

GUIDANCE FOR INITIATING, REVIEWING & APPROVING FIS DOCUMENTS ASSOCIATED WITH CONTRACT AND GRANT EXPENSES

When determining whether any charge to a sponsored agreement is proper, the following considerations based on OMB Circular A-21 guidance should be included in your analysis:

1. Determine whether the amount of the charge is reasonable for the items or services received
2. Determine whether the charge is necessary to complete the scope of work on the award being charged
3. Determine whether the charges conform to the terms and conditions of the award; e.g., budget limitations/restrictions, specifically identified costs which are not allowed (foreign travel, equipment, tuition remission)
4. Determine whether the charges are consistently applied across all fund sources; i.e., costs that are normally indirect cannot be charged as direct costs unless specific criteria are met and appropriate written justification of the unlike circumstance is provided at time of proposal
5. Determine if the cost is allocable to the fund source. It must be incurred solely to advance the work under the award or allocated in accordance with the relative benefits received
6. Determine whether the details of the charge are properly recorded; i.e., correct date and amount and information is supported by source documentation. Every document should contain a thorough explanation of the transaction in enough detail to provide the reviewer with sufficient information to enable a determination of the allocability and allowability of the charge to the fund source
7. Determine whether the charges were approved in advance if subject to prior approval in accordance with award/agency terms
8. Determine whether the charges were incurred in accordance with appropriate purchasing procedures

DOCUMENTS THAT WILL ONLY ROUTE WITHIN THE SCHOOL/COLLEGE HIERARCHY FOR FINAL APPROVAL EFFECTIVE MAY 2011:

In addition to the principles outlined above, preparers and reviewers should consider the following guidelines when executing and approving these documents. It can't be emphasized enough how important it is for each document to contain a thorough explanation of the nature of the transaction, with details that are sufficient for the reviewer/approver to decide whether or not the transaction is proper. It should provide enough detail for an individual not directly involved with the transaction, i.e., an auditor, to gain a clear understanding of the transaction and how it benefits the project.

Purchase Requisition Document (PR)

What to consider:

- If purchase is for equipment, is it allowable/budgeted on the award?
 - Awards may not allow the purchase of equipment or may only allow specific equipment purchases listed in the award. Check the terms and conditions of the award.

- Are there at least 120 days left before the end of the award? If less than 120 days, approval from SPO must be obtained and noted in the PR document.
- If the purchase is for software, is software allowable/budgeted on the award?
 - If software licenses are included, does the term of the license fall within the award period?
- Laptops and desk top computers are generally considered indirect costs expenses and are not allowable unless specifically identified and justified in the award budget
- Are there sufficient funds available to pay for the items?
 - Review the ledger (including pending transactions) to determine that adequate funding is available.
- Is the expense being split-charged to multiple fund sources?
 - If yes, a valid allocation methodology must be provided in the document notes to explain how the split was derived.
 - If allocating expense for equipment, verify that the ownership vests with the University, rather than with one of the sponsors.

Current Budget Document (CB)

What to consider:

- Is rebudgeting allowed on the award?
 - If rebudgeting between budget line items is limited, have the limits been reached?
 - If new budget categories are created, verify allowability or obtain sponsor approval.
 - If prior sponsor approval is needed, approval from SPO must be obtained and noted in the CB document.
 - For NSF awards with Participant Support costs, NSF does not allow reallocation of funds between Participant Support and other expenses; double-check the type of the accounts for transfers within the fund.
- Is a rebudget necessary for indirects?
 - If the to/from categories are not treated alike with respect to indirect (F&A) charges, an adjustment to indirects is needed. For example, re-budgeting from equipment to supplies for an award under a modified total direct costing (MTDC) would require an adjustment to indirect expenses. For additional information, see [Rebudgeting with F&A Costs](#)

Direct Charge Document (DC)

Reviewed if for memberships, subscriptions, honoraria, advances to subcontractors

What to consider:

- Is the type of expense allowable/budgeted in the award?
- Is the date of the expense within the project period?
- Is the type of expense allowable as a direct charge (not part of indirect costs)?
 - Memberships and subscriptions in technical and professional organizations should be charged to departmental administration. If membership is required by a specific project, it can be directly charged to the project with appropriate justification and agency approval.
 - Computers are generally considered part of indirect costs and cannot be direct charged to sponsored awards.

- Consider whether the expense should be processed as a VI on a subcontractor agreement or purchase order.
 - For example, advances to subcontractors could be an exception and processed on the DC

Entertainment Expense Voucher Document (EEV)

What to consider:

- What is the purpose of the expense and how does it relate to the project goals?
 - Meeting purpose must be directly related to the scope of work in the award contract.
 - Primary meeting purpose must be the dissemination of technical information.
 - A clear description must be provided such that a person uninvolved would gain a clear understanding of how the meeting relates to the project.
 - A list of attendees is generally required.
- Are food costs allowed/budgeted on the award?
 - Most State and federal awards do not allow any food costs.
 - These costs are almost always questioned during audit and disallowed
 - Food and beverage costs are allowable only if the meal allows for the continuity of a formal meeting which could not be scheduled at another time.
 - The cost of the meals must be incidental to the meeting or conference.
 - The type of food cost (breakfast, lunch, dinner, or light refreshments) must be indicated in the document.
- Is expense for alcohol included?
 - Alcohol is not allowed to be charged to sponsored projects.
- Is the date the expense was incurred within the project period?

Error Correction Document - Restricted (REC)

What to consider:

- Is the type of expense allowable/budgeted on the account that is being charged (the “to account”)?
- Is the date of the original expense within the project period of the “to account”?
 - Transfers at the end of the project period should be discouraged and questioned as they give the appearance that we are “using up funds.” Transferred expenses must be allocable to the “to account” project.
- Is the expense being transferred from one sponsored project to another?
 - Transfers between sponsored projects are generally not allowed.
 - Overdrafts cannot be charged to another sponsored project.
- Is there sufficient funding in the “to account” to cover the expense?
 - Review the ledger (include pending transactions) for the fund to make sure there is adequate funding available.
 - If there is an overdraft, or if the transfer will create an overdraft on the “to account,” the transfer should not be allowed.
- Is an adequate justification provided such that a person uninvolved would gain a clear understanding of what happened?
- Is the correct original doc # cited?
- Is the expense being split-charged to multiple fund sources?

- If yes, a valid allocation methodology must be provided in the document notes to explain how the split was derived.
- If allocating expense for equipment, verify that title of the equipment rests with the institution, rather than with one of the sponsors.

DOCUMENTS THAT WILL CONTINUE TO ROUTE TO EFA FOR FINAL APPROVAL:

Vendor Invoice Document (VI) – Subcontractor payments on sponsored projects

What to consider:

- Is the type of expense allowable/budgeted in the award?
- If paying a subcontractor associated with a Non-Purchasing Agreement (NPA) document, is the balance on the NPA sufficient to cover the expense of the VI?
- Is the lien balance properly reducing?
 - Do not template the VI document. Templated VI documents will not pick up increases in funding if a change order for the NPA was processed after the original VI was processed.
 - Calculate the original lien amount less any previous payments per the FIS-232 and compare to the current balance.
 - Never pay more than the “Unit Price” for each line on the VI. If the line is overpaid, the lien will not be reduced.
 - When the indirect costing method is Modified Total Direct Cost (MTDC), for subcontractor payments associated with NPA documents, the first \$25,000 of payments must be charged to the first line (object code 7301) to ensure indirect costs are properly assessed in accordance with our F&A rate agreement. Payments above \$25,000 should be charged to object code 7300 so no indirect cost assessments occur.
 - If the incorrect object codes are used on the VI when processing payments, incorrect indirect cost recovery assessments will occur. This could have significant implications to reviewers of the financial balances for a project because the indirect costs could be either under- or over-stated.
 - Verify that the correct lien reduction amount shows on the last screen of the VI.
- If the charge is for services, were the services performed within the award period?
 - The specific period of service indicated on the invoice must be recorded on the VI.
 - For example, an NPA was established for a budget period of 1/1/10 – 12/31/10 in the amount of \$100,000. The subcontractor submits their first invoice in the amount of \$10,000 for services rendered for the period 1/1/10-1/31/10; this information should be referenced on the VI document so the reviewer of this transaction can ensure that the payment is for services in accordance with the time period of the subcontract agreement.
- When entering the final VI, make sure the “Pay in Full” field is marked and indicate “final invoice” in the explanation.

Resources:

If you have questions about a specific transaction, please feel free to contact the Extramural Fund Manager who is assigned to your award.