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A8.900 ACCOUNTING FOR RESEARCH & TRAINING
CONTRACTS & GRANTS

P 1 of 15

A8.926 Administrative and Financial Management Requirements for
Extramurally Financed Research and Training
Programs/Activities of the University

1. Purpose

To insure that all administrative and financial management requirements for extramural contracts and grants are understood and complied with by all appropriate University of Hawai'i (UH) personnel. Special emphasis is placed on full compliance with applicable Federal requirements which is mandatory.

2. Objectives

To establish guidelines and procedures which prescribe the administrative and financial management requirements for extramurally financed programs and activities, to delineate fiscal and administrative responsibilities and functions within the University, and to provide reasonable assurance that sponsored programs and activities are managed in strict compliance with the terms and conditions specified under award agreements.

3. Applicability

These guidelines and procedures shall apply to all sponsored agreements including those projects that have been service ordered to the Research Corporation of the University of Hawai'i (RCUH), and subcontract and agreements with nonfederal sponsors that are financed directly from "flowdown" federal sources.

All sponsored agreements shall be administered at all times in strict compliance with Federal laws, state statutes, UH policies, and the specific terms and conditions of a contract



or grant award. If any Federal statute expressly prescribes requirements that differ from those provided herein, the provisions of the statute shall govern.

4. The Essential Federal Requirements

a. Office of Management and Budget (OMB) Circular A-21, Principles for Determining Costs Applicable to Grants, Contracts and Other Agreements with Educational Institutions

This circular provides principles for determining the costs applicable to research and development, training, and other sponsored work performed by colleges and universities under grants, contracts and other agreements with the Federal Government. These principles shall be used to determine the allowable costs of work performed by colleges and universities under sponsored agreements.

The complete text of this Circular is attached as Appendix A.

b. OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education

This circular promulgates the standards for the uniform administration of grants to educational institutions. It covers record-keeping, program income, cost sharing and matching, standards for financial reporting, monitoring and reporting program performance, payments, revisions of financial plans, close-out procedures, suspension and termination procedures, and procurement/property management requirements.

The complete text of this circular is attached as Appendix B.

c. Federal Acquisition Regulation (FAR)

The FAR provides uniform policies and procedures for acquisitions by executive agencies of the Federal Government. These federal regulations are applicable to contractual arrangements which the UH enters into with federal agencies that are acquiring goods or services.

A reference copy of this publication is available for use at the Contracts and Grants Management Office or at the Hamilton and Law School Libraries.

d. Federal Demonstration Project (FDP) Arrangements

This federal initiative is designed to standardize and simplify federal grant financial and administrative requirements to increase research productivity and reduce the administrative burden for federal agencies and grantees. Specific terms and conditions are provided by the federal sponsors on a grant/award basis.

5. Fiscal Responsibilities and Administrative Functions within the University

The primary responsibility for conducting sponsored research and training programs and to insure that proper costs are charged in accordance with the sponsor and University policies and procedures shall reside at the organizational level where transactions are initiated and controlled. This responsibility is shared by the Principal Investigator (PI), assigned Fiscal Officer (FO), Department Chairperson and Chancellor/Dean/Director.

- a. The PI shall be responsible and accountable for the satisfactory performance of scientific and technical work prescribed under the sponsored program or activity and the proprietary review of all expenditure transactions processed in support of the program. The PI shall be accountable for any program deficits and disallowances that may occur in the performance of work under the sponsored program or activity.
- b. The assigned FO shall be responsible for controlling program expenditures within the sponsor's funding authorization and observing sponsor and UH policies. The FO shall also provide guidance and assistance to faculty and staff concerning administrative and financial matters, particularly those relating to the allowability of program costs, sponsor's prior approval requirements if any, program financial status, delivery and coordination of administrative support requirements, the proper recording of expenditures and necessary adjustments and the liquidation or cancellation of all

outstanding encumbrances to insure the timely closeout of projects.

- c. The Department Chairperson and Chancellor/Dean/Director shall have overall responsibility for the performance of work conducted by the PI and shall monitor and insure that all deliverables and performance requirements are satisfactorily completed within the sponsor's authorized funding and project period including the submission of the final technical reports. The Chancellor/Dean/Director shall ultimately be responsible for all program deficits and cost disallowances under their jurisdiction including the securing of necessary funds to cover such costs.
- d. The Procurement and Property Management Office (PPMO) shall be responsible for the preparation and submission of the final equipment and inventory reports to sponsors including, the resolution of title transfers, final disposition of equipment and the monitoring of small business utilization reports to sponsors, if required.
- e. The Office of Research Administration (ORA) shall be responsible for all program and academic aspects of research and training awards including the coordination, follow up and monitoring of all UH grants, contract and other award agreements with external sponsors including any revisions thereto. ORA shall be the focal point of contact for the UH and will serve as the liaison with external sponsors. All requests for changes to the sponsoring agency must be endorsed by ORA. ORA shall also be responsible for the review and monitoring of all scientific and technical compliance and reporting requirements imposed by the Federal Government relating to patents, copyrights and inventions, human subjects, biological safety, protection of animals and laboratory animal service, and the submission of periodic and final technical/performance reports to sponsors.
- f. The Contracts and Grants Management Office (CGMO) shall be responsible for all business, financial and legal matters relating to external awards from sponsors, for providing detailed financial accounting and management reports on program expenditures and encumbrances, budget status, cost sharing commitments, deficits and past due conditions. CGMO will also perform internal compliance

examinations to insure adherence with the sponsor and UH requirements.

6. Administrative and Financial Management Requirements

a. Allowability of Program Costs

(1) The allowability of costs charged to federally sponsored programs shall be governed by the provisions of Sections C and J of OMB Circular A-21 (Attachment A).

b. Post Award Changes And Other Programmatic/Budget Revisions

(1) A certain degree of latitude is generally permitted by most federal sponsoring agencies. Changes are generally limited to minor reprogramming of funds between budget categories and within the total authorized direct cost budget to meet unanticipated program needs.

(2) Post award changes requiring prior approval of the sponsoring agency are governed by the provisions of Attachments J and K of OMB Circular A-110 (Attachments B and B-1).

ORA shall be responsible for action on all requests for post-award changes which require sponsoring agency's approval including those institutional prior approval requirements that have been delegated to the UH by some sponsoring agencies.



(a) The appropriate approval shall be immediately requested when there is reason to believe that revisions will be necessary to meet unanticipated program needs or to accomplish certain programmatic changes. All requests to funding agencies for any budgetary and programmatic changes must be initiated in advance and in writing by the PI, reviewed by the departmental FO, approved by the Chairperson and Chancellor/Dean/Director, and endorsed by ORA before submission to the sponsoring agency.

- (b) For subgrants and subcontracts, the prior approval authority is usually the prime recipient of the grant or contract who cannot approve any action or cost which is inconsistent with the purpose or terms of a federally sponsored agreement.
- (3) Although the project budget represents the best estimate of expenditures which will be incurred in the performance of the stated requirements of the award, a sponsoring agency may occasionally change the terms or otherwise modify a contract or grant. This may affect the allowability of purchases or other expenditures requested on the project. If a modification or new contract is forthcoming, ORA should be notified immediately.

When there is a degree of uncertainty for sponsor's approval of a modification requested by the PI will indicate an alternate source of funds to cover unallowable expenditures if the modification is not granted. This enables project activities to proceed without delays introduced by the approval process. In the event the changes are not approved by the sponsor, the FO submits a JV to effect a transfer to clear the unallowed cost(s).

- (4) Contracts and grants awarded under FDP conditions delegate approval authority to the University to facilitate some post-award administrative changes. These delegated authorizations are administered by ORA. However, the following post-award changes require the sponsoring agency's approval in all cases.
- (a) Change of the PI or other key personnel.
 - (b) Change in the PI's level of effort.
 - (c) Absence of the PI.
 - (d) Change in the scope of the project.
 - (e) Change in the project budget period.

In addition, some sponsoring agencies reserve the right to approve certain additional changes. Requests to the sponsoring agency for approval of any such changes must be endorsed by ORA.


- (5) Since it is not possible to cover all situations requiring prior approval, programs should consult with ORA, CGMO or the contracts officer of the sponsoring agency whenever rebudgeting or other postaward changes are contemplated and there are uncertainties regarding the allowability of costs or activities.

c. Program Cost Transfers

Cost transfers among federal programs are occasionally necessary to correct errors in the recording of original charges made against programs and activities of the UH.

Cost transfers must be timely and properly substantiated, especially those that involve programs with significant cost overruns or large unexpended fund balances. Improper cost transfers generally result in program disallowances which affect the overall integrity of the University's financial management systems, internal controls and procedures with serious consequences. Cost transfers must comply with the following criteria to insure allowability by the Federal Government.

- (1) Cost transfers must be initiated promptly but no later than 90 days after discovery of error.
- (2) A cost transfer represents a correction or reallocation of costs between two or more UH accounts. This correction or reallocation is justified by the fact that benefits relating to the expenditure accrue to the account to which the costs are being transferred. A UH Journal Voucher (JV) is used to process a transfer. The transfer includes a complete description of the problem and a list of cost items to be transferred. This itemization should include reference numbers (i.e., voucher number, campus order number, etc.), detailed descriptions of the items or payments, and dates when the specific costs were incurred.

- (3) The JV must include a concise, detailed explanation of why the cost were incorrectly charged in the first place, and why a transfer is necessary. Explanations, such as "clerical error," or similar brief generalizations are not acceptable. If the transfer is to be a research account, substantive evidence of acceptability of the cost on the new project must also be presented. Written agency approval for the transfer may be necessary, particularly when the current project period has terminated or the transfer is substantial.
- (4) A critical point of concern in processing a JV is the timeliness with which transfers are prepared. Federal policy stipulates that cost transfers must be processed within 90 days after the date of the initial charge. If a transfer is requested after one of the accounts has been closed, must more documentation is required and the probability of approval is reduced. It is preferable to make transfers within the 60 days after the incurrence of the cost while the contract grant is still active.
- (5) Payroll cost transfers must be supported by a signed copy of Report 1289 in accordance with the requirements prescribed under APM A8.948 and a copy of the approved SF-5B/SF-5. Cost transfers for student, casual and overload payroll must be supported by a copy of an approved UH Form 25, Student, Casual and Overload Payroll Change Form.
- (6) Documentation of cost transfers must be retained by the initiating department and made available for subsequent audit or other review in accordance with the Records Retention section of this procedure.
-  (7) Requests for cost transfers which do not meet the requirements as specified above shall be returned to the program for appropriate action.

d. Expenditure Controls

CGMO shall monitor allotments, expenditures and project periods to insure that deficits and past due conditions

are prevented or corrected. CGMO's responsibilities over project accounts shall include the following:

- (1) When a project has terminated or is scheduled to terminate within 90 days, programs must record all expenditures, make necessary adjustments, and liquidate or cancel all outstanding encumbrances. If the project has been extended or renewed beyond the current termination date, a revised RTBSR Input Form must be immediately submitted to CGMO to reflect the new project period and any increases to the budget allocation. Otherwise, the project account shall be automatically inactivated at termination of the project period and only transactions to liquidate existing encumbrances shall be processed. All other fiscal transactions including payroll charges shall be rejected as invalid transactions.
- (2) If a project account is in deficit, the program must clear the deficit condition immediately to avoid cost disallowance by the sponsor, violations of statutes, and to enable proper close-out and final submission of required expenditure reports to the sponsor by CGMO. If the deficit is the result of not properly updating a project's budget allocation due to additional funding from the sponsor, a revised RTBSR input form must be immediately processed to CGMO to correct the program budget allocation(s). Otherwise, the project account shall be immediately inactivated.
 - (a) Inadvertent overexpenditures of project funds are the responsibility of the PI's department and college and must be removed by the PI as soon as possible. A deficit is eliminated by processing a cost transfer from the overexpended project account to a nonrestricted source of funds.
 - (b) If the PI is unable to eliminate a deficit in a research account because of the unavailability of alternate sources of funding, the deficit will be referred to the department chair and subsequently to the Chancellor/Dean/Director for disposition.

Note: Deficits in research accounts cannot be transferred to other research accounts.

- (3) The preparation of a periodic program status report from the Vice-President for Finance and Operations to the Vice-President for Research and Graduate Education listing all problem accounts with unauthorized expenditures and cost overruns by major organization level that have not been properly resolved. Any deficit balances that exceed one year shall be subject to the disposition procedures specified in item (e)(2)(f) of this APM.

e. Management of Deficits and Problematic Account(s) Receivable

(1) Responsibility



- (a) The Chancellor/Dean/Director shall be fully responsible for covering any deficits) resulting from overexpenditures, default on payments from the sponsoring agency or from uncollectible receivables.
- (b) Historically, defaults and uncollectibles are limited to foreign governments and private organizations. Therefore, contracts/grants with such organizations should provide for advance funding arrangements insofar as possible.

(2) Procedures

- (a) Ninety (90) days prior to project termination, the PI and FO will be notified by a reminder printed on the RTBSR of their responsibilities pertaining to project management.
- (b) CGMO follow-up on final payment for terminated (code 3) accounts.
 - (1) If there is a receivable on the books three months after a final invoice is mailed, a follow-up letter will be sent

to the sponsor requesting status of payment (Exhibit C).

- (2) If sponsor does not respond within one month, they will be telephoned, if applicable, or a second request will be sent indicating a deadline for payment or that the account will be referred to the Attorney General (AG).
 - (3) If the sponsor does not respond to CGMO inquiries, the AG will be consulted to determine appropriate action.
 - (4) If sponsor does respond, CGMO will make every effort to coordinate activities necessary to close award. However, if payment has not been received within one year of award termination, and no legal action is recommended or taken by the AG, the UH department involved will be responsible for covering costs until such time as reimbursement is received from sponsor (see item f below.)
- (c) CGMO will follow-up with ORA for final closeout documents.
- (1) Request to ORA for status of closeout documents upon notification from agency that reports are outstanding (see Exhibit D-1).
 - (2) If there is no response from ORA within two weeks, a second request will be sent (Attachment D-2).
 - (3) If ORA does not respond within two weeks of the second notice, a letter will be sent to the Vice-President for Research with a list of the awards in question.
- (d) CGMO will refer problems to the AG when they are determined to be outside CGMO's capacity, such as those requiring a legal opinion or legal action.



- (e) Problems which involve students will be sent to the Dean of Students to be handled in accordance with the Student Conduct Code.
- (f) Disposition of deficits and disallowances.
 - (1) The University has no authorized funds for covering deficits and disallowances. Since the working capital is a limited source of funds which support current expenditures of all cost reimbursable projects, deficits and uncollectibles which improperly reduce/constrain the available capital will not be allowed to remain on the books for more than one year.
 - (2) If a deficit condition has not been cleared one year from project termination, or once CGMO determines the possibility of reimbursement to be slight, the PI and the department head will be notified of the outstanding amount and the attempts made to collect it (Exhibit E).
 - (a) The PI and department head will be responsible for advising CGMO of the appropriate disposition within one month of the notification date.
 - (b) If no direction is given to CGMO as to the method of disposal, CGMO will take the following action to clear the deficit.
 - (1) Adjust the annual Research and Training Return in an amount commensurate with all outstanding deficit/past due accounts.
 - (2) The memo from the Vice-President for Finance and Operations to the Vice-

President for Research will inform him of the ceiling which will also include an offset for problem accounts.

- (3) CGMO will establish a separate account to record the cash and will coordinate with the appropriate F.O.'s to transfer unfunded expenditures from the problem account to the clearing account.
- (4) CGMO closes project and account from (3) above. Recoveries from sponsors in subsequent years, if any, would involve same procedure except in reverse. Programs must obtain ORA approval if recoveries are made after the close of the current fiscal period.

f. Monitoring and Reporting of Program Performance

Sponsored programs shall be monitored to insure performance requirements under grants and other agreements are satisfactorily met and that the overall program performance goals are achieved within the authorized funding and program period.

- (1) The PI and respective Chancellor/Dean/Director shall administer the monitoring and reporting requirements in compliance with Attachment H of OMB Circular A-110 and with any specific terms or conditions of a grant or award.
- (2) ORA shall be the responsible unit within the UH for coordinating and assuring that all technical and programmatic performance matters including reports are in accordance with the applicable federal regulations or specific terms and conditions of grants and awards.

g. Program Closeout

Proper closeout is required by the sponsoring agency to determine if all applicable administrative actions and all program performance requirements prescribed under the sponsored agreement have been satisfactorily completed by the recipient (closeout shall be governed by Attachments G and K of OMB Circular A-110). The University must comply with the closeout requirements in a timely manner, since frequent and prolonged delays could result in a temporary suspension of Federal sponsorship until corrective action is taken by the UH.

Delays in submission of required closeout reports also affect the University's overall cash position since all claims for reimbursement of project expenditures and letter of credit authorizations may be suspended. The following guidelines are provided to insure the timely closeout of programs.

- (1) Careful planning of anticipated expenditures in the last 3 to 4 months of the program to insure the allowability of program costs, particularly equipment acquisitions and purchases which are scheduled for delivery after project termination that may be disallowed by the sponsor even if funds are available.
- (2) Prompt recordation of all program expenditures and necessary adjustments within 90 days from the date of project termination.
- (3) Timely resolution and liquidation of all outstanding purchase orders or contract encumbrances. If it is anticipated that the encumbrance cannot be liquidated before project termination date, a request for extension of program closeout must be obtained in accordance with the "Postaward Changes" requirement prescribed under section 6(b) of this APM.

h. Retention and Custodial Requirements for Records

- (1) Financial records, supporting documents, statistical records, and all other records pertaining to sponsored agreements shall be retained for a period of three years. If any litigation, claim or audit starts before the expiration of the 3-year period, records shall be

retained until all litigations, claims, or audit findings involving program records have been resolved.

- (2) The retention period for grants and other agreements starts from the date of submission of the final expenditure report or, for those that are renewed annually, from the date of submission of the annual financial status report. For contracts, retention period starts from the final payment under the contract or for any shorter period specified in FAR Subpart 4.7.
- (3) Pertinent books, documents, papers, and records of the University and its subrecipients shall be made available and accessible to the sponsoring agency and the Comptroller General of the United States or any of their duly authorized representatives for audits, examinations, transcripts and excerpts.

POSTAWARD CHANGES REQUIRING PRIOR WRITTEN APPROVAL

Unless otherwise delegated to the University, the following list of postaward changes would generally require the prior written approval from the sponsoring agency. Such requests must be endorsed by ORA.

- Change in scope of work or objectives of sponsor supported activities regardless of whether there is an associated budget revision requiring prior approval.
- Change in principal investigator, project director or any other persons expressly identified on the award as key project staff; or research and training work during a continuous period in excess of 3 months without the active participation or direction of an approved principal investigator (i.e. during sabbatical leaves, extended illness, etc.).
- Change in level of effort where the PI or project director will devote substantially more or less effort to the work than anticipated in the approved sponsored program.
- Transferring to a third party, by contracting or any other means, the performance of substantive programmatic work which are central to the purposes of the award.
- Carryover of unobligated funds from one budget period to another within an approved project period.
- Extension of budget or program period with or without additional funds.
- Purchase of general purpose equipment, office equipment and furnishings, cameras, vehicles, computing and automatic data processing devices, refrigerators and freezers.
- The transfer of funds previously awarded for training allowances (direct payment to trainees) to other categories of expense.

- Capital expenditures for land or buildings. Real property that has been authorized for purchase with grant funds may not be conveyed, transferred, assigned, mortgaged, leased, or in any other manner encumbered without written prior approval.
- Patient care costs where the need has not been previously approved by the sponsor or when there is a need to rebudget funds out of the patient care category irrespective of the amount of funds involved.
- Any equipment purchased in the last few months of a project period, even if the final budget period in the project period includes funds for the acquisition of equipment.
- Alterations and renovations of facilities unless specifically approved in sponsor's authorized program budget.
- Foreign travel that is not specifically identified and included in the approved program budget for each separate foreign trip and for domestic travel when cumulative expenditures in any budget period will exceed \$500 or 25% of the approved budget amount, whichever is greater (programs should be mindful that there is a prohibition on the use of foreign carriers over U.S. domestic carriers).
- Preaward costs incurred prior to the effective date of any new or competing continuation award.
- The disposition of nonexpendable personal property acquired by grant funds with acquisition value of \$1,000 or more.
- Need for additional federal funds for any reason.
- Retroactive approvals for transactions that would have been approved by the sponsor had the approval been requested in advance.

(Date)

Sponsor (Name)

Address

SUBJECT:

Dear Sir:

A review of our records indicates that we have not received payment for the Final Invoice for the above mentioned contract/grant. A copy of the invoice number _____ is attached for your information.

If payment is being withheld because you require further information or documentation, please inform the University of Hawai'i Contracts and Grants Management Office at (808) 948-7800 of the requirements which have not been fulfilled. If payment has been made, please attach a copy of the cancelled check for our records.

Thank you for your assistance in resolving this matter.

Sincerely,

Authorized Contract and Grant
Representative

Attachments

(Date)

MEMORANDUM

To: Director of Research
From: Contracts and Grants
Subject: Final Closing Documents

We have not received final payments for the following accounts (see attached list) because final technical reports and other closing documents have not been submitted to the various sponsors.

The completion of these reports on a timely basis is the contractual responsibility of the University once an agreement has been entered into. It is also important to the University's financial position in order that we receive timely reimbursement for the costs incurred on the projects.

Please have your office see to the completion of the necessary reports and communicate the urgency of this request to the responsible principal investigator(s) and Dean/Director, as appropriate.

We would appreciate being informed on the status of the outstanding reports for these projects within two weeks.

Thank you for your immediate attention to this matter.

Attachment

(Date)

MEMORANDUM

To: Director of Research
From: Contracts and Grants
Subject: Final Closing Documents

In our memorandum to you of _____ we requested your assistance to help us determine the status of the closing documents for the federal awards listed in the attachment.

Since we are making a concerted effort to properly close out project accounts, this information is urgently needed to determine our next step in collecting the final payments and closing the accounts.

Thank you for your attention and assistance in this matter.

Attachment

(Date)

MEMORANDUM

To: Vice-President for Research
or
Dean/Director

From: Director, Contracts and Grants Management Office

Regarding:

Account Code:
Award Number
Principal Investigator:
Funding Agency:
Project Name:
Termination Date:

Problem:

Efforts to Recover/Settle to Date:

Action Recommended: