

A8.900 ACCOUNTING FOR RESEARCH & TRAINING CONTRACTS & GRANTS

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A8.926 Administrative and Financial Management Requirements for
Extramurally Financed Research and Training
Programs/Activities of the University of Hawai'i (UH)

1. Purpose

To ensure that all administrative and financial management requirements for extramural contracts and grants are understood and complied with by all appropriate 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 UH, 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) (see APM A8.930, "Service Orders to the 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 procedures, 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, Cost Principles for Educational Institutions. This circular establishes principles for determining costs applicable to grants, contracts and other agreements between the federal government and educational institutions. These principles shall be used to determine the allowable costs of work performed by colleges and universities under sponsored agreements.

See www.whitehouse.gov/omb/circulars_a021_2004/ for the complete text of this Circular.

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

This circular sets forth the standards for obtaining consistency and uniformity among federal agencies in the administration of grants to and agreements with institutions of higher education. 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.

See www.whitehouse.gov/omb/circulars_a110/ for the complete text of this Circular.

- c. OMB Circular A-133, Audits of State, Local Governments and Non-Profit Organizations

This circular is issued pursuant to the Single Audit Act of 1984 and Amendments of 1996. It sets forth standards

for obtaining consistency and uniformity among federal agencies for the audit of states, local governments, and non-profit organizations expending federal awards.

d. 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. These federal regulations are usually applicable to subcontractual arrangements under a federal prime grant or other agreement which the UH enters into with subrecipients and lower-tier subrecipients.

See <https://www.acquisition.gov/far/> for a complete text of the FAR.

e. Federal Demonstration Partnership (FDP)

The FDP is a cooperative initiative among participating federal agencies and institutional recipients of federal funds. Its purpose is to reduce the administrative burdens associated with research grants and contracts.

5. Fiscal Responsibilities and Administrative Functions within the UH

The primary responsibility for conducting sponsored research and training programs and ensuring that proper costs are charged in accordance with federal laws, state statutes, sponsor requirements and UH policies and procedures shall reside at the organizational level where transactions are initiated and controlled. This responsibility is shared by the Principal Investigator/Project Director (PI/PD), assigned Fiscal Administrator (FA), Chancellor/Dean/Director/Department Chairperson, as applicable (Authorized UH Administrator). (Note: "PI" is generally used in research projects, and "PD" is generally used in science and engineering education and other projects. However, some sponsors may use these terms interchangeably and appropriate substitutions should be made accordingly.)

- a. The PI/PD shall be responsible and accountable for the satisfactory performance of scientific and technical work prescribed under the sponsored program or activity and the review of expenditures to ensure the allowability, allocability and reasonableness of all costs charged to the award in support of the project. The PI/PD 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 FA shall be responsible for controlling program expenditures within the sponsor's funding authorization in accordance with sponsor's requirements and UH policies and procedures. The FA shall also provide guidance and assistance to the PI/PD and staff concerning administrative and financial matters, particularly those relating to the allowability and allocability of program costs, sponsor's prior approval requirements if any, program financial status, delivery and coordination of administrative support requirements, proper recording of expenditures and cost transfers and the liquidation or cancellation of all outstanding encumbrances to ensure the timely closeout of projects.
- c. The applicable Authorized UH Administrator shall have overall responsibility for the performance of work conducted by the PI/PD and shall monitor and ensure 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 applicable Authorized UH Administrator 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 Property and Fund Management Office (PFMO) 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 Services (ORS) shall be responsible for the coordination, follow up and monitoring of all UH grants, contract and other award agreements with external sponsors including any revisions thereto. ORS shall be the focal point of contact for the UH and will serve as the liaison with external sponsors. All change requests to the sponsoring agency must be endorsed by ORS. ORS shall also be responsible for the review and monitoring of reporting requirements imposed by the federal government relating to patents, copyrights and inventions, and the submission of periodic and final technical/performance reports to sponsors. ORS shall be responsible for account establishment and maintenance, invoicing, letter of credit draw downs and financial reporting matters related to extramurally funded project accounts. ORS Compliance shall perform monitoring activities to ensure adherence with Federal laws, State statutes, sponsor requirements and UH policies and procedures.

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.
- (2) PIs/PDs shall review the sponsored project account activity in a timely manner (preferably monthly) to ensure that charges are properly recorded;

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 Subpart C - Post Award Requirements Item .25 Revision of budget and program plans of OMB Circular A-110.

ORS 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 certain 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/PD, reviewed by the departmental FA, approved by the applicable Authorized UH Administrator, and endorsed by ORS before submission to the sponsoring agency.
 - (b) For subawards and subcontracts, the prior approval authority is usually the prime recipient of the grant or contract. Any action or cost that is inconsistent with the purpose or terms of a federally sponsored agreement shall not be approved.
- (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, ORS should be notified immediately.

When there is a degree of uncertainty for sponsor's approval of a modification requested, the PI/PD 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. (Refer to APM A8.952, Advance Funding Accounts for Externally Financed Programs and Activities.) In the event the changes are not approved by the sponsor, the FA should submit a cost transfer to clear the unallowed cost(s).

- (4) Contracts and grants awarded under FDP terms and conditions delegate approval authority to the UH to facilitate some post-award administrative changes. These delegated authorizations are administered by ORS. However, the following post-award changes require the sponsoring agency's approval in all cases.
 - (a) Change of the PI/PD or other key personnel.
 - (b) A 25 percent reduction in the PI's level of effort.
 - (c) Absence of the PI for more than three months.
 - (d) Change in the scope or the objective of the project or program (even if there is no associated budget revision requiring prior written approval).
 - (e) Change in the project budget period.
 - (f) The need for additional federal funding.
 - (g) The transfer of amounts budgeted for indirect costs to absorb increases in direct costs, or vice versa, if approval is required by the Federal awarding agency.
 - (h) The transfer of funds allotted for training allowances (direct payment to trainees) to other categories of expense.

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 ORS.

- (5) Since it is not possible to cover all situations requiring prior approval, programs should consult with ORS or the authorized officer or official of the sponsoring agency whenever rebudgeting or other post-award changes are contemplated or if there are uncertainties regarding the allowability of costs or activities.

c. Continuation Accounts (Suspense Accounts)

A continuation account must be designated on all accounts with an expiration date and is used to accept transactions posted to an expired account. FAs shall review transactions posted to continuation accounts in a timely manner and transfer the amounts to the proper account. Campus level FAs are responsible for ensuring that balances in the continuation accounts are cleared by fiscal year end.

d. Expenditure Controls / Cost Overruns

FAs shall monitor allotments, expenditures and project periods to ensure that deficits and past due conditions are prevented or corrected. An expenditure recorded in a sponsored project account in excess of the approved project budget may result in a cost overrun. Cost overruns and inappropriate charges must be reversed or transferred to an appropriate non-sponsored account.

e. Cost Transfers

Cost transfers are an after-the-fact correction or reallocation to move costs from or to an extramural project account. With the FA's assistance, PI's shall review and reconcile all sponsored accounts in a timely manner. Cost transfers should generally be **processed no later than 90 days after the date of the original transaction** (preferably within 60 days after posting of original transaction) in order for the UH to prepare accurate financial statements and receive proper reimbursement from our sponsors. An explanation of why

the cost was incorrectly charged in the first place, and why a transfer is necessary shall be provided. Documentation to support the authorization of the cost transfer shall also be attached, if applicable. If the transfer is to a sponsored account, certification that the charge is allowable, allocable and reasonable is required. Reason for any untimely cost transfers should also be provided.

f. Program Closeout

Refer to APM A8.954 - Extramural Closeout Procedures for The UH's procedures related to closeout of extramural accounts.

g. Monitoring and Reporting of Program Performance

Sponsored programs shall be monitored to ensure 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 Subpart C - Post-Award Requirements Reports and Records item 51 "Monitoring and reporting program performance" of OMB Circular A-110 and with any specific terms or conditions of a grant or award.
- (2) ORS shall coordinate submission and assist with monitoring that all technical and programmatic performance matters including reports are submitted in accordance with the applicable federal regulations or specific terms and conditions of grants and awards.

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 at least three years. If any litigation, claim or audit starts before the expiration of the three year period, records shall be retained until all litigations, claims, or audit findings involving program records have been resolved.

- (2) The retention period for federal grants and other agreements that are renewed at annual or other intervals starts on the date of submission of the final expenditure report. For those that are continued or renewed quarterly, the retention period starts on the date of submission of the expenditure report for the last quarter of the federal fiscal year. For those for which expenditure reports have been waived, the retention period starts on the date the report would have been due. For federal grants and other agreements, if the above do not apply, then any other applicable period specified in 45 CFR § 92.42. For federal contracts, the retention period starts from the end of the fiscal year during which an entry is made charging or allocating a cost to the contract. When records generated during a prior contract are relied on for cost or pricing data for negotiating a succeeding contract, the retention period starts from the date of the succeeding contract. For federal contracts, if the above do not apply, then any other applicable period specified in FAR Subpart 4.7. For all other grants and awards, the specific terms and conditions of the grant or award may apply.
- (3) Pertinent books, documents, papers, and records of the UH 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.