

**GRANT COORDINATOR MEETING 9/22/05
SPONSORED PROGRAMS ACCOUNTING**

INTRODUCE JEFF KLEIN – SPA Accountant for College of Engineering and IPRT

SPA ORGANIZATION BY COLLEGE/UNIT – handout

INDIRECT COST INCENTIVE PROGRAM

Overview

The indirect cost incentive program was originally established to encourage PIs to obtain full indirect cost recovery on awards. Fifteen percent of the indirect cost charged on qualifying awards is credited back to the PI's incentive account in the 490 fund series.

In order to qualify for incentive on **awards executed before 7/1/02**, the award must have utilized the full HHS negotiated indirect cost rate applicable. If the sponsor limited recovery to a certain percentage, this was not considered full recovery. However, if the award legitimately utilized the off-campus IDC rate as opposed to the on-campus rate, the award qualified for the incentive program if the full off-campus rate was charged.

In order to qualify for incentive on **awards executed on 7/1/02 or after**, the award must bear the full allowable indirect cost rate applicable. If the sponsor limits recovery to a certain percentage, this is considered full allowable recovery.

In addition, if a multi-year proposal is submitted with the full indirect rate (awarded prior to 7/1/02) or full allowable rate (awarded on 7/1/02 and after), and the negotiated indirect rate increases during the life of the award, the award will continue to qualify for the incentive program even if the sponsor holds the rate to its original level.

Limitations on 490 Accounts

- The 490 account must always maintain a positive cash balance. The 490 account is funded monthly by a transfer of 15% of the indirect posted on each qualifying award for that month.
- Incentive is transferred from the IDC holding account, not the research award. The effects of the incentive program never appear in the accounting of the award.
- A PI will have only one incentive account regardless of the number of awards that are generating incentive.
- Any charge that is appropriate (must provide benefit to the university) and allowable in the university system may be charged to the incentive account.
- The 490 account will remain active as long as the PI is associated with the university and the account has a positive balance. If a PI leaves the university or retires, the unspent balance in the incentive account will revert to the PI's department/research unit for their use.
- Work performed in Ames Lab facilities is not eligible for incentive.

Sponsored Programs Financial Report

The current month's incentive distribution will appear on the back side of the sponsored programs financial report at the top. The incentive accounts, the rate of incentive and the dollar amount distributed for the month will appear, as well as the total amount of incentive distributed since award inception.

Tips for Departments

When new or additional funding is received, review the FM system's IA screens to ensure that incentive accounts are listed correctly. Contact your SPA Accountant if you have any concerns.

FC IA F-A 420 25 08 S-P START

US NSF Itemized Budget Breakdown DATE 09/17/05 11:11
CENTER FOR NON-DESTRUCT E By Account
THOMPSON R BRUCE # EEC0334891-CNDE-THOMPSO FISCAL YEAR 2006
10-01-2003 TO 09-30-2008

SPONSOR US NSF REF# EEC0334891 ID 75558
ENTER DATE 07-26-2005 BY RLHOVER SPA ACCOUNTANT Jeff Klein

TOTAL BUDGET	50,000.00	SUPPLIES/MATERIALS	2,700.00
SALARIES/HOURLY	21,614.00	SUBCONTRACTS	0.00
PAYROLL BENEFITS	6,700.00	OTHER DIRECT COSTS	0.00
EQUIPMENT	0.00	ADVANCED OUTSTD	0.00
TRAVEL-DOMESTIC	3,000.00	PROGRAM INCOME	0.00
TRAVEL-FOREIGN	0.00	FACILITIES/ADMIN	15,986.00
STUDENT TUITION	0.00		

MEMO
INCENTIVE ACCOUNTS 4902530 7.50 % 4902558 7.50 %

AC370
F1=H1p F3=Ext F4=Trn F5=BSc F6=FSc F7=Up F8=Dn F9=Lf F10=Rt F11=Prv F12=Nxt
Trn SSL R 1 C 13

When preparing Supplemental Budget (S/B) forms for subawards, be sure to include incentive distribution information in the lower right "Incentive Distribution" section of the form. The PI of the main award is also required to sign off on this form. If the incentive distribution information is missing on the S/B form, then incentive may not be distributed. If the incentive distribution information on the S/B form is different than what was listed on the e-goldsheet, SPA will distribute incentive based on the information listed on the S/B form.

US EPA LIMITED SCOPE REVIEW –UPDATE

A limited scope review of ISU’s financial management system for managing Environmental Protection Agency (EPA) funds was completed during April of 2005. Seventeen EPA agreements, with a total award amount of ~\$5.2 million, were reviewed. The report issued included one system weakness regarding consultant payments that needed improvement for compliance with EPA grant requirements.

Part 30.27 of Title 40 of the Code of Federal Regulations states in part:
“EPA will limit its participation in the salary rate (excluding overhead) paid to individual consultants retained by recipients ... to the maximum daily rate for Level 4 of the Executive Schedule unless a greater amount is authorized by law.”

Therefore, the salary/hourly rate paid to individual consultants from EPA agreements is limited to the maximum daily rate for Level IV of the Executive Schedule. The maximum hourly rates are as follows:

2003	\$64.42/hr (\$515.36/day)
2004	\$65.82/hr (\$526.56/day)
2005	\$67.45/hr (\$539.60/day)

ISU repaid EPA \$1,259.76 for the costs disallowed during this review. One ISU department had to cover \$999.81 of disallowed direct costs. As new EPA awards and EPA flow-through awards are received, Sponsored Programs Accounting will send out a letter to PIs which communicates that the funding is subject to this limitation, and also states that ISU is required to utilize minority and women business (MBE/WBE) enterprises for procurement.

Please keep this rate limitation in mind when preparing proposals to EPA that include individual consultants, and also when working with the Purchasing Department on PSAs for individual consultants to be paid from EPA awards and EPA flow-through awards.

JUSTIFICATION ON COST TRANSFERS (CORRECTION VOUCHERS AND RETROACTIVE PERSONNEL ACTIONS)

Cost transfers with inadequate explanations are considered a red flag to auditors. Auditors often focus on retroactive payroll cost transfers and transfers occurring at the end of the project. These transfers are hard to defend if not properly justified and documented.

In NIH’s recent \$6.5 million dollar settlement with the Mayo Foundation, cost transfers that appeared to shift costs to underspent grants without adequate supporting documentation were at issue. OMB Circular A-21 requires that costs must be reasonable (necessary for performance of the sponsored project) and allocable (charged to project based on benefit to project).

Cost transfers must be supported by documentation that fully explains how the error occurred or why the transfer is appropriate. Transfers of costs from overspent accounts to federal awards are not allowable. The following explanations for cost transfers to federal awards are not sufficient or not appropriate:

- To zero out account
- To correct error
- To transfer to correct project
- To transfer deficit

Please ensure that your department is providing an adequate justification and explanation for its cost transfers. The “Justification for Transfer” section of the Correction Voucher or Payroll Correction Voucher forms must be completed when transferring costs to 4xx accounts. The Special Conditions and Comments sections of Electronic Personnel Actions should be used for adequately justifying retroactive payroll transfers. Please contact your Sponsored Programs Accountant if you need additional assistance.

OTHER ISSUES/CONCERNS/QUESTIONS

Sponsored Programs Accounting			
Campus Address: 3609 ASB			
Phone: 4-4569			
ORGANIZATION BY COLLEGE/UNIT			
		7/1/2005	
<u>UNIT NAME</u>	<u>UNIT CODE</u>	<u>RESP CODE</u>	<u>ACCOUNTANT</u>
Ag Admin	01	A	LISA
Engineering	02	E	JEFF
FCS	03	A	LISA
LAS	04	D	TROY
Vet Med	05	D	TROY
Education	06	A	LISA
Design	07	D	TROY
Business	08	D	TROY
Library	09	B	MEI
Human Sciences	10	A	LISA
FPM	11	B	MEI
Bus & Finance	12	B	MEI
Student Affairs	14	B	MEI
V Prov for Research	17	G	SHONA
Provost	18	B	MEI
President	19	B	MEI
Ames Lab	25	E	JEFF
Coop Ext	30	B	MEI
Ag Experiment Station	40	A/C	LISA/SHARREE
IPRT	65	E	JEFF
Plant Sciences Institute	66	B	MEI
VPR-IRISS	78	G	SHONA
Control Accounts	99	M	BECKY
KEY:			
<u>SPA STAFF</u>	<u>RESP CODE</u>	<u>PHONE</u>	<u>E-MAIL ADDRESS</u>
Lisa Shoemaker	A	4-5331	lshoem@iastate.edu
Mei Hu	B	4-9537	meihu@iastate.edu
Sharree Rupert	C	4-5330	srupert@iastate.edu
Troy Nichols	D	4-8945	tdnicho@iastate.edu
Jeff Klein	E	4-5276	jeklein@iastate.edu
Richard Hoversten	F	4-4569	rhover@iastate.edu
Shona Roberts	G	4-5214	ssrober@iastate.edu
Becky Musselman	M	4-5279	rjmusse@iastate.edu

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