



University of Washington

Faculty Grants
Management
Program

Grant and Contract Accounting

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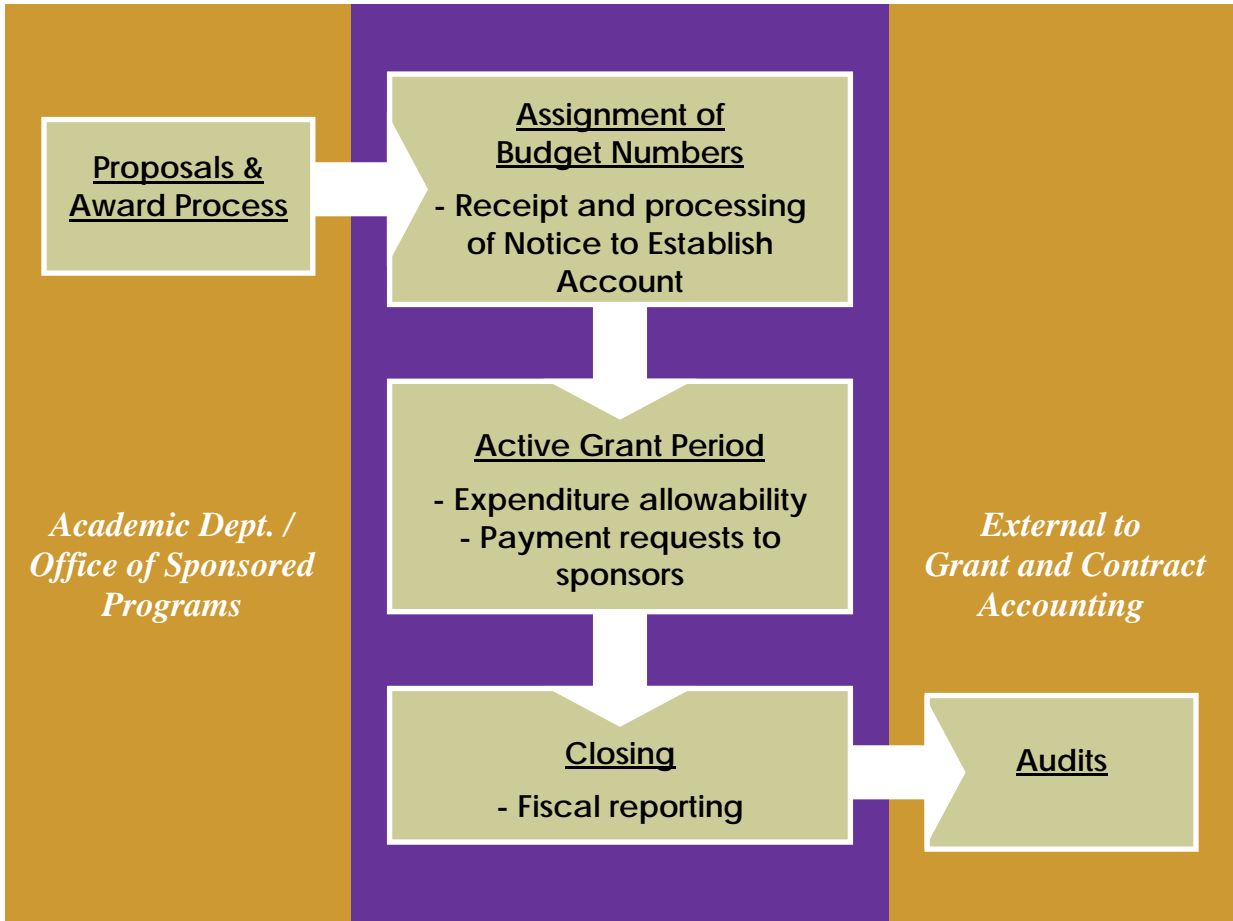
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I. Grant and Contract Accounting Post-Award Process





II. Compliance

Salaries/Personnel

INCORRECT PRACTICE	CORRECT PRACTICE
A. Charging of salaries based on funding instead of actual effort.	Salaries charged based upon actual effort. Payment made in corresponding pay period.
B. Hourly wages paid with no documentation of hours worked and payment for hours not worked.	Payment based on actual hours worked. Payment and hours properly documented and approved.
C. Grant was "cross charged" (based on funding, convenience, or as "payback" for departmental accounts to cover deficits).	Proper accounting and payroll forms used.
D. Non-research activities performed while salary charged to grants.	Charge costs that are direct benefit. (No preparation of new and competing proposals.)
E. Inconsistent treatment of grant support services.	Reasonable, consistent method in charging department services. Based on actual services or units used.
F. Salary Certification Report not signed, not submitted, or not signed by PI or person with suitable means of verification that the work was performed.	Signed within 60 days by PI or person with suitable means of verification that the work was performed. Retain records in the department.

Compliance, continued

Purchase of Goods and Services

INCORRECT PRACTICE	CORRECT PRACTICE
<p>A. Goods and Services purchased that did not directly benefit the research project, or were received outside the project period.</p>	<p>All goods and services charged as direct costs have a direct benefit to the research project and were received during the project period.</p>
<p>B. Office supplies, basic telephone, subscriptions, and memberships charged directly without proper justification and approval.</p>	<p>Normal “indirect” costs charged in “unlike circumstances” have been properly justified and approved.</p> <p> Refer to GIM 23</p>
<p>C. Inadequate documentation of approval.</p>	<p>The PI or designee indicates approval for goods and services, including payroll prior to the transactions.</p> <p> Refer to GIM 14</p> <p>PI reviews and signs BARs/BSRs monthly.</p>
<p>D. Improper or unreasonable basis used to allocate shared direct costs.</p>	<p>Costs distributed between two or more projects based upon “proportional benefit” or “interrelationship.”</p>
<p>E. Failure to obtain required sponsor approvals.</p>	<p>Written prior approval obtained (where required) to incur any costs as per sponsor regulations and/or grant terms and conditions.</p>
<p>F. Improper use of Cost Transfer Invoices (CTIs) and Internal Sales Documents (ISDs).</p>	<p>CTIs and ISDs used to purchase goods and services that directly support the project.</p>

III. Direct Costs

Costs that should be directly charged to sponsored agreements when they can be specifically identified to the work performed under those agreements:

Salaries, Wages, and Fringe Benefits

- Faculty
- Research Associates
- Pre-doctoral and Postdoctoral Fellows
- Technicians, Lab Assistants, Graduate Students
- Tuition remission for Graduate Students

Supplies and Materials

- Chemicals
- Laboratory Supplies
- Computer Software
- Drugs
- Books
- Minor Equipment
- Uniforms
- Photographic Supplies
- Tools
- Animals

Other Direct Costs

- Travel
- Postage
- Subcontracts
- Radioactive Waste Disposal
- Consulting Services
- Equipment
- Animal Care
- Motor Pool
- Other costs specifically identified and justified in funded proposals (where normal indirect costs are “unlike”)
- Long distance telephone calls
- Freight
- Patient Care and Subject costs
- Costs that are normally indirect may be charged to non-federally sponsored agreements if permitted by the sponsor’s policies/practices or are otherwise approved by the sponsor

Off-Campus Projects Only

- Office Supplies
- Basic Telephone Services—such as phone installation, monthly line charges, basic instruments
- Facilities Costs—such as rent, maintenance, security, utilities



From [GIM 23](#)

IV. Indirect Costs

The following costs are normally considered administrative, infrastructure, or costs that benefit multiple projects and/or activities. Where unlike circumstances can be justified, documented, and approved by the sponsoring agency, these costs may be incurred as direct costs:

- Administrative and clerical salaries
- Office supplies*
- Toner cartridges and diskettes*
- Basic local telephone services – on campus*
- Cellular phones, pagers and related service charges*
- Routine/administrative copying charges
- Memberships
- Journals and subscriptions

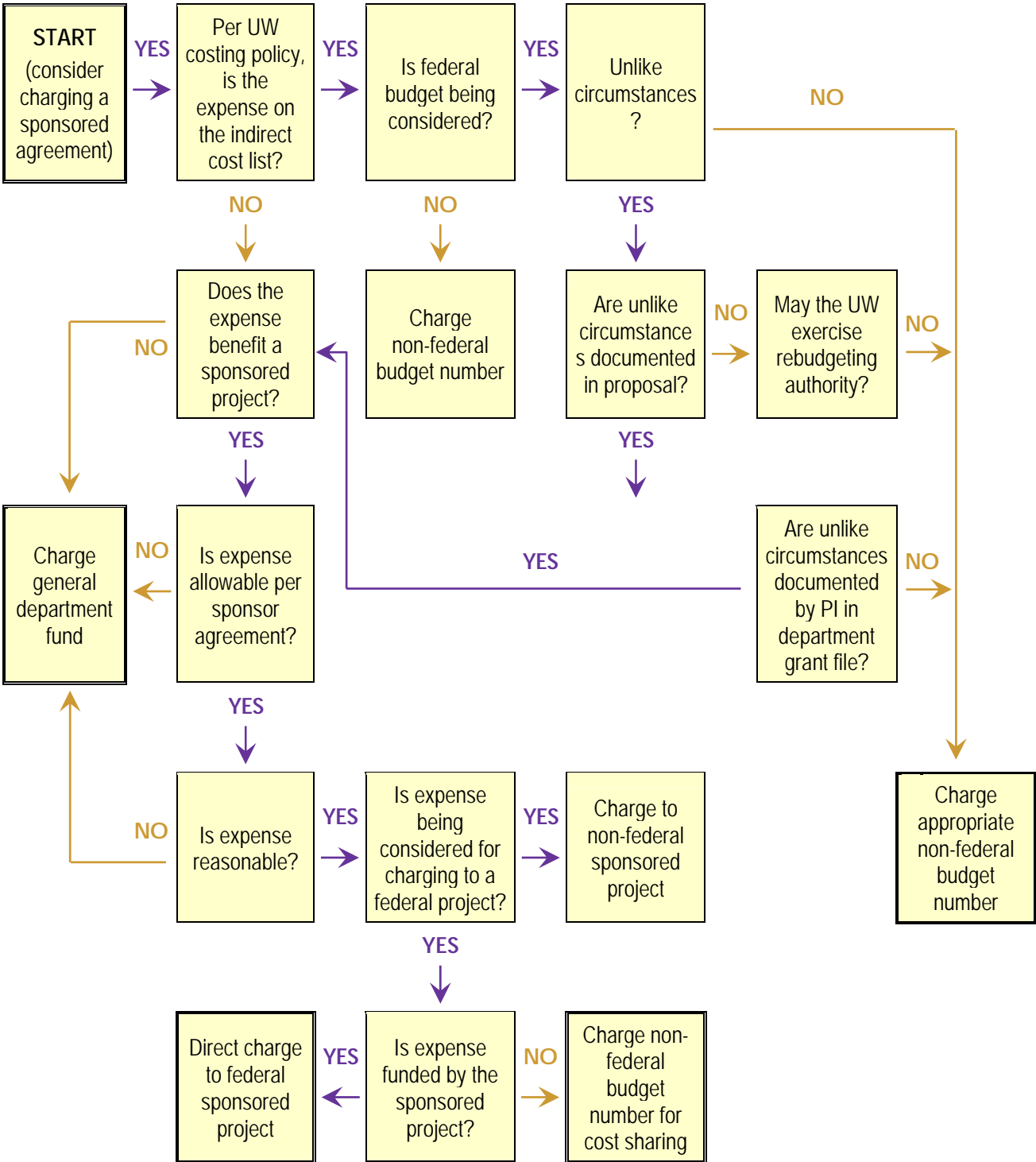
** These costs are allowable and should be incurred as direct costs for off-campus, APL, and Regional Primate Center awards. These costs will not require prior approval from the funding agency.*



From [GIM 23](#)

Charges to Federally Sponsored Agreements

UW Flowchart



Charges to Federally Sponsored Agreements, cont.

An Explanation of Critical Decision Points

Per UW Costing Policy, is the expense on the indirect cost list?



[Refer to GIM 23, Costing Policy](#)

These items (listed below), in addition to administrative and clerical salaries, under “normal” or “routine” circumstances, should be provided by departmental or other non-federal funding source, with the exception of memberships and journals and subscriptions, which may be considered a personal expense to the investigator:

- Office Supplies
- Toner Cartridges and Diskettes
- Basic Telephone
- Routine Copying

Note: For off-campus projects, APL, and Regional Primate Center, the above items are considered direct costs, thus on the flowchart, the answer to this question is “no” and the reader may proceed to consider the questions regarding allowable *direct* costs.

Unlike Circumstances

The items above considered to be “normal” indirect cost items, under routine circumstances must be charged to non-sponsored project funding sources (or non-federally sponsored agreements if not prohibited by sponsor), such as departmental, gift, research and training, or, in some cases, non-federal sponsored project (if not prohibited by sponsor).

However, there are circumstances where these items may be integral to meeting the objectives of the project and exceed the “routine” level provided by the department, and are thus “unlike” current departmental or University practice.

Examples

Administrative and Clerical Salaries

The US Office of Management and Budget (OMB) provides specific circumstances in which these costs would be considered “unlike.” These circumstances are listed in [GIM 23, Costing Policy](#).

Office Supplies

Departments must provide some “base” level of office supplies for the routine tasks associated with research projects. However, if a particular project, for example, had as an integral part of the project to conduct a survey to 2000 people, the supplies, etc., which would be required likely exceed the level provided under routine circumstances. Thus, these items would be appropriately charged directly to that project.

Basic Telephone

In most situations, the basic telephone charges would not be allowable as direct charges to federally sponsored research grants. However, if an integral part of meeting the objectives of a project was the establishment of a crisis line or some other significantly dedicated line (for data receipt, etc.) it would be appropriate to charge the costs for these services directly to the project. Note: Long distance charges are always allowable direct charges, provided the calls can be directly assigned to a specific project, either through the use of authorization codes or after the fact recharging by the department.

Routine Copying

Routine, or “administrative,” copying, such as copying of correspondence sent to sponsoring agencies for prior approvals, extensions, etc., would not be allowable direct costs to a federally sponsored project. However, copying of items specifically relating to the scientific content of the project, such as copies of journal articles specifically related to the project, would be allowable direct costs to the project.

Memberships

Memberships to professional associations would generally be considered as professional development costs and therefore, not appropriate as direct costs on a federal project. However, if the membership is being purchased in conjunction with a registration fee for a conference and purchasing the membership decreases the overall cost of the conference registration, then direct charging the membership to the project would be appropriate. In addition, these costs would be appropriate as direct costs on “career” type awards.

Journals and subscriptions

These costs would only be appropriate as direct costs if the focus of the item is narrow enough to provide significant benefit to the federal project.

Are unlike circumstances documented in the proposal?

To incur costs normally considered to be “indirect” costs, the unlike (or unique) circumstances must be justified and documented in the proposal submitted to the federal agency. It is not enough to simply list the item. Appropriate justification must be added, as well, even if the funding application doesn’t require that level of detail. Unless the sponsoring agency permits rebudgeting (see below), if these costs are incurred without written justification in the proposal, they will be disallowed.

May the UW exercise rebudgeting authority?

Rebudgeting authority means that the UW, i.e., the PI, may incur allowable expenditures that were not included in the original funding proposal, provided the total amount awarded is not exceeded. For example, for direct costs, if the proposal and subsequent award included funding for travel, and after the project began the need for travel no longer existed, the PI may use the funding for travel for other allowable direct cost items, such as equipment. Sponsors which permit rebudgeting authority on grants for expenditures normally considered to be indirect include NIH, NSF, and ONR. However, internal (UW) written justification is still required (see below).

Additional restrictions for rebudgeting on awards from federal sponsors can be located by accessing GCA on the WEB at:

 www.washington.edu/research/gca/office/

Are unlike circumstances documented by PI in the department grant file?

Where sponsors permit rebudgeting of costs normally considered to be indirect (NIH, NSF, and ONR), written justification must be filed in the department grant file prior to the cost being incurred. The written justification should be documented as it would have had the costs been identified in the original funding proposal. All other federal agencies require prior written approval to incur these costs if not included in the approved award. If these costs are incurred, and were not included in the approved award and no departmental written justification exists in the department grant file, the costs will be disallowed.

V. Program Income Agreements

Definition

Gross income earned by the University that is directly generated by a sponsored activity or earned as a result of an award. (OMB Circular A-110)

PI Responsibilities

Identify sources of actual or potential program income at proposal stage.

- Develop a plan to use program income.
- Use income in compliance with sponsor regulations.

Process

- Separate program income budget established (initiated by PI/department).
- Forward income during the life of the project to GCA (PI/department).
- GCA will report income to sponsor if required.
- GCA will return unexpended program income at expiration.

VI. Cost Sharing Overview

Definition

When effort or non-salary items such as supplies and equipment are funded by non-federal sources and contributed to a sponsored project.

Types of Cost Sharing

- **Mandatory**
Required by statute or program provision as condition of the award.
- **Committed** (Formerly known as “budgeted voluntary” and “voluntary committed”)
Cost sharing quantified (often as a percentage of effort) in the sponsored proposal budget or budget justification without corresponding funding requested or awarded.
- **Salary Cap**
Required by National Institutes of Health (NIH), Substance Abuse and Mental Health Services Administration (SAMHSA), and Agency for Healthcare Research and Quality (AHRQ) when total faculty salary exceeds the salary cap set by these sponsors.
- **Aggregate**
Percentage of cost sharing required on all research projects for a given sponsor, such as NSF.

Why is it important to report and monitor cost sharing?

- To ensure compliance with the cost sharing level of effort and/or contribution UW has agreed to provide in the award document.
- Federal Office of Management and Budget (OMB) requires the reporting of mandatory and committed cost sharing.
- An award can't close until all mandatory pledges and committed cost sharing are met.

VII. Faculty Effort Certification (FEC)

Definition

Certification of faculty effort on all sponsored activities. Effort is viewed in conjunction with the various activities the person engages in (e.g., instruction, administration, service and clinical activity).

Salary Distribution

- Salary should be distributed appropriately to individual sponsored projects at a percentage no higher than the total effort on those projects.
- The remainder of University activity can be funded by one or many funding sources (e.g., if 20% of University activity is teaching and 5% is administration, it can be funded entirely by one departmental budget or by a series of departmental budgets, including but not limited to state budgets, budgets for indirect cost recovery, gifts, and endowments).

Average Work Week

- The average number of hours a faculty member normally works during a week. Hours are to be averaged over the effort reporting period.

Institutional Base Salary

- Institutional Base Salary (IBS) is all compensation received from the institution. At the UW, IBS is the X and Y salaries from UW, UWP, and CUMG and the A and B salaries from the University of Washington. Salary components include regular salary, summer salary, paid professional leave, salary for retired faculty, administrative supplements, and endowed supplements.

VIII. Change in Level of Effort

- Most federal sponsors have requirements regarding change in status and level of effort of the PI and key personnel.
- Typically, the grantee is required to notify the sponsor in writing if the PI or key personnel specifically named in the award will:
 - withdraw from the project entirely,
 - be absent from the project during any continuous period of 3 months or more,
 - or reduce time devoted to the project by 25 percent or more from the level that was approved at the time of award
- The sponsor must approve any alternate arrangement proposed by the grantee, including any replacement of the PI or key personnel named in the award.

Examples:

1. Proposal: 10% effort
Changed to: 5% effort

***Change in level of effort is 50% and needs prior approval.*

2. Proposal: 50% effort
Changed to: 40% effort

***Change in level of effort is 20% so prior approval is not needed.*

3. Proposal: 50% effort
(25% paid from grant budget & 25% committed cost sharing)
Changed to: 40% effort

***Change in level of effort is 20% so prior approval is not needed.*

IX. Retroactive Salary Transfers

Definition

A Retroactive Salary Transfer (RST) is a transaction that transfers salary expenses from one budget to another.

These transfers are regulated and limited as defined in [GIM 15](#).

Appropriate Reasons for a Transfer are as follows:

- Correcting an error that has been made. For example:
 - Transposition of numbers or other recording errors
 - Instructions misunderstood
 - Similar budget title used in error
- Correcting an incorrect budget number entered by the Payroll staff
- Meeting audit or legislative requests
- Transferring to budget number assigned late

Inappropriate Reasons for a Transfer Affecting Grants and Contracts are as follows:

- Using surplus monies
- Using an inappropriate budget to avoid a deficit on another budget
- Managing or balancing budgets






Prevention of Transfers

- Educating staff and self
- Keeping current with Federal, State and University regulations
- Maintaining fiscal control on a monthly basis
- Planning ahead
- Requesting advance notices for pending awards
- Requesting extensions when work is not completed and there are available funds

X. Departmental/PI Responsibilities

- Assistance in grant and contract reporting/closings
- Separation of (high risk) duties, such as payroll or petty cash
- Deficit resolution
- Program income
- Cost sharing
 - Mandatory
 - Committed
- Unexpended balances
- Records retention
- Faculty Effort Certifications (FECs)
- Change in PI level of effort
- Address problems related to fiscal activities promptly

XI. Resources

- On-line Financial Accounting System (FIN)
 <http://www.washington.edu/admin/adminsystems/FIN/>
- Grants Information Memoranda (GIM)
 <http://www.washington.edu/research/osp/gim/>
- GCA on the web:
 <http://www.washington.edu/research/gca/office/>
- OMB Circular A-21: Cost Principles for Educational Institutions
 http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html
- Sponsoring Agency Rules and Regulations
- Quarterly Research Administrator Meetings (QRAM)
 <http://www.washington.edu/research/gca/qram/qram.html>
- Targeted GCA assistance
 [GCA Contacts by School / College](#)
- Departmental Administrators and Fiscal Staff

XII. Quick Reference Guide for PIs

Proposal Budgets

- **Justify direct costs that are normally indirect:** Prepare proposal budget, listing, and appropriately justifying items requiring prior approval, such as administrative/clerical salaries, other “normally” indirect cost items and any additional items (such as equipment) which require prior approval by a particular sponsoring agency.
- **Incorporate cost sharing** in proposals only when required by sponsoring agency or necessary due to competitive nature of award.

Expenditures

- **Goods and services must provide direct benefit:** Only incur costs for goods received and/or services performed within the budget period of the project. In addition, all goods and services must provide direct benefit to and be consistent with meeting the objectives of the project. Examples of usual direct costs are listed in part V of [GIM 23, Costing Policy](#).
- **Prepare transfers in a timely manner:** If costs were charged to the project in error, make sure transfers are prepared in a timely manner (within 120 days of the original transaction).
- **Justify the inclusion of “normal” indirect costs as direct costs:** When the need arises to incur “normal” indirect costs (see part VI of [GIM 23, Costing Policy](#)) as direct where the costs weren’t included in the funded award and where the sponsor permits rebudgeting of these costs (NIH, NSF, ONR), prepare documentation justifying the need to charge directly (i.e., identify the “unlike circumstances”) and maintain in the departmental grant file.
- **Make sure hourly employees complete time cards for each pay period** and that the time cards are signed by supervising individual with first-hand knowledge of hours worked.
- **Review, sign (or initial), and date monthly BARs/BSRs or other departmentally prepared fiscal documents** (which identify transactions). Look for unusual or unexpected trends, such as increases in petty cash reimbursements, unfamiliar names of employees, or names of employees no longer working.

Cost Sharing

- **Cost sharing is the portion of project or program cost not borne by the sponsor.** It is the University's share of the cost of research. Cost sharing occurs when either a sponsor requires or the University commits funds beyond those awarded by the sponsoring agency to support a particular grant or contract. Cost sharing is primarily required by federal sponsors, and the obligation must be met using non-federal funds.
- All cost sharing must be documented before an award can close.

Program Income

- **Examples of program income include** 1) fees earned from service performed under the project, 2) funds generated from sales of commodities such as tissue cultures, cell lines and research animals, and 3) income from publications, registration fees, consulting, and sale of educational materials.

Change in Level of Effort

- **The grantee is typically required to notify the funding agency in writing if the PI or key personnel specifically named in the Notice of Grant Award (NGA) will withdraw from the project entirely, be absent from the project during any continuous period of 3 months or more, or reduce time devoted to the project by 25 percent or more from the level that was approved at the time of the award (for example, a proposed change from 40 percent effort to 30 percent or less effort). Usually, the funding agency must approve any alternate arrangement proposed by the grantee, including any replacement of the PI or key personnel named in the NGA.**
- **Requests for prior approval must be signed by both the PI/Key Personnel and the Office of Sponsored Programs.**

See [GIM 23, Costing Policy](#) for additional detail and other information to effectively manage the fiscal aspects of sponsored agreements. In addition, school and departmental fiscal staff are excellent resources to assist in this effort.

*July 1997
Revised September 2004*

XIII. Appendix

Related Grants Information Memoranda (GIMs)



GIM 2: Fiscal Responsibilities on Grant and Contract Awards



[Full text of GIM 2](#)



GIM 9: Advance Budget Number Assignments (Advance Notices)



[Full text of GIM 9](#)



GIM 14: Delegation of Signature Authority for Sponsored Projects



[Full text of GIM 14](#)

Attachments:

[Attachment: Delegation of Signature Authority for Sponsored Projects](#)

[Attachment A: Grant Purchase Authorization Form](#)

[Attachment B: Authorization of Expenditures Form](#)

[Attachment C: Authorization to Initiate/Approve Acquisition of Goods and/or Services Form](#)

[Attachment D: Signature Authority - Authorization of Expenditures \(Word doc\)](#)



GIM 15: Transfer of Expenditures Between Grant or Contract Budgets; Attachment



[Full text of GIM 15](#)

Attachments:

[Attachment A: Grant and Contract Accounting Request to Transfer Expenditures\(RTE\) \(Word doc\)](#)



GIM 21: Cost Sharing Policy for Sponsored Agreements



[Full text of GIM 21](#)



GIM 23: Costing Policy for Sponsored Agreements



[Full text of GIM 23 and Attachment](#)