

Prepared by Contracts and Grants Management Office.
This replaces Administrative Procedure No. A8.910,
dated July 1982.

A8.910
July 1988

A8.900 Accounting for Research & Training
Contracts & Grants

P 1 of 9

A8.910 Procedures for the Preparation and Submission of
Proposals to External Sponsors and the Review/ Approval
Requirements for sponsored Agreements

1. Purpose

To establish policies and procedures which insure that University of Hawai'i (UH) proposals and awards for extramurally funded programs are systematically reviewed and processed on a timely basis in accordance with state statutes, UH policies and sound managerial practices.

2. Objectives

To establish guidelines and procedures for the preparation, review, and submission of research and training proposals to external sponsors and for the review and approval process of sponsored agreements.

3. Applicability

These procedures shall apply to all externally financed programs and activities entered into by the UH with the exception of the following:

- a. Classified research, which is prohibited by Board of Regent's policy.
- b. College of Tropical Agriculture Basic Federal Appropriations.
- c. Tuition assistance agreements for military personnel and dependents, and ROTC agreements (for procedures, refer to item 4.(b) (5) on page 7).

- d. Student Financial Aids and Loans program agreements (for procedures, refer to item 4.(b) (5) on page 7).
- e. Non-financial affiliation agreements (for procedures, refer to item 4.(b) (5) on page 7).

4. Procedures

a. Preparation of Proposals



The Principal Investigator (PI) prepares proposal(s) which includes the design of the scientific and technical specifications and scope of work. The PI also develops an overall expenditure plan which identifies the program funding requirements including direct and indirect costs. Proposal preparation should be initiated by the PI approximately 120 days in advance of the sponsoring agency's deadline to avoid last-minute haste which may result in unintentional errors and omissions. The PI should initiate early discussions with the Administrative Director (AD) or Fiscal Officer (FO), the Department Chairperson or Provost, Chancellor/Dean/Director, Office of Research Administration (ORA) and Contracts and Grants Management Office (CGMO), as appropriate, to provide timely notification of the proposed activity and to allow sufficient time for the proper review and consideration of University resources that are required in support of the proposed program or activity.

(1) Assistance in Proposal Preparation

ORA shall provide guidance and assistance in the preparation of proposals. For departments and units which do not have access to administrative and fiscal support staff, ORA shall supply such assistance in the preparation of proposals.

(2) Form and Content

Application forms and instructions for proposal preparation and submission are usually provided by the sponsor and are to be used whenever available. Application forms and instructions may be obtained from ORA. Programs should use the format specified in Attachment A of this APM when applying to those

sponsors that do not provide application forms or a guide.

(3) Proposal Deadlines

Proposals should be reviewed by the AD or departmental FO and approved by the Chairperson or Provost and submitted to the Chancellor/Dean/Director. After approval, the proposal shall be submitted to ORA for review and approval at least five working days prior to the mailing date of the sponsor's deadline. Discussion in advance of the mailing deadline for the proposal with all concerned, especially with ORA, is encouraged. If the proposal will result in a binding contract upon acceptance by the sponsor, it may be helpful to have drafts of the proposal reviewed by all appropriate parties before it is assembled in final form.

b. Review/Approval and Processing Requirements for Proposals

All proposals to external sponsors must be reviewed by the AD or FO and approved by the Department Chairperson or Provost, Chancellor/Dean/Director, and ORA in accordance with the requirements prescribed below, using ORA Form 5, University of Hawai'i Proposal Coordination Record (Attachment D).

The informal transmittal of proposals to sponsors prior to official UH review and approval is strongly discouraged since the UH may not honor obligations resulting from proposals which have not been properly reviewed and authorized.

(1) Responsibilities of the Principal Investigator

- (a) Insure that all scientific and technical aspects of the proposed scope of work and the funding requirements for the attainment of program objectives have been identified and properly disclosed, and that all proposed cost sharing/matching commitments are available and properly documented. Particular attention shall be devoted to the identification of

exposure to risks or potential risks under the proposed project, and to the commitment of UH resources (faculty effort, funds, space, and equipment) to the project.

- (b) Insure that the appropriate number of copies of the proposal application as required by the sponsor plus two additional copies for the UH's use have been properly prepared in accordance with the format and requirements prescribed by the sponsor. Also, prepare and complete the original and three (3) copies of ORA Form 5.
 - (c) Forward the proposal for review and approval by the departmental Chair, and the Dean/Director of each unit when more than one department or college is involved.
 - (d) Forward all required copies of proposal application and signed ORA Form 5's to the assigned departmental FO for review. The FO shall retain one copy of ORA Form 5 for information.
- (2) Responsibilities of the Administrative Director or Departmental Fiscal Officer
- (a) Review the adequacy and completeness of the proposal and related budget, utilizing the Proposal Preparation Checklist (Attachment B) as necessary and appropriate.
 - (b) Consult with the PI to understand the program needs and to insure that all costs are properly identified and realistically estimated in the proposed program budget.
 - (c) Insure that all cost items included in the proposed budget are consistent with the policies and requirements of the UH and the sponsor.
- (3) Responsibilities of the Department Chairperson and Chancellor/Dean/Director



- (a) Evaluate and approve all aspects of the proposal application for:
 - (1) Substance and merit of the proposed program or activity.
 - (2) Academic appropriateness, desirability and compatibility with the mission of the unit.
 - (3) Commitments) of faculty and staff effort and its effects on teaching and other obligations of personnel involved.
 - (4) Adequacy of the proposed funding requirements.
 - (5) Other non-personnel program requirements such as equipment, special facilities, computer time, and other administrative support needs and arrangements.
 - (b) Approval of ORA Form 5 shall signify acceptance and assumption of the full responsibility for the administration and fiscal accountability of the proposed research or training activity and to provide the necessary resources for the project.
 - (c) Forward the original plus two extra copies of the proposal in addition to the number of copies required by the sponsoring agency, and two copies of the completed and signed ORA Form 5 to ORA for final institutional review and approval. ORA shall send one copy of the Form 5 to CGMO for information.
- (4) Responsibilities of ORA
- (a) Final institutional review of all program and academic aspects including the proposed program budget to insure conformity with UH, State, Federal, and sponsoring agency's policies and procedures. ORA shall consider all items below.

- (1) Appropriateness of proposals with regard to the UH's overall goals and objectives.
 - (2) Minimizing multiple submission of proposals to sponsoring agencies who restrict the number of proposals to be submitted by the institution, and coordination of possible collaboration among UH units with similar interests.
 - (3) Eligibility of the investigator to be a PI under UH policy and requirements.
 - (4) Completeness of proposal to insure that all information required by the sponsoring agency are properly provided and in accordance with the prescribed format.
 - (5) Review and approval for the protection of the rights, welfare and personal privacy of human subjects where applicable, and compliance with all appropriate regulations for the humane treatment of any live, vertebrate animals used or intended for use in research.
 - (6) That proper documentation of all items required on the ORA Form 5 are completed.
- (b) Approve all research, training, and special project proposals signifying official UH sponsorship and submit the proposal(s) to the prospective sponsors, forward a copy to CGMO, and follow up, negotiate, and monitor the proposal's status with the sponsoring agency.
- (c) Route proposal applications to CGMO for action only if the proposal application(s) or the sponsoring agency require the signature of the "Chief Business Officer" or the authorized institutional officer with binding contractual authority.
- (5) Responsibilities of CGMO

Except for classified research and College of Tropical Agriculture Basic Federal Appropriations, CGMO shall process all proposals not subject to ORA review and processing.

c. Negotiations with Sponsoring Agencies and Revisions to Proposals

ORA is designated as the focal point of contact for coordination of all proposals to external sponsors including revisions thereto. Formal negotiations must be coordinated through ORA for any and all changes. If any informal discussions or notifications should occur, the PI should advise the sponsoring agency's representative that negotiations must be formalized through ORA. Although preliminary discussions may be appropriate, it should be clearly understood by all parties that sponsored programs can be officially established only after proposal applications and any necessary revisions have been reviewed and approved through the established UH channels.

d. Acceptance of Awards

Contract and grant awards from external sponsors shall be reviewed in accordance with the guidelines prescribed under Attachment C, "Guidelines for Acceptance of External Awards" and approved in the sequence outlined below. Official notification from sponsors are directed to ORA for formal acceptance by the UH. If any award notification is inadvertently routed to the PI or department, it shall be immediately forwarded to ORA.

(1) ORA shall:



- (a) Review the award notification from the sponsor to insure that it is in response to an approved UH proposal and that the authorized funding and project period are consistent with the requested program requirements. If the award from the sponsor is not supported by an approved ORA Form 5 or is without official UH sponsorship, ORA shall immediately notify the appropriate Chancellor/Dean/Director and PI and coordinate the necessary corrective action.

- (b) Forward the original and all required copies of the award instrument including all terms, conditions, and revisions to CGMO for appropriate review and action.
- (2) CGMO shall:
- (a) Be responsible for the final institutional review for all business, financial and legal matters pertaining to contracts, grants and cooperative agreements. This includes the review and approval of all terms and conditions relating to the method of financing, payment terms, indemnification and insurance requirements, financial accounting and reporting, and other administrative or financial management requirements that may be imposed by the sponsor. If the terms and conditions of an award are not acceptable or in conflict with UH policy; CGMO shall specify changes that are acceptable and in the best interest of the UH and shall advise and consult ORA and the UH department or unit as appropriate. changes recommended by CGMO shall be made on the award instrument and shall be a condition for award acceptance by the UH.
 - (b) Execute all agreements which require legally binding signatures on behalf of the UH for funding amounts of less than one million dollars.
 - (1) If an award is only partially executed or conditionally accepted by the UH, CGMO shall forward all copies of the award agreement with the modifications, revisions, and/or specified conditions to ORA for transmittal to and coordination with the sponsor for approval and execution.
 - (2) If an award agreement is fully executed without any conditions or does not require bilateral signature of an authorized UH official, CGMO shall forward signed copies of award to ORA for final institutional processing and transmittal to the sponsoring agency. CGMO shall serve as the UH's central depository for all contracts, grants, and

cooperative agreements including any amendments and revisions thereto.

- (c) CGMO shall route award documents which are in excess of one million dollars to the UH President for signature.
- (4) ORA shall:
- (a) Accept and acknowledge grant awards on behalf of the UH and where appropriate, forward executed contracts and agreements to the sponsoring agencies.
 - (b) If the award is conditionally accepted, ORA shall forward the original and copies of the award agreement to the sponsor for acceptance and execution and shall follow-up and monitor the status with the sponsor.
 - (c) Distribute copies of the acceptance letter to the PI, FO, departmental Chair, Dean/Director, and CGMO. Copies of the fully executed award documents shall also be given to the PI and FO.
 - (d) Report all external awards to the UH Board of Regents on a monthly basis for acceptance and approval.

PROPOSAL FORMAT

a. Cover Page

Programs should use the following sample of a cover page for proposals to sponsors that do not specify a required format:

b. Budget

Budgeting is the process whereby the proposed scientific and technical scope of work is translated into an itemized and systematic plan of operation, expressed in dollars over a

defined period of time. The program budget provides the sponsoring agency with an opportunity to examine the composition and viability of the proposed program/activity.

Unless otherwise specified by the sponsoring agency, proposal budgets should be in the following format:

1. Salaries - This section covers all salary requirements and should identify the types of personnel, an estimate of the number of months and percentage of full time effort each will devote to the sponsored activity, the salary rate, and the total amount of salaries to be paid from the proposed grant or contract. Names and titles of all key personnel and senior professional staff should be identified, whether a part of their salaries are to be directly charged to the project or pledged as UH cost sharing/matching. Cost sharing/matching funds must be checked and cleared through the appropriate UH official (see Section 5 of APM A8.947 for details) Salary rates included in the proposed Budgets are only estimates and



should be noted as such. Actual salaries are set at the time of appointment or extension, in accordance with current salary scales and relevant UH policies.

2. Overload Salaries - Compensation on an overload basis for work performed by faculty and staff on the proposed program should be properly identified and budgeted for. The use of overload is to be administered pursuant to the guidelines that are issued annually by the Vice-President for Academic Affairs (VPAA) and with any other specific policies of the sponsoring agency.
3. Anticipated Salary Increases - Provision for anticipated collective bargaining increases, as well as for pending promotions or upward position reclassification and repricing must be properly budgeted for in the proposed funding application to sponsors. These increases should be considered for any program that extends beyond June 30th or for more than one year. Budgeted salaries should be properly footnoted to explain the types of anticipated salary increases, the rate of increase, and the period for which the increases apply.
4. Employee Benefits - employee fringe benefits are treated as a direct program cost and must be provided for as an expense in the proposed program budget whenever salaries are identified. The current fringe benefit rates to be used for budgetary purposes are provided in attachment A of APM A8.911.
5. Direct Program Costs
 - a. Travel - Indicate the number and estimated cost of trips as well as the destinations (if known) and the number of individuals for each trip. If the exact location is not known, the general geographic location should be specified. The estimated cost should be itemized by air fare or other mode of transportation, the number of days of per diem and daily rate, registration and conference fees, ground transportation, excess baggage and handling charges, and other related travel expenses. Most sponsors require a statement regarding the purpose of each proposed travel and its relevance to the sponsored program, particularly in connection with foreign travel. Some sponsors require prior approval of foreign travel. Foreign travel is defined as any travel outside of Canada, and the United States and its territories and possessions.



- b. Equipment Purchases - Each equipment item costing more than \$500 with a life expectancy of more than two years should be listed by type, manufacturer, and model number. Catalog or estimated prices including anticipated price increase (with proper justification), shipping, insurance, and custom fees (for foreign purchases), delivery and installation charges (if any), and applicable taxes should be included as part of the cost of equipment acquisition. Catalog prices and written vendor quotations should be retained as supporting documentation. If equipment needs are not definite, probable choices should be listed with estimated costs. Where it is difficult to predict the types and quantities, such as for the overhaul and restoration of a major system, circumstances justifying needs should be fully explained.
- c. Fabricated Equipment - The nature of the equipment to be fabricated should be properly identified with a detailed breakdown of component purchases, material and supply items, UH or RCUH cost center services, consultant fees, and sub-contract requirements. If the cost estimate is based on historical experience, documentation supporting costs should be made available for pricing review by the sponsor or Defense Contract Audit Agency (DCAA). The total charges related to the equipment fabrication shall be ultimately recorded as "equipment" charges by the UH.
- d. Materials and Supplies - Materials and supplies should be identified by major categories with the estimated costs for each category. An indication of how the estimates were arrived should be provided. Prior year accounting records or other documentation may be used to support these estimates.
- e. Consultant Fees and Subcontracts - Costs for professional and consultant services of a particular profession or special skill required in the performance of proposed activity should be properly justified and budgeted. To the extent possible, consultant fees should list all component costs, such as, rate of service fees, travel expenses, etc. Since intra-University consulting is assumed to be undertaken as part of the normal faculty and staff workload, extra compensation in addition to full-time base salary should

not normally be budgeted for; this principle shall generally apply to all faculty members who function as consultants or otherwise contribute to a sponsored agreement conducted by another faculty member within the UH.

- f. Other Costs - This category includes all costs that can be specifically identified and are directly beneficial to the proposed program, such as, computer time, publication costs, telephone toll charges, etc. Items listed should be separately identified by class category with a justification for the estimated cost. For example, publication costs should list the number of pages to be published and the cost per page. All other direct costs listed should be supported in as much detail as possible and documentation should be retained by the department FO. Miscellaneous and contingency costs are not normally recognized by the sponsor and therefore should not be included.

6. Cost Sharing and Matching - Some federal sponsors require cost sharing/matching on research grant awards. Since cost sharing/matching identified in proposals may become a contractual commitment of the UH, they should be kept to a minimum and be limited to those items that can be easily documented and verified, such as, salaries, wages and fringe benefits. Salary costs for Deans/Directors, administrative and clerical support personnel, and use of UH facilities and equipment shall not be utilized for cost sharing/matching since these costs are included as part of the University's indirect overhead computation. Costs that are financed from federal sources cannot be used for sharing/matching purposes. Moreover, the same costs cannot be utilized as cost sharing/matching on more than one federal award. Documentation for the cost sharing/matching must be obtained prior to proposal submission.

7. Indirect Costs - Indirect costs are real costs incurred by the UH that are common to all programs but which cannot be precisely assigned and charged to individual programs. Indirect costs are those costs incurred for general administration support and maintenance and include expenditures relating to depreciation and use allowance, operation and maintenance, general administration and general expense, departmental administration expense, sponsored project administration, library expenses, and student

administration and services. All proposals for external support should request for the full reimbursement of indirect costs as prescribed under Attachment A of APM A8.927.

8. Unexpended Balance - Proposals for the extension or renewal of existing sponsored activities may require an estimate of the unexpended balance anticipated upon expiration of the current grant or contract budget period. Considerable caution should be exercised in projecting unexpended balances since some sponsors apply the unexpended balance as partial funding support for the next budget period.



PROPOSAL PREPARATION CHECKLIST

The following checklist items should be considered in the preparation and review of proposal applications to external sponsors. The checklist will help to insure the rapid review of proposals within the UH, avoid delays in rewriting and revising proposals, and facilitate planning for the initiation of the proposed program.

A. Facilities

1. Will space presently available to the UH be adequate?
 - a. Has approval been obtained for the use of space needed for the project?
 - b. Are any of the following renovations required:
 1. Partitions, walls, or ceilings?
 2. Painting?
 3. New lighting arrangements?
 4. Additional electrical power and air conditioning?
 5. Water?
 6. Special services or facilities, new telephone, drains, fume hoods?
 - c. If renovations are required:
 1. Have costs been properly estimated and approved by appropriate UH personnel (FO, Department Chairperson or Provost, Chancellor/Dean/Director, Facilities Planning, and Facilities Maintenance Office)?
 2. Are costs properly included as direct costs in the proposed budget including nonrecurring charges, such as, telephone installation and relocation?

3. Are any of the funds to be provided by the UH?
If so, are these funds available?
2. Will space not presently available to the UH be required?
 - a. If non-UH space is required:
 1. Have rental or lease arrangements been discussed with the Procurement and Property Management Office?
 2. Is rental cost included in the proposed budget? What about utilities and maintenance requirements?
 3. Are facilities being provided by governmental, private or non-profit organizations without cost to the University?
 4. If renovation of non-UH facility is required, have costs been properly budgeted?
 - b. If new facilities are to be constructed:
 1. Have requirements been discussed with appropriate UH personnel (FO, Department Chairperson, Dean/Director, Facilities Planning or Facilities Management Offices)?
 2. Are funds for planning and construction identified in the proposed budget?

B. Staff

1. If the following personnel requirements are provided in the proposal, have they been approved by the Department Chairperson or Provost and Chancellor/Dean/Director?
 - a. Release teaching time of faculty
 - b. Faculty/staff salaries pledged for cost sharing/matching?
 - c. Overload salaries?

- d. Are faculty/staff salaries shared between more than one external funding source and/or appropriated UH funds? If so, are there any gaps in funding due to varying program funding periods?
2. Have staff positions for administrative type personnel that are directly charged to the proposed program been discussed with CGMO and specifically approved by the sponsor? Are these costs properly identified and justified in proposed program budget?
3. Are anticipated salary increases and related employee fringe benefits properly included in the proposed budget? What about anticipated promotions, reclassifications, or repricing?
4. Are new faculty/staff positions required? Have personnel requirements been discussed with the assigned FO and UH Personnel Office to insure proper classification and salary level are identified in the proposed budget? What about recruitment and relocation expenses? Are they properly budgeted in the proposal?

C. Equipment, Material/Supplies, and Services

1. If the proposed program or activity requires extensive equipment acquisitions, surplus property, or equipment from foreign countries:
 - a. Have requirements and possible sources been discussed with the department FO and PPMO?
 - b. Have the equipment requirements been screened at the departmental level, or at PPMO to avoid duplication of purchase?
 - c. Have the acquisitions been specifically justified in the proposal if it will duplicate equipment already on campus?
 - d. Have U.S. Custom clearance requirements for foreign purchases or equipment loans been considered? Have costs been included in the proposed budget? Are there any time limitations for equipment loans?

2. If office/general purpose equipment will be needed:
 - a. Has it been budgeted as a direct cost through purchase or rental?
 - b. Does the proposal justify requested office/general purpose equipment, in terms of project requirements?
3. If the proposal calls for the purchase of computing equipment has the Computing Center or Management System Office been consulted to insure necessary approvals?

D. Special Considerations

1. If the proposal involves the use of human subjects, has provision been made for review in accordance with current UH policy and has the human subjects application been completed and forwarded to the Committee on Human Studies at ORA?
2. If the proposal involves the use of any live vertebrate animals in the research experimentation, testing, training, or related purposes; has provision been made for review by the Committee on Protection of Animals, and Laboratory Animal Services at ORA?
3. If the proposed project involves radiation safety and environmental hazards, or recombinant DNA; has the Biological Safety Committee and Environmental Health & Safety Office been consulted?
4. If restrictions on information or security classification will be required:
 - a. Has the project been discussed with the Department Chairperson, Dean/Director, and ORA?
 - b. Has security matters, including safekeeping of facilities and security clearances been discussed with the UH Security Officer?
5. If other institutions are participating in the proposal, has appropriate institutional approval from the participating institution been obtained? Is the role of

each institution clearly stated in the proposal to avoid misunderstandings and potential disputes?

6. If the proposed project is likely to result in the publication of a book or monograph:
 - a. Has publication cost been included in the proposal?
 - b. Have publication arrangements been discussed with the UH Press?
7. If the proposed project involves potential risks, hazards, or financial liability to the UH, such as the use or rental of ocean vessels, aircrafts, deep sea diving equipment, contagious matter, untested or potentially dangerous drugs, etc., have proper precautions been taken? Is the UH properly indemnified? Is special insurance liability coverage required and are costs properly included in the program budget?
8. If a proposed research or training activity will be primarily conducted in a remote location or foreign country; have all unique requirements been properly identified and justified in the budget?
 - a. Camping and food provisions?
 - b. Hiring of interpreters, guides, escorts, and local ground transportation?
 - c. Some foreign countries practice the barter system - have these costs been specifically justified and budgeted?
 - d. What about fluctuating currency exchange rates?
9. Does the proposal commit the UH to continue the proposed activity beyond the period of the sponsor's funding? Beyond anticipated retirement or resignation date of the principal investigator? If so, do planning and budgeting offer appropriate support for all such commitments?

E. Transmittal of Proposal

1. Has ORA Form 5 been properly completed and approved internally within the UH?
2. Have the necessary number of copies of the proposal been assembled, including:
 - a. Complete budgets?
 - b. Biographical information on principal investigator and senior personnel?
 - c. Any special enclosure requirements?
3. If special information should be included in the transmittal letter from the UH, has it been drafted and included with ORA Form 5?
4. If more than one department or college is involved, has ORA Form 5 been reviewed/approved by all parties?

CGMO Form 2

GUIDELINES FOR ACCEPTANCE OF EXTERNAL AWARD

A. Introduction

The guidelines below have been developed to facilitate understanding with external sponsors in the negotiation process of contract/grant terms and conditions that are acceptable to the UH. These guidelines shall apply uniformly to all externally financed programs and activities, particularly those involving private industries, foundation, and solicited proposals (Request for Proposals) that are submitted to federal agencies which become binding contractual agreements upon acceptance.

B. Guidelines

1. Best Effort and Full Cost Recovery

The UH received no fee or profit from its research/training programs to cover potential business risks. Since many research/development and specialized training projects are unique and unpredictably in nature, projects accepted by the UH should generally be conducted on a best effort and full cost recovery basis.

For this reason, the UH should generally avoid contracts that are on a fixed price or fee basis which establish rigid deadlines and impose penalties for failure in meeting schedules; and that require performance warranties/guarantees.

2. Financial Stability of Sponsors

Although programs/activities that are sponsored by governmental agencies are usually backed by the financial strength of the State, County, or Federal Government, private industry and nonprofit organizations must rely on their available working capital and financial mainstay to finance sponsored programs that are awarded to the UH. It is therefore critical that programs which are supported by nongovernmental agencies be carefully evaluated to insure their ability to cover costs of the sponsored program since any defaults on

payment(s) is the responsibility of the PI, Department Chairperson and ultimately the Chancellor/Dean/Director.

3. Method of Financing

Advance funding from sponsors is the ideal financing arrangement since the UH has a very limited amount of

working capital to cover cost reimbursable projects. Moreover, the UH cannot borrow funds for these purposes.

Advance payment schedules when possible, should be negotiated with the sponsoring agency based on the magnitude, scope of project, length of project period, and the anticipated needs of actual expenditures. If projected program expenditures are evenly distributed through out the duration of the program, quarterly payments in advance should be negotiated with the sponsoring agency. Lump sum payment in advance would be desirable for those agreements that are less than \$15,000 in value. If financing must be on a cost-reimbursable basis, then the frequency of reimbursement shall be no less than monthly due to cash flow considerations.

4. Preaward Authorization

When a new contract or grant award has been approved for funding by the sponsoring agency but delays are expected in the processing of formal award which would adversely impact the program or activity due to urgent and critical program requirements, preaward authorization must be negotiated with the sponsor unless otherwise delegated to the UH. Preaward authorization would allow the incurrence of program costs prior to the effective date and receipt of official award from sponsor. Otherwise, costs incurred prior to the effective date of sponsored agreement, whether or not they would have been allowed if incurred after such date will be disallowed by the sponsoring agency. Negotiation of preaward authorization with the sponsor must be properly justified and supported with a realistic estimate of program funding needs and a definite time period (usually no longer than 90 days prior to the effective date of award). Costs that are incurred beyond the authorized funding limits or time period established by the sponsor would be disallowed.

5. Excessive Financial Reporting Requirements

The UH's financial management system in support of Federally financed programs/activities has been developed in accordance with the standards and requirements prescribed under the Office and Management Budget Circular A-110. Circular A-110 promulgates standards for obtaining consistency and uniformity among Federal agencies in the administration and reporting of grants and other agreements with public and private institutions of higher education. Federal agencies should therefore not impose more stringent reporting requirements for non-construction projects that are not consistent with the reporting requirements prescribed under Attachment G of A-110; such as, the reporting of all personnel charges by name and title, detail travel cost breakdown by traveler and each trip, or the listing of all equipment acquisition with supporting documentation for proof of purchase. In addition, financial reports to Federal agencies should generally not be required more frequently than quarterly with submission deadlines no later than 30 days following the end of each specified reporting period for quarterly and semi-annual reports, and 90 days for annual and final reports. Excessive reporting requirements should similarly be avoided in the negotiation of contracts and grants that are not subject to A-110 requirements.

6. Indemnification and Insurance Requirement

A careful evaluation must be made prior to the acceptance and undertaking of all extramurally financed programs and activities of the UH to determine the extent and possible exposure to risks, potential liabilities and hazards. This evaluation process is necessary to insure that the UH is adequately protected from exposure to losses that may occur as a result of its participation or performance of work prescribed under research and training agreements.

a. Indemnification

The UH is legally precluded from executing an indemnification provision in favor of an outside party since any future financial obligation

thereunder would not be binding against the UH or the State of Hawai'i without the specific appropriation of funds by the State Legislature to meet this obligation. Because of this statutory limitation, the UH is unable to accept most standard indemnification provisions on an unconditional basis. Therefore if the sponsoring agency insists on the inclusion of an indemnification or responsibility clause, the following paragraph shall be used in its entirety:

The University shall be responsible for any claims for damage or injury caused by or resulting from any negligent act or omission of the University, its employees, or agents in connection with this agreement in accordance with Chapter 661, "Action by and Against the State", and Chapter 662, State Tort Liability Act", Hawai'i Revised Statutes 1976, as amended.

b. Liability Insurance

As a general rule of common law, one is responsible for the loss or injury suffered by others as a result of its negligence and that of its agents and employees. However, should exposure to risks dictate the need for insurance coverage under the sponsored program or activity, protection through the acquisition of an insurance policy shall be coordinated with the UH's Procurement and Property Management Office. Since the UH as an entity of the State of Hawai'i is self-insured, the cost of insurance coverage must be included as part of the authorized sponsor's program budget. Should the sponsoring agency require the inclusion of an insurance clause the following shall be used in its entirety:

AUTOMOBILE LIABILITY - The State self-insures its automobile no-fault coverage. "No-fault" refers to injuries resulting from an auto accident. The basic no-fault policy contains coverage up to \$15,000 per person for injuries, residual bodily liability of \$25,000 per person, and property damage liability of \$10,000 for each occurrence. The aggregate limit of self-insured coverage is

\$300,000 per occurrence. Excess coverage above the self-insured limit will be purchased under a comprehensive liability insurance policy.

Automobiles covered:

- State automobiles and mobile equipments.
- Employee owned cars while on authorized State business. Coverage is limited to excess over employee's personal auto insurance policy.
- Leased, hired, rented, non-owned cars when authorized by the State and operated in the name of the State.

WORKER'S COMPENSATION LAW - Injuries to University employees arising out of and in the course of or proximately caused by or resulting from the nature of their employment are cognizable under the "Worker's Compensation Law", Chapter 386, H.R.S. 1976, as amended. Such claims are filed with and adjudicated by the Department of Labor and Industrial Relations pursuant to Section 386-71 through 386-73, as amended, and awards are paid out of the fund provided for in Section 41-2 and 3, H.R.S. 1976. All UH general funded employees are automatically included in this program; extramurally funded employees are covered by a fringe benefit rate applied to salaries and wages and assessed on all grants and contracts, which is credited to the aforesaid fund.

GENERAL LIABILITY - Under the 'State Tort Liability Act', Chapter 662, H.R.S. 1976, as amended, persons injured as a result of the negligence or wrongful acts or omissions of an employee of the UH (State), while acting within the scope of their office or employment, have the right to file a claim or initiate suit; suits against the State are governed by Chapter 661, H.R.S. 1976, as amended. Chapter 662 in effect waives the State's immunity from liability for certain tortious conduct of its employees, and provides that the State shall be liable in the same manner, and to the same extent as private individuals under like circumstances.

7. Governing Law

All agreements from sponsors must be administered in accordance with the State of Hawai'i Laws.