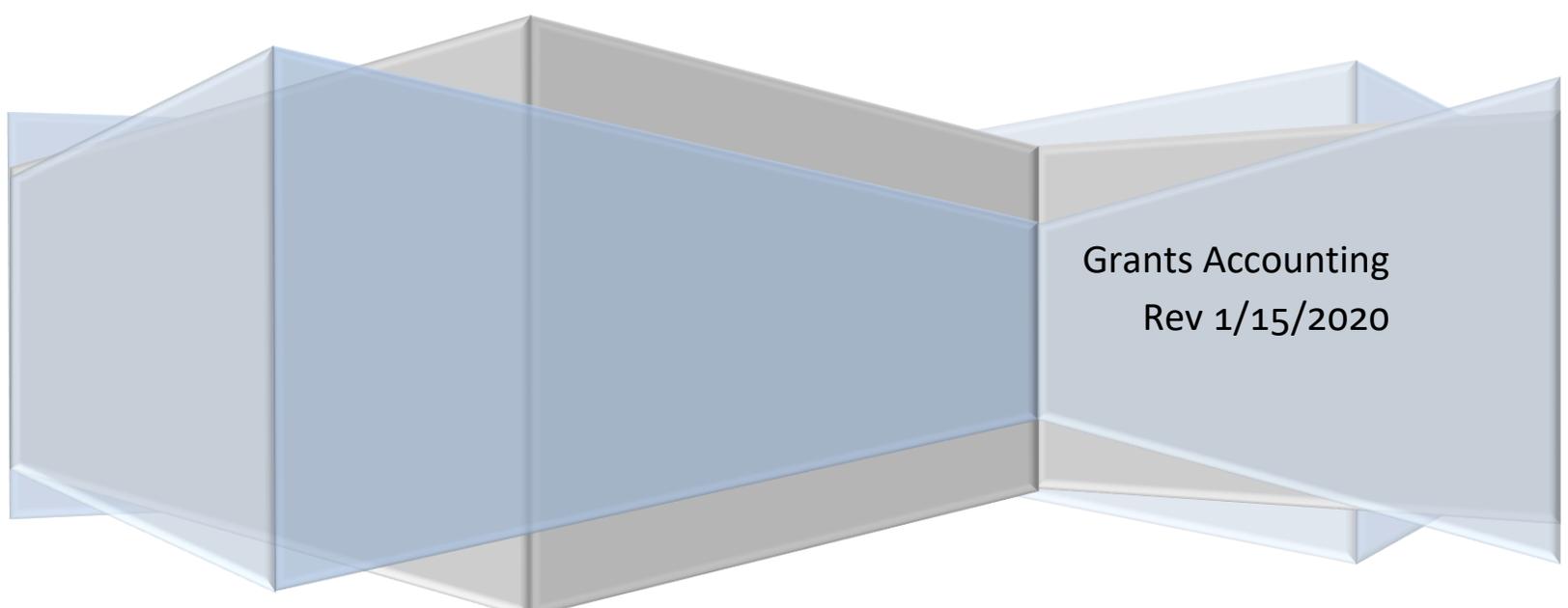


# Kent State University

## Managing Your Award

A Guide for Principal Investigators and Business Managers



Grants Accounting  
Rev 1/15/2020

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## Roles and Responsibilities (abbreviated version)

### Principal Investigator

- Know and understand terms and conditions and ensure they are followed
- Approve all expenditures to grant, cost share, and program income indexes
- Review Flashline financial statements
  - Are charges accurate and within the approved budget
  - Is anything missing
- Certify Effort Reports
- Keep organized financial records on hand for audit purposes

### Department/College

- Ensure that university policies and procedures are followed as grant funds are expended
- Monitor cost share and program income, including
  - Manage funding sources to cover cost share commitments
  - Initiates budget transfers for split funded cost share
  - Processes deposits for program income
- Review and approve personnel appointments, check requests, p-card reconciliations, cost transfers, etc.

### Grants Accounting

- Pre-review non labor expenses (is it allowable and budgeted)
- Process cost transfers, salary distribution revisions, and journal entries
- Approve cost transfers (including salary transfers) older than 90 days
- Review cost share and program income
  - Are promised levels of cost share support being met
  - Are Program Income funds spent in full by project end
- Prepare agency billings (invoices) and reports

### Sponsored Programs

- Review personnel forms prior to submission upon request
- Develop spending plans and budget revisions
- Prepare and administer subcontracts and subawards

### Internal Audit

- Evaluate internal controls and integrity of financial information
- Determine compliance with policies, procedures, laws, and regulations

### Resources

- [Roles and Responsibilities](#)
- [Roles and Responsibilities post award matrix](#)

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## Restricted Funds

Grant funds are awarded to the university for a specific purpose. They have restrictions that limit how they can be spent. Restrictions originate from the granting agency, state or federal regulations, and university policies. Grants are sometimes referred to collectively as the “Restricted Fund.”

Indexes associated with grants follow a numbering convention within the university Chart of Accounts.

- Grant and Program Income indexes start with the number 4
- Cost Share indexes start with the letter C or CC
- Program Income indexes start with the letter P (older indexes begin with the number 4)

Anyone working with grant projects is expected to conduct business with the highest ethical standards.

All charges allocated to grant related indexes MUST BE

- necessary to the project
- reasonable (not exceed what a prudent person would spend)
- allowable (within budget limits, not prohibited by regulations/policies)
- allocable (easily to identify, separate distinguishable expense that can be attributed to a specific project or distributed accurately to multiple projects)

## Financial Life Cycle of a Grant

1. Index(es) established for expenditures
2. Applicable expenditures are charge directly to grant/cost share/program income indexes
3. Monthly review of all project indexes (grant, cost share, and/or program income)
  - Are expenses correct, do they belong to the project, are they within the budget?
  - Is anything missing?
  - Are commitments being met?
4. Corrections requested promptly within 90 days of the original expense
5. Prep for final - 90 days prior to the end date, the Project Director and responsible department conducts a thorough financial review and processes any needed corrections BEFORE final reports and/or invoices are due.
6. Final invoices and financial reports completed by Grants Accounting
7. Project indexes terminated in Banner

## Direct Costs

Direct costs are expenses that can be

- Isolated in the university financial system *and*
- Identified with a particular project *and*
- Allocated to the project index with ease and accuracy

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All direct costs allocated to restricted funds must be allowable, allocable, reasonable, and necessary.

- **Allowable** - Conforms to
  - university policy
  - terms and conditions of the agreement
  - specific agency guidelines
  - federal regulations if applicable
- **Allocable**
  - provides benefit to the project
  - incurred within the project period
  - if split between projects, the allocation method is sound and clearly documented
- **Reasonable**
  - would withstand external review by a prudent individual
- **Necessary**
  - cannot advance the project's scope of work without it

Direct costs should always be allocated to the grant, cost share, or program income index at the time the expense is incurred. Charging project expense to another index with the intention of moving them later adds administrative burden and should be avoided. Charging project expenses to any other sponsored project is illegal and the PI could be held personally liable for the misappropriated funds.

### Direct Cost Allocation Methods

- Appointment forms
- P-Card allocations
- Payment Request forms
- Purchase Orders (invoices paid without check request)
- Expense Reimbursements
- Interdepartmental Charges (IDC)
  - Only auxiliary departments (see appendix) are permitted to IDC federal grants directly
  - IDCs from non-auxiliary departments will be considered on a case by case basis but are typically not allowed, especially on federal projects

### Proper Justification/Documentation

Supporting documentation should be concise and easy to understand but provide enough detail to show the expense was necessary to the project. Justifications should answer the following questions

#### Goods and Service

1. What was purchased? Include a brief description of the items or services purchased.
2. How were the supplies or services used on the project? Why were they needed?

#### Travel

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1. Why did you travel? When providing conference or meeting titles, do not use abbreviations or acronyms.
2. How did the travel benefit the project?

### **Charges Split Between Indexes**

If charges are split between two or more indexes, you must explain the basis of allocation. How were the amounts charged to each index calculated?

#### **Resources**

- [Direct Costs](#)
- [Direct vs. Indirect Costs Matrix](#)
- [Allowability Grid for KSU](#)
- [Compliance - Fly America](#)
- [Food Related Expenses on Grants](#)
- [Can that be charged to a grant?](#)

### **Monthly Monitoring**

The university provides monthly financial reports available in Flashline. It is expected that reports are reviewed by the Project Director and responsible department on a regular basis to ensure that

1. Expenditures posted pertain to the grant
2. Banner reflects the correct amount
3. Missing charges are identified and investigated
4. Errors are promptly resolved within 90 days
5. Spend rate is reasonable and reflects project progress

#### **Resources**

- [Monitoring Expenditures](#)

### **Correcting Expenses**

Sometimes, despite best effort, mistakes happen. Monthly reviews ensure errors are discovered and corrected in a timely manner, specifically within 90 days.

#### **Correction Methods**

- Cost Transfer Workflow (to move non-labor expenses from one index to another)
- Salary Redistribution Workflow (to move labor, salary, wages and associated benefits from one index to another)

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## Proper Justification/Documentation

It is important to maintain supporting documentation that is concise but also easy to understand. According to federal regulations, reasons such as “correcting clerical error” or “moving salary to reflect effort” are not enough. Transfers to use up funds or to zero out a project index are not allowable. The justification MUST answer the following questions

### Cost Transfers of Non-Salary Expenditures

1. What was purchased? Provide a description of the items or services purchased.
2. How were the supplies or services used on the project? Why were they needed?

### Cost Transfer of Salary Expenditures

1. What did the person do on the project? What services are being compensated?
2. How did these services benefit the project?

## Over 90 days

Cost transfers of salary or non-salary charges received more than 90 days after the original charge are considered late and will only be approved for extenuating circumstances. Additional justification will be necessary to demonstrate an extremely strong case as to why they should be approved. The justification for late transfers must address same points as listed above as well as

1. How did the error occur? Explain the unique circumstances that led to the incorrect allocation.
2. Why was the incorrect allocation not discovered in a timely manner?
3. What is being done to prevent such delays in the future? Be specific.

## HHS grants including NIH Do Not Allow Late Transfers

The Policy Statement from Department of Health and Human Services prohibits late transfers. It is extremely important to monitor expenditures on sponsored projects from agencies that fall under HHS on a monthly basis to ensure transfers are requested before the 90-day limit expires. **Requests to move expenditures to sponsored projects funded by any HHS division, including NIH, initiated after the 90-day period has elapsed will not be approved.** Disallowed expenditures will be transferred to the responsible department.

## Resources

- [Cost Transfer Guidance](#)

## Indirect, F&A, or Overhead Costs

Indirect costs are expenses and activities that contribute to common or joint objectives. They cannot be easily identified and charged directly to the grant. Some examples include

- Clerical staff who process appointments, payment request forms, and orders
- Creating, copying, and mailing progress reports

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- Data storage, telephone support
- Printers, copiers, postage, telephones, and other utilities
- Office space and supplies such as pens, paper, staples, paperclips, etc.

Collectively, these costs are referred to as Facilities and Administration, Overhead, or Indirect Costs. The university is permitted to recover a portion of these real costs by charging grants for indirect costs at a given rate and base.

Indirect Cost rates vary depending on the project type and sponsor limitations. The rate for a project will be defined in the agreement and noted on the Spending Plan created by Sponsored Programs. The standard rate is 50% of Modified Total Direct Costs. This means if something is purchased for \$100, the grant will be charged \$150.00 (\$100 for the expense and \$50 for the indirects.) Most of the indirect costs collected by the university are distributed back to the appropriate College and/or Department to help offset the expenses incurred to support the project.

### **Exceptional Circumstances – The IC Charge Exception Form**

There are rare cases when these types of expenses can and should be charged directly to a grant project. A PI may request an exception by contacting Sponsored Programs to initiate an Indirect Cost Charge Exception Form via DocuSign. Requests are reviewed and approved on a case by case basis.

## **Cost Share**

Some agencies may require the university to pay a portion of project expenses. When the university shares the burden of the project costs it is called cost sharing. A separate index is created to track the university's financial contribution to the project and simplify reporting to the agency.

As with any project expense, cost sharing expenditures must be

- Allowable and allocable
- Necessary and reasonable
- Verifiable from the university's records
- Identified on the Spending Plan
- Comply with all university, agency, and government regulations

A commitment to cost share is a legally binding agreement. Cost share must be monitored on a regular basis to ensure the commitment is met. If a shortfall exists, grant expenditures will be transferred to the cost share index until the university's commitment is met.

### **Split funded Cost Share**

When expenses post to a cost share index, they are automatically rolled to the responsible department index. Only one index can be designated as the responsible index. At times, additional sources may cover a portion of the cost share. In these cases, a budget revision is done to reduce the budget of the additional source and increase the budget of the responsible department index.

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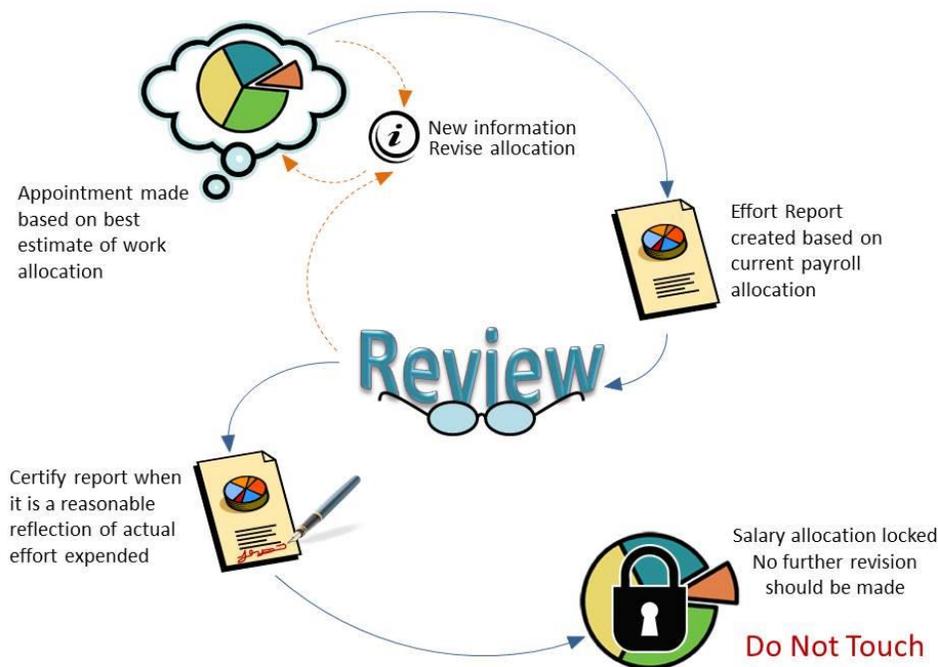
## Resources

- [Cost Sharing](#)
- Grant Report: Cost Share Roll to Index (FlashLine Finance Reports)

## Effort Reporting

The university uses Effort Reporting to help ensure that agencies are charged only for the time employees spend working on their project. Appointments are allocated based on an estimate of what a person is expected to do. After the work is performed, salary is paid and allocated according to that estimate. Effort Reports are generated based on the payroll allocation in Banner. PI's must certify that the payroll allocation reasonably reflects the employee's actual effort. Effort certification confirms charges made to a grant project are appropriate and correct. Without certification, the salary charge is not authorized and may be transferred to the responsible department.

## Effort Reporting Life Cycle



## How to Verify Effort Reports

Effort reports are generated using the payroll distribution in Banner. The payroll distribution should be a reasonable reflection of an employee's actual effort, within 5%. In other words, is the portion of salary paid relatively the same as the portion of time worked? The formula below can be used to determine whether an Effort Report can be certified.

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$$\frac{\text{Hrs worked on grant project}}{\text{Total hours worked}} \text{ is within 5\% of } \frac{\text{Amt paid on grant project}}{\text{Total amount paid}}$$

If the Effort Report is reasonable, sign and return it to grants accounting. If the Effort Report is not accurate, do not sign. Return it to Grants Accounting with a Salary Distribution Revision form to correct the salary allocation in Banner. A new Effort Report will be generated after the correction is posted in Banner.

### Recertification of Effort

Once effort has been certified, further changes to salary allocations should be rare and may require additional documentation to explain.

### Resources

- [Effort Reporting \(Grants Accounting\)](#)

### Close Out

As a project approaches its end date, it should be monitored closely to facilitate the successful close out. 90 days prior to the end date, the Project Director and responsible department should conduct a thorough financial review and process any needed corrections BEFORE final reports and/or invoices are due.

Other closing actions may include

- Preparation of final narrative or technical reports
- Verification that personnel appointments do not extend beyond the end date
- Review cost share to ensure obligations, if any, are met
- Review encumbrances to expedite payment, liquidation, or transfer

### Purchases Near the End of a Project

All charges to a project must be allowable, allocable, reasonable, and necessary to conduct grant related activities. Purchases may not be made simply to use up the remaining balance at the end of a project. Purchases at the end of a grant may require additional explanation to justify their benefit to the project, especially

- Equipment purchased in the last 6 months
- Supplies purchased in the last 30 days

### Resources

- [Fixed Price Balance Close Out Procedures](#)

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## Terminating Indexes

Once a project has been finalized and all financial activity is complete, Grants Accounting will terminate all indexes associated with the project in the university's financial system. Financial data will remain available through Flashline Finance Reports and Banner Admin Pages.

## Record Retention

Original records pertaining to a sponsored project must be retained for 7 years following the end date. Please note this is longer than the standard university retention schedule of 5 years. Original project records commonly held at the department level include:

- Pcard receipts with PI approval
- Expense reimbursement receipts with PI approval
- Correspondence (letters, emails, etc.)

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## Appendix A: Auxiliary Units

The following is a list of common auxiliary units permitted to IDC grants directly. Auxiliary units are identified by their program code in Banner which is 9100. Please check with Grants Accounting prior to incurring charges from departments not listed below.

- Bookstores
- Conference Bureau
- Dining Services
- Flashcard Operations
- Health Services
- Ice Arena
- Kent Student Center
- Mail Service
- Parking Services
- Recreational Services
- Stark Conference Center
- Transportation Services

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