GRANT COORDINATOR MEETING 11/11/04
SPONSORED PROGRAMS ACCOUNTING

ANNUAL DOCUMENTATION OF COST SHARE

It's time to document cost share again!

Last year, there were a number of departments that did not respond to Sponsored Programs Accounting's request for cost share documentation and information. This year, departments will need to respond to these requests within 60 days or the related sponsored programs account will be closed.

Cost share is "matching" funds from ISU or another party that are required by the terms of the sponsored agreement or are voluntarily committed in the proposal. Whether cost share is mandatory or voluntary, ISU needs to track the cost share incurred to date, and must adequately document the cost share achieved in the award file maintained by Sponsored Programs Accounting. Cost share can be incurred for direct costs, and/or indirect costs. Documentation for ISU's cost share includes EASE forms for salaries and benefits, transaction detail for other (non-salaries and benefits) direct costs (e.g., a departmental statement with cost share transactions highlighted), and calculations of unrecovered indirect costs. Another form of cost share is third party in-kind contributions which are contributions from sources outside of ISU. This form of cost share should be documented on the third party's letterhead, and should indicate the cumulative dollar amount of cost share achieved, an indication of how the valuation was computed, the period of time over which cost share was incurred, and should be signed by an authorized official of the third party organization.

Documenting cost share is crucial! If at the end of a project ISU is unable to adequately document the amount of cost share pledged, ISU may be required to return a portion of the funds received back to the sponsor. The PI, administrating department and administrating unit would be responsible for covering the deficit related to any funds returned.

USE OF DISCRETIONARY (290) AND INCENTIVE (490) FUNDS

Two types of fund accounts are considered "discretionary" funds. They are 490-incentive accounts and 290-residual fund accounts.

Incentive (490) accounts must always maintain a positive cash balance. Incentive accounts are funded monthly by a transfer of 15% of the indirect (F&A) costs posted on each qualifying award for that month.

Discretionary (290) accounts also must maintain a positive cash balance. These accounts have funds deposited or transferred from unrestricted sources. Funds cannot be transferred into 290 accounts from other restricted fund accounts. Examples of funds that could be deposited or transferred into a 290 account are residual funds from a past term fixed price sponsored project (4xx account) and payments made for staff consulting services.

The administering department has the responsibility of ensuring that expenditures comply with university policies. Allowability indicates that the expense <u>can</u> be paid from the designated funds; i.e., it conforms to the policies governing the funds. Appropriateness refers to whether the expense <u>should</u> be paid from designated funds; i.e., it benefits the department, grant, or university, is reasonable under the circumstances, and is adequately documented. Expenditures charged to all university accounts must be <u>both</u> allowable and appropriate.

Generally, only the administering department can determine appropriateness. However, several types of expenses are generally unallowable from university funds (exceptions are made for agency (206) funds and Foundation (497) funds subject to restrictions). These unallowable expenses include the cost of membership in any social, dining, or country club, alcoholic beverages, donations, employee hospitality functions, flowers or gifts of any kind in connection with the illness or death of employees or family members, flowers and artwork for private offices, and any purchase solely for the benefit of an individual. Departments and colleges have the authority to exercise more conservative application of these allowability guidelines.

Except in agency (206) funds, the purchase of coffee, soft drinks, doughnuts, or other food is allowable only for infrequently occurring functions with an explicit business purpose. Examples of infrequently occurring functions are: annual planning retreats, retirement receptions, and guest speaker receptions. By noting who, what, when, where, and why the expense is allowable, the administering department is certifying that the purchase is appropriate.

Any charge that is allowable from university funds and is appropriate may be charged to a 290 account or a 490 account. Charges are appropriate if there is a legitimate university business purpose for the expense. Administrating departments must determine and document the business purpose of expenditures on all university accounts, including 290 and 490 fund accounts.

RETROACTIVE PERSONNEL ACTIONS AND RELATED TUITION COST TRANSFERS

When a sponsored project pays for a graduate student’s stipend and the terms and conditions of the award permit the charging of tuition, then a portion of the tuition is to be paid from the sponsored project account. In the Fall of 2005, 12.5% of the tuition was the minimum required to be paid from the sponsored project account(s) if tuition was allowable. All graduate students holding an appointment of at least ¼-time for at least 3 months in the fall are to receive a tuition scholarship benefit unless they are academically ineligible.

When electronic personnel actions are initiated to change the funding of a graduate student's stipend, then it is important for the department to review how the tuition for that student was funded and determine if any tuition costs also need to be transferred. The following parameters need to be considered:

- The general policy is to charge tuition to the same account as the graduate student salary is charged if tuition is allowable.
- A graduate student must be employed for 3 months during the Fall 2004 or Spring 2005 semester in order to receive the tuition benefit.
- When the graduate student appointment is entirely on one cost reimburseable sponsored program account for at least three months of the semester, the tuition need not be prorated.
- For cost reimburseable sponsored projects, tuition should be prorated if more than one 4xx account is funding the stipend during a 3 month period of the semester. The tuition charged should be in the same proportions as the salary is paid.
- Generally where tuition is allowable, Federal and Federal flow-through accounts can be only charged up to 62.5% of tuition in FY05.
- Moving tuition costs via a correction voucher onto Federal and Federal flow-through accounts must be done within 90 days of the post date. Charges over 90 days old cannot be moved onto a Federal account, *even if the charges are appropriate for the account*.

Please feel free to contact your sponsored programs accountant if you have any questions in determining the appropriate amount of tuition that should be charged to sponsored project accounts.

UPDATE: INTRAMURAL EXPENDITURE DOCUMENTATION

AIT- Disk Storage Space   Contact: Brent Swanson, 4-8510.

Documentation will be provided if requested by department. AIT is working on a program to send out an email with transaction information available on a website.

EMMS- Educational Mat'ls and Mrktg. Services   Contact: Hazel Peterson, 4-9915.

Contact person/requester was being sent documentation. EMMS to revise procedures so that documentation is now sent to recipient and address listed for account charged on the Account Title system.

Areas needing additional followup:
AIT- Test and Evaluation Services
CECS- Continuing Education and Communication Services
IES- International Education Services
Others???