

**GRANT COORDINATOR MEETING 5/18/06  
SPONSORED PROGRAMS ACCOUNTING (SPA)**

**SUBRECIPIENT MONITORING**

SPA has developed a tri-fold flyer on subrecipient monitoring for PIs. Initially this flyer will be sent to all PIs with active subawards (a.k.a. subcontracts or subgrants). After the initial distribution, the flyer will be sent to PIs of projects with new subawards who did not receive a copy during the initial distribution. This flyer contains information that PIs need to know about monitoring their subrecipient's activities.

In addition to this, SPA is creating a questionnaire that will be sent out to some subrecipients that are determined to be of a higher risk by ISU. Some of the criteria which would make a subrecipient considered to be of higher risk are: those subrecipients with findings in their A-133 audit; subawards that are greater than \$500,000; those subrecipients that ISU has no prior history of issuing subawards to; and foreign subrecipients. This questionnaire will help ISU in determining how closely we need to monitor a specific subrecipient.

For questions regarding subrecipient monitoring please contact Lisa Shoemaker at 294-5331.

**NIH COMPETING RENEWALS AND CARRYFORWARD INFO**

**Cost Overruns:**

The NIH Grant Policy Manual states “transfers of costs from one project to another *or from one competitive segment to the next* solely to cover cost overruns are not allowable.”

What is a competitive segment? When NIH issues an award, the Notice of Grant Award will list both a budget period and an award period:

Budget Period: 09/30/2003 – 01/31/2004

Project Period: 09/30/2003 – 01/31/2006

The Project Period is the competitive segment, while the Budget Period is the time that the current budget being funded is issued for. A Project Period is limited by NIH to a maximum of 5 years, exclusive of no-cost extensions.

After the Project Period ends, a PI may submit an application for a competing renewal. If awarded, additional funding for the project will be received and a new account number will be assigned by Sponsored Programs Accounting. It is important to know when your NIH award is receiving additional funds under a competing renewal. NIH will not allow cost overruns to be transferred from one competitive segment to the next. It is SPA's recommendation that, when you know you will be receiving a competing renewal, a request be sent to OSPA for an advanced account number to avoid the potential for cost overruns on the prior competing segment.

Heightened monitoring of accounts undergoing competitive renewals should help reduce the risk of the PI and/or Department needing to cover cost overruns from unrestricted funds.

### **Carryforward of Unspent Balances:**

For NIH awards under SNAP (Streamlined Noncompeting Award Procedures) provisions, carryforward is automatic between noncompeting renewals. Once a competitive renewal occurs, if the prior competing segment ended with an unspent balance you will need to work with your SPA Accountant to determine how to transfer those unspent funds to the new competing segment. In these instances, the carryforward amount must be reported when the final FSR (Financial Status Report) is submitted to NIH by SPA. For NIH awards NOT under SNAP, carryforward is not automatic and must be requested. In many instances, the request can be made when the final FSR is submitted to NIH by SPA. In other instances, the NIH Grants Specialist may ask that a written request justifying the carryforward be submitted to NIH. This is where you will need to work with OSPA and your SPA Accountant to get NIH the requested information to be able to receive approval for the carryforward.

When NIH shows on NIH Commons that the transfer has occurred, SPA will add a budget for the carryforward amount to the new account number for the competitive segment.

## **SUBSEQUENT FUNDING AND USE OF ADVANCED ACCOUNTS**

### **Subsequent Funding (three types):**

1. New Funding: Consists of new or additional funds related to a project, but 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 one segment would consist of five years and when the five years was completed additional funding under a new contract or grant number for an additional five years could commence. SPA establishes a new account number and new award file for new funding.

2. Additional Funding: Funding 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.

3. Continuation Funds: This type of funding is made available by the sponsor for a subsequent funding period for an existing project, often identified with a slightly different contract or grant number. Situations involving the identification of continuation funds can be tricky, and the following criteria must be met: no funding gap between award periods; exact same project title; and same/similar grant or contract number. The sponsor may need to be contacted to determine if funding is considered new or continuation funding. SPA establishes a new account number and new award file for continuation funding.

### **Advanced Accounts:**

1. Purpose- Allows spending for a project prior to award execution. Occasionally awards will get delayed at the Sponsor during negotiation or award processing, and advanced accounts allow 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.

2. Procedure-

- i. Obtain the Request for Advanced Account Number Form from the OSPA website (remember to print the form off on salmon colored paper).
- ii. Complete the form, route form for approvals, and forward to OSPA.
- iii. OSPA reviews and approves form, and forwards to SPA with any correspondence or documentation.
- iv. SPA establishes a new account number on the system identifying it as an advanced account. The system will show only expenditures. The budget and award information will be entered after the award is finalized.
- vi. SPA clerk sends out an e-mail notifying PI, Department and Unit that the advanced account is established.

3. Things to remember-

- i. The department assumes the risk of expenses not covered by changes in the contract or failed negotiations of contract.
- ii. 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.
- iii. SPA, OSPA, and the Department need to work with the Sponsor to ensure that an agreement is in place within 3 months of the advanced account being established to limit risk.

## **ALLOCATING CHARGES TO FEDERAL AWARDS**

### **Basic Cost Allocation Principles**

- The cost must be reasonably necessary for the performance of the award and must not be overpriced.
- No cost can be charged to a federal award if it is prohibited by Circular A-21 or the terms of the award.
- The cost must be consistent with the ISU's treatment of other similar expenses in "like" circumstances.
- The cost must be allocable to the award under the cost principles set forth in OMB Circular A-21

### **Meaning of "Allocable"**

Allocable means that the cost must be related in some reasonable way to the federal award to which it has been charged.

For direct costs:

The direct cost can be allocable to the award if-

- the cost is incurred solely to advance the work under the sponsored agreement , or
- the cost benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods.

For indirect (F&A) costs:

The indirect costs are allocated by means of a general F&A rate to the award. These are costs that are necessary for the conduct of sponsored research and other university activities, but cannot be readily associated with any specific project.

### **Problems with Multiple Project Allocation**

- Proportional Benefit Rule: determine the proportional benefit to each project.
- Interrelationship Rule: distribution on any reasonable basis when proportional benefit cannot readily be determined.

### **Sources of Risk in Cost Allocation**

- Allocating costs directly to the wrong project
- Incorrect allocation of costs among multiple projects
- Inconsistent allocation methods; e.g. over-applying costs to federal vs. non-federal projects
- "Banking" or "trading" costs among projects
- Advance charging of costs and abusive cost transfers, e.g. last month of project
- Direct charging of costs that are normally indirect costs, e.g. clerical and admin staff

## **NEW CLASS CODE (394-21) FOR OFF-SITE FACILITY RENTALS**

In the special remarks section of ISU's indirect (F&A) rate agreement it states that the off-campus indirect cost rate applies to activities performed in facilities not owned by the ISU and to which rent is directly allocated to the project (paid from project funds). The indirect cost budgeted and charged to a project is often based on modified total direct costs (MTDC).

Per our rate agreement, MTDC is computed by subtracting the following items from total direct costs: equipment; capital expenditures; tuition remission; **rental costs of off-site facilities**; scholarships; and the portion of each subgrant and subcontract in excess of \$25,000.

A new class code, 394-21, has been set up for off-site facility rentals. This class code should be used to record the rental costs for off-site facilities where these rental costs should not be charged indirect costs. This class code is appropriate to use only when the off-campus indirect cost rate is applied to a sponsored project and the rental costs are paid directly from project funds. As a separate Sponsored Programs Budget Code (SPBC or SPA budget category) was not set up for this type of facility rentals, the costs will be reported in the equipment (EQ) budget category on the monthly Sponsored Programs Financial Report.

## **OTHER ISSUES/CONCERNS/QUESTIONS**