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## **BUDGET MANAGEMENT**

### **SPONSORED ACCOUNTING**

#### **SUMMARY**

Accounts designated as sponsored originate from agreements that provide financial assistance to support or stimulate accomplishment of a particular objective. These agreements include grants, contracts, and cooperative agreements.

The difference between a grant, contract, and cooperative agreement is defined by their principal purposes:

- Grants accomplish a particular objective without a substantial involvement from the granting agency.
- Contracts call for an acquisition of property or services for the direct benefit of the sponsoring agency.
- Cooperative agreements involve substantial interaction with the sponsoring agency.

The University follows the federal regulations written in OMB Circulars A-110, A-133, and A-21, as well as Cost Accounting Standards 501, 502, 505, and 506 in determining the treatment of costs as direct or facility and administrative costs. Accordingly, costs that can be easily and accurately identified with a particular sponsored project are treated as direct costs. Conversely, costs incurred for common or joint objectives that cannot be identified readily and specifically with a particular sponsored project are treated as facility and administrative costs. In conjunction with Public Law 100-679, educational institutions are required to have their costing policies and procedures approved by submitting a form CASB DS-2 (Cost Accounting Standards Board - Disclosure Statement) to the cognizant agency of the federal government.

Sponsored agreements can be divided into two stages, pre-award and post-award. The pre-award activities are generally handled by the offices of Research Administration and the divisional business offices. The post-award activities are generally handled by the department in cooperation with the divisional business office and the Office of the Controller.

The role of the divisional research administration offices is to ensure that proposals for sponsored agreements are completed in accordance with the University's CASB DS-2 and the sponsoring agency's specific program requirements, making sure all assurances and certifications are included in the proposals. These offices are also responsible for ensuring that patent, equipment, and technical reports are prepared and submitted.

The divisional business offices generally set up the individual accounts, review budgets, and oversee the disposition of revenue. In some divisions, the research administration offices set up the accounts.

The role of the Controller's Office, in particular Research Accounting and Cost Analysis, is to ensure that activity on sponsored accounts is in accordance with the University's CASB DS-2 and agency specific guidelines.

The department's role is to ensure that all the above are completed in a timely manner. It is the principal investigator who is ultimately responsible for all terms and conditions of an award. This includes assurance that expenditures posted to the sponsored agreement are in accordance with agency regulations and the University's CASB DS-2, all reports (financial/technical) are completed, and all Personnel Activity Reports and payroll forms are completed in a timely manner.

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## **BUDGET MANAGEMENT**

### **SPONSORED ACCOUNTING**

#### **INTERNAL CONTROLS**

##### **OBJECTIVES**

- Ensure that all terms and conditions of the awarding agency are met
- The University is consistent with costing policies for all types of funding
- All costs either charged directly or indirectly should be consistently treated and expended in accordance with the University's CASB DS-2

##### **RISKS**

- Disallowance of costs
- Loss of future funding
- Non-compliance with University policies
- Non-compliance with federal regulations
- Penalties and interest
- Personal liability

#### **AUDIT CHECKLIST**

	Is the department aware of the agency regulations for a given award?
	Was the sponsored agreement properly set up in the accounting system?
	Have procedures been put into place to document compliance if there is cost sharing?
	Have program income and award interest earned been accounted for?
	Are costs expended in accordance with agency regulations? This includes but is not limited to <ul style="list-style-type: none"><li>• restricted supplements</li><li>• equipment thresholds</li><li>• travel restrictions</li><li>• federal salary cap</li><li>• administrative costs charged to federal awards</li><li>• subcontracts under or over \$25,000</li></ul>
	Are source documents forwarded to the Controller's Office to allow for sufficient audit detail?
	Are the department members aware of the Cost Accounting Standards instituted by the revisions to OMB Circular A-21 and are they familiar with the University's Cost Accounting Standards Board Disclosure Statement for Educational Institutions (CASB DS-2)?
	Are all expenditures posted in a timely manner to ensure that the Report of Expenditure can be completed in accordance with agency regulations?
	Is all sponsored funding received by the department posted correctly to the intended sponsored account?
	Are steps taken to restrict charges prior to and subsequent to the grant period?
	Are Personnel Activity Reports (PARs) certified in a timely manner by an individual with first hand knowledge?
	Are payroll forms completed in a timely manner?
	Are accounts inactivated as prescribed by the University's policies and procedures?





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