Program Income Policy
- Itemized expenditure documentation for items paid with program income, including but not limited to:
 - Travel, food and beverage, social or business functions, speakers' costs, lodging and catering

ISU had four weeks to respond. Registration was handled via a website and no financial sponsorships were made. ISU's response to NSF OIG was 1 1/2 inches of paper information.

List of Questions on Information Provided – Round 3 – February 2004

- Purpose of payments made to events support company (Posterboards)
- Explanation for transfers to ISU bank (Credit Card Fees)
- Unspent Balance – not returned to NSF (Returned to ISU NSF control account)
- Purpose of banquet and extent of award-related business conducted. (Described in proposal and budgeted from registration fees)
- Use and allowability of program income for banquet. (Asked for guidance from NSF on expenses not budgeted or paid from NSF grant funds)
- Deposit to hotel and costs of lodging charged for speakers and attendees (Total hotel costs for food, lodging and meeting rooms exceeded deposit. Lodging charged only for ISU conference staff and conference technical speakers)

ISU had 16 days to respond, and submitted the information late in mid March 2004.

Follow-up on Previous Correspondence #1 – Round 4 – May 2004

- Use of grant funds was subject to the terms of GC-1 Grant General Conditions and FL-26, Administration of NSF Conference or Group Travel Award – Grant Special Conditions
- Section j of the FL-26 states that any “registration or other fees paid by conference participants shall be used to defray reasonable expenses directly associated with the conference for which funds are not otherwise available”
- Section k of FL-26 states that “costs of entertainment, amusement, diversion and social activities and any costs directly associated with such activities (such as tickets to shows or sports events, and related meals, lodging, rentals, transportation and gratuities) are unallowable”
- NSF OIG stated in this follow-up letter, “it does not appear that you had the necessary approval to use program income or other Federal funds to cover the entertainment costs of holding these social banquets. Therefore, we ask that you demonstrate through specific evidence that you were given explicit approval to use Federal funds in this manner, keeping in mind that alcohol is never an allowable charge.”

ISU had 18 days to respond.

Follow-up on Previous Correspondence #2 – Round 5 – July 2004

- Copies of E-mail correspondence between the NSF Program Officer and ISU’s PI were submitted to NSF OIG. NSF OIG determined that ISU was given implied approval by the NSF Program Officer to use program income to pay for the banquet activities at issue.
- NSF OIG advised that pursuant to section 1(a) of the GC-1 Grant General Conditions, ISU “has full responsibility for the conduct of the project or activity supported under this award and for adherence to the award conditions. Although the awardee is encouraged to seek the advice and opinion of NSF on special problems that may arise, such advice does not diminish the awardee’s responsibility for making sound scientific and administrative judgments and should not imply that the responsibility for operating decisions has shifted to NSF. By acceptance of this award, the awardee agrees to comply with the applicable Federal requirements for grants and cooperative agreements and to the prudent management of all expenditures and action affecting the award.”
- ISU was informed that **“for all current and future conference grants awarded to you by NSF, that your use of conference grant funds are subject to the terms of the GC-1 Grant General Conditions and the FL-26, Administration of NSF Conference or Group Travel Award- Grant Special Conditions, as well as any other terms cited in your award letter(s). As we previously noted, section (j) of the FL-26 directs that any ‘registration or other fees paid by conference participants shall be used to defray reasonable expenses directly associated with the conference for which funds are not otherwise available.’ Moreover, pursuant to section (k) of FL-26, ‘costs of entertainment, amusement, diversion and social activities and any costs directly associated with such activities (such as) are unallowable.’ Moreover, this is to confirm that registration fees and other program income earned can only be used for allowable costs, and that any costs for entertainment and other**

unallowable costs must be listed separately in registration materials with an optional fee associated with it, or must be covered by sponsors whose awards are not subject to the same conditions.”

- \$57 of program income (registration fees) was used to pay for alcohol. Costs for alcohol are always unallowable. NSF asked for ISU’s intent with respect to these funds.

Per several communications with NSF OIG, the use of the word “reasonable” in section (j) of FL-26 also means that the expense must also be allowable per the Federal costing principles. The administering department prepared a voucher for \$57 in late July as repayment of program income inadvertently used to pay for alcohol. NSF received the \$57 repayment and concluded its review.

When conference or group travel grants are received, please contact your Sponsored Programs Accountant to discuss the handling of registration and other fees (program income), and the specific terms and conditions of the award.

INTERNAL AUDIT UPDATE

FY04- Internal Audit Review of Second Specific Sponsored Project

Observations:

1. Expenditure Documentation

Bookstore receipts were not located with the project's other transactional documentation in the department's files. Supporting documentation for one expenditure could not be located. Supporting documentation for all of a project's expenditures should be maintained in a central location in the department.

2. Unallowable Direct Costs

Purchases were made for copy paper. Items such as copy paper and office supplies are typically treated as indirect costs to the University. Office supplies should not normally be charged to federal projects. Refer to the Iowa State University Sponsored Programs Costing Policy (see website: <http://ospa.iastate.edu/policies.htm>) for details.

3. Progress Reports

Progress reports for the project were not submitted by the due date stated in the award's terms and conditions. Progress reports should be submitted timely in accordance with the terms and conditions of the award.

4. Submission of Invoices by Subcontractors

The project was in its fourth and final year. Some of the subcontractors had not submitted invoices and some had spent less than 50% of their budgets. The expenses submitted by subcontractors are a reflection of the amount of effort they have contributed to the project. Subcontractors should be encouraged to submit their expenses on a timely basis for actual work performed.

5. EASE Reports

The administrative support person in the department signed an EASE form for an employee that no longer worked at ISU. In the absence of an employee, the EASE form should be signed by someone who has direct knowledge of the employee's activities. In this case, the employee's supervisor or the PI of this project would have been more knowledgeable of the employee's activities.

6. Signature Authority

An ISU employee with delegated signature authority was signing the name of the department head and adding her initials. Per the University Policy Manual 10.2(4), the individual to whom authority has been delegated should sign his or her own name. If it is necessary for the receiver's understanding or acceptance, the delegated signer and authorizer can both be listed (for example, "Jane Doe for Mary Smith").

7. Certification Statement on Subcontract Invoice

Sponsored Programs Accounting processed an invoice from a subcontractor that did not contain a certification statement or signature. The subcontractor was asked and has resubmitted the invoice with a signed certification statement.

FY05- First Project Selected for Internal Audit Review

ALLOWABILITY OF FEES ON FEDERALLY SPONSORED PROGRAM ACCOUNTS

The Grad College will check with the Sponsored Programs Accounting Office before processing any fees against Federal and Federal flow-through accounts. These are accounts within the funds series 401-xx-xx, 404-xx-xx AND 409-xx-xx through 439-xx-xx. Tuition would be the only allowable charge to the accounts in these fund series, except when the Federal or Federal flow-through account is a scholarship/fellowship award and the fees are included in the award's budget justification. These scholarship and fellowship accounts can only be assessed for mandatory fees required of all students in the same course of study.

Our current tuition policy does not refer to fees. Therefore, ISU does not have an established institutional policy for fees. Federal agencies would view these fees as unallowable charges, because ISU is not charging the Federal accounts for fees in a consistent manner. Departments should contact their Sponsored Program Accountant if they have questions.