

GRANT COORDINATOR MEETING 5/19/11 SPONSORED PROGRAMS ACCOUNTING (SPA)

NEW SPA STAFF MEMBER

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UNALLOWABLE COSTS

In response to an NSF desk review, Sponsored Programs Accounting now has an Unallowable Costs document posted on our website. This is written as a guide to the handling of costs that cannot be charged to a sponsored project due to sponsor and/or ISU policies, regulations and restrictions. Policies, regulations, and restrictions vary by sponsor and can even vary within the same sponsor dependent upon the type of award. Careful review of the award documentation, sponsor regulations, and guidelines along with ISU policies and procedures is necessary when determining whether a cost is allowable or unallowable for a particular sponsored project.

Costs that are specifically prohibited by the federal government include:

- Advertising for general promotion of the University
- Alcoholic beverages
- Alumni or fundraising activities
- Bad debts
- Charitable contributions, donations and gifts
- Commencement and convocation expenses
- Contingency provisions (i.e., reserves for future unanticipated costs)
- Entertainment and social activities
- Fines and penalties
- First class or other non-coach class travel
- Goods and services for personal use
- Legal fees
- Lobbying costs
- Losses (cost overruns) on sponsored agreements
- Membership in any civic or community organization, country club or social club
- Severance costs in excess of institution's normal severance pay
- Student activity costs

Costs that are normally treated as indirect costs and considered unallowable as direct charges to federal sourced awards (unless they meet the unlike circumstances criteria as described in the ISU Costing Policy) would include:

- Basic telephone line charges
- Cell phone charges
- General purpose equipment
- Office supplies
- Journals and subscriptions
- Memberships in professional and scientific organizations
- Photocopying
- Postage
- Salaries of clerical and administrative personnel

Costs that are unallowable as direct charges to federal sourced awards but have a legitimate University business purpose should be charged to unrestricted sources of funding, such as 70x general fund accounts, 490 incentive accounts, and 290 discretionary accounts. Costs that are unallowable as direct charges on federal sourced awards may not be used as cost share. If you have any questions regarding unallowable costs, please contact your Sponsored Programs Accountant.

EFFORT REPORTING AND CERTIFICATION TRAINING FOR PIs

In response to an internal audit, SPA has been working with the Office of the Executive Vice President and Provost and the VPR/ED office to develop an online Effort Reporting and Certification Training course for PIs. Emails will be sent to PIs with federal sourced awards asking them to complete this training being offered through WebCT. The course consists of 3 flash file presentations and a 10 question assessment. SPA will also post the training presentations on the SPA website so that those not required to complete the training but wishing to view the information can do so.

NOTICES FOR NEW SUBAWARDS

In the past when a new purchase order was created for a subaward on sponsored funding (purchase orders ending in -23) SPA has sent a paper copy of the PO to the departmental administrator. SPA will no longer send paper copies, but will instead send an email advising the departmental administrator that a PO has been established which can be viewed in WebFM.

SPA NOTICES

With the transition to Quali Coeus we are reviewing those items we consider critical to our daily duties and those which are not, setting priorities and evaluating what the new systems will offer. Jeff and Neena have been working on reports and notices that are generated by the new system compared to what we now have available. SPA currently generates emails for awards terminating in 90 days, overspent accounts, and accounts where the spent balance has reached 90% of the budget. Some of these reports may no longer be available in an email format, but may instead be accessible within the new system requiring the department to go view them on a

monthly basis. We are interested in hearing how you would assess the value of the 3 email notices mentioned above as we try to determine the priority of each.

FIXED PRICE RESIDUAL ACCOUNTS

SPA is in the process of sending emails to departments to close out fixed priced residual accounts in preparation for the transition to Kuali Financial Systems. In the past fixed price residual accounts were given end dates of 12/31/2099, which in the the KFS system creates issues. While there may be a few exceptions to closing out these accounts, the vast majority will need to be closed to a 290 account. Per a request from the Office of the Executive Vice President and Provost, SPA will no longer close out residual balances to 490 accounts. 490 accounts are to be funded only by RMM idc distributions.

If you need a 290 account established you may submit a request to Financial Accounting and Reporting (FAR). The request form can be found on FAR's website under the "Account Number Request" link. You do not need to wait for an email from your SPA accountant to close out these accounts. The transfer can be done using an AJE with a 699-00 class code and a 2 in the offset field for both sides. If the residual account has unposted indirect costs, feel free to contact your SPA accountant to confirm or determine the transfer amount which will zero the account.

ADDITIONAL FUNDING AND USE OF ADVANCED ACCOUNTS

Additional Funding

Departments can be at financial risk when anticipating additional funding for a project. Often times additional project funding is issued under a new PO or grant/contract number. If the funds involved are federal sourced and the existing account has become overspent, a new agreement number would make it impossible under federal guidelines to transfer those expenses to the newly established account number.

New funding consists of new or additional funds related to a project, but is identified with a different contract or grant number than any previous funding. An example of new funding would be an NIH competitive segment. Funding for the first segment would normally consist of five years. When the first segment was completed, additional funding under a new contract or grant number for an additional five year period could commence. SPA establishes a new account number and new award file for each new contract or grant number.

Additional funding is issued under the same contract or grant number for additional periods, subsequent to the first period. Another term for this type of funding is incremental funding. The difference between new funding and additional funding is the fact that additional funding always remains under the same grant or contract number. Another factor to remember about incremental funding is that subsequent years may not be guaranteed. An example of this type

would be funding received for Year 2 of an NSF grant, where the project was initially budgeted for three years, but funding beyond Year 1 is contingent on the availability of funds and the scientific progress of the project. As funding is available, the subsequent years are funded by the sponsor. SPA uses the same account number and adds a budget for the additional funds received to the existing budget.

One of the more common sources of problems is when the funds are coming to Iowa State as federal flow-through funds. ISU does not have the prime agreement and therefore is not directly involved in those negotiations with the prime sponsor. ISU cannot contact the prime sponsor directly, but we can contact our flow-through sponsor to ascertain how they will be issuing subsequent funding pieces. If you have not been able to determine how additional funding will arrive from the sponsor, please contact OSPA or SPA and we will be happy to assist. When in doubt, it is always safest to request an advanced account number.

Advanced Accounts

An advanced account number makes it possible for an account to be established prior to award execution. Occasionally awards will get delayed at the sponsor during negotiation or award processing or there may be uncertainty whether the funding will be issued as new or additional funds. An advanced account allows spending to begin immediately while the details are being worked out. The advanced account also eliminates the need for corrections and transfers from other accounts to the project account for expenses that posted while waiting on the award to be finalized.

Procedure-

1. Obtain the Request for Advanced Account Number Form from the OSPA website found under the Forms link.
2. Complete the form, route form for approvals, and forward to OSPA.
3. OSPA reviews and approves form, and forwards to SPA with any correspondence or documentation.
4. SPA establishes a new account number on the system identifying it as an advanced account (account title description will start with ADV). The system will show only expenditures. The budget and award information will be entered after the award is finalized.
5. SPA clerk sends out an e-mail notifying PI, Department and Unit that the advanced account is established.

Things to remember-

1. The department assumes the risk of expenses not covered by changes in the contract or failed negotiations of contract.

2. If exact start date of award is unknown and expenditures post prior to the contracted start date of the award, the department must get approval for the pre-award expenses. With some federal sponsors, OSPA has been granted institutional authority to approve 90 day pre-award spending. SPA will set up the account with an effective date equal to what you indicate the anticipated start date will be.
3. The Department needs to monitor the advanced account to ensure that an agreement is in place within 3 months of the advanced account being established to limit risk.
4. If the PI leaves prior to receiving the award or if you learn that the award is not going to be executed, notify SPA so the advanced account can be closed. You will then need to move the expenditures off of the advanced account to a discretionary account.
5. If the department is uncertain whether new or additional funding will be received, then it is in their best interest not to overspend the existing project's budget and request an advanced account number. If additional funding is received, the advanced account can be turned into a subaccount.

FLY AMERICA ACT WAIVER DOCUMENTATION

Recently ISU received a request for documentation from the National Science Foundation that included an air ticket for foreign travel with a leg on a foreign air carrier. ISU tried to locate documentation showing that no U.S. air carrier was available for this leg of the trip and neither the travel agency nor the department had documentation to support an exception to the Fly America Act.

When federal funds are being used to purchase international air tickets, the travel must be compliant with the Fly America Act. This means that the air travel must be provided by U.S. flag air carriers. If a U.S. flag air carrier is not available, the exception must be documented by the department. The "Fly America Act Waiver Checklist" should be used to document the exception. If the University contracted travel agency was used, the form requires the signatures of the travel agent and the traveler. The completed form must be retained by the department for a period of ten years. This can be done by keeping a copy of the form in departmental files or by attaching the form to the traveler's receipts in the Employee Reimbursement System. SPA would encourage departments to also retain itineraries for foreign air travel.

To assist in identifying U.S. flag air carriers, the following is a brief list of the major U.S. carriers flying to/from international cities (and their airline codes). The two letter airline code will appear on the air ticket or itinerary in front of the flight number. Flights with these carriers and airline codes are Fly America Act compliant.

American West (HP)

American Airlines (AA)

Continental (CO)
Delta (DL)
Northwest Airlines (NW)
United Airlines (UA)
US Airways (US)

The Fly America Act Waiver Checklist (as well as more detailed information on the Fly America Act) can be found on the Controller's Department website at:

<http://www.controller.iastate.edu/travelinformation/airfarerestrictions.htm>

SUBCONTRACTOR INVOICE APPROVALS FOR NEW VO SYSTEM

The Controller's Department will be transitioning in early fiscal year 2012 to a new system for processing vouchers. The Voucher on Purchase Order (VO) system will begin to be used to approve tracking voucher payments to vendors, including subcontractors. The new system will create a paperless approval process with designated departmental approvers.

As part of subrecipient monitoring for subawards, it is important that ISU Principal Investigators review and approve subcontractor invoices for reasonableness. With the paper system, this was done by the PI reviewing the subcontractor invoice and signing the tracking voucher to approve payment. If the PI was not present, approval to pay the invoice would be obtained by the department getting an e-mail approval to sign the voucher on the PI's behalf.

With the VO system, the PI should still continue to review the subcontractor invoices. In order to accomplish this in the paperless VO system, the department approver can obtain PI approval via e-mail and make a note in the VO system or attach the PI's e-mail approval to the voucher. We believe that a pdf file of the subcontractor's invoice will be able to be copied into an e-mail. Another option is to add the PI to the routing of the voucher as an ad hoc approver. This would mean that the PI would need to log into the new VO system and approve the transaction.

Either of these options would be an acceptable method of demonstrating PI approval of subcontractor invoices. SPA is providing this information so that departments can start planning how they will change their procedures when we move to the new system.

QUESTIONS/NEXT MEETING

Thursday, September 15, 2011, Pioneer Room, MU