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# Post-Award Administration

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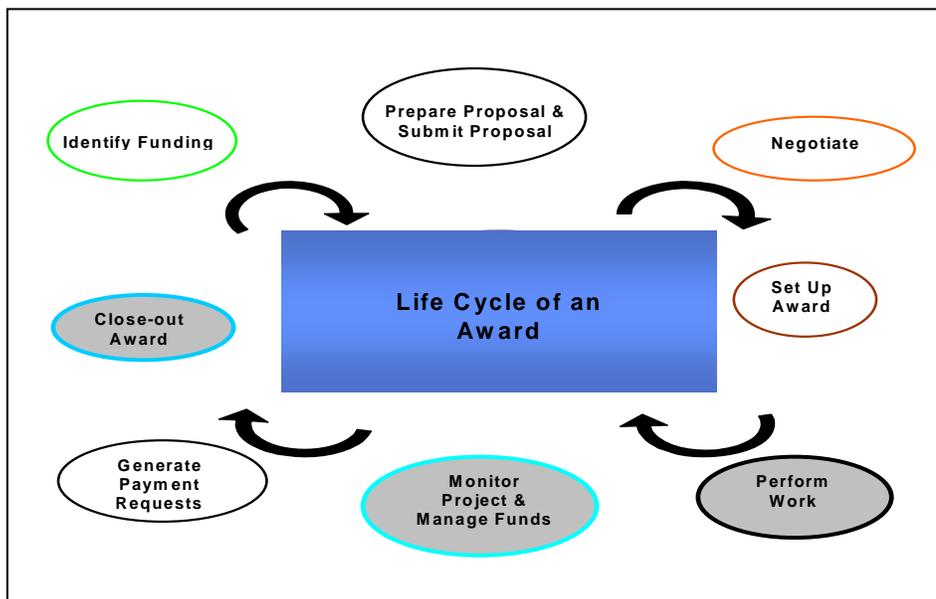
Office of Research  
Administration

# Post-Award Administration

The purpose of this booklet is to help you become familiar with the common issues and transactions associated with post-award administration, and methods for effectively handling them. The primary goal in post award administration is effective, accurate management of the project and project funds to facilitate a smooth closeout and little or no cause for audit scrutiny.

## INTRODUCTION

Several phases of the life cycle of an award have been covered in the previous Contract and Grant Administration Certificate Program courses. This course focuses on the final bend in this cycle, specifically, the "Perform Work", "Monitor Project and Manage Funds", and "Close-Out" phases within the award life cycle.



The Steps of these phases include:

### Perform Work

- Hire project personnel
- Purchase equipment and supplies
- Issue subawards and hire consultants
- Obtain the required space
- Incur expenditures

### Monitor and Financially Manage the Project

- Review terms and conditions
- Reconcile ledger
- Obtain approvals (if necessary)

- Rebudget/TOF

### **Generate and Submit Payment Requests**

- Determine expenditures
- Resolve issues, make adjustments
- Prepare invoices
- Submit requests
- Record submission of requests

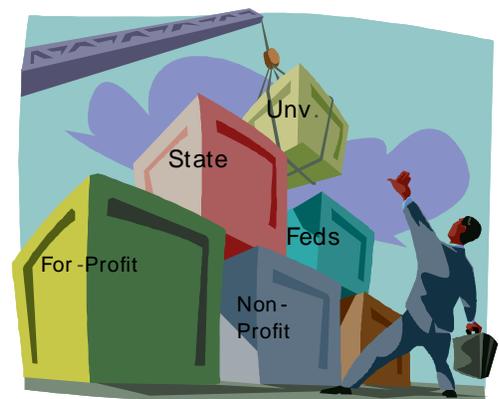
### **Close-Out Award**

- Coordinate preparation and submission of final reports such as:
  - Technical
  - Financial
  - Equipment
  - Patent/Invention
  - Record submission of reports

## Chapter 1

# Sponsor Policies and Award Terms and Conditions

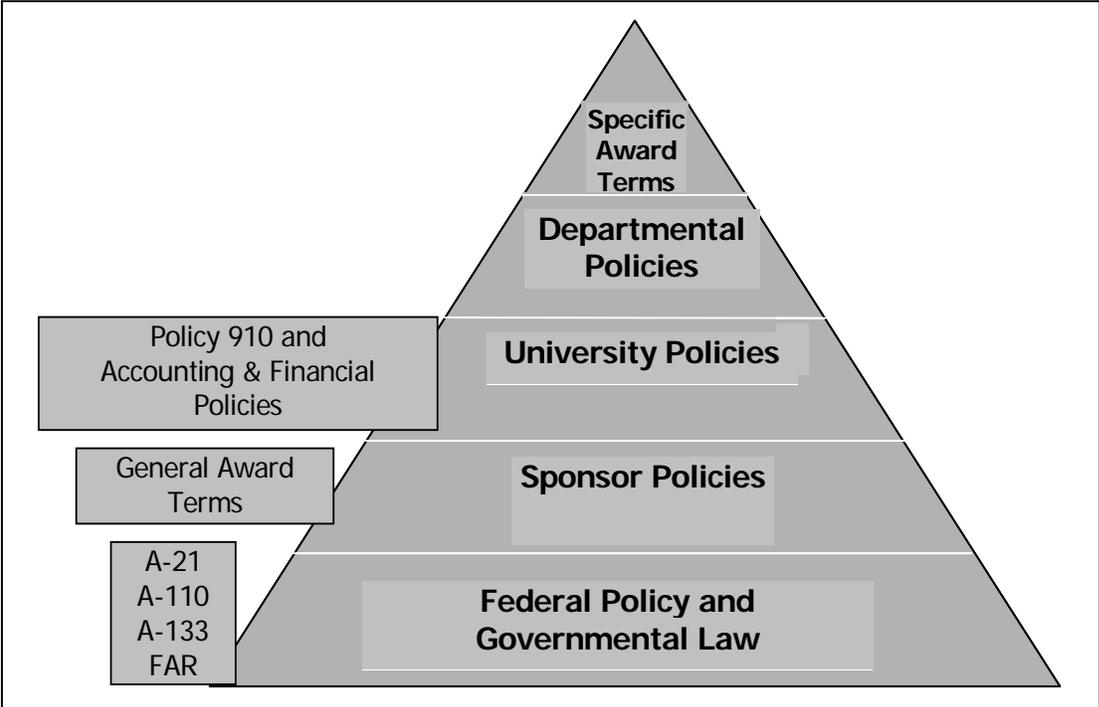
The Building Blocks of Effective Post-Award  
Administration



Policies will differ from sponsor to sponsor. Individual grants may have specific conditions and the terms of contracts vary. A transaction may be legitimate for one grant, but not unallowable on another. Therefore, ***each grant and contract should be treated individually when determining if a specific transaction is appropriate.***

To effectively interpret and apply the various rules related to a sponsored project, let's review the basic government, sponsor, award-specific, and University management policies and requirements.

Given the fact that there are so many rules and regulations governing the use of sponsored funds, how do we know which set of rules to follow? It may be helpful to consider the levels of regulations as layers, as illustrated below. The order of precedence usually starts with the individual award terms, and then each layer of regulation is applied to determine the applicable rule. ***In most cases, the more stringent or restrictive rule of all the layers apply.***



## **FEDERAL SPONSORS**

All Federal agencies must comply with the requirements of the U.S. Office of Management & Budget (OMB) in developing the grant/contract policies incorporated in the awards issued to institutions such as UCLA. While each Federal sponsor must adhere to OMB Circulars, OMB permits each sponsor to implement the requirements that best suit the sponsor's needs, which may result in differences from sponsor to sponsor. Also, a single sponsor may have multiple variations of a policy to cover specific grant programs. As a general rule, the OMB standards must be applied in a consistent manner in order for the University to maintain eligibility for Federal funding. Based on this consistency requirement, many of UCLA's policies and procedures are designed to comply with the strictest Federal Standards.



### **A-21 – Cost Principles for Educational Institutions - Defines allowable and unallowable costs on grants and contracts, and how to determine Facilities & Administrative (F&A [indirect]) costs**

Federal Regulations issued by the OMB govern the manner in which funds are requested and establishes the principles used in determining the costs that may be charged to contracts, grants and other agreements issued by federal agencies.

Under A-21, all budgets requesting funding (whether private or governmental) must adhere to the same cost principles.

#### **A-21:**

- **Applies to Federal grants and contracts**
- **Establishes principles for determining applicable costs**
- **Identifies direct & F&A (indirect) costs**

### **The Cost Accounting Standards**

- The Cost Accounting Standards (CAS) were incorporated into A-21 in a 1996 revision. The CAS is requirements for acceptable & consistent cost accounting practices.
- The Cost Accounting Standard Board (CASB) Disclosure Statement (DS-2) is required of institutions receiving \$25 million or more in awards.

Under the CASB Disclosure Statement, UCLA has disclosed the manner in which sponsored project costs will be treated throughout the University (a copy of the CASB DS-2 disclosure can be accessed at: <http://www.efm.ucla.edu/policy.htm>).

- Four standards are extended to grants, contracts & cooperative agreements. They are:

- 501 – Consistency in estimating, accumulating & reporting costs
- 502 – Consistency in allocating costs incurred for the same purpose (direct vs. F&A costs)
- 505 – Accounting for unallowable costs
- 506 – Consistency in using the same cost accounting period

**The core principles for determining costs applicable to Federal sponsored agreements under A-21 and CAS are:**

Reasonableness

“A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved, reflect the action that a *prudent person* would have taken under the circumstances prevailing at the time the decision to incur the cost was made.”

Examples:

- Airfare – economy class is reasonable.
- A leather chair for \$1,200.00, even if furniture is in the approved budget, is unreasonable.

Allowability

Is the cost in compliance with the terms and conditions of the award, the sponsoring agency policy, Circular A-21, and University policy?

Example:

- General-purpose equipment is not allowable while scientific equipment is allowable.

Allocability (3 parts)

1) Is the cost benefiting the sponsored project?

Example:

- Animals may be an allowable cost, but if the project doesn't use animals, it is not an allocable cost.

2) If a cost benefits both the sponsored agreement and other work, it must be allocated in appropriate proportions.

Example:

- An item of equipment costing \$40,000 is used 10% of the time for one project and 90% of the time for another project. The project that uses the equipment 10% should be charged \$10,000 while the project that uses the equipment 90% of the time should be charged \$30,000.

3) Project expenditures must be supported by evidence of direct benefit to the project.

Example:

- For supplies and expenses, allocability is documented through purchase/payment records or other files, and/or certification of expenditures.

Consistency

Is the cost incurred for the same purpose, in like circumstances, treated consistently as either direct or F&A cost?

Examples:

- A lab always charging customers the same amount using the same object code is consistent.

**Sampling of costs  
unallowable under A-21**

- **Alcoholic beverages**
- **Entertainment**
- **Fines and penalties**
- **Fund raising/alumni activities**
- **Internal interest charges**
- **Subscription**
- **Advertisement and public relations costs**
- **Travel tickets in excess of coach**

- Copying costs charged directly in one division of the department and charged as an F&A cost item in another division of the department is inconsistent.



For a complete copy of A-21 visit:  
[http://www.whitehouse.gov/omb/circulars/a021/a21\\_2004.html](http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html)

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## **A-110 Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Nonprofit Organizations –**

Defines the general, pre-award, post-award and after-the-award requirements for the management of grants and contracts

The A-110 Circular applies to Federal grants and cooperative agreements and is organized into four subparts. Below is a very brief synopsis of the information contained within A-110 that impacts the University.

### **Subpart A provides General Information and Definitions**

The first subpart stipulates that the provisions of A-110 apply to all recipients and their subrecipients if such recipients and subrecipients are institutions of higher education, hospitals or other non-profit organizations.

### **Subpart B provides Pre-Award Requirements**

This subpart defines the circumstances under which the Federal agencies can exercise their authority to impose additional requirements in order to ensure the work is performed in accordance with the regulatory requirements.

### **Subpart C provides Post-Award Requirements and has five sections**

#### **Section 1 of subpart C has six topics:**

##### **1) Payment**

The recipient's (UCLA) payment methods should minimize the amount of time between the receipt of funds and the disbursement of funds. It also specifies when payments can be withheld (such as non-compliance with any aspect of an award or delinquency in debt to the Federal government).

##### **2) Cost Sharing/Matching**

This topic specifies when cost sharing or matching may be used to further program objectives.

##### **3) Program Income**

This aspect defines program income and the methods for recording it.

#### **Remember:**

**The Circulars are instructions given to the sponsoring agencies, which the sponsoring agencies flow down to UCLA, and UCLA flows down to any subrecipient.**

#### **4) Budget and Program plan**

This topic requires that recipients (UCLA) report deviations from budget and program plans, and request prior approvals for budget and program plan revisions. It also specifies when recipients (UCLA) should request prior approvals from Federal awarding agencies and what prior requirements the Federal sponsor may waive.

#### **5) Property Standards**

These standards provide guidance regarding the acquisition, inventory and disposition of equipment purchased with Federal funds and provide additional instructions regarding the title of such equipment. They also address intangible property, including the right of the Federal Government or others to use UCLA's research data for Federal purposes, and the fact that research data must be made available under the Freedom of Information Act.

#### **6) Procurement Standards**

Lastly is a series of procurement requirements, most of which are normally handled by central purchasing departments.

### **Section 2 of Subpart C - Reports and Records Retention**

This subpart sets forth the procedures for monitoring and reporting on the recipients (UCLA's) program and financial performance, using the standard reporting forms, and record retention requirements.

### **Section 3 of Subpart C - Termination and Enforcement**

This section states that either or both parties may end an agreement, and that costs and continuing responsibilities should be taken into account when reaching an agreement to terminate the award.

### **Section 4 of Subpart C - Closeout Procedures**

These procedures specify that the following will occur:

- any outstanding expenses and liens are cleared
- unspent funds are refunded, revised reports and adjustments are made
- there is a final review

### **Section 5 of Subpart C - Collection of Amounts Due**

This final section states that any outstanding account balances, and any excess funds, will be returned within a reasonable period.

### **Subpart D provides after-the-award requirements**

These after-the-award requirements are relative to the closeout of an award. This subpart specifies that collection processes, refund of disallowances pursuant to audits and the close-out of the award do not eliminate the audit requirements, or the requirement to submit any refunds (after close-out.)



For a complete copy of A-110 visit  
<http://www.whitehouse.gov/omb/circulars/a110/a110.html>

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## **A-133 Audits of Institutions of Higher Education and Other Nonprofit Institutions - Specifies audit requirements for organizations, and defines the Federal responsibilities for implementing and monitoring those requirements**

A-133 establishes audit requirements and defines Federal responsibilities for implementing and monitoring requirements for institutions of higher education and other nonprofit organizations receiving Federal awards.

A-133 audits look for direct attribution of costs and a readily identifiable cost-benefit relationship existing between the costs and the project; the linkage between a cost and the purpose of the project is demonstrated through supporting documentation.

### **Areas of A-133 compliance testing include:**

- Allowable, unallowable activities
- Allowable, unallowable cost principles
- Cash management
- Equipment and real property management
- Matching, level of effort, earmarking
- Period of availability of federal funds
- Procurement and suspension/debarment



For a complete copy of A-133 visit  
<http://www.whitehouse.gov/omb/circulars/a110/a110.html>

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## **Federal Acquisition Regulations (FAR)**

These regulations have been established to codify the uniform policies for the acquisition of supplies and services by executive agencies, and are normally applied to Requests for Proposals and Federal Contracts. Under ***Federal cost-type contracts***, PIs must comply with the *Limitation of Funds* and/or *Limitation of Cost* clauses that include the following requirements:

- The Contractor (UCLA) must notify the sponsor in writing any time there is reason to believe the total cost to the Government for the performance of the project will be greater or substantially less than the estimated cost,

- the Contractor (UCLA) must notify the sponsor when it is projected that the costs to be incurred within the next 60 days, when added to all costs previously incurred, will exceed 75% of the obligated funds.

Examples:

A PI has a Federal contract for \$100,000 for 12 months. As soon as the PI realizes that s/he under or overestimated the cost of performing the research, the agency should be notified through OCGA.

A PI has a Federal Contract for \$100,000 for 12 months beginning January 1. By May 1, the PI realizes that \$75,000 will have been spent by July 1. The PI must notify the sponsor, in May, that s/he will have spent 75% of the awarded funds by July 1.



For a complete copy of the FAR regulations visit  
<http://farsite.hill.af.mil/vffar1.htm>

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## Expanded Authorities and the Federal Demonstration Partnership

Several Federal agencies have authorized grantees to make changes in Federal grants without obtaining prior approval from the sponsor, with the objective of expediting and increasing research productivity. In addition, a group of Federal agencies and grantee organizations, including the UC, have formed the Federal Demonstration Partnership (FDP) to develop and test more efficient ways to administer Federal grants and contracts. authorities

### Expanded Authorities

NIH Expanded Authorities, used since 1998 for research grants, was expanded on September 28, 2001 to include all grant mechanisms. Effective October 1, 2001, the terms under Expanded Authorities became the standard terms and conditions for all NIH grant awards. However, certain award instruments, mechanisms, and types of recipients are excluded from the expanded authority to automatically carry over unobligated balances. The NIH Grants Policy Statement (12/03) Part II: Terms and Conditions of NIH Grant Awards, contains a summary of expanded authorities. The URL for the summary is:  
[http://grants2.nih.gov/grants/policy/nihgps\\_2003/NIHGPS\\_Part7.htm](http://grants2.nih.gov/grants/policy/nihgps_2003/NIHGPS_Part7.htm)



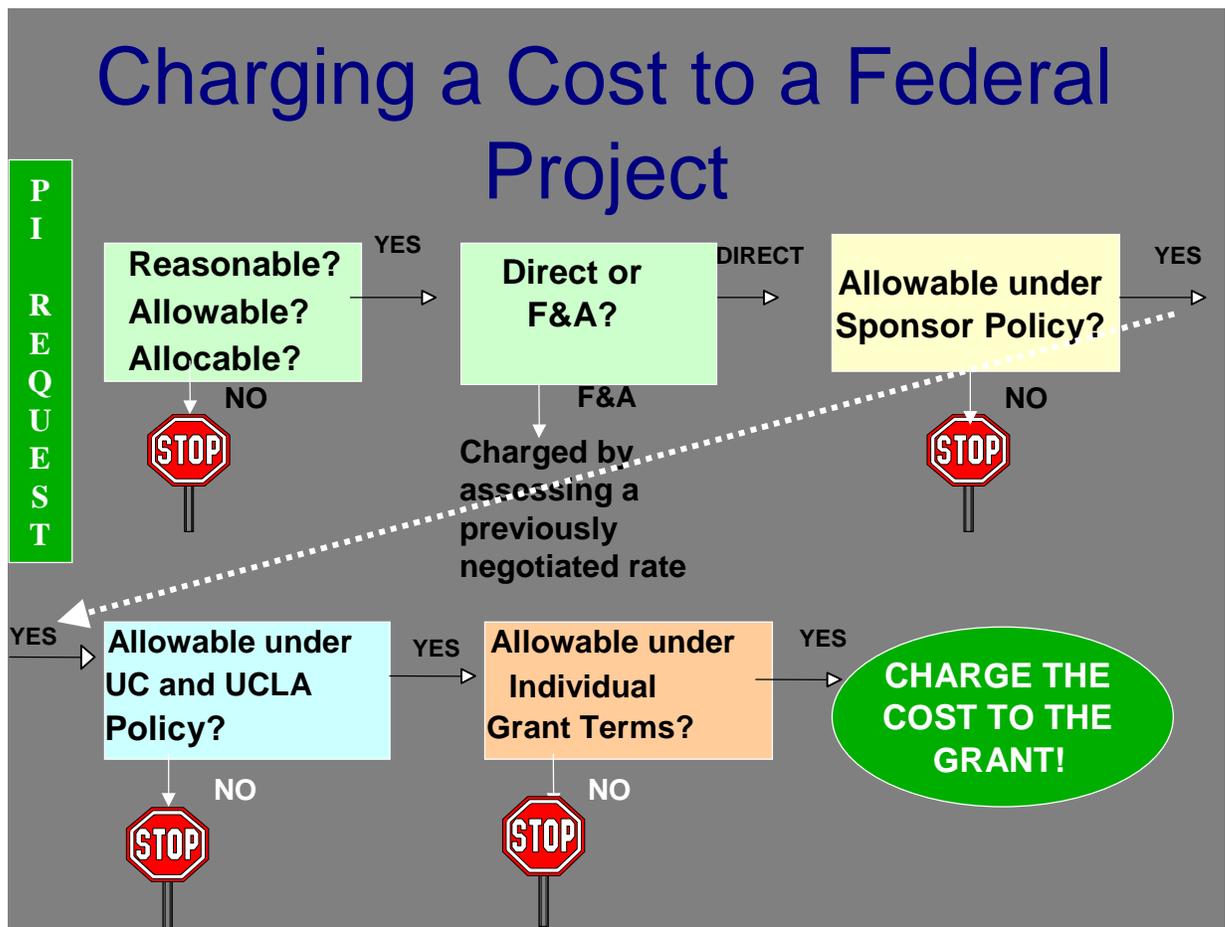
The complete NIH announcement on Expanded Authority can be found at  
<http://grants.nih.gov/grants/guide/notice-files/NOT-OD-01-070.html>

## FDP Terms and Conditions

The FDP provides a set of guidelines meant to reduce administrative work for institutions managing Federal grants, as well as to increase research productivity by standardizing and simplifying Federal regulations and requirements.



For a complete copy of FDP and agency-specific terms, visit: <http://thefdp.org/>  
The FDP matrix (10/04) can be found at: <http://www.nsf.gov/pubs/fdp/fdpmatrix.xls>



### What are the consequences of non-compliance with Federal Regulations?

- Disallowance of charges
- Reduction in award amounts
- Withholding of payments

- Withholding of awards (for an individual PI or the entire institution)
- Ineligibility for letter of credit
- Suspension and debarment (for an individual PI or the entire Institution)
- Prosecution under the False Claims Act
- Jail time

Recent examples of settlements negotiated because of non-compliance:

- University of Minnesota - \$32 million for program income and clinical trial violations
- New York University Medical Center - \$15 million for cost sharing and unallowable cost
- Medical College of Georgia – \$10 million for theft of research funds related to clinical trials. *Two PI's received jail time*
- Stanford University - \$3.1 million for unallowable costs
- University Of Connecticut - \$1.3 million related to training grant issues
- University of Chicago - \$0.65 million for mischarging on Federal grants

University of Wisconsin - PI jail time due to submission of a fraudulent application

Issue	Gov't Perspective	PI Perspective	Outcome
Overstating number of sponsors on a grant	Fraud	Listed uncommitted cost sharing on his grant application with hope that it would materialize	\$10,000 fine and 3 months imprisonment for PI

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## **Non-Federal Sponsors (Private Foundations and For-Profit Sponsors)**

Non-Federal granting agencies usually have their own specific award policy statements. Many of them reflect the general principles set out in Federal guidelines. However, non-Federal sponsors are not restricted by the OMB Circulars and are free to implement their own policies. This creates a wide range of regulatory and procedural compliance requirements for which the PIs and administrators are responsible.

## Private Foundations

Often, private foundation award policy statements include requirements that are more restrictive than those required by the Federal government.

Examples:

- The American Heart Association *does not* allow general liability insurance costs and limits travel costs to \$2,000 per year.
- The Robert Wood Johnson Foundation *does* allow general liability insurance, and limits travel costs to \$1,360 domestic travel per year.

## State and Local Government

State of California contracts can be very restrictive and require prior approval for the smallest changes in the project or budget.

Examples:

- A County of Los Angeles contract required that an invoice be submitted within a certain time period. UCLA did not submit the invoice on time, and was held responsible for the invoiced costs of \$50,000.
- A State of California award budget indicated the PI would devote 5% effort to the project monthly. Any variation from this 5% (even if 4% one month and 6% the next) required prior approval by the State.

## For-Profit Sponsors

Most research awards from for-profit sponsors will be issued in the form of a contract. Contracts, by their nature, are much more restrictive. Fixed price/rate agreements offer the greatest post-award spending flexibility, but also carry the greatest risk in that the University cannot recover costs in excess of the contract amount.

Examples:

- A contract with one private pharmaceutical company allows UCLA to exceed the estimated number of patients enrolled with reimbursement at the same rate as that used for the initial group of patients, while a contract with a different pharmaceutical company requires prior approval to exceed the estimated number of patients to be enrolled.

There are no black and white answers when it comes to award terms and conditions. Therefore, ***each grant and contract should be treated individually to determine if a specific transaction is appropriate.*** If sponsor approval is required for any action, the request should be coordinated with and submitted through OCGA.

## Chapter 2

# Common Post Award Activities



## Receiving Funds

### Incremental Funding

Usually applicable to contracts, incremental funding provides specific funded increments and sets spending limits below the total estimated costs. These limits may be exceeded only at the University's own risk. The legal liability of the Government to make payments is limited to the incremental funds provided. Each increment is, in essence, a funding action. Often the issuance of a progress and/or fiscal report triggers the release of such funding.

Example:

An Army contract is approved for \$300,000 for a thirty-three month period beginning January 1, 2006.

- First increment covers the period January 1, 2006 – September 30, 2006 and is for \$80,000
- Second increment covers the period October 1, 2006 – September 30, 2007 for \$120,000
- Third (final) increment covers the period October 1, 2007 – September 30, 2008 for \$100,000

The synopsis will reflect a period of performance of January 1, 2006 to September 30, 2008 for the entire project period, but only \$80,000 is available for the period January 1, 2006 – September 30, 2007. When a contract or grant amendment/modification arrives releasing the next increment of funds, an updated synopsis is issued to show the current amount (increment) of funds obligated and the cumulative total for all years available for spending.

### Supplemental Funding

Increased costs, modifications in design, or a desire to add a closely related component to the ongoing project – all within the previously approved performance period - may result in a request for supplemental funds from the sponsor. Supplemental funding requests should be processed as proposals through OCGA. These requests require the following:

- Goldenrod
- Budget
- Statement of work for the additional funds
- An updated certification for all compliance issues

Sometimes a supplement is subject to a different F&A cost rate than the parent award. If so, it is considered a "restricted supplement" *and will require a separate account number and/or cost center for monitoring and reporting purposes*. Carefully review the synopsis issued for the supplement to see if it is restricted. If so, determine if specifications for the restrictions are identified and if a new account and/ or cost center has been assigned.



When submitting the proposal for the supplement, please make a notation of the current grant/contract number on the Goldenrod.

## Continuation Funding/Progress Report

Continuation funding is applicable to grants and cooperative agreements only. Often, a project is approved for multiple-year funding, but funds are typically committed only one year at a time. At the end of the initial budget period, progress on the project is assessed. If satisfactory, an amendment is issued for the next budget period, but it is subject to the availability of funds.

The methods and means by which continued funding is secured varies by sponsor and specific award guidelines. Generally, the PI submits a progress report to the sponsor and the following to OCGA:

- The original progress report/continuation proposal for OCGA signature and submission, if required by the sponsor; otherwise, a copy for the OCGA file
- Conflict of Interest Form (700U or 740, depending on the type of sponsor)
- Renewed human subject or animal approval/s

**The fund number *may change* from year to year.**

**The fiscal reporting requirements are the determining factor whether a fund number changes or remains the same.**



In some cases the progress report need not be submitted through OCGA (e.g. NSF FastLane progress report submission). When in doubt, consult with OCGA.

## Modification/Amendment

A modification or amendment is an award document that changes any aspect of an existing award.

Examples:

- incremental/continuation funding
- carryover approvals
- change of PI
- adding or deleting special terms and conditions
- changes in funding levels (including funding for student support programs such as NSF's Research Experience for Undergraduates, NIH's Minority Supplement, DOD's ASSERT Programs, etc.)
- administrative changes initiated by the sponsor\*
- no-cost time extensions

\*Depending on the nature of the administrative change, OCGA may not issue a separate synopsis. HOWEVER, when a synopsis is issued for a subsequent modification, reference will be made to the modification for which OCGA did not issue a separate synopsis.

## Check Deposits for Contracts and Grants

The on-line Department Deposit System (DDF) was implemented so that cash and checks would be recorded into the University financial system quickly in order to comply with UC Business and Finance Bulletin BUS-49, Cashiering Responsibilities and Guidelines (<http://www.ucop.edu/ucophome/policies/bfb/bus49.pdf>). For checks involving **contract and grant funds**, cash proceeds must be credited to the appropriate sponsored project expeditiously. Campus depositors must follow these requirements for sponsored project cash receipts:

1. Depending upon the funding source, each check must be credited to one of the Cash Received Undistributed (CRU) accounts as follows:

Funding Source	Account	Fund
Private Agencies	116019	<del>59999</del> ➤ <span style="border: 1px solid red; padding: 2px;">Changed to 59995</span>
Federal Agencies	116013	28997
California State and Local Government	116026	20999

2. The Full Accounting Unit (FAU) must be reflected in the deposit entry as shown below:\*

<b>Location</b>	4 (UCLA)
<b>Account</b>	as applicable to item 1 above
<b>Fund</b>	as applicable
<b>Project</b>	fund number (the sponsored project fund to which the money belongs, if known at the time of the deposit)
<b>Source</b>	date of the check (mmddyy format)
<b>Description</b>	sponsor name (abbreviated or truncated to a maximum of 20 characters)
<b>Reference</b>	check number

3. Copies of deposit documents (the check, the DDF deposit entry, and all accompanying correspondence) must be sent to EFM immediately after the deposit is recorded. Documents can be sent via mail to: EFM-Cash Management, 11000 Kinross Avenue, Suite 102, MC 140607 or via fax at 42852.

Following these steps will ensure that the appropriate sponsored fund is credited with the deposit in an expeditious manner.

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## Spending Funds

The PI, with the assistance of the project's fund manager, is responsible for approving all expenditures and making sure that adequate funds are available within an appropriate budget prior to the initiation of any expenditure. The Department administrator prepares the necessary documents that create charges against the sponsored fund.

Questions to ask before making any purchase for the project:

- Is the item allowable and allocable to the project?
- How much will it cost?
- Would a *prudent person* purchase this item under the circumstances? (the "reasonable" test)

- Is there funding available to purchase the item?
- Is sponsor approval required?

Don't forget to document your purchases by including:

- Worksheets for each category of supplies and expenses (e.g. lab supplies, chemicals/gases, publications/reprints, facility usage, etc.)
- Historical documentation to support expense estimates, including approved rate documentation for facility usage.

### **Purchasing American-made Equipment and Products**

Federal law requires that, to the greatest extent possible, all equipment and products purchased with Federal funds should be American-made. Therefore, PIs with Federally sponsored projects must make a reasonable effort to ensure that whatever they purchase on the project is made in the United States.

Under FDP and Expanded Authorities, most Federal granting agencies have waived prior approvals related to travel. Since travel costs are specific for contracts, prior approval by the sponsor is always required.

It is important to be familiar with the University regulations regarding travel as well.

### **Purchasing Near the End of the Project**

UCLA Policy 740 states that normally, requisitions may not be submitted for purchases against contract or grant funds after **deadline dates** which are: 90 days prior to the final expiration date of the contract or grant for equipment items, and 30 days prior to such date for supply items.

**Purchases may not be made simply to use up an unobligated balance.**

Requests for **exceptions** to the above submission deadlines must be directed in writing to OCGA for review and approval. This can be achieved by completion of The "[Request for Exception to UCLA Policy 740](#)", [OCGA Form 9 \(December 1986\)](#).



For a copy of UCLA Policy 740, Purchasing Goods and Services, visit:

[http://www.adminvc.ucla.edu/appm/entry\\_700.html](http://www.adminvc.ucla.edu/appm/entry_700.html)

## Equipment

There are many considerations when purchasing equipment:

- Is the equipment in the approved budget? If not, is prior approval from sponsor required?
- If the PI plans to purchase “general-purpose” equipment for a federal project, prior sponsor approval is required (this applies to FDP as well as other awards). The request will need to include a clear justification for such equipment, demonstrating careful consideration as to the appropriate allocation of the cost. As with administrative costs, the direct charging of “general-purpose” or non-technical equipment is subject to significant audit scrutiny by both UCLA and external auditors; this includes the acquisition of computers not used exclusively for research data.
- If the purchase of an item of equipment is contemplated within the last 90 days of a project, confer with your OCGA Officer or Analyst.
- Rebudgeting into or from equipment may have an affect on the F&A costs. For an award subject to the modified total direct cost (MTDC) base, funds rebudgeted from supplies into equipment will result in surplus F&A funds that can be rebudgeted into direct costs. HOWEVER, if funds are rebudgeted out of equipment into supplies a deficit in F&A will result, and funds will need to be moved from direct costs into F&A costs
- F&A does not apply to any equipment items being purchased or fabricated to which the University owns title. F&A does apply to any equipment items that serve as a contract deliverable.
- If the item of equipment is to support multiple projects, or to support both sponsored and unsponsored activity, there should be an appropriate, documented allocation of the cost.
- If a piece of “special purpose” equipment is purchased especially to perform the research on a particular project, A-21 allows that the expense may be charged fully to the project, even if it is also later used for other purposes.
- Consult with OCGA/EFM and EM before processing any purchase requisitions or EIMRs which involve multiple fund sources – especially if the contract or grant terms require that title vest with the sponsor.
- Sales tax is assessed on equipment purchases when the University owns title, is not assessed on equipment when title vests in a sponsor that resides outside of the State of California, and is not assessed on equipment items purchased outside the State of California.

## Travel

Under FDP and Expanded Authorities, most Federal granting agencies have waived prior approvals related to travel. Since travel costs are specific for contracts, prior approval by the sponsor is always required.

It is important to be familiar with the University regulations regarding travel as well.

**Inadequately approved travel expenses may result in unallowable costs which become a liability to the School and/or Department**

Foreign travel is generally defined as any travel outside the United States and Canada, although some sponsors or award conditions may stipulate differently. Some awards require that foreign travel be approved in writing and in advance. Some sponsors require prior written approval before each trip is taken, even when the award indicates approval for foreign travel. The Federal government requires that all foreign travel utilize United States airlines whenever possible without regard to cost or convenience.

Whether prior sponsor approval is required or not, to ensure compliance with Federal regulations the following should be ascertained before incurring any travel expenditures:

- The planned travel is consistent with travel proposed in the budget.
- If federally funded, any foreign travel complies with American flag carrier restrictions and other sponsor requirements.
- The travel is compliant with UCLA travel policies.
- Prior Sponsor approval is in place when it is required.

Booking via the UCLA Travel office can assure compliance with federal and university policies.



A complete copy of the Fly American Act can be found at:

[http://www.travel.ucla.edu/new/policy\\_fly\\_america\\_act.shtml](http://www.travel.ucla.edu/new/policy_fly_america_act.shtml)

## Rental Space

Rental costs include direct costs for project occupied space which is not owned by the University, including the cost of maintenance, if it is part of the rental agreement.

This category does not include other kinds of rental or lease costs such as hotel rooms, equipment or automobiles, which are subject to F&A charges.

**For a listing of University-owned buildings, visit the OCGA website:**

<http://www.research.ucla.edu/ocga/sr2/offcampusbuildings.htm>

Rent is NOT subject to F&A for Federally funded projects, but the application of F&A may vary with non-Federal agencies. Check the sponsor guidelines, or when in doubt, check with OCGA.

## Independent Consultants

Independent Consultants are individuals, organizations or businesses that provide analysis and advice to solve problems in their area of professional/technical expertise. You should consider using an Independent Consultant when you need services for analysis and advice that cannot be provided satisfactorily from within the University. Purchasing handles the issuance of consultant agreements. OCGA can help determine if a consultant agreement is appropriate and/or if prior sponsor approval is required. If the award does not include a consultant cost category, then the PI should contact OCGA. OCGA will consult the award guidelines in order to determine if funds can be used to pay a consultant. If sponsor approval is required, OCGA will send the PI's request to the sponsor.

**A UC employee cannot be paid as a consultant.**

**Be aware of the requirement for 1M in personal liability insurance!**

## Outgoing Subawards

OCGA and/or Purchasing, in coordination with the PI, are responsible for preparing and overseeing subawards as approved in the award and issued by the University. OCGA is responsible for subgrants issued by UCLA to outside entities performing research. Purchasing is responsible for subcontracts issued by UCLA to outside entities performing research. In general, the subrecipient is subject to the same award terms and conditions as the University. Therefore, the subaward agreement prepared by OCGA or Purchasing contains specific terms and conditions, an approved budget and a statement of work.

**The PI must review and sign subrecipient invoices before submission to Accounts Payable.**

The subaward, whether prepared by OCGA or Purchasing, is sent to the PI for review and approval, after which the subaward is signed by the authorized University official and counter signed by the subrecipient. The Purchasing department generates a purchase order (PO) as a basis for future payments to the subrecipient.

Regardless of whom (Purchasing or OCGA) negotiates and executes the subaward, once it is fully executed, and work has commenced, it is the responsibility of the department to monitor all aspects of the subaward. Such monitoring includes:

- Reviewing all invoices from the subrecipient to determine if the charges are appropriate.
- After review and approval (indicated by signature of the PI on the invoice), forwarding invoices to Accounts Payable.
- Monitoring the progress of the work.
- Obtaining all required deliverables from the subrecipient.

When there is a need to establish a subaward not previously approved in the award, the PI must request permission, in writing, to budget/rebudget funds for a new subaward.\* The request must include a budget for the new subaward, a description of the scope of work, and justification for the new arrangement. There should be an agreement letter from the subrecipient and description of fees or F&A costs. OCGA reviews the

information and countersigns the PI's request. Upon receipt of written sponsor approval, OCGA generates a synopsis reflecting the change in budget structure and indicates approval of the new subaward.



\*For some sponsors, such as those under the Federal Demonstration Project, any rebudgeting that constitutes 25% or less of the total dollars awarded for the period may not require prior sponsor approval. When in doubt, contact OCGA. However, documents from the subrecipient (scope of work, budget, institutional endorsement, etc.) would still be required.

For additional subaward information and resources, visit OCGA's [Subaward Initiation & Management](#) page.

ORA offers a course titled, "Outgoing Subawards Initiation and Management" – Elective G in the certificate series. For additional information or to register visit:  
[http://chrsuns01.chr.ucla.edu:8881/m1/plsql/cat.sectionlist?crsnum\\_in=294&term\\_in=08W](http://chrsuns01.chr.ucla.edu:8881/m1/plsql/cat.sectionlist?crsnum_in=294&term_in=08W)

## **UC Intercampus Subawards**

An intercampus award is one in which the main campus PI shares the scope of work with PIs from other UC campuses. *UC Intercampus Agreements are NOT utilized for subawards to UC-laboratories.* Recipient campuses are reimbursed by the prime campus (UCLA). The Prime campus (UCLA) is responsible to request reimbursement for all campuses involved in the project. As with other subawards, an intercampus suballocation typically flowdown the terms and conditions of the prime award to the other campus.

Once OCGA receives a request from the department to issue an intercampus agreement, OCGA will prepare a Notice of Multiple Campus Award. The agreement includes the following information:

- (a) Sponsor name and award number
- (b) Prime campus PI and department
- (c) Participating campus PI and department
- (d) Award amount
- (e) Performance period
- (f) Budget
- (g) Any special terms and conditions

## Notification of Multiple Campus Award

To: \_\_\_\_\_ (participating campus Campus Business Officer):

Subject: \_\_\_\_\_ (sponsor name)

(  Grant  Contract) No. \_\_\_\_\_

Prime PI Name: \_\_\_\_\_ Dept.: \_\_\_\_\_

Participating Campus PI: \_\_\_\_\_ Dept.: \_\_\_\_\_

Performance Period: from \_\_\_\_\_ to \_\_\_\_\_

The amount of \$ \_\_\_\_\_ is allotted from the above-cited award for participation by your campus. A copy of all award documentation is enclosed. As a multiple-campus award, this project is to be administered pursuant to University Contract and Grant Manual Section 10-240 through 10-248 as supplemented by relevant Contract and Grant Memos. The fund number for this award assigned for purposes of reporting in the Corporate Financial System (CFS), is \_\_\_\_\_, which is in the fund block (check one):

Federal  state  other govt.  private] fund block. The sponsor code we have assigned for CFS purposes is \_\_\_\_\_ and the sponsor category is \_\_\_\_\_. For Contract and Grant Reporting System (CGX) purposes, the sponsor code for reporting this award should be the code for our campus (\_\_\_\_\_).

The ultimate sources of the funds for this award (check one)  are not  are partially  are entirely Federal.

The direction and monitoring of the research effort will be carried out as described in the project proposal dated \_\_\_\_\_. Please advise your Accounting Office of this award. Funds should be appropriated in accordance with the budget (including direct costs, F&A (indirect) costs, and cost-sharing elements) approved for this project on \_\_\_\_\_. Please note that any rebudgeting or prior approval actions must be coordinated with this office. [Any special delegations of authorities or responsibilities are listed on an attached sheet.] Please arrange for your Accounting Office to submit to our Accounting Office copies of the Intercampus Request for Reimbursement, with appropriate attachments, for billing purposes. The final request should be marked "Final" and submitted to our Accounting Office on or before \_\_\_\_\_. Funds to cover expenditures will be transferred to your campus according to procedures outlined in Accounting Manual Sec. F-351.

Technical progress reports shall be provided to Professor \_\_\_\_\_ of this campus on or before \_\_\_\_\_. Equipment inventory reports are due to this office \_\_\_\_\_. A final patent report is due to this office \_\_\_\_\_.

Please direct any questions regarding administration of this project to \_\_\_\_\_ at \_\_\_\_\_.

Sincerely,  
Prime campus Business Officer

cc:

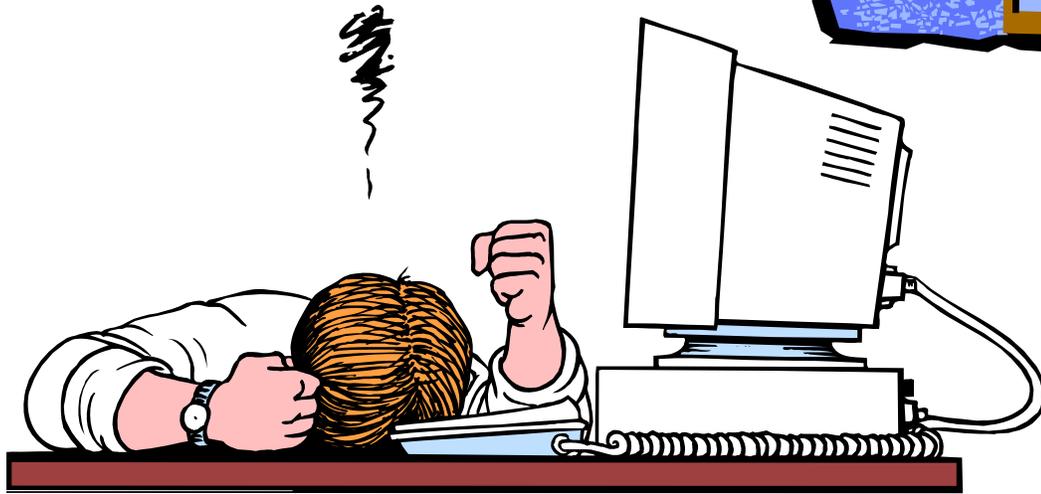
\_\_\_\_\_ (prime campus PI)

\_\_\_\_\_ (prime campus Accounting Officer)

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## PI/Project Management

This scenario can be avoided by keeping an eye on the books, reviewing award terms and conditions, being proactive and getting PRIOR approval when needed.



## PRIOR APPROVAL

Awards for sponsored projects are issued to the identified grantee or contractor via an award document; UCLA is identified as The Regents of the University of California. It is the primary responsibility of OCGA, as the designated institutional representative, to serve as the intermediary between the sponsor and the PI when implementing any changes in the project that require institutional and sponsor approval (such as changes in the scope of work, senior personnel, budget, and other modifications of award terms and conditions). When sponsor prior approval is required, the PI should initiate a letter describing the desired change, with justification, and forward it to OCGA for review and endorsement and submission to the sponsor. It sometimes saves time to have your OCGA contact review a draft letter prior to finalizing and sending it for OCGA's signature.

**Failure to submit requests for prior approval through OCGA may result in delays and/or unexpected or unnecessary transactions. For example:**

**The PI makes a direct request to a sponsor for approval to rebudget funds to purchase a large piece of equipment not included in the original budget. If OCGA is not notified:**

- **The approval may be delayed because the sponsor cannot approve the request without the signature of an authorized institution representative (OCGA).**
- **The purchase order may not be processed because Purchasing does not have a record of OCGA and/or sponsor review and approval.**
- **There could be a delay in the submission of an invoice and/or financial report because EFM has no record of the request being endorsed by OCGA or approved by the sponsor.**
- **The award file will not be properly documented to support the purchase, resulting in a cost disallowance during a post-award audit.**



Letters requesting prior approval should be addressed to the sponsor's cognizant business official, not the technical officer. If the letter is addressed to the technical officer, a copy will be sent to the business official after OCGA has reviewed and cosigned the request.

**Request for a change in an award:**



The Department generates the request.

OCGA Team reviews the file and the request. If request is appropriate and accurate, OCGA countersigns and sends the request to sponsor.

Sponsor

If approved, the sponsor responds with a written approval or formal modification to the agreement



Approval letter or modification is received and reviewed. If accurate...

OCGA/ issues a revised synopsis, when appropriate

## **REBUDGETING (TRANSFER OF FUNDS)**

During the conduct of the project, the PI may determine that budget changes are necessary. Many sponsors allow flexibility in how project funds are expended and permit budget changes needed to meet project requirements. PIs need to be aware of the specific terms for their grants, and when to request prior approval. When in doubt, they should seek guidance from their department business office or ORA (OCGA or EFM).

**When budget revisions are made in direct cost categories, there may also be an impact on the F&A costs.**

Transferring funds from a category that is exempt from F&A costs into one that is assessed F&A costs means that when the PI spends the funds, an F&A charge will be incurred.

For example: A PI decides not to purchase a piece of equipment budgeted for \$6000 and, instead purchases more needed supplies. If the project had a 54.5% MTDC F&A, the transfer from sub 4 (equipment) would be \$3,883.50 to sub 3 (supplies) and \$2116.50 to sub 9 (F&A).

The amounts are determined by adding the rate of F&A costs to "1" and then dividing the result of this calculation into the amount of the transfer:

$$1 + .545 = 1.545 \text{ therefore } 6000/1.545 = 3,883.50$$

Conversely, if a PI needs to rebudget \$6000 from supplies into equipment, and has the appropriate approvals, the transfer into sub 4 would be \$2116.50 from sub 3 and \$3,883.50 from sub 9.

### **Rebudgeting personnel costs**

When transferring funds to or from salaries, funds must also be transferred to or from fringe benefits.

### **Rebudgeting from Trainee Costs**

For the purposes of rebudgeting, trainee costs should include stipends, tuition, fees and health insurance. These dollars may not be used for other purposes except under unusual circumstances and then only with the prior written approval of the sponsor. Rebudgeting into or *within* the stipends and tuition/fees categories is usually allowable without prior approval.

<b>Differences between a cost transfer and transfer of funds (rebudgeting)</b>			
Transfer of funds (TOF) (rebudgeting)	Affects <u>appropriations</u> (budget) within the same fund and/or cost categories	Accomplished as a TOF on line	May require OCGA or Sponsor approval  Rebudgeting in excess of 25% of award requires notification to and/or approval of sponsor
Cost-Transfers	Affects <u>expenses</u> (costs) Expenses can be transferred within a fund (to correct sub or object codes) or between different funds	Accomplished via NPEAR or UPAY forms	May require OCGA or Sponsor approval  Highly scrutinized by auditors

## **NO COST TIME EXTENSION (NCTE)**

The PI plans the project so that it will be completed within the time period and funding as originally authorized by the sponsor. As the project nears completion however, due to unforeseen delays in the performance of the project, the PI may decide that the project's period of performance should be extended. Here, the PI requests a "no-cost time extension." A no-cost time extension means that no additional funds will be required from the sponsor and there will be no significant change in scope or budget. If the sponsor's terms require the PI to request permission to extend the performance period, the PI must submit to the sponsor a letter countersigned by OCGA. The letter should describe the programmatic need for the extension, how much of the award funding remains and why, and what the PI plans to accomplish in the extended period with the remaining funds.

**A no-cost extension may not be granted merely for the purpose of using an unliquidated grant balance.**

If the FDP governs the award terms, the first time the PI wishes to extend the period of performance without additional funding, OCGA has the authority to review and approve the request internally. The PI should notify OCGA at least 10 days prior to the award expiration date for the no-cost time extension to occur in a timely fashion. OCGA then notifies the sponsor of the approved extension so that the sponsor records are updated with the new performance end date. If the request is received at OCGA less than 10 days prior to the award, OCGA no longer has authority to approve the extension and the request needs to be submitted to the agency.

Sometimes a revised budget and revised scope of work may also be necessary. If approved by the sponsor, the University should receive a modification to the grant or contract. In some instances, the sponsor may ask that the modification be countersigned by the grant or contract officer. Once sponsor approval is received, OCGA generates a revised award synopsis reflecting the extended performance period and any other award modifications.



No-Cost extension requests must be made PRIOR TO THE CURRENT expiration date. Check sponsor guidelines for advance notification requirements.



EFM should be notified as soon as a request for a no-cost extension has been made so that they do not begin close out procedures while the request is pending.

Caution should be exercised before expending funds after an existing end date until formal sponsor approval has been obtained. Expenses incurred after the project period has ended are unallowable unless the award contained provisions permitting them to be charged. This includes expenses incurred for the production of final project reports. The PI will be responsible for identifying an unrestricted account to cover any unallowable costs.

If a renewal or continuation of an award is anticipated, but the award is not yet here, as the start date draws near, submit a Request for Approval to Spend (RAS) to OCGA or charge costs to an unrestricted fund source until the award does arrive. Both actions are taken at the risk of the department or the school – whichever is guaranteeing the funds.

## **CHANGES IN THE OBJECTIVES OR SCOPE OF WORK**

This is an action that always requires the notification and/or approval of the sponsor. The PI is the best-informed individual to determine a change in objectives or scope of a project.

As stated earlier, notification requirements to the sponsor are as varied as the sponsors themselves. For some sponsors, a notification and explanation is sufficient. An example of this is the NIH SNAP (sstreamlined non-competing application process) where certain key information is needed that could signify a change in objective or scope of work. The information is provided in a continuation proposal. Below are two of the three questions UCLA is required to answer when submitting an NIH SNAP proposal. (Note how the questions tie in with the “25%” red flag zone):

**Federal guidelines consider a rebudgeting action or change of key personnel time in excess of 25% of the approved amount an indication of a probable change in the scope of work.**

- In the next budget period, will there be a significant change (25% increase or decrease) in the level of effort for key personnel?
- Is it anticipated that the “estimated unobligated balance” (including prior year carryover) will be greater than 25% of the current year’s total budget?

If these items have been accurately explained, some of the NIH Institutes will accept that as notification. Any further clarification will be requested through OCGA.

For other sponsors, prior written approval is usually required before initiating such changes.

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## **CHANGE IN PI STATUS**

An award is based, to a great extent, on the qualifications and proposed level of effort of the named PI. Should a PI wish to withdraw from the project, substantially reduce his/her stated level of effort, be absent from the project for an extended period (over 3 months - such as sabbatical leave or illness), or sever his/her connection with the University, the situation must be communicated to the department. The department Chair and the Dean will identify a temporary or permanent replacement PI of the project or make other recommendations. These recommendations must be forwarded through OCGA to the sponsor for approval.

### **PI Change**

If a change of PI is required on a project, a letter must be sent to the sponsor. The current PI, the proposed PI, and OCGA should endorse the letter. The letter should outline the qualifications of the new PI.

If approved by the sponsor, an award synopsis will be issued reflecting the new PI and the new account/cost center.

**OCGA will negotiate reductions in any cost-shared component, as appropriate.**



In the event of a PI change, don't forget to get HSPC or ARC approvals updated with the new PI's name.

### **PI Leave of Absence/Change in Effort**

If the PI plans to be away from the University and has a sponsored project, she/he will need to notify the sponsor in writing. The letter will need to address the plan to maintain oversight of the project during his/her absence and needs to be signed by OCGA.

OMB Circular A-110 requires prior written approval from the Federal sponsor if:

- the PI anticipates an absence from the project for more than three months
- the PI has a reduction in time devoted to the project of 25% or more from the awarded level



If a project is awarded with a commitment of 50% PI effort, and the PI needs to reduce his/her effort to 35%, that reduction is more than 25% from the awarded level and would require advance notification and approval. *An easy equation to figure this difference using the above example is:  $50 - 35 = 15 / 50 = 30\%$  change.*

## Transfer of the PI to Another Institution



An award is made to the Institution, not to a PI. Therefore, UCLA reserves the right to not relinquish a grant and to name a substitute PI instead.

During the course of the project, the PI may leave the University for employment at a new institution. If the PI has active research at UCLA, there are several options:

- The PI transfers to a new institution and the project stays at UCLA with a new PI identified. A portion of the work can be subawarded to the PI at the new institution.
- The PI transfers to the new institution and, if the Dean and OCGA agree, UCLA relinquishes the award back to the sponsor. The sponsor reissues it to the new institution. A portion of the work may be subawarded back to UCLA.
- All parties agree to end the project.

The choice made depends upon the aims of the project and the capacities of the new institution, as well as the amount of control the PI wishes to retain over the project.

If the project is transferred or ended, it is important to meet with the PI to establish a timeline for a closeout plan. The plan addresses:

- What stays and/or what goes (if more than one project exists)
- Staffing issues
- Unrecorded expenses
- Equipment issues
- The handling of over expenditures
- Subaward close-out
- Intellectual property

If the project is being transferred, it is imperative that the PI *quickly* makes contact with OCGA, his/her sponsor's program director and the sponsor's business official (OCGA counterpart) to discuss the transfer. Each sponsor has their own forms and procedures for accomplishing a transfer. Generally, the PI submits either an application or a letter countersigned by OCGA, explaining the change. New budgets may also be included to show how funds will be allocated especially if the project is split between institutions. Also, decisions relating to disposition of equipment and other property must be decided between the PI and his/her department.

**It takes a considerable amount of time to determine the actual amount of funds remaining in an award account prior to the transfer of the award.**

**Start early!**

Internally, at UCLA, there must be documentation that the academic unit has no objection to the relinquishment of the grant or contract. In order to facilitate this, OCGA offers the following "model" memorandum:

January 22, 2006

To: Cathy Bruin, Grant Analyst

From: Lloyd Thomas, Chair

Subject: Transfer of NSF grant no. ECS-05-12222

Dr. James Smith has accepted a position at California College effective June 1, 2006. Dr. Smith wishes to transfer his NSF grant to his new institution. The Department does not wish to nominate a substitute PI for this grant and has no objection to the University of California, Los Angeles, relinquishing this grant. I understand that \$20,000 will remain unexpended as of May 31, 2006, and that this amount will be relinquished to NSF for transfer to Dr. Smith's new institution. I also understand that the Department will be completely responsible for any over expenditure resulting from overestimating the balance of the grant to be relinquished.

### **What about the equipment? Does it get transferred too?**

In general, if the equipment item was purchased using funds from the project being transferred, the equipment should be transferred with the project. If the equipment item was NOT purchased with funds from the project, the decision as to the transfer of the item(s) is at the discretion of the School Dean or Department Chair . If the Dean or Chair concurs, the equipment can be transferred. OCGA offers a "model" memorandum for use by the units and the PIs as follows:

January 13, 2008  
To: Larry Nelson, Director OCG  
From: Professor James Smith  
Subject: Equipment Disposal

Subject: NSF Grant No. ECS 04-12222

I will be leaving the University of Colorado to join the faculty at California College effective June 1, 2008 I would like to take with me the following items.

Item Description	CU Tag No.	Serial No.	Account No.	Date Bought
IBM PC/XT	21234	H34569875BN	153-7600	2/07
Hayes Smart Modem	21431	WZ324	153-7654	3/02
Epson Printer	21236	213387748RT	153-7600	6/05

I will be using these items of equipment in the further conduct of my research at my new institution. I will provide a copy of the list of equipment items to the appropriate office at my new institution in order that their property inventory will reflect the addition of these items.

*Concurrence:*

*The Department of Computer Science approves the equipment disposal as proposed Herein by Professor Smith.*

### **Transferring a Grant to UCLA from another Institution**

If a PI has been hired by UCLA and wishes to transfer his/her project to UCLA, the PI and the institution from which he/she is departing would take the same steps as UCLA would take if one of our PIs were leaving UCLA (see transfer of PI to another Institution, above).

### **Transferring a Project Between Internal UCLA Academic Departments**

If a PI is transferring a project from one UCLA department to another, and the change does not constitute a change in scope of work, an internal memo is prepared by the Chair of the department the PI is leaving. The memo states that the department does not object to relinquishing the project. Lastly, s/he has the memo cosigned by the Chair of the department willing to accept the project. The PI must have an appointment in the new department.

The old department will then closes out the outstanding transactions and notify new department of the account balance. The new department reallocates the old department's account balance to the new account. When the synopsis is issued, IPAS group (Integrated Proposal and Award Set-Up team) will link the new expenditure account to the fund and code it for the correct F&A cost base and rate.

## Moving a Project from an On-Campus to an Off-Campus F&A Rate (or vice versa)

If only part of an active project moves off-campus, a single rate generally is applied, consistent with where the majority of the salary costs are expended. If the whole project physically moves, the F&A rate should be modified and assessed on the balance of the award beginning with the effective date of the move.

The use of both on-campus and off-campus rates may be justified *only if and when* the salaries paid to the UCLA employees under the project exceed \$250,000 *and* 25% or more of the total costs can clearly be identified with each rate.

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## SPECIAL MONITORING

### Managing Complex Projects

A complex project can be any sponsored award that imposes a greater amount of administrative burden on the University, regardless of the dollar value or duration. This burden can be in the form of detailed and more frequent technical reporting requirements/deliverables, and/or spending restrictions and financial reporting not commonly associated with the majority of federal grants. The following are examples of what may be considered a complex project:

- Any incrementally funded Federal or sub-Federal project is expected to cover a multi-year period and is usually a contract instead of a grant. The project can contain complex reporting requirements, and payments to the University may be withheld pending submission and acceptance of the deliverables. Incrementally funded projects force the University to assume greater risks if funding is delayed or denied.
- Any project containing one or more subawards to individuals, other universities, or industrial partners. The University must assume full responsibility for the performance of outside recipients.
- Any project containing multiple tasks in which the reporting and payments are tied to the task; this type of project can cause considerable problems for both the PI and EFM if the project is not established and monitored carefully. It is recommended that a separate account/cost center be established for each task to make monitoring such projects easier.
- Any project containing a substantial amount of cost sharing must be documented and reported to the sponsor, especially if third party (non-UCLA) cost sharing is involved.
- Any large multi-disciplinary project with Co-PIs in different colleges and departments. If such a project contains separate statements of work, and detailed budgets to support separate effort, sub-accounts may be requested.
- Any project funded by the State or local government is considered a complex project.

**It is critical to identify and activate special actions at the onset of a complex project.**

There are many other instances where special handling may be required. OCGA and/or EFM will make recommendations to the PI upon receipt of an award that has complex components.

## Space Management

The allocation of physical space is usually a Division/Department issue, however, for research purposes space allocation is used to allocate costs to both direct and indirect activities.

Space is used as an allocation in the following cost pools of the F&A rate:

- building depreciation/use allowance
- equipment depreciation/use allowance
- operation and maintenance expenses

Because space represents a significant allocation base of the F&A rate, it is critical that space allocation records be kept up to date.

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## Monitoring Funds

### Rate of Expenditure

During the project period, PIs can jeopardize their funding when spending EITHER accelerates at an unanticipated rate OR falls significantly behind project expectations.

While there may be very good programmatic reasons for accelerated or decelerated levels of spending, it is ALWAYS a good idea to keep the sponsor - both the technical and the administrative officers - informed about these situations.

In **Federal cost-type contracts** (as opposed to grants), PIs must comply with *the Limitation of Funds* and/or *Limitation of Cost* clauses which include the following requirements:

- The Contractor must notify the sponsor in writing any time there is reason to believe the total cost to the Government for the performance of the project will be greater or substantially less than the estimated cost.

Failure to provide such notice may preclude UCLA from receiving additional funding on that contract.

**The UCLA Financial Policy is an important document to review regarding departmental management of funds.**

### Excessive Spending Near the End of Project

Excessive spending near the end of a project is a "red flag" for project auditors. Such activity raises questions about purchases that may be hard to justify in terms of project benefit and their necessity to complete project goals.

**Two common situations in which the allocability of an expense will be critically reviewed are those where expenses are incurred before the start of a project period, and those where expenses are incurred just before the end of a project period.**

Remember the cost principles in OMB Circular A-21; all costs must be necessary to the conduct of the project. If the technical progress of the project is substantively over and then costs pile up at the end, an audit review could conclude that such costs were not necessary and were not allocable to the sponsored activity. Any disallowed costs are then charged to a Department or college account.

Equipment purchases in the latter part of a project are scrutinized if not adequately justified. This does not mean that all such expenses are UNALLOCABLE, but it does mean that an expenditure late in the project period, e.g., within 60 days of the project end-date, will need to be carefully explained, and may require written approval from the sponsor's grant or contract officer.

For example, if a grant is being continued or renewed, equipment purchases late in a project may be appropriate. In all cases, prior approval should be obtained from OCGA. This can be achieved by completion of the "[Request for Exception to UCLA Policy 740](#)", [OCGA Form 9 \(December 1986\)](#).

Any costs incurred after the completion date cannot be charged to the project and need to be justified. All costs must be incurred prior to the project completion date and booked (appearing on the ledger) within 60 days following the project completion date.

UCLA Administrative Policy and Procedures Manual website is at <http://www.adminvc.ucla.edu/appm/default.html>. The 700 series covers Procurement. Specifically, Policy 740 states in sections B.8 and B.9:

### **Sample scenarios (adapted from Stanford University website)**

#### *Scenario 1*

A UCLA staff member conducting a post award review of project expenses noticed that an expensive camera was purchased at the very end of a grant project period. The camera had unique capabilities related to the research being conducted, but appeared to be acquired too late to be of any benefit to the project that paid for it.

The PI explained that the sponsor's technical officer suggested that UCLA use the remaining funds on the grant to acquire this important piece of research equipment. The sponsor wanted to see its funds used to advance work in this area, and the camera was a good way to do that.

What the PI did NOT do in this example was get the written authorization of the Sponsor's Grant Officer for the acquisition. Upon the suggestion of the staff member, the PI sent an email to the Sponsor's Grant Officer, and got an "okay" in return. In this case, the expense of the equipment was allowed, but, if the reply from the Sponsor's Grant Officer had been different, the cost could have been disallowed, and the PI would have had to fund the camera with his/her own department funds.

## *Scenario II*

A project involves a series of experiments and data analysis. At the end of the project period, the PI authorized the acquisition of a desktop computer.

The PI knew that such an acquisition would be questioned for at least two reasons: it took place late in the project, and was a piece of "general purpose" equipment.

The PI sent a request to the Sponsor's Grant Officer reminding him that, in order to complete the final report for this project, a particularly intensive amount of data analysis would be necessary. The approved project budget included funds to purchase a desktop computer especially for this analysis. The amount of work to be done, and the timeframe in which it had to be accomplished, made it impractical to use existing department equipment for this task.

The Sponsor's Grant Officer responded with concurrence, and the PI gave a copy of the message to OCGA to keep with the project files. The purchase of the computer was allowable, allocable and reasonable, and therefore appropriately charged directly to the project.

## **UNEXPENDED FUNDS AT THE END OF A PROJECT**

A recent Federal initiative intensified scrutiny of expenditure rates against sponsor funds. A little under spending of a project budget is not cause for concern. But substantial unexpended funds at the end of a project could indicate that the project goals were not accomplished, project costs are being charged to another account, or that the proposal budget was inflated.

### **Request for Carryforward**

If all funds are not spent by the end of a budget period, the PI may wish to use the unobligated balance or remaining funds in the next budget period. Some agencies restrict the amount of funds that may be automatically carried forward to the next budget period. In such cases, the PI must request the carryforward in writing, countersigned by OCGA, and explain why there are funds remaining at the end of the budget period and how the funds will be used in the next budget period.

Upon receipt of written approval, OCGA will notify EFM that they may forward the balance of funds to the next period. Without appropriate approval, funds not used by the end of a budget period will be returned to the sponsor.

In an FDP grant, unobligated funds are automatically carried forward to the next budget period. However, the PI must explain, and sometimes receive sponsor approval, for unobligated balances that exceed 25% of the budget approved for that time period (excluding any funds carried forward from a previous budget period.)

Differences between a no-cost time extension and carryforward		
	NCTE	Carryforward
	Final budget period	End of continuation budget periods
Require sponsor approval	If FDP grant – first 12 months requires OCGA approval. OCGA can grant approval only if the request is made within the sponsor's specified number of days prior to award expiration. Additional extensions beyond 12 months require sponsor approval. If a non FDP award – requires sponsor approval.	If FDP continuing grant – no approval needed if unexpended balance is less than 25% . If balance is greater than 25%, explanation to sponsor must be provided. If FDP renewal or a non-FDP grant, sponsor approval needed.
Change in fund number	Never	If FDP continuing award, No change. If FDP renewal award – change. If non-FDP award whether continuing or renewal, with exception of a few private foundations – change.
Risk of losing funds	rarely – unless: NCTE request is retroactive and/or there is not enough technical work remaining to be done	If FDP award and more than 25%, must justify to agency If FDP award, less than 25%, no risk If non-FDP award, must be well justified to agency.



## Sample carryforward request.

Dr. Barry Trojan  
National Institutes of Health  
Bethesda, MD

RE: Request carryforward of balance from Budget Years 35 and 36  
NIA grant # RO1 AI 02345

Dear Dr. Trojan:

We would like to request carryover of the unobligated balance of \$240,387 from Years 35 and 36 to the Year 37 budget period 1/1/08 to 12/31/08.

The estimated budget for Year 35 was \$162,604 and \$236,200 for Year 36. Unexpended funds from Year 35 totals \$\_\_\_\_\_ and from Year 36 totals \$\_\_\_\_\_. Due to the late execution of the award, the project did not start until late June 2007. This left a balance on 12/31/07 of \$240,387 for the two years, which represents approximately 60% of the budget.

We therefore would like to seek the Institute's approval to carry over the unspent balance to the new budget period year 37.

Sincerely,

Robert Bruin, M.D.  
Professor of Dermatology and  
Microbiology and Immunology,

Susan White  
Grant Analyst  
UCLA Office of Contract and  
Grant Administration

## Overdrafts

An overdraft can occur for a number of reasons:

- There is an accelerated or sudden, unexpected requirement for project supplies or equipment to complete research
- An equipment item approved for a future year was needed in the current year
- There is a delay in the receipt of continuation or incremental funding

## Cost Transfers

A cost transfer is a method that allows department administrators to move or transfer payroll and non-payroll expenses from one account/fund to a different account/fund source.

Cost Transfers provide a mechanism to:

- Correct bookkeeping or clerical errors made on an original direct charge (such as use of an incorrect object code.)
- Reallocate portions of costs to other appropriate fund sources
- Redistribute F&A category charges (telephone, photocopying, fax charges, etc.)
- Change original decisions regarding the use of goods and services

Transfer of expenses 120 days after they were incurred raises questions. Additional "red flags" include:

- Transfers processed after 90 days of the original ledger date
- Charges transferred from *general funds* to sponsored projects
- Amount of charge being transferred exceeds the original charge
- Transfers processed within 30 days of the project expiration date
- Transfers processed after the project end date

**See: OMB Circular A-21 Section C4.(b)**

[http://www.whitehouse.gov/omb/circulars/a021/a21\\_2004.html](http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html)

The Rules and Regulations that address cost transfers include:

*The Federal Government:*

A-21 – any cost allocable to a particular sponsored agreement may not be shifted to other sponsored agreements in order to meet deficiencies caused by cost overruns or for other reasons of convenience.

A-110 – unless the federal agency authorizes an extension, a recipient shall liquidate all obligations incurred under the award not later than 90 days after the funding period or date of completion.

*The University:*

BUS A-47 V. A. – establishes reasons for valid cost transfers; and B, establishes the requirements for documenting and justifying cost transfers.

## **Documenting and Justifying Cost Transfers**

All cost transfer requests should relate to a specific expenditure, reference the actual source document, and match the same expense amount originally recorded in the general ledger.

A request should be explained and justified as follows:

- Why was the original fund charged?
- What determination was made to charge the new fund?
- Explain the delay if a transfer is processed 120 days after its appearance on the ledger.
- What steps are being taken to prevent this from occurring again?

**Any cost transfer affecting a federal award requires approval by the PI.**

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<b>Differences between a cost transfer and transfer of funds (rebudgeting)</b>			
Transfer of funds (TOF) (rebudgeting)	Affects <u>appropriations</u> (budget) within the same fund and/or cost categories	Accomplished as a TOF on line	May require OCGA or Sponsor approval  Rebudgeting in excess of 25% of award requires notification to and/or approval of sponsor
Cost-Transfers	Affects <u>expenses</u> (costs) Expenses can be transferred within a fund (to correct sub or object codes) or between different funds	Accomplished via NPEAR or UPAY forms	May require OCGA or Sponsor approval  Highly scrutinized by auditors

### **Cost Transfer Checklist:**

Have you clearly explained or shown:

1. The reason why the expense was charged incorrectly to the first account?
2. That the expense directly benefits the receiving account?
3. That the expense is allowable on the receiving account?
4. The reasons for any delay in a timely processing of the transfer?
5. Any systemic problems which might cause this problem to be repeated have been addressed?
6. That there are no restrictions which preclude this transfer (e.g., restrictions on travel or equipment)?
7. That the expense was budgeted?
8. That the transaction meets all sponsor requirements?
9. That the transfer complies with all UCLA policies?
10. That the Effort report was corrected or initiated?

## Chapter 3

# Reporting



**TAKE REPORT SUBMISSION DATES SERIOUSLY!**

## INTERIM REPORTING

Interim reporting, also known as progress reporting, is often a condition of an award. It is important to read the award notice and conditions for these reporting requirements. Reports may be required quarterly, semi-annually or annually, and must be submitted on a timely basis as provided in the award conditions.

Federal agencies monitor such report schedules and will bring tardy reports to the University's attention, sometimes with severe consequences for the PI. For example, a pending proposal may not be reviewed until delinquent reports are submitted, or, in an extreme case, the PI may be barred from future support.

For example, a NSF progress report on a continuing grant is required three months prior to the end of a current budget year to ensure uninterrupted funding for a subsequent year's funding. If the progress report is not submitted, action may be taken to begin the closeout process for the grant, both at the sponsor level and at OCGA.



Copies of progress reports or transmittal cover letters for other deliverables need to be forwarded to OCGA.

### Interim Financial Reports

The financial information contained in an interim financial report will be derived from the general ledger detail of the expense record. In addition to costs that are posted to the general ledger, the interim report to the sponsor must include credit adjustment(s) not processed by the close of the reporting period. An adjustment would be required for expense items posted to that fund in error. ***A financial report will be issued regardless of the amount of expenditure activity during the reporting period. That is, if no expense has been posted during the reporting period, EFM will report a total expense of \$0.00 for the period.***

Unless reporting requirements dictate a shorter period, interim financial reports are usually issued within 30 days of the close of the budget period. Information reported will contain the total expenses posted to the general ledger as of the end of the budget period. All adjusted entries must be made before the termination of the budget period in order to be reflected in the interim report.

Occasionally a sponsor may contact the PI or Department Administrator and request financial information. The financial reports submitted by EFM are normally based solely on the expenses indicated in the general ledger. Confusion can occur if the figures provided by the PI or Department Administrator include costs that are not yet reflected in the ledger. The confusion is limited when EFM is consulted before providing the sponsor with financial information.

**It is the responsibility of EFM (ORA) to provide financial reports and financial information to sponsors.**

**Departments should not send financial information to sponsors without first consulting EFM.**

**NOTE:** If the award is under SNAP, a Financial Status Report is not due until the end of the project period. Review the award synopsis to know when a report is due.

when a sponsor holds up a payment or award pending receipt of a delinquent technical report. When this is the case, OCGA notifies the department administrator of the withheld payment and requests a copy of the technical report and transmittal letter. OCGA submits the invoice/billing with a copy of the letter and report to the sponsor.

## **Interim Property Report**

Some sponsors require that an annual physical inventory of sponsor-owned equipment be conducted and reported, even if it is negative. Equipment Management prepares and submits these reports.



It is critically important to notify Equipment Management of any unused, obsolete, stolen, missing, or unrepairable equipment. This is accomplished by completion and submission of the Equipment Inventory Modification Request (EIMR) form.

## **Interim Patent Report**

Certain sponsors require that annual invention or patent reports be submitted. OCGA is responsible for submitting these reports and contacts the department administrator or the PI to obtain the PI's signature (if required) or to obtain any information that needs to be reported. If there is a new invention or discovery, OCGA then obtains any additional information from the Office of Intellectual Property Administration (OIPA).

The Department Administrator should review the award document for invention reporting requirements. Some Sponsors require that an invention be disclosed within a specified period of time or rights to the invention may be lost. For Federal Sponsors, UCLA has a legal obligation to disclose/report all inventions. As stated above, in the event of a new invention or discovery, OIPA should be contacted immediately.

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## **Final reports (project close-out)**

### Final Technical Report

It is the responsibility of the PI to ensure that all technical requirements are fulfilled. Technical reporting and deliverable requirements are usually defined in either a sponsor's general guidelines, the award document, or in an attachment to the agreement. It is important that the PI reviews these requirements at the onset of a project and establishes a system to ensure compliance with the requirements and delivery schedules.

Deliverables -are unique to each contract; there may be one deliverable or numerous. It is important to read each contract thoroughly to identify deliverable products and delivery dates. If a deliverable cannot be met by

the specified date, the PI must notify the sponsor's technical representative and request an extension. Failure to meet contract deliverables may result in a withholding of payments to UCLA.

Routine and satisfactory progress is assumed unless OCGA is notified by the sponsor that a report is delinquent. If OCGA contacts a PI about a delinquent report, it is imperative that the PI take action immediately: by providing a copy of the report if already submitted; advising OCGA of the anticipated completion date; or, if necessary, consulting with OCGA to request an extension of the due date from the sponsor.

### Final Invention or Patent Report

Many sponsors require that discoveries and inventions be disclosed to the sponsor upon conception or reduction to practice. Some sponsors require reports of inventions at regular intervals, generally annually. At the completion of a project it is often necessary to certify whether or not an invention has been made during the course of the project. OCGA or the sponsor will notify the PI when invention reports are required and will supply the necessary forms. However, it is the responsibility of the PI to report an invention to OIPA (Office of Intellectual Property Administration ) -after it has been reduced to practice but before public disclosure.

### Final Financial Reports

Most sponsors require a final financial accounting of the funds provided. Final financial reports are referred to by various titles. Under Federal contracts, the report is referred to as a Completion Voucher SF-1034; for Federal grants the report is entitled Financial Status Report (FSR) SF-269 and for private sponsors it is sometimes referred to as Final Report of Expenditures (FROE). Except in those instances where the account has been designated to be exempt from reporting requirements, a final financial report will be required upon termination of the project.

**Accurate fund management throughout the life of an award is crucial to the successful and accurate reporting of those funds upon termination of the grant or contract.**

### Final Property Report

Most contracts and many grants require a final inventory of equipment purchased, fabricated or furnished by the sponsor during the period of the project. Equipment Management will notify the PI of the need for an inventory and will supply the necessary forms. The PI must complete and return these forms to Equipment Management for reporting to the sponsor.

## Chapter 4

# Equipment Management

Safeguarding Property



## **EQUIPMENT MANAGEMENT**

The UCLA Office of Equipment Management's (EM) responsibilities include:

- Maintenance and control of capitalized\* inventoried property
  - Fabricated equipment valued at \$1,500 or more
  - Government Furnished Equipment (GFE), regardless of value
- Ensuring approval of the University's Property Control System (audited by the Office of Naval Research) based on compliance with applicable property management regulations
- Assigning and distributing UC decals
- Conducting sample audits
- Handling the close-out of contract and grant property
- Coordinating annual physical inventories
- Preparing the University's official contract and grant property reports
- Acting as campus liaison to extramural funding agencies for equipment issues

**Timely submission of the EIMR form and the EQ920, inventory list is critical as these reports affect the F&A figures in the University's F&A rate proposal submitted to the Federal Government.**

\*Effective July 1, 2006, capital equipment is defined as equipment with an acquisition cost of \$5,000 or more and a useful life of more than one year. Fabricated equipment, where the aggregate cost of the components is \$5,000 or more and where the fabricated asset has a useful life of more than one year, is also defined as capital.

### **PI/Department Responsibility**

- Caring for and maintaining equipment
- Controlling and providing physical security for equipment
- Maintaining records identifying current location
- Performing physical inventories

University property can be used for business purposes at a location outside of the department to which the property is issued. As an example, a researcher may use excess equipment from the department – with Department permission – at home. The department reports and monitors the off-campus use, using the "Authorization to Use University Property in an Off-campus Location" form.(Form #PA-001 71465-229.) This is especially important when the equipment use is for a year or longer; also, the form is an invaluable tool in tracking equipment loaned from the department.

An important note here is to be extremely prudent in the documentation of Department equipment, especially equipment purchased using an extramural award; that equipment cannot be used at a non-official University site without the agency's prior approval. Further, the department must be aware of the location of the equipment at all times in the case of ONR/physical audits.



One key to effective property management is the early involvement of your Department Property Administrator (DPA).

## Title and Ownership of Equipment

Most sponsors allow the University to retain title to equipment purchased using their funds. The sponsor guidelines will specify who has title to the equipment.

Equipment purchased with federal funds, regardless of the cost, requires close monitoring. Prior sponsor approval is required before modifying, selling, disposing or moving the item (a request for disposal is achieved by completing an EIMR form and submitting it to EM for sponsor approval). Use of non-federal funds (state and/or local) to improve government-owned equipment should be avoided, because we may not be able to recover the costs. Upon termination of the grant or contract, the sponsor may want the equipment returned.

Note: Federal auditors have little tolerance for PIs who move/sell/destroy government-titled property without agency approval. For UCLA, it becomes an audit finding against the EM/property management system.

**Knowing who holds title to an item of equipment is important because it affects the computation of sales tax and F&A costs, determines how the equipment is inventoried, and affects method of disposal.**

## Sub and Object Codes

It is the responsibility of the department to appropriately assign the sub and object code to the Purchase Requisition or Limited Value Order (LVO).

Fabrication purchases - Sub 04 (05, 07 or 08)

- 9600 components of a fabrication including supplies
- 9610 components of a fabrication (to be excluded from F & A (indirect) costs)

Inventorial equipment and equipment modifications - Sub 04 (05, 07 or 08)

- 9110 computer hardware
- 9111 copying equipment
- 9112 office equipment
- 9113 furniture and fixtures

- 9114 other equipment
- 9116 musical instruments

Non-Inventorial equipment purchases - Sub 03 (05, 07 or 08)

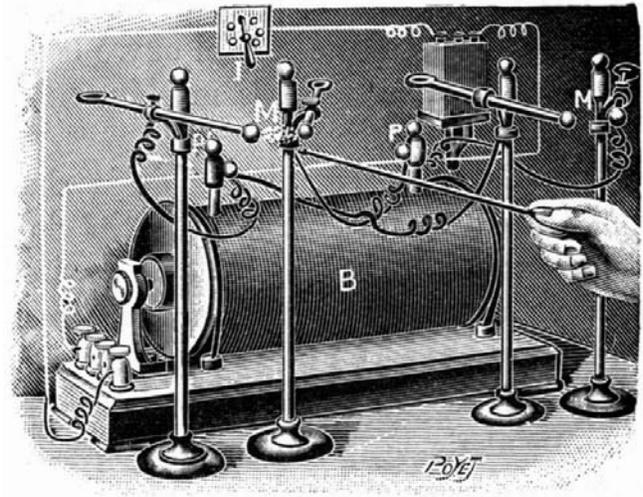
- 9100 non-inventorial computer hardware
- 9101 non-inventorial copying equipment
- 9102 non-inventorial office equipment
- 4525 non-inventorial furniture and fixtures
- 9104 non-inventorial other equipment
- 9106 non-inventorial musical instruments

## Fabricating Equipment

When requesting a fabrication number from EM, be prepared to give the following:

- PI
- Sponsor and award type (grant/contract
- Award number
- Time frame for completing fabrication
- Account/fund
- Estimate dollar amount
- Whether the item is a deliverable or not

It is recommended a separate account number be obtained to book and track costs associated with the fabrication.



Be sure to complete an EIMR to capitalize the fabrication once it is completed.

It is the PI's responsibility to ensure that fabrication accounts/funds are closed/cancelled when the grant/contract is closed.



Fabricated equipment, deliverable under a contract or grant, is not inventoried as University equipment. Also, F&A costs are assessed on equipment fabricated as a deliverable.

## **Physical Inventory**

EM takes an annual physical inventory. The department/PI, in connection with the equipment inventory, verifies:

- The existence of each item of equipment
- Current utilization of each item
- Continued need of each item

Equipment Management verifies the inventory, on the basis of a statistical sample, at least once every two years.

### **Bulletin BUS-29, Management and Control of University Equipment**

Sets forth University policies and procedures relating to the custodianship, use and removal of University property.

### **Bulletin Bus-38, Disposal of Excess Material and Transfer of Federally Funded University-Owned Material**

Sets forth University policies and procedures relating to the acquisition and disposal of surplus University property.

### **UCLA Standard Procedure 720.2, Acquisition and Disposal of Surplus and Salvage University Property (July 1, 1998)**

## Chapter 5

# CLOSE-OUT

No Project is Complete Until the  
Paperwork is Done



## **CLOSE-OUT**

Projects are considered completed or "closed out" after the sponsor receives and approves all reports as required by the terms and conditions of the award. Reports required at the close of a project are generally due within 90 days after the project end date. The most commonly required reports are:

- a final **technical** report submitted by the PI
- a final **invention or patent** report submitted by the PI via OCGA
- a final **financial** report submitted by EFM upon the certification of expenditures by the PI
- a final **property** report submitted by Equipment Management

**Failure to submit required reports may result in the sponsor withholding funding for other projects within the University, regardless of the PI.**

A copy of the final technical report and any other final reports sent by the PI directly to the sponsor should also be forwarded to OCGA. This will facilitate post award audits, and minimize requests to the PI and department staff for evidence that reports were submitted.

## **Timeline to Facilitate Smooth Close Out**

*Over the life of the award:*

- Review the ledgers on a **monthly basis** to assure that all allowable expenses are recorded and booked appropriately. Any inapplicable expenses should be transferred to an appropriate fund within a timely manner.
- Run QDB reports monthly or quarterly to check on linked account/cc transferred to other departments. Check with the fund manager responsible for any linked cc to ensure correct salary caps and percents of efforts have been used.
- Check the actual expenses against the approved budget to ensure the fund is within the allowable agency rebudgeting guidelines. Ensure that spending patterns are consistent.
- Check the F&A expenses to ensure the correct rate and base has been applied and calculated correctly. Contact EFM if any corrections are needed.
- Prepare monthly financial statements and review them with the PI.

**On-going (monthly) review of accounts will allow ample time to expend funds appropriately for project-related expenses.**

*One year to 9 months prior to expiration:*

- Determine if the PI will submit a competitive renewal or a new proposal for funding.

*3 – 5 months prior to expiration:*

- If the grant is not going to be funded, are there other funds to cover the personnel costs once the grant expires?
- If other funding is not available, layoff paperwork for personnel should be started.
  - Some labor unions require a minimum of 60 days written notification.

*2 months prior to expiration:*

- Complete Exception to UCLA Policy 740 form if supply items were purchased within 30 days prior to the project completion or if the equipment was purchased within 90 days prior to project completion;
  - Will there be a balance at the project expiration?
  - Will the work be complete by the project expiration?
  - If work is not completed, request a no-cost time extension (via OCGA).
  - If work will be completed, continue with the close-out.
- Contact the fund managers for linked account/cc to remind them of the fund closing.
- Check the balance and status of the linked account/cc and resolve any issues.

**Once a final invoice is submitted, it is very difficult to get reimbursed for additional costs.**

**It is critical that all project-related costs get allocated to the project area/organization before the final report is submitted (usually ninety days after the end date).**

**This means cost transfers or outstanding encumbrances must be cleared within 30 days of the due date of the final financial report.**

*1 month prior to expiration:*

- Ensure all outstanding invoices are being paid and processed by Accounts Payable.
- Prepare the paperwork to move personnel to new funds.

*At the expiration date of the fund/project:*

- Prepare a closing packet, (based on the close-out checklist), and submit it to EFM.
- Ensure the PI submits all other final reports required by the agency, e.g. scientific progress report, patent report, etc.

## **Fiscal Reporting for Fixed Price or Fixed-Rate Agreements**

A fixed price or fixed-rate project is considered ended when all of the funding has been received from the sponsor and the commitment from the PI to the sponsor has been met. Such projects are subject to [UCLA Policy 913](#). Under Policy 913, six months after the expiration of the award, any remaining funds are transferred to fund 69970 for use by the PI or department.



Note: Recharge ID numbers can not be extended on fixed price or fixed rate agreements and will expire 90 days after the end date noted on the award synopsis.



Under cost reimbursable grants or contracts, if a sponsor advances payment to UCLA in excess of costs, a refund is made when EFM prepares the final financial report.

### **Termination of Subawards**

Upon termination of any subaward issued from UCLA to another institution, all financial, technical, property, patent, and other required reports should be received from the subrecipient along with a statement that it releases UCLA from all further claims under the subaward. The UCLA PI should indicate that the subaward was carried out in accordance with the work statement.

### **Closing an Intercampus Award**

- The participating campus should submit its final claim no later than sixty days after the grant period has ended.
- A final claim may be used in lieu of a Financial Status Report, as long as it is clearly marked "Final."
- The participating campus shall not carry forward any unobligated balance to the next year unless there is prior agreement between the PIs of both campuses and Contract and Grant Offices are advised of such intent in writing. *However, under FDP shall be exempted, participating campuses are allowed to carryforward any unobligated balance without prior approval as long as such intention is clearly conveyed to the prime campus Accounting Office on the final claim form or Financial Status Report.*

## Chapter 6

# Record Management

Knowing when to hold and when to let go



# Record Retention

State law and the terms of the individual funding agencies dictate how long various types of records must be maintained. Applicable records can be, but are not limited to, financial, personnel, lab notes, even computer files.

## Records Management includes:

- Records retention
- Records distribution
- Storage and Retrieval of Active/Inactive Records
- Protection of vital records
- Creation and implementation of filing systems
- Managing records through their life cycle

**OMB Circular A110, Section 52 provides specific guidance on record retention for Federal grants.**

## Campus Department Administrators responsibilities:

- To comply with all policies and regulations
- To protect the privacy of individuals
- To protect UCLA's vital records
- To protect the Operational history of the organization

## Life Cycle of records:



**UCLA Records and Resource Management:**  
<http://www.finance.ucla.edu/Records/Default.htm>

**Office of record (owner of document) for C&G-related documents\***

Record	ORA	Other centralized offices	Dept.
Proposal	X (OCGA)		
Award documents	X (OCGA)		
Technical data/records			X
Copy of technical reports	X (OCGA)		
Patent Report	X (OCGA)		X
Project Expenditure Records			X
Financial Report	X (EFM)		
Equipment Report		X (Equipment Mgmt)	

- \*A detailed record disposition retention schedule for contracts, grants, and agreements (Extramural) for Research, Training and Public service can be found at: <http://www.policies.uci.edu/adm/records/721-11a.html>. The schedule reflects the length of time records must be retained and the office of record. It may indicate where the record must be stored

**Technical Report Retention**

Records related to the technical reports are to be retained by the PI. Copies of the cover letter and, if feasible, any progress and final technical reports should be submitted to the OCGA. At a minimum, a copy of the cover letter transmitting the report(s) should be sent to OCGA to document the file that the reporting requirements were met. These letters and reports become part of the permanent file housed in OCGA.

**Financial Record Retention**

The department should retain all project expenditure records in order to provide source documents to substantiate charges to sponsored accounts. This will allow for complete project expenditure monitoring and is particularly important for audit purposes.

Occasionally sponsors require financial reports and/or invoices to include expenditure receipts. Such documentation needs to be forwarded to EFM for inclusion with the reports. If cost sharing is provided, records must also be maintained by the department, and copies forwarded to EFM to document the non-payroll UCLA cost share and any in-kind contributions to the project.

**UCLA University Archives Mission**

The University Archives is the official repository for non-current University records having permanent historical, legal, financial, or administrative value. The University Archives' records document the history of administrative and academic units and of UCLA-related organizations, as well as the activities of the campus' faculty, staff and students.

Contact:  
 Charlotte Brown, University Archivist  
 Email: [cbbrown@library.ucla.edu](mailto:cbbrown@library.ucla.edu)  
 A-1713 YRL Bldg.  
 310-825-7265, 310-825-4068

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## **PUBLIC ACCESS TO RECORDS**

UCLA provides access to University (state) and government records in compliance with applicable Federal and State laws. Requests for access to such records must be in writing and directed to the individuals cited below.

### **Public Records Request** - California Public Records Act (Government Code Section 6250 et. seq)

The California Public Records Act declares that access to information concerning the conduct of the people's business is a fundamental and necessary right of every person in the State, that public records are open to inspection at all times during regular office hours, and are subject to inspection and copying by every person except as provided in the Act.

FOIA and Public Records Requests should be directed to:

Rebecca Beatty  
Business and Administrative Services  
UCLA Wilshire Center Suite 600  
Los Angeles, CA 90024-1433 (Campus code 143348)

310-794-8688

[rbeatty@finance.ucla.edu](mailto:rbeatty@finance.ucla.edu)

[larquieta@finance.ucla.edu](mailto:larquieta@finance.ucla.edu)

## Chapter 7

# Audits

Assuring Integrity



## **Audits**

“Audit” is defined in the dictionary as “a methodical examination or review.” In general, audits of sponsored projects at the University are reviews for compliance with applicable agency and award-specific requirements or restrictions. UC’s systems have been designed to promote compliance with the majority of prevailing regulatory requirements. If UC policies and procedures are followed, there should be little reason to fear an audit

### **What to Do If You Are Notified of an Audit?**

With the exception of the annual A-133 audit and programmatic reviews, UCLA Audit & Advisory Services coordinates all fiscal and administrative audits by external agencies. Agencies responsible for auditing specific contract and grant funds often are unfamiliar with the University and its processes. The External Audit Coordinator (EA) in UCLA Audit & Advisory Services will facilitate the audit by working with the agency representative and UCLA staff and faculty.

**If you receive notice that your project or unit is being audited by an external agency, contact UCLA Audit & Advisory Services immediately.**

Contact the EA Coordinator in UCLA Audit & Advisory Services immediately when you receive notification of an agency audit. The EA Coordinator will guide you through the necessary preparatory steps and will contact the central departments (OCGA, EFM, Payroll, and Purchasing) whose participation may be required. You should work through the EA Coordinator to address requests for information. Do not provide any documents directly to entities outside of the University.

## **Types of Audits**

### **Project Specific**

If a sponsor requests an audit of its award, the sponsor or its designee must perform the audit at its expense. The EA Coordinator will typically work with Department staff to ensure that the University provides all necessary information to the auditors and resolve any questions.

Generally, an entrance meeting is set with University representatives (EA Coordinator, Department staff, PI and central department staff) to allow the auditors to explain their charge and expectations during the audit. Auditors typically conduct interviews and review information/documentation (including policies and procedures). Once the audit is completed, the auditors meet with the University representatives to discuss any findings/recommendations related to their review. This meeting is usually referred to as an exit conference. The exit conference allows the University to clarify and discuss any information that may impact the auditors’ findings/recommendations. Following the exit conference, the EA Coordinator facilitates the University’s response to audit findings/recommendations. The PI or department may be called upon to provide responses that will be formalized into the institution’s response.

## **System Reviews – ONR's CPSR and PCSA**

The Office of Naval Research (ONR) conducts the reviews of UCLA's Purchasing and Property systems.

At least once every three years, ONR will conduct the Contractor Purchasing System Review (CPSR), an onsite review of an institution's purchasing system. The objective of a CPSR is to evaluate the efficiency and effectiveness with which the institution spends Government funds and complies with Government policies when subcontracting to other agencies under extramural awards. The review will result in either continued approval of UCLA's purchasing system or withdrawal of its approval. It is the results of such a review that led to the change in the initiation, issuance, and management of subcontracts and subawards.

A Property Control System Analysis (PCSA) is an ONR review of an institution's property control system, performed to determine whether it is capable of controlling, protecting, preserving and maintaining Government property in its custody. There are three basic types of PCSAs: on site, desk review, and special PCSAs. ONR performs PCSAs at all institutions that have custody of Government titled property under awards that have been delegated to ONR for administration. An institution's property control system will either be deemed satisfactory or unsatisfactory.

UCLA would not be allowed to apply for government contracts and grants should its purchasing system approval be withdrawn or an unsatisfactory rating be given to its property control system.

Although both reviews are generally focused within the Campus Purchasing and Equipment Management departments, it is imperative for campus departments to work cooperatively with them in order to satisfactorily pass the reviews. Purchase orders and equipment items are selected by ONR for review. In some cases, departments may be contacted for clarification and additional documentation/information. Such requests should be immediately addressed as they may affect the University's approval ratings.

## **OMB Circular A-133 Review**

The University has annual audits conducted in accordance with Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The Circular requires an annual external audit of non-profit organizations receiving Federal funds for sponsored programs in excess of \$300,000. Auditors review to ensure that costs incurred for the same purpose in like circumstances are treated consistently either as direct or as F&A costs. Other testing includes: sub-recipient monitoring, cash management, cost sharing, cost transfers, Freedom of Information Act, Cost Accounting Standards 501 & 502, program income, property management, time and effort certification, procurement, service centers, student financial aid, and F&A rate application.

UC currently engages PriceWaterhouse Coopers to perform the A-133 audit. These audits are coordinated on the UCLA campus by UCLA Corporate Financial Services – Corporate Accounting. A sample of Federal awards, and related direct cost transactions, is examined to determine if expenditures and procedures were appropriate and in accordance with Federal policies, and in compliance with sponsor terms/conditions and University policies. As such, requests for information or documentation should receive immediate attention.

## Internal Audits

All University accounts and operations are subject to audit by UCLA Audit & Advisory Services.

### Things to Consider

- Audit focus today is on the **direct costs** of research, including the thousands of individual transactions in which PIs authorize the expenditure of sponsor funds for salaries, supplies and other costs of research.
- Auditors may interview individuals whose salary is charged to grants or contracts, attempting to validate the relationship between the charging of salaries and the expenditure of effort.
- Major attention has been and continues to be given to direct charging of administrative expenses, cost sharing, observation of "periods of performance," equipment vesting and property administration, and grant and contract close-out reviews.
- Costs disallowed as the result of an audit are the responsibility of the department and/or school.

## The 'Top 10 List' of the Most Common Audit Findings

Information taken from the 40th annual National Council of University Research Administrators conference held in Washington, D.C. on November 1-4, 1998 (excerpted by Raellen Man, UCLA Department of Medicine, Office of Research Administration).

### **Inadequate Segregation of Duties - Strong internal control requires the appropriate segregation of responsibilities for authorization, physical custody of assets, and related record keeping**

- Persons who can authorize purchase orders should not be capable of processing payments.
- The person who prepares deposits should not post receipts to customer accounts.
- One individual should not have the ability to order, receive, approve for payment, and verify charges to monthly accounting reports.

### **Inadequate, or untimely, review of monthly ledger reports - This represents the final control in our system of accounting**

- The FRS accounting reports represent the official records of the University. All transactions recorded in the accounting reports should be reviewed and verified on a monthly basis. Senior Administrators, Chairs, and PIs should review the accounting reports for propriety and reasonableness. Reports generated by local "shadow" systems, although a useful management resource, do not represent the official record of the University.

**Inappropriate Access/Lack of Security - Management should provide safeguards for physical objects, restricted information, critical forms, etc.**

- Control keys; store cash and checks in secure places; lock desks and doors after hours; restrict access to forms (request for payment, petty cash reimbursement, etc.); change safe combinations periodically, do so always when individuals terminate employment.

**Inadequate Authorization of Expenditures**

- For grants, the PI or someone designated in writing by the PI should approve expenditures.
- An appropriate University supervisor or official should authorize documents, such as travel and conference reports and petty cash reimbursement vouchers. A subordinate should not approve a supervisor's transactions; e.g. a secretary should not approve the Chair's T&C report.

**Lack of Appropriate Authorization of Time Records**

- An appropriate supervisor should approve internal time sheets. (not the effort reports)

**Inadequate Authorization and Processing of Student Time Records - Student time records should be approved by an appropriate supervisor and forwarded directly to the Payroll and Employee Records Center**

- Student time cards should be approved by someone with knowledge of actual hours worked; time cards should never be pre-approved.
- Student time cards, after approval signature has been obtained, should never be returned to the student. Time cards should be forwarded to the Payroll and Employee Records Center by the supervisor so that hours reported cannot be altered.

**Inadequate Knowledge of Policies and Procedures**

- Departments should have written manuals as a form of administrative control, to provide guidance to employees regarding department policies and procedures, and to facilitate the training of new employees.
- Departments should have access to of all University policies and procedure such as those published by the following: University Finance Department, Personnel, Office of Research and Project Administration, Procurement Services.

**Lack of Control Over Capitol Equipment**

- An equipment listing should be maintained and continuously updated to reflect new purchases and dispositions.
- Equipment should be properly tagged.
- A record of equipment taken home or off premises should be maintained.
- Maintenance contracts on equipment should be periodically reviewed to ensure that the University is paying only for equipment still in use.
- When faculty leave the University, appropriate approvals are required before equipment can be taken from the University.

### **Untimely Deposit of Receipts**

- Cash and checks should be deposited in a timely manner. The risk of loss to the University is increased when cash receipts are held for extended periods of time before deposit.

### **Personal Telephone Calls**

- Personal toll calls should be charged to a personal credit card or to the employee's home telephone. Employees should not make personal toll calls and then reimburse the University.