

Charles R. Drew University of Medicine and Science

“A Private University with a Public Mission”



OFFICE OF SPONSORED PROGRAMS

Post-Award Manual

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This manual has been designed as a tool to assist new and established researchers in the conduct of research. The handbook seeks to support the University's research effort by providing guidance regarding the administration of sponsored projects. The Principal Investigator/Program Director accepts management responsibility for the award which Charles Drew University of Medicine & Science receives on their behalf. This includes monitoring budget transactions, enforcing the sponsor terms and conditions, preparing and overseeing subcontracts, processing administrative reports and monitoring compliance with University Policies and Procedures and sponsored rules and regulations.

Mission

The Office of Sponsored Programs (OSP) is to support the University's efforts to identify mission-appropriate sources of external support, establish productive business relationships with those sponsors and to manage those grants and contracts effectively.

Vision

The vision of the Office of Sponsored Program is to be a premier sponsored program office that guarantees a higher level of credibility, financial integrity; and avoidance of conflicts of interest. OSP fosters proposal development for research, education, and service throughout the University thereby promoting and sustaining sound business practices and provides the highest quality of administrative management and financial services to support the University mission.

Goals

Improve grants management by recruiting and retaining quality personnel and support their efforts by providing adequate resources for them to succeed in meeting their requirements for accountability.

Develop and implement an effective training program for efficient utilization of administrative tools and about processes to most efficiently conduct sponsored projects.

Increase the efficiency of research administration thereby, assisting faculty in the number and quality of grant proposals submitted, thereby, potentially increasing CDU overall extramural funding.

Promote management excellence with an environment of financial accountability & integrity, regulatory compliance, and internal controls.

Develop a model sponsored program administration that generates a high level of customer satisfaction.

Strengthen understanding of the integrated grants management office service role by increasing and improving communication between OSP, faculty, staff, administration and sponsors.

DEFINITIONS

AWARD - Financial or other support for a specific project being conducted under a Gift, Purchase Order, Grant, Cooperative Agreement, Contract or Subaward.

GIFTS - an award of funds used by private agencies (primarily industries and foundations) which provides a research award with "no strings" attached. The award has no restraint or conditions on how it is to be spent, when, or for what purpose. No fiscal reports or formal technical reports are required. If a proposal results in this type of award, it will be forwarded to the Development Office where all gifts are managed.

PURCHASE ORDER - an award of funds used primarily by industries. Provides a "fixed price" award for the performance of specified work within a specified time period. The award does not usually control the expenditures of funds and requires only the delivery of the work performed and not a financial report.

GRANT - an agreement to be used in a relationship between the federal government and recipient whenever (1) the principal purpose of the relationship is the transfer of money, property, services, or anything of value to the University in order to accomplish a public purpose of support authorized by federal statute, rather than acquisition of property or services for the direct benefit or use of the federal government; and (2) no substantial involvement is anticipated between the executive agency or other recipient during performance of the activity. Deliverables other than technical or financial reports are generally not required.

COOPERATIVE AGREEMENT - an agreement to be used in a relationship between the federal government and a recipient whenever (1) the principal purpose of the relationship is the transfer of money, property, services, or anything of value to the recipient in order to accomplish a public purpose of support authorized by federal statute, rather than acquisition of property or services for the direct benefit or use of the federal government; and (2) substantial involvement is anticipated between the executive agency, and the recipient during the performance of the activity. A version of a grant in which the sponsor participates in the project along with University personnel.

CONTRACT - an agreement to be used in a relationship between the federal government and recipient whenever (1) the principal purpose of the instrument is the acquisition, by purchase, lease, or barter of property or services for the direct benefit or use of the federal government; or (2) an executive agency determines in a specific instance that the use of a type of procurement contract is appropriate. Specific obligations are generally imposed on all parties to the Contract and milestones and/or deliverables are often required.

SUBCONTRACTS/SUBAWARD - an award of funds from another institution, organization or industry which has a "prime" contract from some external source to perform research. Subcontracts are used when they delegate part of the responsibility to another party and almost always contain the same requirements as the prime contract or agreement.

PRINCIPAL INVESTIGATOR (PI): A CDU employee (normally an academic appointee) who has primary responsibility for the scientific and technical conduct, reporting, fiscal and programmatic administration of a Sponsored Project.

SPONSORED PROJECT: A specific research, training, public service project or other program that receives support from external sponsors and/or University programs under a Contract, Grant, Cooperative Agreement or Subaward. Support may be in the form of funding, equipment or other material contributions.

POST-AWARD SERVICES

A. Compliance

1. Disseminate compliance information and new regulations to the research community
2. Serve as advisor to research administration units on key compliance topics
3. Comply with federal, state and Institution policies and regulations governing sponsored programs
4. Serve as expert resources on knowledge of federal and other sponsor regulations
5. Review current practices to identify research compliance risks
6. Communicate and network with peer institutions
7. Coordinate pre-award audits and site visits
8. Act as a liaison with other university administrative supports units, PI, sponsors and auditors
9. Monitor compliance issues (Human Subject, IACUC, Biohazards, Conflict of Interest, Export Control, etc.)

B. General

1. Prepare and submit subaward agreements and subcontracts
2. Review and submit no cost extension
3. Review and submit carryover request

C. Acceptance and Set-up

1. Receive the Notice of Grant Award
2. Evaluate whether award is a gift or grant
3. Review the Notice of Grant Award
4. Accept the agreement on behalf of the Institution
5. Notify the PI that the award has been received and send copy of the Notice of Grant Award to the PI and Business Administrator and College Administrator as appropriate
6. Prepare the Internal Notice of Grant Award and submit to Finance to establish and setup an account number
7. Track award date

TRANSACTIONAL REVIEW

1. Review all charges to sponsored projects for allowability, allocability and reasonableness
2. Cost properly allocable as indirect are not budgeted or charged as direct costs to projects
3. Ensure that charges are treated consistently with regard to direct/indirect cost purposes if the transaction occurs on a federal project.

NON-FINANCIAL MANAGEMENT

1. Approve or recommend approval of carry forward of unexpended funds of specific awards

2. Provide institutional endorsement to the sponsor for requests for administrative or programmatic changes initiated by the principal investigator
3. Review proposed activity and submit requests for sponsor approval or revisions to effort commitments
4. Obtain approval for resulting budgetary changes as needed (Sponsor)

AWARD CLOSE-OUT

1. Notify the PI of the need for completion and submission of the final technical report
2. Review and submit final technical reports
3. Work with units on delinquent reports when notified by agency
4. Provide information on other closing reports, such as for patents and on equipment
5. Maintain the official Institution record
6. Review and provide guidance for completion of patent reports

Basic Responsibilities

If you manage a grant and/contract project funds, you need to understand the responsibilities of post-award administration. Use this list as a reference; however, this list is not inclusive.

The Principal Investigator (PI) or Project Director (PD) is the individual responsible for project development and programmatic and fiscal management of funded projects and in accordance with university/sponsor policies and guidelines and as PI, he/she needs to understand the responsibility of post award administration. The overall goals of the PI/PD are to (1) perform the objectives/goals of the funded project and (2) be compliant with requirements of all regulatory entities regarding research, programmatic and fiscal management.

The Office of Sponsored Programs (OSP) share in this responsibility thereby ensuring compliance with all applicable federal, state, local and university regulations/policies related to research and extramural funding of sponsored projects.

PI/PD	OSP
<ul style="list-style-type: none"> • Understand requirements stated in award documents and applicable agency, federal, and University guidelines. • Conduct the project using the highest ethical standards • Review award for accuracy; notify OSP of needed changes • Conduct the program as described in the proposal and award notification • Manage the technical/programmatic aspects of the project • Assure regulatory compliance with University and sponsor policies • Understand and exercise fiscal control, ensuring that funds are spent appropriately • Ensure appropriateness and 	<ul style="list-style-type: none"> • Provide guidance in interpreting University and agency guidelines and policies. • Maintain the University's official award record for sponsored projects. • Negotiate and accept award terms and conditions; • Certify to funding agencies that award expenditures comply with award financial terms and conditions, as well as University and agency policies • Ensure that the PI/PD has obtained all required certifications and assurances (regarding, for example, the use of animals or human subjects in research, biohazards, etc.) • Prepare Internal Notice of Award (INOA) • Prepare subcontracts related to sponsored programs

<p>reasonableness of expenditures and determine if allowable</p> <ul style="list-style-type: none"> • Manage expenditures within start and end dates, not to exceed the award amount • Initiate requests for re-budgeting, cost transfers, time extensions, grant transfer • Provide technical liaison with the sponsor • Approve payment of subcontractor invoices • Monthly review of interim financial reports • Document cost share/matching funds if required (including review and approval of in-kind cost share) • Review and approve effort certifications • Prepare and submit technical reports as specified in the terms and conditions of the award. • Ensure regulatory compliance in the conduct of the project • Maintain records in accordance with university and sponsor regulations. • Complete all close-out and intellectual property requirements promptly 	<ul style="list-style-type: none"> • Secure audit certifications from intended recipients of subawards • Transactional review on all federal awards ensuring that all charges to sponsored projects are allowable, allocable and reasonable • Serve as a liaison between the university community and the external sponsor regarding non-fiscal grants management issues; • Coordinate the process of requesting budget revisions and no-cost extensions; • Process actions that require prior sponsor approval or those allowed by expanded authorities • Monitor report submission • Coordinate overall non-fiscal grants management; and ensure university concurrence with federal regulations regarding non-fiscal compliance issues. • Provide expertise and training on post-award administration to the PI and to the University as a whole • Maintain award database • Maintain records in accordance with university and sponsor regulations. • Coordinate the close-out process of an award
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Determining Award Terms and Conditions

PIs are responsible to review and understand critical information in the award document, applicable agency guidelines, and federal guidelines (OMB A-110, OMB A-21, section J).

The following list of terms will enable identification of essential information in the award documents:

- **Project period:** What is the earliest beginning date and the last termination date for all periods of the project? This may include several budget periods.
- **Award amount for the project period:** What is the cumulative amount legally committed and encumbered by the agency for **all** budget periods? This may include obligated funding for a current budget period plus pending funding for future periods.
- **Budget period:** Does the award specify annual periods for performance, spending, or payment for a project continuing for more than one year? When does each of these annual periods start and end? What are the terms for each budget period?
- **Award amount per budget period:** Has the agency specified an amount obligated or restricted for a specific budget period? Has the agency committed only a portion of the total project funding at the time the award is executed?
 - If the agent has committed only a portion of funding, what are the conditions for future pending funding to be activated or become obligated? For example, when the future budget period is reached, is funding automatically obligated or will the agency send formal notice?
 - If the award specifies a limit on what can be spent for each budget period, what are the terms regarding overspending or under spending?
 - Many agencies fund projects in increments. Look for terminology that requires an accounting for each budget period and a refund of the unexpended balance for each period. In these cases, you might need approval to spend an unobligated/unexpended balance past the termination date or to spend more than the budgeted amount.
- **Award budget:** Determine the amount awarded for each budget period, if applicable, and for each expense category (i.e., salary, supply and expense, travel, equipment, indirect costs).

- **Unallowable expenses:** Determine expenses the agency doesn't allow as a direct cost. (For example, foreign travel is not allowed by many agencies.) After reviewing the agency terms, check to see if any normally unallowable expenses are approved in the award budget.
 - For federal funds, OMB A-21 cost principles may override approvals in the award budget. For guidance on expense allowability, contact the Office of Sponsored Programs (OSP) or the Office of Finance for that granting agency.
- **Expense limitations:** Are any expense categories limited to a specific amount within a budget or project period? For example, many agencies limit the amount that can be spent on travel for each budget year.
- **Rebudgeting requirements:** If expenses exceed the budget for a particular category or if the PI wants to spend in categories not previously budgeted, what are the terms for changing the approved budget? Some agencies allow a deviation within approved categories and some require approval for any change.
- **Billing and payment terms:** Is the award payment basis fixed price or cost reimbursable? Are there specific billing and payment terms and instructions?
 - In general, most federal and private contracts and federal grants are billed in some manner. Grants from private sponsors are usually not billed.
 - If the award requires billing, look for the billing schedule and additional requirements such as detail to be included on the invoice itself (e.g., breakdown of salary by position, etc.) or reports to be submitted with the bill (e.g., cost-share report, equipment report, etc.).
 - If billed, Office of Finance submits invoices to the agency. The department is responsible for providing the Office of Finance with the other required reports or attachments.
 - If the award does not require submission of an invoice, look for terms regarding the amount and frequency of payment. Look for the manner of payment (check, wire transfer, etc.).
 - If you receive checks for any of your sponsored project awards, contact the Office of Finance for deposit instructions.
- **Cost-sharing requirements:** Contributions to the project for personnel or other expenses to be paid from other fund sources are considered mandatory cost sharing, if included in the award documents.
 - Check the approved budget for salary or other itemized expenses budgeted at zero cost to the project.
 - Review the budget narrative for language committing personnel time or other expenses at no cost to the project.
 - If cost-sharing commitments are included, the University is required to track and report these, and the PI must certify this contribution to the project.
 - Any questions for cost sharing should be directed to the Office of Sponsored Programs or the Office of Finance.

Documents Needed to Process Internal Notice of Award (INOA)

Background

When an award document is received in the Office of Sponsored Programs (OSP) and negotiation of the award is complete, OSP must ensure all administrative requirements are in place prior to acceptance of the award and notification to the University and the Principal Investigator. The Internal Notice of Award (INOA) will not be issued until all regulatory documents are received. The most common delays in release of funding include lack of regulatory committee approvals, conflict of interest disclosure, and the award to protocol verification match.

Budget

A detailed budget for the award must accompany the INOA. The INOA will not be processed if the PI has not provided the detailed itemized budget with justification. As a major cost to most projects involves personnel salaries the detailed budget will allow OSP to review and approve PAFs for personnel on the sponsored projects. Failure to provide the budget can also potentially delay the processing of other expenditures such as check requests, purchase requisitions and consultant agreements. Although some sponsors do not require detailed budgets (i.e. modular budgets to NIH) for the reasons stated above it is a requirement to submit a detailed budget to the OSP

Regulatory Committee Approvals

Most sponsors do not require proof of regulatory committee approval until the award stage. Any scope of work which requires approval from one or more of the regulatory committees must have approval prior to the release of the award synopsis in most cases. Since most of the CDU regulatory committees only meet once per month, Principal Investigators should submit their protocol applications to the appropriate committee as soon as an award appears to be forthcoming.

If a scope of work includes human subjects research, approval from the Institutional Review Board (IRB) may be required. For more information, please contact the Office for the Protection of Human Subjects at 323-563-5902.

If a scope of work includes animal research, approval from the Institutional Animal Care and Use Committee (IACUC) may be required. For more information, please contact the administrative office for IACUC.

If a scope of work includes the use of pathogens or recombinant DNA, approval from the Institutional Biosafety Committee (IBC) may be required. For more information, please contact the administrative office for Biosafety.

Conflict of Interest Disclosure

Depending on the sponsor of a project, Principal Investigators are required to disclose potential conflicts of interest, both financial and in obligation.

For the Public Health Service (PHS) and the National Science Foundation (NSF), as well as those sponsors who adopt the federal requirements, OSP and the University Auditor must receive the appropriate disclosure form prior to the acceptance of the award. (Nate has both roles but is it Auditor or Administration?)

For non-governmental sponsors, OSP and the University Auditor must receive the appropriate disclosure form prior to acceptance of the award. For non-governmental sponsors, this is forwarded to OSP along with the proposal for review.

In cases where a positive interest is identified, the disclosure must be reviewed by the Conflict of Interest Committee (COIC). For more information, please contact the University Auditor.

OSP & IRB Communication to ensure consistency between the research that was proposed and the research that was approved by IRB.

OSP Checklist – include in Appendix

Sample INOA – include in Appendix

Direct Costing on Sponsored Projects

I. INTRODUCTION

Direct costs are those costs that can be identified specifically with a particular sponsored project, or that can be directly assigned to such activity relatively easily with a high degree of accuracy. The federal government has established regulations regarding the charging of direct costs to government sponsored projects at educational institutions. Many government agencies publish additional cost guidelines specific to those agencies. Non-governmental agencies may also have cost guidelines, although they are generally not as stringent as government requirements. In accepting funds for sponsored projects (grants, contracts, and other types of assistance agreements) CDU agrees to abide by all of these regulations and guidelines.

II. COST ACCOUNTING STANDARDS - OVERVIEW

With regard to federally sponsored projects, the relevant cost accounting standards are established by the Cost Accounting Standards Board (CASB), an independent, legislatively-established board within the executive branch of the federal government. The regulations published and updated by the CASB are referred to as Cost Accounting Standards. In 1994, CASB imposed four standards on universities receiving significant awards from federal agencies. In 1996, OMB Circular A-21 (later relocated to 2 CFR Part 220) was revised to include the four CAS standards, and these standards became applicable to all types of federal awards. CASB imposed these standards to prevent the charging of unallowable costs to federal awards, to standardize university costing practices, and to standardize requirements for recipients of federal funds.

OMB Circular A-21 states: "The tests of allowability of costs under these principles are:

- costs must be **reasonable**;
- costs must be **allocable** to sponsored agreements under the principles and methods provided herein;
- costs must be given **consistent treatment** through application of those generally accepted accounting principles appropriate to the circumstances; and
- costs must **conform to any limitations** or exclusions set forth in these principles or in the sponsored agreement as to types or amounts of cost items."

These four CAS standards are further defined and explained as follows:

(1) The cost must be **reasonable**. The item/service charged must be generally recognized as necessary for the performance of the project and the cost must be consistent with the same amount a prudent person would consider reasonable given the same set of circumstances.

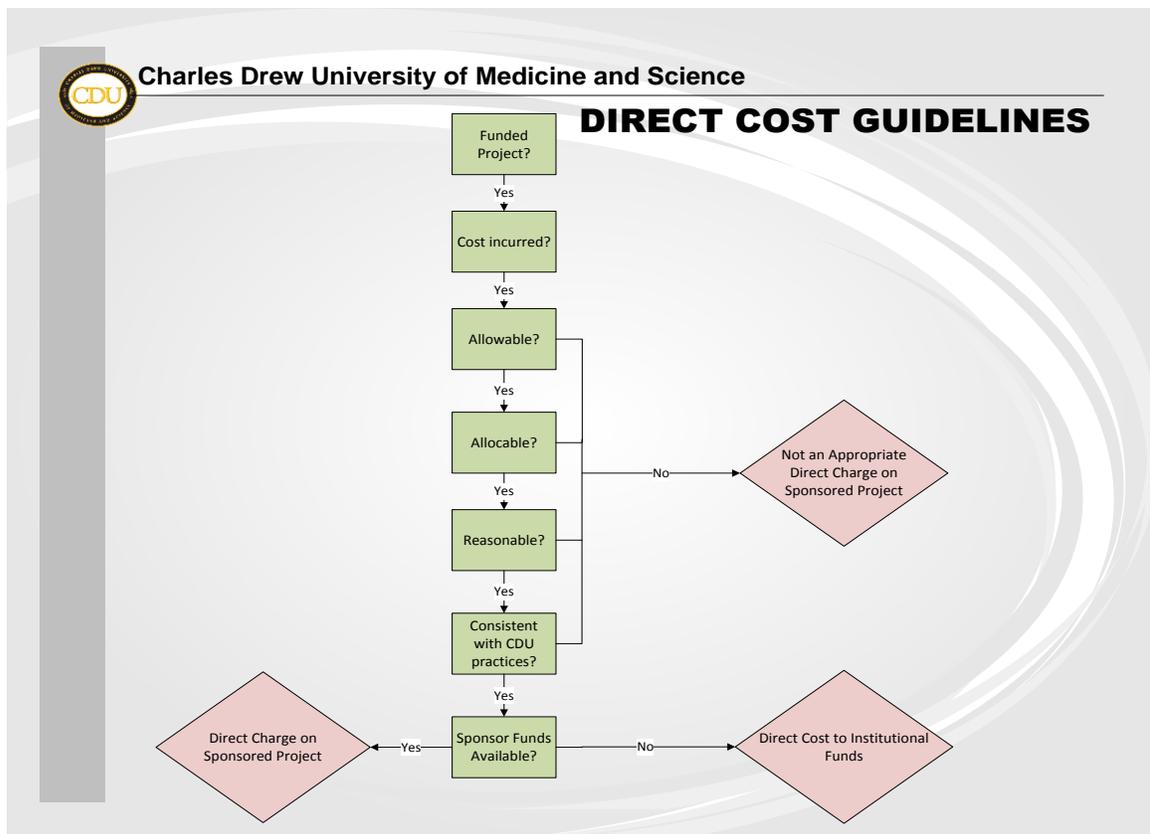
(2) The cost must be **allocable** to the sponsored project. A cost is allocable to a particular sponsored project if the goods or services involved are chargeable or assignable to the sponsored project. Specifically, a cost is allocable if:

- a. it solely benefits the project;
- b. it benefits the project and other work of the institution in proportions that can be approximated using reasonable methods.

(3) The cost must be **treated consistently** with other similar costs incurred in like circumstances in accordance with generally accepted accounting principles. Expenses for similar purposes must be treated the same way throughout the university under like circumstances.

(4) The cost must **conform to any limitations** or exclusions stated in generally accepted accounting principles or in the sponsored agreement. The cost must be "allowable" and not specifically designated as unallowable by regulation or grant/contract specific award conditions.

III. COST ACCOUNTING STANDARDS - DETAILED



A. 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 circumstances prevailing at the time the decision to incur the cost was made. Major considerations involved in the determination of the reasonableness of a cost are:

1. Whether or not the cost is of a type generally recognized as necessary for the performance of the sponsored agreement;
2. The restraints or requirements imposed by such factors as arm's-length bargaining, federal and state laws and regulations, and sponsored agreement terms and conditions;
3. Whether or not the individuals concerned acted with due prudence in the circumstances, considering their responsibilities to the institution, its employees, its students, the federal government, and the public at large; and,
4. The extent to which the actions taken with respect to the incurrence of the cost are consistent with established institutional policies and practices applicable to the work of the institution generally, including sponsored agreements.

B. Allocability

Direct charges must be assignable to a sponsored project "in accordance with benefits received." If the sponsored project could not have reasonably benefited from the items purchased, then the cost would not be allocable to the sponsored project.

A cost is allocable to a federally sponsored agreement if:

1. It is incurred solely to advance the work under the sponsored agreement; or
2. It benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods.

If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then the costs may be allocated or transferred to benefited projects on any reasonable basis. However, this allocation cannot be used to eliminate cost overruns.

Exception to General Allocability Rule: Certain Capital Equipment

Where the purchase of equipment or other capital items is specifically authorized by the sponsor [note: "authorized" means approved by the sponsor (or internally approved, if such internal approvals are allowed by the sponsor)], the amounts thus authorized for purchase are assignable

to the sponsored agreement regardless of the use that may subsequently be made of the equipment or other capital items involved.

C. Consistency

Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or Facilities and Administrative (F&A) costs. CDU has established formal review processes to determine if certain types of costs are allowable as direct charges to federal awards. In general, the following types of costs are treated as Facilities and Administrative costs and may not be directly charged to federal awards unless:

- at the time of proposal submission these costs have been specifically identified in the proposal budget and budget narrative;
- the federal sponsor has approved the budget; and,
- CDU has formally approved these costs through the Facilities and Administrative Exception Approval process.

Costs normally charged as F&A:

- Salaries of clerical and administrative personnel engaged in routine departmental or administrative work that benefits all activities of the department (instruction, research, training, public service, etc.), i.e., there is no direct relationship to a specific sponsored project's scope of work.
- Supplies and materials for routine departmental or administrative activities of the department that benefit all activities of the department (instruction, research, training, public service, etc.), i.e., there is no direct relationship to a specific sponsored project's scope of work.
- Other costs such as travel, repairs, fees and services, local and long distance telephone expenses, copying and postage that are for routine departmental or administrative use, and do not have a direct relationship to a specific sponsored project's scope of work.
- General office items with multi-functional use such as computers, fax machines, answering machines, staplers, hole punches, filing cabinets, chairs, desks, calculators, waste baskets, etc., that do not have a direct relationship to a specific sponsored project's scope of work.

Justification and approval are required in proposals that budget certain costs as direct costs. For costs that a layperson may consider routine and administrative in nature, specific written justification as to the relationship between the cost and the proposed project's scope of work should be completed as a part of the proposal's budget narrative and submitted to OSP as a part of the proposal to the sponsoring agency. (Also Pre-Award)

The documentation should explain the direct benefit relationship between these cost items and the proposed scope of work. OSP may notify the PI that these costs have been included in the budget and that a formal internal exception and approval process will be required if the project is funded.

Upon award, appropriate exception forms for both administrative salaries and non-salaried items must be completed, signed by the PI and the Deans (COM/COSH), department business manager, and approved by OSP.

If the administrative items have not been included in a proposal budget, re-budgeting to include these items in the funded budget may be requested. A Re-budgeting Request Form should be completed that also includes justification for the clerical/administrative expense. These forms should be signed by the PI and sent to OSP for approval.

D. Allowability

Section J of 2 CFR Part 220 (OMB Circular A-21) provides a detailed listing of costs that may be charged to federal awards (with the disclaimer that these costs must not be deemed unallowable under a specific award notice from the federal sponsor). Typically, the following costs meet the standard of allowability. Please keep in mind that these costs must be necessary to perform the project's stated scope of work.

Typically allowable as direct costs:

- Salaries and fringe benefits of faculty, technicians, post docs, graduate research assistants and other personnel directly engaged in performing sponsored project's scope of work
- Laboratory supplies and materials necessary for performing sponsored project's scope of work
- Other costs such as travel, subcontracts, scientific/specialty equipment repairs and maintenance, long distance telephone expenses, and other directly related costs necessary for performing sponsored project's specific scope of work
- Capital equipment that is approved by the sponsor (or internally approved if allowed by the sponsor)
- Service/maintenance agreements on capital equipment approved by the sponsor (or internally approved if allowed by the sponsor)
- Identification with the sponsored work (i.e., the scope of work) rather than the nature of the goods or services is the determining factor in determining direct costs.

Typically unallowable as direct costs on federal awards:

1. Advertising for general promotion of the University, including printed materials, promotional items, memorabilia, gifts, and souvenirs
2. Advertising for recruitment purposes that includes color or is excessive in size
3. Alcoholic beverages
4. Alumni or fund-raising activities
5. Antiques
6. Bad debt write-offs
7. Donations or Contributions
8. Commencement expenses
9. Cost Overruns; any costs allocable to a particular sponsored agreement may not be shifted to other sponsored agreements in order to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience.
10. Costs on Industry, Foreign Government or Other Non-Government Grants/Contracts; any costs allocable to activities sponsored by industry, foreign governments or other sponsors may not be shifted to federally-sponsored agreements.
11. Decorative objects for private offices
12. Entertainment (meals/food-unless to disseminate technical information)
13. Fine/original art
14. Fines and penalties
15. First-class/business-class air travel differentials
16. Flowers
17. Gifts, prizes, and awards
18. Goods or services for personal use
19. Lobbying
20. Memberships in airline travel clubs
21. Memberships in civic, social, community organizations or country clubs
22. Faculty and exempt staff salary in excess of base rates paid by the institution.
23. Selling or marketing products or services of the University
24. Social events
25. Other limitations may apply, such as the Public Health Service salary cap.

E. Faculty Salaries

Full-time faculty

Charges for work performed on sponsored agreements by faculty members will be based on the individual faculty member's regular compensation for the continuous period which, under the policy of the institution concerned, constitutes the basis of his salary. Charges for work performed on sponsored agreements during all or any portion of such period are allowable at the base salary rate. In no event will charges to sponsored agreements, irrespective of the basis of computation, exceed the proportionate share of the base salary for that period. This principle applies to all members of the faculty at an institution.

Part-time faculty

Charges for work performed on sponsored agreements by faculty members having only part-time appointments will be determined at a rate not in excess of that regularly paid for the part-time assignments. For example, an institution pays \$5000 to a faculty member for half-time teaching during the academic year. He devoted one-half of his remaining time to a sponsored agreement. Thus, his additional compensation, chargeable by the institution to the agreement, would be one-half of \$5000, or \$2500.

F. Administrative and Clerical Salaries

OMB Circular A-21, Section F.6.b., states: "The salaries of administrative and clerical staff should normally be treated as Facilities and Administrative (F&A) costs. Direct charging of these costs may be appropriate where a major project or activity explicitly budgets for administrative or clerical services and individuals involved can be specifically identified with the project or activity."

This provision is intended to establish the principle that the salaries of administrative and clerical staff should usually be treated as F&A costs, but that direct charging of these costs may be appropriate where the nature of the work performed under a particular project requires an extensive amount of administrative or clerical support which is significantly greater than the routine level of such services provided by academic departments. The costs would need to meet the general criteria for direct charging in Section D.1. of Circular A-21, i.e., "be identified specifically with a particular sponsored project ... relatively easily with a high degree of accuracy," and the special circumstances requiring direct charging of the services would need to be justified to the satisfaction of the awarding agency in the grant application or contract proposal.

Administrative/Clerical costs may be allowable as direct costs if appropriately justified and if the charges meet all of the following criteria:

1. Costs are required by the project's scope of work;
2. Costs can be specifically and easily identified to the project; and
3. Costs represent a special need which is clearly different from costs typically charged as F&A.

Examples include:

- Large complex programs such as research centers, program projects, resource grants, etc., that entails assembling and managing teams of investigators from a large number of institutions.
- Projects that involve extensive data accumulation and entry, surveying, tabulation, cataloging and reporting.
- Projects that require making substantial travel and meeting arrangements for large numbers of program participants.
- Projects that are geographically inaccessible to normal departmental administrative services.

G. Availability of Funds

If sponsor funds are available, appropriate direct cost items must be charged to the appropriate sponsored activity fund code. If sponsor funds are not available and it is determined that the scope of work of the project cannot be modified to eliminate the need for the item, then the direct cost item must be charged to an appropriate cost-share account (note: internal approvals for cost sharing are required) and reflected as a cost of the project, but one borne by CDU. Note that costs reflected as cost-share must meet the same allowability standards as costs directly charged to a federal fund code.

H. Discounts or Rebates

In the event that a discount, rebate or other similar adjustment is realized, the amount charged directly to the federal award cannot exceed the resulting discounted/reduced cost. Typical examples of such transactions are: purchase discounts, rebates, or allowances; recoveries or indemnities on losses; and adjustments of overpayments or erroneous charges. This term also includes educational discounts on products or services provided specifically to educational institutions, such as discounts on computer equipment, except where the arrangement is clearly and explicitly identified as a gift by the vendor.

IV. PROPER CODING

One of the elements most critical to successful financial administration of sponsored projects is the assignment of appropriate accounts to budget line items and expense transactions. This is true for the following reasons:

1. Miscoded expenses can result in incorrect F&A cost charges. The coding determines whether or not the cost will be included in "modified total direct cost" and therefore subject to F&A or indirect cost.
2. Failure to identify capital equipment purchases can result in noncompliance with internal and external property management regulations. Federal regulations require that all capital equipment purchases be added to the central inventory system. The account used on the capital equipment requisition is one method used by accounting to identify capital equipment purchases to be added to central inventories.
3. Errors in account coding can result in inappropriate conclusions by the principal investigator and/or sponsor regarding financial status.
4. Improperly coded expenses can result in inappropriate conclusions by auditors and can adversely impact CDU's ability to effectively monitor for compliance with federal regulations regarding allowability. In an internal or external review or audit, the account determines the type of review or audit procedure to which the expense is subjected, and whether the expense is viewed initially as allowable or unallowable.

5. The account distinguishes between costs funded by the agency and those cost-shared by CDU. Failure to use a cost sharing account on cost-shared expenditures will understate CDU's contribution to the project.

For this reason, all funded proposals must have budgets at the account level (cp. OMB Circular A-21, Section C.10., "Consistency in estimating, accumulating and reporting costs").

V. TRANSACTIONAL REVIEW

Responsibility for following these cost accounting principles lies primarily with Principal Investigators. CDU administrative offices such as OSP and Finance are responsible for guidance and training and for ensuring compliance through periodic internal and external audits.

In order to ensure compliance with OMB Circular A-21, all transactions (Personnel Action Forms, Check Requests and Purchase Requests) involving charges to restricted accounts (sponsored projects) will be reviewed by OSP. Once OSP has approved that the proposed expenses are reasonable, allocable, consistently treated, and allowable, according to the accounting principles and requirements set forth in OMB Circular A-21, OSP will forward the transaction (PAF, CR or PR) to the Office of Finance for determination of availability of funds. Only transactions that have been reviewed and approved by OSP and Finance will be permitted to move forward to accounts payable or payroll for processing.

Monitoring Expenses

PIs are responsible to monitor expenses for their grant or contract project funds.

There are two main aspects to monitoring expenses:

1. **Monthly: Determine if charges are appropriate and allowable.**

- Make sure expense transactions and amounts posted are correct.
- Review encumbrance balances. If there are no outstanding obligations, you should lift the encumbrances.
- Make sure expenses comply with applicable agency, CDU, and federal guidelines.
- Research questionable charges and correct errors:
 - Process timely expenses transfers to move expenses incorrectly posted.
 - Resolve incorrect recharges with the department that originated the charge (Telecommunications, Reprographics, etc.).
- Remove overdrafts.

2. **Periodically: Make sure that expenses fit within required categories and budget amounts.**

Most awards restrict spending to the categories and amounts budgeted as well as the amount authorized to spend in an annual period.

- **Review expense categories.**
 - Compare the approved award budget to cumulative expenses for each expense category.
 - Determine the current ending budget balance for each expense category.
 - Determine or estimate future expense requirements for each budgeted category.
 - Determine which budgeted categories will be overspent per your projections.
- **Rebudget or transfer expenses as needed.**
 - **Rebudgeting:** In the event of a budget overdraft (expense categories will be overspent, but the total awarded amount will not be exceeded), request a revision to the award budget per agency guidelines. If the request is denied by the agency, remove the expense from the account.
Note: Timely approval from the agency is important! Otherwise, rebudgeted expenses could be disallowed by the agency.
 - **Expense transfers (cost transfers):** In the event of an award overdraft, process expense transfers to move the overdraft from the account.
Note: Be sure to review overdrafts for each expense category, keeping in mind

not only the approved budget but also expense limitations and items that may not be allowed. Move unallowable or questionable expenses first when clearing an overdraft. Do not transfer expenses that would have been allowed by the agency or reported as subsequent expenses on the final report.

- **Determine if the award will be under spent at the end of the budget or project period.**

If the principal investigator (PI) wants to use the available balance past the period termination date, review agency guidelines for options and instructions, including:

- **No-cost extension:** If approval is required to continue the project and spend beyond the termination date, request an extension to the budget or project termination date.
- **Carryover:** If approval is required to spend the balance in a separately funded period or transfer the balance to an award continuation, process a request to carryover the balance to the new period.

Expanded Authorities

Expanded authorities grant certain allowances to some research grants. Expanded Authorities waive the requirement for NIH approval of specific actions under *most* award mechanisms unless restricted or otherwise specified in the Notice of Grant Award. The mechanisms that currently do NOT have routine automatic carryover of unobligated balances are centers (P50, P60, P30 etc.); cooperative agreements (U's); National Research Service Awards (T's and F's); and Phase I SBIR and STTR (R43, R41); and clinical trials (regardless of mechanism). Grantees must exercise proper stewardship over Federal funds and ensure that the costs charged are allowable, allocable, reasonable and consistently applied regardless of the source of funds.

If you are managing an expanded authority's award, refer to the information below for common terms and conditions.

- **Rebudgeting:** In general, grantees are allowed some latitude to rebudget within and between budget categories. The degree of discretion varies by the type of grant, the grantee, and coverage by a special initiative.
- **Prior approval:** Some awards may require agency approval of budget and project changes. If so, it must be granted before any change or obligation of funds.
 - Prior Approval Requirements for NIH/ PHS (National Institutes of Health/ Public Health Service) awards
 - If Prior Approval is required, please contact the Office of Sponsored Programs for a Prior Approval Request Form.

Prior Approval Policy

The term “prior approval” refers to the sponsor requirement for principal investigator/project director to obtain written institutional or agency approval for specified post-award changes in the approved project or budget. If the award in question is from a federal agency, general guidance is received in both OMB Circulars A-110 and A-21. However, individual agency guidelines must be reviewed to determine whether correspondence must be sent to the agency or whether an institutional prior approval is permitted. If the sponsor is not a federal agency, unique terms may apply and require careful review. Whether internal or external approval is needed, accurate and complete documentation is required.

Based on an administrative requirement from the National Institutes of Health (NIH), Charles Drew University of Medicine and Science (CDU) must have written procedures in place for reviewing and approving in advance certain administrative changes to projects funded by NIH. The Office of Sponsored Programs (OSP) refers to these procedures as an “organizational prior approval system.” This approval system enables Principal Investigators to make revisions to their originally funded projects. The request must be routed to and reviewed by OSP, and OSP is responsible for forwarding the request to the appropriate official at NIH.

The Office of Sponsored Programs is the designated institutional office authorized to issue an internal approval for changes prior to going to the sponsor. OSP is authorized to grant institutional approval or to send formal requests for approval to sponsor through completion of the Prior Approval Form. Proposed changes must be approved by OSP or the sponsor, depending on the nature of the proposed revision, before they can be implemented by the principal investigator/project director. Administrative changes which do not fall within the boundaries of the OSP Prior Approval system must be approved by the funding agency. Administrative changes approved through the use of the Prior Approval Form will be kept on record in both OSP and the Office of Finance.

The NIH permits a certain degree of flexibility in making post-award programmatic changes and budget revisions. The re-budgeting of certain cost items must have the prior approval of the University and/or appropriate NIH awarding unit. Below is a chart to identify those transactions that require University prior approval and/or those that must be presented to NIH for authorization.

Activity or Expenditure Requiring NIH Prior Approval	Expanded Authorities^[16] (effective 12/94)	Federal Demonstration Partnership (FDP)^[17] (effective 7/00)	NIH Grants Policy Statement (NIHGPS) (effective 3/01)
Change in scope	YES	YES	YES
Pre-award costs (more than 90 days prior to effective date of a new or competing continuation award)	YES	YES	YES
Pre-award costs for non-competing awards	At grantee's own risk	At grantee's own risk	At grantee's own risk
Change in key personnel	YES	YES	YES
Change of grantee organization	YES	YES	YES
Change in grantee organizational status	YES	YES	YES
Addition of a foreign component under a grant to a domestic organization	YES	YES	YES
Changes to award terms and conditions or undertaking any activities disapproved or restricted as a term of award	YES	YES	YES
Carryover of un-obligated balances from one budget period to the next	NO	NO	YES
Extension of final budget period of a project period	NO: one extension up to 12 months allowed with no additional funds. Must notify IC no later than 10 days prior to expiration.	NO: one extension up to 12 months allowed with no additional funds. Must notify IC no later than 10 days prior to expiration.	YES
Equipment purchases exceeding \$25,000/unit, regardless of amount of NIH funds involved	NO, unless change in scope	NO, unless change in scope	YES
Retention of research grant funds when career (K) award made	YES	YES	YES

Alteration and renovation (A&R) (re-budgeting into A&R costs exceeding 25 percent of total approved budget for a budget period)	NO, up to (and including) \$300,000 YES, if >\$300,000	NO, up to (and including) \$300,000 YES, if >\$300,000	NO, up to (and including) \$300,000 YES, if >\$300,000
Transferring amounts from trainee costs	YES	YES	YES
Capital expenditures (construction, land or building acquisition)	YES	YES	YES
Need for additional NIH funding	YES	YES	YES
Closely related work	YES	YES	YES
Transfer of funds between construction and non-construction work	YES	YES	YES
Program income (use of any alternative other than that specified by NIH)	NO	NO	YES
Transferring performance of substantive programmatic work to a third party (by consortium agreement, contract, or other means)	NO, unless change in scope or the third party is a foreign organization or component	NO, unless change in scope or the third party is a foreign organization or component	YES
Incurrence of patient care costs (if not previously approved or re-budgeting additional funds into or re-budgeting funds out of this category)	NO, unless change in scope	NO, unless change in scope	YES

DEFINITIONS

CHANGE IN SCOPE

Change in scope is a change in the methodology, approach or other aspects of the project objectives. *Significant re-budgeting* is one action likely to be considered a change in scope.

CARRYOVER OF UNOBLIGATED BALANCES

Carryover of unobligated balances is the carryover of funds unspent as of the expiration of a budget period. These may be automatically carried over into the next budget year unless greater than 25% of the total amount awarded. The PI/PD must report carryover greater than 25% as part of the Non-Competing application process. Grant mechanisms excluded from automatic carryover of unobligated balances are center (P50, P60, P30 etc.); cooperative agreements (U's); National Research Service Awards (T's and F's); and Phase I SBIR and STTR (R43, R41).

Please note that unobligated funds at the end of a project period or expiration of the grant can only be carried forward and expended under an authorized no-cost extension period.

CHANGE IN KEY PERSONNEL

Change in key personnel must be reported to PHS when the PI/PD or other key personnel named in the Notice of Grant Award will withdraw from the project entirely, be absent from the project during any continuous period of 3 months or more, or reduce his/her time devoted to the project by 25 or more percent from the level that was approved at the time of the award. NIH must approve any alternate arrangement, including any replacement PI or other key personnel proposed by the grantee.

The request for approval of alternate PI/PD/key personnel should include:

- A justification for the change
- Biographical sketch of the individual proposed
- Other sources of support
- Any budget changes resulting from the proposed change.

NO-COST EXTENSION

A no-cost extension is an authorized extension of a project period based on a need to provide continuity of project activities while a competing continuation application is being reviewed or prepared for submission or to permit orderly phase-out of project activities for which there will be no further NIH support. The initial extension request (typically 12 months) must be submitted to OSP at least 15 days before the project period is scheduled to expire. Should the PI/PD fail to request the extension within this timeframe, a letter requesting authorization to extend the grant should be sent to the Federal Program Officer and the Federal Grants Management Officer prior to the grant's expiration. The PI/PD and the University's authorized official must endorse the letter.

Rebudgeting Request

Most agencies require a rebudgeting request if you exceed certain expense categories in your account. A rebudgeting request is an amendment to the award agreement and must be formally submitted to the agency for official approval by the Office of Sponsored Programs (OSP).

Procedure:

- Review expenditure balances per the budget.
- Review your expense projections.
- Plan your rebudgeting needs, making sure the request will cover expenses for the entire budget or project period.
- Determine expense categories that need to be increased and categories that can be reduced.
- Determine if the Facilities and Administration rate (F&A) are affected by your rebudgeting and increase or decrease accordingly.
- Prepare a letter to the agency's project administrator to include:
 - Amount to be reduced/increased for each expense category
 - Justification for change (e.g., why you did not use funding as budgeted or how rebudgeting will benefit the project)
- The principal investigator must sign the letter which will include the signature of the Authorized Institutional Official. Keep a copy for your files.
- The letter will be forwarded by the OSP:
- When official approval from the agency is received OSP will notify the appropriate PI.

A revised INOA with the budget modification will be issued and forwarded to the Office of Finance and to the PI.

Carry Over Requests

A carry-over occurs when unobligated funds are transferred from one budget period to a separately funded budget period.

Agency notification or approval: Review written agency policies to determine whether carry-overs require agency notification or approval. If written notice is required, the following process must be followed:

- The PI must prepare a letter to the agency's project administrator that includes:
 - A revised budget
 - Justification for change (i.e., why the funding was not used as originally budgeted and how it will be used in the new period)
- The PI must sign the letter and keep a copy for his files.
- The original signed letter must be sent to OSP for transmittal to the agency.

When official approval from the agency has been received, OSP will forward the approval to the PI.

No-Cost Extension Requests

If a project's end date is approaching but the principal investigator (PI) has not yet completed the project and spent all of the money awarded, a no-cost extension allows the end date to be extended. A no-cost extension request is an amendment to the award agreement and must be formally submitted to the agency for official approval, and then reported to the Office of Sponsored Programs (OSP).

Procedure:

- Review agency policy on no-cost extension request deadlines.
- Review expenditure balances per the budget.
- Review your expense projections.
- Plan expenses for the extension period.
- Prepare a letter to the agency's project administrator. Include:
 - Changes in budgeted funding for specific expense categories
 - Amount to be spent in each category during the extension period
 - Justification for request (i.e., why funding was not spent before original end date or how the extension will benefit the project)
- The PI must sign the letter and keep a copy for his files.
- The original signed letter must be sent to OSP for transmittal to the agency.

When official approval from the agency has been received, OSP will forward the approval to the PI.

Cost Transfers

Summary:

To comply with the requirements of OMB Circular A-21, the policy of NIH, our largest source of federal research funding, and the requirements of other federal sponsors, Charles Drew University of Medicine and Science has established the following policy and procedures for the processing of cost transfers.

Reason for Policy:

To comply with the cost allowability and allocability requirements of Office of Management and Budget (OMB) Circular A-21, it is necessary to explain and justify transfers of charges into federal awards from other federal accounts, non-federal accounts or University accounts (including transfers from the departmental cost share fund to the sponsored project fund). Timeliness and completeness of explanation of transfers are important factors in supporting allowability and allocability in accordance with the principles of the Circular. OMB Circular A-21 prohibits the use of cost transfers for the purpose of "convenience," i.e. a transfer largely for the purpose of using unexpended funds on an award that is ending.

Proper management of funds is essential to uphold the fiduciary responsibilities of the University. Federal agencies and other sponsors may regard the following activities as indicative of inadequate control systems:

- Frequent cost transfers
- Late cost transfers
- Inadequately documented or explained transfers, especially those which involve sponsored projects with overruns or unexpended balances

Inappropriate transfers will result in expenditures being disallowed and/or subsequent reduction in funding by the sponsoring agency.

NIH Grants Policy Statement (Rev.12/03) states:

"Cost transfers to NIH grants by grantees...should be accomplished within 90 days... Transfers must be supported by documentation that fully explains how the error occurred and a certification of the correctness of the new charge by a responsible organizational official of the grantee. An explanation merely stating that the transfer was made 'to correct error' or 'to transfer to correct project' is not sufficient. Transfers of costs from one project to another or from one competitive segment to the next solely to cover cost overruns are not allowable. Grantees must maintain documentation of cost transfers, pursuant to 45 CFR 74.53 or 92.42 [record retention requirements] and must make it available for audit or other review. Frequent errors in recording costs may indicate the need for accounting system improvements and/or enhanced internal controls. NIH also may require a grantee to take corrective action by imposing additional terms and conditions on an award(s)."

Definition of a Cost Transfer:

A cost transfer is an after-the-fact reallocation of costs, either salary or non-salary costs, to a sponsored project within a 90-calendar day period from the accounting date. Sponsor requirements concerning the management of awards made to Drew limit the circumstances under which cost transfers are allowed. ***In contrast, a rebudgeting action involves the reallocation of budgeted funds and not a transfer of expenditures.***

A late cost transfer is an after-the-fact reallocation of costs, either salary or non-salary costs, to a sponsored project ***more*** than 90 calendar days from the accounting date.

Here are some examples of typical circumstances in which late cost transfers may not be allowed:

- Reallocation of expenses because the grant has unexpended funds
- Reallocation of expenses because the clerical error was not noticed within a 90-calendar day period

Responsibilities:

The Office of Finance is responsible for ensuring that the University abides by this policy and accompanying procedures when processing cost transfers. Office of Sponsored Programs (OSP) is responsible for maintaining the policy and for answering questions regarding the policy. Individuals processing cost transfers are asked to first contact the Office of Finance and/or Office of Sponsored Programs with questions on this policy, to ensure the Office of Finance is aware of cost transfer questions and to ensure consistent guidance is provided within each department.

It is the responsibility of the Principal Investigator (PI) to ensure compliance with the Drew Cost Transfer Policy. The PI must also ensure that personnel under their direction, engaged in the financial administration of federally sponsored projects, are familiar with Drew's Cost Transfer Policy.

Procedures:

A cost transfer is a transfer to a federally funded sponsored account of a charge previously recorded elsewhere. Examples:

- transfer of pre-award costs
- correction of a clerical error
- reallocate effort to reflect actual
- reallocate shared services that were previously charged elsewhere, etc.

Cost Transfers within 90 Days

The procedure to be followed for cost transfers within 90 days is set below. The 90 day threshold is calculated from the date when the charge first posted in GP (which will not necessarily be the date the cost was originally incurred). For example: for a charge first posted in the GP on May 2nd, the 90 day period would begin on June 1st and end on August 31st.

A Cost Transfer Request Form should be completed and signed by the Principal Investigator and sent to the Office of Finance. All requests for cost transfers must be accompanied by supporting documentation. The Office of Finance will notify the Principal Investigator if a cost transfer is not approved.

Cost Transfers after 90 Days

A cost transfer request submitted after 90 days or three months requires the completion of a Cost Transfer Request Form signed by the Principal Investigator, the account manager, Office of Finance and Office of Sponsored Programs.

These requests will be approved only in extenuating circumstances.

Extenuating Circumstances

There are a limited number of extenuating circumstances for which cost transfers over 90 days will be allowed. Examples of acceptable extenuating circumstances are:

- Late issuance of appropriate documentation for reasons beyond the control the requestor, such as late issuance of an award by a funding agency. Justification and support will be required and reviewed on a case by case basis.
- Failure of a timely response in another unit when supporting documentation has been properly submitted, e.g., a properly submitted payroll distribution change request. The original or copy of supporting documentation will be required.
- Transfer of expenditure from an unrestricted account to federal award that was not in place when the expense was initially incurred.

Note: The Office of Sponsored Programs recommends an Advance Approval account using the Advance Approval Form be established, which is done at the request of the Principal Investigator.

The Advance Approval account becomes the active account upon receipt of the award documentation and funding and no cost transfers are subsequently required.

Extenuating Circumstances Do Not Include:

- Absences of the PI or designee, or shortage or lack of experience of staff. It is the responsibility of the University and the PI to ensure the availability of qualified staff to administer and exercise stewardship over sponsored projects in accordance with the sponsor's policies and regulations, including those relating to regular monitoring of expenditures and timely correction of errors and reallocation of expenses.
- At no time should sponsored projects be used for expenses that will subsequently be transferred elsewhere.

Subawards

Defines subawards as administered through the Office of Sponsored Programs and distinguishes them from other procurement actions. The policy describes the roles of the parties involved in proposal, issuance, oversight, and closeout of subawards, including the responsibilities of assessing and overseeing risk associated with a given subrecipient, audit oversight, monitoring subawards, review and processing of invoices, proper management of equipment purchased, fabricated or otherwise acquired under subawards, application of F&A costs, subaward reporting, and closeout.

SUBAWARD DEFINITIONS

A. SUBAWARD

A subaward is a formal written agreement made between CDU University and a "subrecipient" (as defined below) to perform a portion of the Statement of Work (SOW) under a CDU sponsored project. A subaward must include a clearly defined, intellectually significant Statement of Work (SOW) to be performed by the subrecipient. The subrecipient's SOW is performed by its personnel, using its own facilities and resources. Work is usually performed at the subrecipient's site. The subrecipient takes full responsibility for adhering to the terms and conditions of the subaward (including those flowed down from CDU's sponsor), and assumes creative and intellectual responsibility and leadership as well as financial management for performing and fulfilling the subrecipient's SOW within the subrecipient's approved budget. The subrecipient's responsibility under a subaward is also called "programmatic decision-making" under Federal Funding terminology.

Subawards differ from procurement contracts used to acquire goods or services from vendors. Additional guidance is found in Section 2 of this policy.

B. PASS-THROUGH ENTITY

The pass-through entity is defined as a non-federal entity that provides an award to a subrecipient to carry out a program (Statement of Work on a sponsored project). The pass-

through entity assumes responsibility for negotiation, issuance, oversight, and management of a subaward. The pass-through entity assumes many of the responsibilities typically assigned to a prime sponsor in issuance and oversight of an award to a grantee or contractor, including verification of the financial viability, adequacy of compliance controls and audit status of its subrecipients as well as oversight and verification of the subrecipient's fulfillment of its portion of the programmatic effort. CDU serves as the pass-through entity for subawards issued under its sponsored projects. CDU's sponsor may be a prime sponsor, or may be a higher-level tier subrecipient (who, in turn, acts as a pass-through entity).

C. SUBRECIPIENT

A "Subrecipient" is a non-CDU entity that expends awards received from CDU to carry out a portion of CDU's programmatic effort under a sponsored project. There must be an arms-length relationship between CDU and its subrecipients. In keeping with this requirement, the subrecipient may not involve an individual who is also a direct beneficiary of such a program at CDU, the sponsor, or a higher-tier subrecipient. The subrecipient may be another educational institution, an independent laboratory, a foundation, a for-profit corporation, a non-profit corporation or other organization, and may be a domestic or foreign entity. Generally, CDU does not issue subawards to individuals.

For both federal and non-federal sponsored projects, CDU adheres to the federal governments' definition of a subrecipient as defined in Office of Management and Budget Circular A-133, Section 105.

D. SPONSORED PROJECTS

Subawards are issued under Sponsored Projects, including grants, contracts and cooperative agreements funded by extramural sources. In this case, approval from the university research funding source must be obtained before the Subaward is processed through the Office of Sponsored Programs (OSP).

2. DISTINGUISHING BETWEEN A SUBAWARD AND A PROCUREMENT ACTION

A. IMPORTANCE AND RESPONSIBILITY FOR PROPER CLASSIFICATION

The proper classification of a transaction as a subaward or other procurement action at the time it is proposed is critical to ensure proper accounting for costs and compliance requirements. Misclassification may result in delays in subaward processing or inaccurate calculation of costs (e.g, failure to include or exclude F&A costs) and may result in the Principal Investigator (PI) having insufficient funding to carry out the proposed program. In rare cases, incorrect classification of costs may threaten the ability of the program of work to proceed (e.g., if a Subrecipient was determined not to have the internal controls necessary to receive funding from CDU.)

PIs have the initial responsibility for ensuring the correct classification of costs at the time funding is first requested from the sponsor. The PI or his/her designee must ensure that

sufficiently detailed information about the proposed vendor or subrecipient and their SOW are provided both to their departmental administrators and to the applicable research administration offices. If the information provided is insufficient, research administration offices may request additional information from the PI. If the departmental administrator or institutional official determines that a cost has been misclassified, s/he will require the proposal to be corrected before it receives institutional endorsement. PIs and departmental administrators are strongly encouraged to consult with their institutional representative well in advance of a proposal due date if they are uncertain about the correct classification of costs.

Please note: F&A waivers or reductions are not granted to remedy incorrect classifications of costs. PIs may request supplemental funding from sponsors, but such requests are rarely granted.

B. DISTINGUISHING CHARACTERISTICS BETWEEN SUBAWARDS AND OTHER PROCUREMENT ACTIONS

CDU follows the requirements found in OMB Circular A-133, Section B.210 to distinguish subawards from other procurement actions, as follows:

CDU will issue a subaward when:

- A. CDU (with assistance from its sponsor, as required) determines who is eligible to receive the subaward;
- B. the subrecipient has its performance measured against whether the objectives of the sponsored program are met;
- C. the subrecipient has responsibility for programmatic decision-making* (see definitions section, above)
- D. the subrecipient assumes responsibility for adherence to applicable sponsor program compliance requirements*; and
- E. the subrecipient uses sponsor funds to carry out a program (Statement of Work) of CDU as compared to providing goods or services.

CDU will use other procurement actions when the vendor:

- F. provides the goods and services within its normal business operations;
- G. provides similar goods or services to many different purchasers;
- H. operates in a competitive environment;
- I. provides goods or services that are ancillary to the operation of CDU's sponsored project;
- J. is not subject to compliance requirements of CDU's sponsor.

- * Subawards are typically needed when the nature of the subrecipient's statement of work could result in intellectual property or publishable results being developed by the subrecipient. In most cases, the need for an entity to obtain compliance approvals (e.g., approval to use human subjects or animal subjects) will also indicate the need to use a subaward rather than a procurement action.

Consistent with the requirements found in OMB A-133, Section B.210, there may be unusual circumstances or exceptions to the listed circumstances that will have a bearing on the ultimate classification of the costs. In making the determination of whether a subrecipient or vendor relationship exists, the substance of the relationship will be considered more important than the form of the agreement. It is not expected that all of the characteristics will be present in every case.

C. RESOLUTION OF DISAGREEMENTS REGARDING THE PROPER CLASSIFICATION OF COSTS

The PI, department, Procurement, and OSP may disagree about the correct classification of a given transaction. In the event of disagreement, the party who believes the transaction is misclassified may petition for reconsideration based on an assessment of the factors outlined in Section B above. Petitions should be in writing, addressed to the Office of Sponsored Programs handling the subaward, and should include the subrecipient's proposed Statement of Work (SOW) and the reasons why the requestor believes the transaction is not appropriately classified. [Please note that a sponsor's approval of a budget submitted by CDU is not, in and of itself, sufficient rationale since CDU bears the ultimate responsibility for the accurate classification of costs.]

The OSP will consult with their Vice President of Research & Health Affairs and notify the PI and department of their determination, and the reasons for that decision.

In the event of further disagreement, the party who believes the transaction is misclassified may request further consideration by the Director of Sponsored Programs. The Director will consult with the head of Procurement, and will apprise the PI and department of the outcome and the reasons for that decision.

In the event that there is further disagreement, or when the Director of OSP and the Director of Procurement do not concur, the matter will be referred to the Vice President of Research or his/her designee for final determination.

D. POST ISSUANCE CHANGES IN STATUS FROM PROCUREMENT ACTION TO SUBAWARD

During the course of a sponsored project, the nature of a consultant's or contractor's services, originally acquired through a procurement action, may expand and deepen as the consultant or contractor takes on intellectual and creative responsibilities for a portion of CDU's research project. Indicators of such expansion may be a change in the original deliverables under the procurement action, an increase in the funding, or changes that may lead to the development of intellectual property. In this case, the consultant's or contractor's relationship may transform into a subaward relationship. In this case, the procurement action will be terminated and a subaward issued through OSP.

PIs, departmental administrators, and/or the Procurement Department staff handling requisitions for vendor, contractor or consultant services are responsible for identifying situations in which procurement agreements may be transforming into subawards. These should be brought to the attention of OSP in a timely manner. In some cases, OSP staff may also

discover a shift during their subaward review process. Following an analysis of the individual circumstances, OSP will determine whether the mechanism for acquiring the services of the vendor/subrecipient must be changed. When a mechanism must be changed, every effort is made to ensure a smooth transition so that programmatic effort on the project will not be unduly disrupted. PIs and departmental administrators are responsible for cooperating in obtaining the necessary paperwork from the subrecipient and/or the sponsor, and for preparing the necessary CDU paperwork to permit a subaward to be issued. Disagreements about the classification of work should be resolved through the resolution process described in Section 2.C. above.

3. PROPOSING A SUBAWARD

A. DETERMINING THE NEED FOR A SUBAWARD

The PI is responsible for determining the need for a subaward and/or other procurement action on a sponsored project, and for the initial determination of which mechanism is appropriate (See Section 2 above). PIs are typically assisted by their departmental administrators in making these determinations.

B. SELECTION OF A SUBRECIPIENT

The PI must select a subrecipient based upon his/her assessment of the potential subrecipient's ability to perform the research work successfully. This includes an analysis of the subrecipient's past performance, technical resources and financial viability, and an assessment of the reasonableness of the subrecipient's proposed costs in light of the work to be performed. To meet audit requirements, CDU is required to retain documentation of this latter assessment. PIs are therefore responsible for documenting their assessment of a Subrecipient's proposal via completion and submission of the Fair and Reasonable Cost Analysis Form (for subawards under grants or cooperative agreements or for subawards under contracts) - both forms are downloadable Word files. Effective June 1, 2006 and thereafter, inclusion of the completed form is required for each proposed subrecipient at the time a new or renewal proposal is presented for institutional endorsement (for subawards included in proposals). If a new subrecipient is added after a proposal has already been submitted, the PI should submit the form (as well as the other required subaward materials outlined below) at the time the new subaward is requested.

Rarely, a PI may recognize the need for outside involvement on a project but is either unable to identify the best subrecipient by the time of proposal submission, or is unable to acquire all of the required paperwork from that subrecipient. In these instances, proposals may be submitted with a subrecipient "To Be Named." PIs may be asked by OSP to provide documentation of the basis for their subaward cost estimate for the work being performed. PIs will also be responsible for managing any budgetary shortfalls that may result from their inability to accurately predict a subrecipient's costs. subrecipients should not be asked to reduce their F&A recovery or to otherwise cost-share because of CDU's failure to include appropriate costs in our proposal. All subaward paperwork listed in Section D below must be completed at the time the subrecipient is identified.

C. MULTIPLE SUBRECIPIENTS

In complex research efforts, a number of subawards or procurement actions may be issued as part of the research effort. The PI's original proposal must include a separate statement of work and line-item budget for each proposed subrecipient/subaward. Each subaward or procurement action must then be considered individually in order to determine the appropriate application of F&A rates.

D. REQUIRED ELEMENTS TO INCLUDE A SUBAWARD IN A PROPOSAL

CDU requires that the following documents be included in order for a named subrecipient to be included as part of a PI's proposal to the sponsor. Proposals will not be endorsed by institutional officials until these elements are on file.

1. Subrecipient's Statement of Work, including a clear description of the work to be performed, the proposed timelines and deliverables.
2. Subrecipient's Budget and Budget Justification, including the subrecipient's direct and indirect costs, calculated using the subrecipient's approved F&A and fringe benefit rates, and verifying any committed cost sharing.
3. A Subrecipient Commitment Form (downloadable Word file), completed and signed by the Subrecipient's institutional official.
4. A Fair and Reasonable Cost Analysis Form (for subawards under grants or cooperative agreements or for subawards under contracts) (both downloadable Word files), as applicable, signed by CDU's PI. The PI's signature on this form certifies that he/she has selected the subrecipient in accordance with this policy, and determined that their costs are reasonable with respect to the proposed SOW. In addition, the PI certifies that s/he has reviewed the subrecipient's proposed budget to ensure that all proposed costs are allowable under the sponsor's anticipated terms and conditions. PIs are responsible for working with their subrecipients to make any necessary modifications in proposed budgets that may be required to bring them into conformance.
5. Any additional elements that may be required by CDU's sponsor (e.g., Certificate of Current Cost or Pricing data, Sole Source Justification, biosketches of subrecipient key personnel, etc.)

Subrecipient proposal elements are expected to conform to the sponsor requirements for CDU's prime proposal. PIs are responsible for ensuring that they request all materials from their subrecipients in the correct format.

Exceptions to the requirements outlined above should be rare, and must be approved by the Office of Sponsored Programs. In these cases, documentation must be maintained as to why an exception was granted and what follow-up action was taken to ensure that the proposal was retroactively brought into compliance in a timely manner (usually not more than two weeks after the proposal has been submitted). If appropriate and acceptable documentation is not provided in a timely manner, CDU may withdraw the proposal from sponsor consideration. Copies of approved exceptions should be furnished to the Director, OSP at least quarterly.

E. SPECIAL CIRCUMSTANCES

1. If any portion of the subrecipient's proposed Statement of Work is to be performed at CDU University or using CDU University resources, the PI must notify OSP in advance of submission so appropriate measures can be taken. These measures typically include: (a) Payment by the subrecipient of fair and reasonable compensation to CDU for such use and (b) the subrecipient's agreement to comply with CDU's policies on inventions, patents and licensing, and copyrights.
2. If a proposed subrecipient wishes to be reimbursed for indirect costs but does not have an approved F&A rate agreement with the federal government, CDU is required to review and approve the subrecipient's proposed indirect cost rate. This function is performed by OSP working directly with the proposed subrecipient and its audit firm and/or CPA. This review is best done before a proposal is submitted to a sponsor, but must be completed before CDU can issue a subaward.

4. ISSUANCE OF A SUBAWARD

A. PRE-AWARD SPENDING ON SUBAWARDS

A subaward will not be issued, nor payments to a subrecipient authorized, prior to CDU's receipt and acceptance of a funding commitment from the prime sponsor. A CDU PI or designee may not authorize a subrecipient to begin working without a fully executed subaward agreement in place. Proposed subrecipients who commence work without a fully signed subaward agreement from OSP do so at their own risk and have no assurance of payment from CDU. In the event a subaward is subsequently issued to a subrecipient, a subrecipient may claim costs properly incurred under its own risk, provided that the costs are otherwise allowable. In such cases, the subrecipient must furnish evidence to CDU that all required compliance approvals were in place at the time the costs were incurred.

B. SUBAWARD PERIODS OF PERFORMANCE AND DURATION

The period of performance of a subaward (including any requested extensions) may not be outside of CDU's period of performance for a competitive segment under the prime award. Subawards may, however, be issued for shorter periods of time than CDU's full period of performance. A new subaward will be issued whenever CDU's sponsored project receives funding under a new competitive segment.

C. SUBAWARD FUNDING MECHANISMS

CDU issues subawards on a cost-reimbursement basis. Rare exceptions may be made when it can be demonstrated that a fixed-price agreement is in the best interest of the University.

D. SOLE SOURCE JUSTIFICATIONS

When a subaward is proposed under a grant or cooperative agreement proposal and subsequently approved by a sponsor, source justification may be handled via the PI's

completion of Fair and Reasonable Cost Analysis - Grants. A separate Sole Source Justification Form is required for all subawards under contracts (whether or not included in CDU's proposal to the sponsor) and for all subawards under grants or cooperative agreements requested after CDU's proposal was submitted to a sponsor. This form must be completed by the PI prior to a subaward being issued.

E. INITIATING AN UNANTICIPATED SUBAWARD AFTER THE PROPOSAL IS SUBMITTED

A PI may decide to engage the services of a subrecipient after the proposal has been submitted to the prime sponsor. In this case, the PI must submit the required elements for a subaward to OSP as described in Section 3 above, including a Sole Source Justification. In many cases, sponsor prior approval will be required (for rebudgeting, to add a new Subaward, and/or to obtain approval for a change in scope or methodology) will be required. PIs are responsible for initiating such requests for sponsor approval, and for obtaining the countersignature of their authorized institutional official. Subawards may not be issued until all necessary sponsor approvals are obtained.

F. REQUESTING ISSUANCE OF A NEW SUBAWARD

After an award has been accepted by CDU University and an account has been established by the Office of Finance, the PI or his/her authorized administrator will submit a request identifying the proposed subrecipient. This request documents the amount authorized by the PI for the subaward and delineates the desired period of performance. OSP is not authorized to issue a subaward until an approved request is on file.

If the subrecipient's SOW or budget has changed, updated information should be provided to OSP; otherwise, OSP will use the information contained in the proposal/award file. In addition, the following items must be on file before a subaward is issued:

- Copies of the subrecipient's F&A and Fringe Benefit rate agreements
- Copies of the subrecipient's human subjects approval and approval to use animals, if applicable
- A copy of the subrecipient's most recent A-133 audit or link to its record on the Federal Audit Clearinghouse, or completion of the Audit Certification and Financial Status Questionnaire, (downloadable Word file), if not provided at the time of proposal
- Any applicable requested information (Subrecipient Commitment form, updated Certificate of Cost or Pricing Data, Small/Small Disadvantaged Business Plan, audit information, etc.)
- Sole Source Justification, if required
- Any special requirements the PI wishes to impose (prior approval requirements, report formats or due dates, etc.)

OSP will consult with the PI and/or departmental administrators as needed to clarify requirements or to obtain additional information.

G. REQUESTING MODIFICATIONS TO EXISTING SUBAWARDS

Modifications to a subaward are issued by OSP in response to requests submitted to OSP by a PI or his/her designee. This includes modifications to the Statement of Work, incremental funding, rebudgeting, extending or reducing the time for performance, and other changes in the terms of a subaward. In rare instances, OSP may initiate action on a subaward without a corresponding request; typically these changes involve urgent action on a subaward that is initiated by the University.

PIs may not reduce obligated funding or prematurely terminate an approved subaward unless they submit a corresponding requisition through OSP to request a formal change in their subaward. In such cases, CDU is required to honor the terms of the subaward, which typically require an advance notice period

5. APPLYING F&A (INDIRECT COST) RATES TO SUBAWARDS

There are two types of F&A costs on subawards - those earned by the subrecipient, and those earned by CDU. A subrecipient is expected to apply its own federally-negotiated F&A rates and bases when preparing its subaward budget, unless a lower rate or base has been agreed to by the subrecipient's institutional official (e.g., to meet cost-sharing requirements, or to meet a sponsor's F&A rate limitation.) If a subrecipient does not have an approved F&A rate, it must either have its proposed indirect cost rate approved by CDU (See 3.E.2.) or elect not to recover indirect costs. CDU applies the OMB A-21 "life-of-the-award" policy with respect to its subawards and will use the approved F&A rates authorized at the time of issuance of the subaward.

When CDU's prime award uses an F&A rate that is based on an MTDC base, CDU will recover its own F&A on the first \$25,000 of each subaward on a project. This recovery is calculated on the life of the subaward. When CDU's prime award uses a total direct cost rate, CDU will recover its own F&A on the full cost of a subaward. If one subaward supports multiple tasks on a single sponsored project, the \$25,000 threshold will be divided among the project accounts in proportion to their support of the subaward.

CDU's "life-of-the-award" policy applies to subawards under a research project. That means that the terms of the subrecipient's F&A rate agreement in effect when the subaward is issued will govern F&A charges throughout the performance of the subaward. The period of performance on a subaward will not exceed CDU's competitive segment on its award. When a renewal subaward is issued under a CDU award that uses a modified total direct cost (MTDC) base for calculating F&A, CDU will recover its F&A on the first \$25,000 of the renewal subaward.

Any exceptions that impact CDU's recovery of F&A must be approved using the Facilities and Administrative Rate Exception Request Form.

6. PURCHASED OR FABRICATED EQUIPMENT ON SUBAWARDS

CDU's OSP reviews the property terms and conditions for all subawards issued under contracts and on those grants where acquisition of capital equipment or fabrication by a subrecipient is

contemplated. PIs and their departmental administrators are responsible for assisting OSP to ensure that property acquired or fabricated by a Subrecipient is managed in accordance with the reporting and delivery requirements of CDU's prime agreement.

7. SUBRECIPIENT AUDIT REQUIREMENTS

A. SUBRECIPIENTS SUBJECT TO OMB CIRCULAR A-133

Proposed subrecipients must complete and sign the Subrecipient Commitment Form at the time of proposal. In addition, they must provide a complete copy of their most recent independent audit used to meet their A-133 requirement, or a link to their record on the Federal Audit Clearinghouse, prior to issuance of a subaward. OSP will review the report to verify that there are no findings that may impact CDU's subaward. In the event there are such findings, OSP will impose a corrective action plan in accordance with Section D. below.

B. SUBRECIPIENTS NOT SUBJECT TO OMB CIRCULAR A-133

If the Subrecipient is not subject to A-133 audit (because the subrecipient is a for-profit entity, a foreign entity, or expends less than \$500,000 in a year in Federal awards), it must complete the Audit Certification and Financial Status Questionnaire, (downloadable Word file) and provide any requested information (including audited financial statements) before a subaward can be issued. OSP will review the financial questionnaire as a part of its overall risk analysis (See Section 8) and will contact PIs with any questions or to discuss the audit status or the proposed fitness of a particular subrecipient.

C. ANNUAL AUDIT REVIEW

As prescribed in OMB Circular A-133, Section 510, a subrecipient's audit status will be reviewed annually. This review will determine whether there are reportable conditions relating to the subrecipient's internal controls, noncompliance by the subrecipient with laws and regulations, questioned costs in the subrecipient's financial statements, or other reportable audit findings which might affect a CDU program.

8. SUBRECIPIENT MONITORING

A. RISK ANALYSIS

CDU is required to perform a risk analysis to evaluate the likelihood that a Subrecipient will fail to comply with the requirements of the subaward (A-133, Section 525). This risk analysis is handled by OSP during the subaward issuance process, and is monitored during the life of the subaward. The criteria used in evaluating risk include the subrecipient's audit experience, the prior oversight and monitoring the subrecipient has received, the nature and complexity of the proposed research project, and fiscal maturity of the subrecipient.

1. Definition of Low Risk and High Risk Auditees

Low-risk subrecipients include entities with current annual single audits containing "unqualified" opinions on their financial statements, and which have no reported material weaknesses in their internal controls. High-risk subrecipients are entities which have not completed annual single audits, or whose audit results have demonstrated weaknesses in administering Federal funding, a history of failing to adhere to applicable provisions of contracts and grant agreements, or weak internal control structures. High-risk subrecipients can also include start-up entities with limited resources or prior experience in performing research.

2. Special Actions for High-Risk subrecipients

When OSP has categorized a subrecipient as "high-risk," OSP will work with the PI to ascertain whether or not a subaward should be issued, what special terms and conditions should be included in the subaward, as well as what additional oversight requirements will be necessary to adequately monitor the subaward. Some of these additional monitoring requirements (e.g, more frequent reporting, shorter periods of performance or smaller, more frequent funding allocations, more detailed invoices or backup documentation) may become the responsibility of the PI and his or her administrators. Written agreements may be used to outline the responsibilities of the parties. OSP is responsible for ensuring that adequate arrangements are in place to mitigate the additional risk to CDU before issuing or continuing subawards with high-risk Subrecipients.

3. Subrecipient Site Visits and Site Audits

From time to time, OSP (and PIs) may elect to engage in a site visit to a subrecipient to verify their programmatic, financial and technical fitness.

B. ROLE OF THE PI (ASSISTED BY THEIR DEPARTMENTAL ADMINISTRATORS)

CDU is responsible for ensuring that sponsor funds, including those provided by CDU to other entities, are spent in accordance with all applicable laws and regulations. OMB Circular A-133 requires CDU, as the pass-through entity, to monitor its subrecipients. This monitoring requirement places CDU in much the same position as if it were a Federal agency dealing with its own primary recipient.

CDU has designated the PI as the individual primarily responsible for monitoring the programmatic and financial performance and progress a subaward. Except as noted below, the subaward monitoring and compliance obligations of the PI as may be shared with departmental administrators or other CDU University employees; however, in no event may such monitoring and compliance obligations be delegated to a non-CDU employee.

As part of CDU's monitoring responsibilities, the duties of the PI during the life of the subaward are as follows:

1. To understand the terms and conditions of the prime award, including those flowed down to the subrecipient and those that may have been imposed by CDU, and to regularly monitor the subrecipient's adherence to the subaward's terms and conditions. Such monitoring may take place through phone calls, emails, site visits, meetings, or other regular contact.
2. To ensure that subrecipient's invoices are prepared in accordance with subaward requirements; to verify that the costs incurred are in accordance with the approved budget or permissible rebudgeting; were incurred within the approved period of performance and overall cost limitations, and are aligned in terms of cost and type of expense with the scientific progress reported to date; and that the costs are allowable, allocable and reasonable as they relate to the terms and conditions imposed by the sponsor and the subaward issued by CDU. In the event the level of detail included on an invoice is not sufficient to fully understand the costs, or if it appears that some costs may be excessive or understated, the PI is responsible for questioning the subrecipient's expenditures or requesting further documentation or explanation prior to approving an invoice. Copies of all such documentation and the ultimate outcome of the investigation should be retained in the project file. Such inquiries should be done in a timely manner (e.g., within thirty days after receipt of an invoice) so that the subrecipient can be promptly paid for approved costs. OSP staff is available to assist PIs and their departmental staff in resolving issues that may arise.
3. To personally approve acceptable subrecipient invoices for payment and to review expenditure statements or otherwise ensure that payments to subrecipients are made in a timely manner, consistent with the terms of the subaward and approved invoices.
4. To monitor the subrecipient's scientific progress in terms of the Statement of Work and any required milestones. If scientific progress is not satisfactory, or if technical reports required of the subrecipient are not prepared timely, the PI is responsible for contacting the subrecipient to address these issues. If continued performance is not satisfactory, PIs should contact OSP to discuss appropriate remedial actions or termination of the subaward.
5. To verify that the subrecipient is adequately meeting any cost-sharing commitments made for the subaward, and that the subrecipient's indirect costs as charged are in compliance with the "life-of-the-award" policy and indirect cost rate agreement specified in the subaward.
6. To verify that any human subject, animal subject, biosafety or other compliance approvals applicable to the subrecipient's Statement of Work are kept current throughout the performance of the subaward, both from the CDU Research Office and from the subrecipient's parallel boards or committees. In the event of a lapse in approval, the PI is responsible for immediately notifying CDU's compliance committee and the Office of Sponsored Programs. Costs incurred by a subrecipient during a period of lapse may not be charged to a subaward.

7. To be the primary point of contact for the subrecipient during performance of the subaward. The PI may delegate those responsibilities on a day-to-day basis to another member of the research project, so long as such other member is a full-time, regular CDU employee; however, such delegation may not be made to a contractor or temporary employee working at CDU.
8. To ascertain whether the subaward Statement of Work or budget, or both, require modification to add funding, time, or other considerations, and to notify OSP in a timely manner so an Amendment may be prepared. Most subaward modifications will also require the PI to submit a request to OSP to authorize the change.
9. To plan for efficient completion of performance and close-out of the subaward. This includes requiring that the subaward period of performance end no later than the end date of the prime award, and that the subrecipient's final invoice, final technical report, and any required reports, including those on property, use of small businesses, or inventions, be submitted to CDU no later than 60 days after the end of the subaward period of performance or as otherwise stated in the subaward terms and conditions.
10. To assist OSP, upon request, in obtaining or reviewing reports, advising OSP during risk analyses, complying with additional monitoring responsibilities for high-risk auditees, obtaining audit information or monitoring a subrecipient's adherence to corrective action plans.

C. SUBAWARD TRAINING

PIs are responsible for proposing, issuance and monitoring of subawards. PIs and/or their administrators are expected to successfully complete a training as soon as practicable after assuming these responsibilities.

9. CORRECTIVE ACTION PLANS AND SANCTIONS

A. IMPOSITION AND MONITORING OF CORRECTIVE ACTION PLANS

In the event there are audit findings which relate to the funding provided by CDU under any subawards, OSP will require compliance by the subrecipient with a Corrective Action Plan as required by OMB Circular A-133, Section 315. OGC will exercise its management authority and decision-making to determine whether to approve a Corrective Action Plan proposed by the subrecipient or to modify that plan to incorporate additional requirements. PIs will be informed if their subrecipient is subject to a Corrective Action Plan, and may be asked to help monitor the subrecipient's compliance.

B. SANCTIONS

If the subrecipient fails to have an audit performed in accordance with CDU's requirements, does not exhibit reasonable diligence in adhering to subaward terms and conditions, including

reporting and invoicing requirements, or does not fulfill its Corrective Action Plan, OSP may impose sanctions upon the subrecipient, including withholding of payment, disallowing overhead costs, suspending the subaward until such time as an adequate audit or other applicable corrective actions are performed, or terminating the subaward. (A-133, Section .225)

10. CLOSEOUT OF SUBAWARDS

A subaward is closed out when its period of performance comes to an end, regardless of whether CDU'S research project is ending or continuing. When feasible, it is advisable for a subaward period of performance to be slightly shorter than CDU's, to allow sufficient time for collection and review of the Subrecipient's final reports, verification of subrecipient data, and incorporation of the Subrecipient's research results into CDU's final technical report to the sponsor.

A. FINAL TECHNICAL REPORTS

PIs are responsible for obtaining final technical reports from their subrecipients, and retaining a copy in their project file. PIs are encouraged to remind subrecipients of this need well in advance of the due date for such reports. PIs are responsible for keeping all records of subawards and must be able to produce them upon request to OSP or independent auditors.

B. OTHER CLOSEOUT REPORTS AND DOCUMENTS

Other final reports, including property reports, patent reports, small/small disadvantaged business reports etc. may be required. PIs and departments may be asked to assist OSP in obtaining the necessary closeout reports in a timely manner from the Subrecipient.

C. FINAL INVOICE

In order for CDU to comply with its financial report requirements, subrecipients are required to submit a final invoice, clearly marked FINAL to CDU no later than 60 days after the end of the subrecipient's period of performance, or such other date as may be specified in the subaward. In the event no invoice is received 60 days after the end of a subaward, CDU may treat the subrecipient's last invoice as the final invoice. Payment for subrecipient invoices submitted to CDU later than 60 days after the end of the subaward may not be paid. PIs and departments are responsible for assisting OSP in obtaining final closeout information, including invoices, from their subrecipients.

NIH Public Access Policy

Investigators preparing manuscripts for publications supported by funding from the National Institutes of Health (NIH) or applications to the National Institutes of Health must comply with two new requirements:

- Requirement to Post Publications to PubMed Central (*April 7, 2008*)
- Requirement to Add Reference Numbers to Citations to NIH Proposals (*May 25, 2008*)

Requirement to Post Publications to PubMed Central

For all NIH-funded research, investigators are required to submit or have submitted for them to the **National Library of Medicine's PubMed Central** an electronic version of their final, peer-reviewed manuscripts within 12 months of publication, along with all graphics and supplemental materials that are associated with the article.

- Only publications arising, in whole or in part, from funds provided by NIH and that are accepted for publication on or after April 7, 2008, require posting. This requirement applies to NIH grants and cooperative agreements active in Fiscal Year 2008 (October 1, 2007-September 30, 2008) or beyond, and to all NIH contracts awarded after April 7, 2008. Thus, a manuscript partially supported by an NIH grant that ended December 31, 2007, must be posted to PubMed Central if accepted for publication on or after April 7, 2008. You may submit articles that proceed the implementation period if you so desire and have appropriate copyright permission.
- Publications already registered with PubMed, still require the principal investigator to submit the manuscript to PubMed Central.
- Investigators are responsible for ensuring that any publishing or copyright agreements concerning submitted articles fully comply with this policy. In order to provide advance notice to publishers regarding the NIH obligation, investigator/authors should a copy of the Public Access template letter (attached) at the time manuscripts are submitted to the publisher for consideration, or with any publication agreement signed by a CDU investigator.
- Many publishers have agreed to automatically submit articles to PubMed Central on behalf of the authors; however, investigators should verify that their published article is submitted to PubMed Central to comply with this law. A list of cooperating publishers can be found at http://publicaccess.nih.gov/submit_process_journals.htm.

- For journals that deposit manuscript files, an author still must provide the associated award information, and review and approve the article in the **NIH Manuscript Submission** (NIHMS) system. NIHMS will notify the author via email when these actions are needed.
- If a publisher is not on the above list of cooperating organizations:
 - Check the journal website. Some journals, such as *Cell and Neuron*, have information related to their compliance with the NIH requirement on their websites. Others may require a request from the author to post to PubMed Central.
 - Submit the article to PubMed Central. You must use the NIH Manuscript Submission (NIHMS) system to submit an article.
 - Deposit the manuscript files (e.g., Microsoft Word document and figures) into the NIHMS.
 - Indicate the NIH award(s) to which the article is related.
 - After the NIHMS converts the deposited files to a standard PubMed Central format, NIHMS will email the author to review the PMC formatted article and approve its release.
 - For more information, visit the [NIHMS website](#).
 - Visit the [online NIHMS tutorial](#).
- Remember, NIH will reimburse publication costs, including author fees, for grants and contracts on three conditions: (1) such costs incurred are actual, allowable, and reasonable to advance the objectives of the award; (2) costs are charged consistently regardless of the source of support; and (3) all other applicable rules on allowability of costs are met. Other FAQs are available at <http://publicaccess.nih.gov/FAQ.htm>.

Requirement to Add Reference Numbers to Citations in NIH Proposals

Beginning May 25, 2008, investigators submitting an NIH application, proposal or progress report must include the PubMed Central or NIH Manuscript Submission reference number when citing articles that arise from their NIH funded research. This includes applications submitted to the NIH for the May 25, 2008 due date and beyond. PubMed Central references are added to the end of the standard citation in this format: "PMCID: 243493."

Award Closeout

The University has an obligation to sponsors to bring funded projects to an orderly close and to submit a technical and financial report. The necessary procedures may vary, depending on the policies of the sponsoring agency and whether the support was in the form of a grant or a contract. The requirements may vary from one-page to a multi-page document.

OMB Circular A-110 guidelines set forth detailed requirements with respect to the complete and timely submission of financial reports and other closeout procedures for federal grants and contracts. Failure to adhere to these reporting requirements in connection with a specific grant or contract may result in the withholding by the federal agency of new awards campus-wide or the suspension of payments for costs incurred by the University on other projects funded by the agency.

PIs are responsible for overseeing the proper closeout of sponsored projects, including the timely submission of all required reports (including final technical reports). While central offices prepare and submit final administrative reports, including financial and property reports, they do so on the basis of documentation created in the department. PIs must assure that such documentation is adequate and readily available. In addition, PIs are responsible for ensuring that any necessary final financial adjustments and documentation (e.g., final invoices from vendors or subrecipients) are received promptly after the end of the award.

If an approval to close an award has not already been provided by the PI, the Office of Sponsored Programs (OSP)/Office of Finance will prepare and submit financial reports based on the information reflected in the financial system as of two weeks prior to the due date for the final report. In addition, some financial reports may require the PI's signature.

Technical Report:

The Principal Investigator is responsible for timely submission of the final technical report. Specific sponsor requirements for the technical report are usually defined in the Notice of Grant Award. A copy of the final technical report to the sponsor should be sent to the Office of Sponsored Programs. The OSP can be contacted for any clarification that may be necessary.

Financial Report:

The Office of Finance prepared the financial report. The Office of Finance can be contacted for any clarification that may be necessary.

Inventions, Patents and Discoveries:

In addition to the technical and financial reports, most sponsors require the University to report on any inventions, patents and discoveries, or other novel commercial developments that were funded by the project. The OSP can be contacted for any clarification that may be necessary.

Property, Inventory and Equipment Disposition:

Many federal agencies also require a report on property disposition. The Facilities Department has the responsibility for submission of these reports to the OSP. The required information, however, must come from, and in most cases, be signed by the Principal Investigator.

Notification:

Within 60 days of the project closing date, the Principal Investigator will be contacted to provide the necessary information. The variety of sponsor requirements makes it difficult to initiate a single closing form or procedure.

It is in the best interest of the University to act promptly in completing the closing process on project accounts because it saves money and protects the good name of the University. Most federal agencies withhold final payment on projects until all required documents are delivered.

Reports and Records

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, and notifies Charles Drew University (CDU) of its acceptance and closure of the project.

Reports required at the close of a project are generally due within 90 days of the project end date. These include:

- a final **technical** report - submitted by the PI
- final **inventions** report - submitted by the PI
- final **financial** report - submitted by Office of Finance upon the certification of expenditures by the PI
- final **property** report - submitted by the Office of Sponsored Programs (OSP).

CDU's Office of Sponsored Programs has developed policies, procedures and tools to assist in the closeout process.

When submitting final project reports the Principal Investigator must send a copy/CD of the final project to OSP. This will facilitate post-award audits, and minimize requests to the PI for evidence that reports were submitted.

Failure to submit required reports by the sponsor's deadline can result in the sponsor withholding continued funding or final payment on an award, and/or suspension and termination of any and all active awards.

In some cases, an individual award was cancelled; in others, all of that sponsor's awards to CDU were held pending submission of reports. In one case, a sponsor held up funding to a different PI in another department because of an individual's failure to respond to repeated requests for a technical report.

Project records, both scientific and administrative, need to be retained for specified periods after close-out. Normally, the retention period is **three years**. Records are subject to audit at any time during this period.

Frequently Asked Questions

What if my award ends in the middle of the month? Does this mean that I will get my advance closeout notification fewer than 60 days before the award expires?

A: Awards that end on or before the 20th of a month will receive their advance closeout notification more than 60 days before the award expires. For example, an award that ends August 15th will receive its closeout notifications on June 1st, -- or 75 days in advance of the planned expiration date. Awards that end on or after 21st of a month will receive their closeout notifications at the same time as awards that expire at the end of that same month (e.g., an award that ends August 23rd will receive its advance closeout notification on July 1st.)

What if financial reports are due 60 days after the award end date rather than 90 days – do I still have 75 days after the end date to make my final adjustments?

A: No, the terms of the award will always take precedence. If CDU is required to submit a financial report 60 days after the end date, we have to honor that date. We recommend reviewing your award documents when you receive your 60 days-in-advance notification to verify the due date of the financial report. If you aren't certain or can't locate the requirement, consult the Office of Sponsored Programs (OSP). OSP staff will also try to alert departmental administrators of unusual due dates for reports as early as possible.

Will I get my closeout alerts an extra month early if my financial report is due earlier than 90 days after award end date?

A: No, not at the moment. The first time OSP staff know about the early due date for the financial report is the same time when the departmental administrator knows about it -- when they review the award terms and conditions after receiving the 60 days in advance notice. OSP and Finance staff and departmental staff should work together to make sure that expenditures are reviewed and final adjustments made in the time frame available.

If I want to make corrections later than 75 days after the award end date, and Office of Finance hasn't submitted the final financial report to the sponsor yet, can I still make them?

A: It depends. Invalid expenses should always be removed when they are located; even if this means that a revised final financial report will need to be submitted. Sometimes late adjustments are unavoidable (e.g, new information comes to light that makes you realize that an expense should not have been charged.) Departmental staff should immediately notify their Office of Finance accountant if they feel a report should not be submitted. Because auditors often interpret late cost transfers as evidence of poor internal controls, departments should be prepared to

explain the special circumstances, including the reason why the change was not properly identified at an earlier time (e.g., during monthly review, PI certification review, or previous closeout review.) It is expected that these types of situations will be rare. Generally, expenditures (even otherwise allowable ones) cannot be transferred onto a project at this late date and will have to be covered from other sources.

Why does Office of Finance need the last two weeks to prepare and submit my report? Weren't they working on it all along too?

A: Yes, the Office of Finance accountant has also been working on the financial close of the award throughout the closeout period. Office of Finance prepares and submits many final financial reports (most of which are due at the same time). The two week period allows adequate time both for preparation of these final reports and aggregation of any required backup documentation. It also permits time for Office of Finance to conduct its internal review process for accuracy and completeness. Most Office of Finance accountants also carry other work assignments, including account setup review, and interim financial reporting. This time period helps ensure that these ongoing tasks can be completed in a timely manner contemporaneously with closeouts.

I am expecting additional funding to cover the overdraft I currently have on the project. I don't want Office of Finance to submit the financial report until that funding has arrived, what should I do?

A: Contact the Office of Sponsored Programs early for help in following up with a sponsor to verify if additional funding will be forthcoming, and to verify when CDU can expect to receive an award. In some cases, the agency may permit you to charge costs incurred late in a project to that project's renewal funding; in these cases, an "Advance Approval" form can be submitted and any allowable and allocable costs charged or moved to the renewal award account. If CDU has still not received the funding two weeks before the report due date, a final financial report based on the existing funding must still be prepared and submitted.

Can I request a no-cost time extension after the award is over?

A: No-cost time extensions are expected to be requested on or before the award end date, or such earlier time as the agency may require. While the Office of Sponsored Programs will still countersign otherwise appropriate requests submitted after the award end date, an official sponsor approval (usually from the Grants Officer) is required before the award can be removed from the closeout process. They may also ask why the request was not submitted in a timely manner. Federal agencies are allowed thirty days to respond to a request of this nature; thus requests submitted significantly after the end date are at risk for receiving a response in time. Departments should complete their financial reviews and closeout adjustments even if a no-cost time extension is pending; this will facilitate a timely closeout in the event the request for an extension is denied by the sponsor (or facilitate the eventual closeout of the project if an extension is approved.). CDU still has the obligation to submit the final financial report by the original due date unless the agency has officially extended the period of performance of the project before that time.

Record Retention and Access

Federal, State, and Local regulations require that CDU adhere to numerous record retention mandates. The appropriate time periods for record retention are fact specific and subject to ongoing statutory and regulatory changes.

This does not address the retention of student academic records, patient medical records, or any other area of operations outside the University's financial administration. Consult the appropriate University office for further information about those areas.

University records must be maintained in a manner that supports operational needs and internal control directives, and must also meet federal, state, and regulatory requirements. Document retention standards and systems must ensure that transactions and related authorizations are fully supported in the event of an audit, litigation, or other external action.

Subject to any additional requirements from Charles Drew University's general records retention policy, it is the policy of CDU to comply with the federal requirements regarding sponsored program record retention. Each office is responsible for maintaining the documents relating to their scope of responsibilities. In instances of shared responsibilities (e.g., subrecipient invoice review), all offices maintain documents related to these shared responsibilities.

OMB Circular A-110 Subpart C.53 outlines the record retention requirements as well as the access guidelines for universities, hospitals, and other not-for-profits receiving grants from the federal government. Subpart C.53 (b) states:

"Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the Federal awarding agency. The only exceptions are the following:

1. If any litigation, claim, or audit is started before the expiration of the 3-year period, the records shall be retained until all litigation, claims or audit findings involving the records have been resolved and final action taken.

2. Records for real property and equipment acquired with Federal funds shall be retained for 3 years after final disposition.
3. When records are transferred to or maintained by the Federal awarding agency, the 3-year retention requirement is not applicable to the recipient.
4. Indirect cost rate proposals, cost allocations plans, etc.” specified as follows:
 - If the recipient submits to the Federal awarding agency or the subrecipient submits to the recipient the proposal, plan, or other computation to form the basis for negotiation of the rate, then the 3-year retention period for its supporting records starts on the date of such submission.
 - If the recipient is not required to submit to the Federal awarding agency or the subrecipient is not required to submit to the recipient the proposal, plan, or other computation for negotiation purposes, then the 3-year retention period for the proposal, plan, or other computation and its supporting records starts at the end of the fiscal year (or other accounting period) covered by the proposal, plan, or other computation

The individual/unit responsible for a specific area (e.g., cost sharing, advance accounts, etc.), as defined by CDU policy, is responsible for maintaining appropriate documentation relative to this area of responsibility.

ROLES AND RESPONSIBILITIES

Academic Department

The Principal Investigator (PI)/Project Director (PD) maintains any and all documents related to his/her areas of responsibility. These documents include, but are not necessarily limited to, all technical documents related to the sponsored program (e.g., documentation involving the methods used to conduct research, results of the research, and progress/performance reports).

Office of Sponsored Programs

The Office of Sponsored Programs (OSP) maintains any and all documents related to the Office’s area of responsibility. OSP retains sponsored program records in compliance with sponsor requirements and this policy. These documents include, but are not necessarily limited to, pre-award materials and the award files for each sponsored program (e.g., proposal, notice of grant award or sponsor agreement, correspondence with the sponsor, subrecipient monitoring).

Office of Finance

The Office of Finance maintains any and all documents related to Finance’s area of responsibility. These documents include, but are not necessarily limited to, financial documents relating to the sponsored programs (e.g., budget information, financial reports, invoices, copies of checks, and miscellaneous financial information related to sponsored programs).

Human Resources

Human Resources (HR) maintains any and all documents related to HR’s area of responsibility. These documents include, but are not necessarily limited to, all personnel and payroll records for individuals hired to work on sponsored programs as well as all appointment information relating to sponsored programs.

Definitions

Active Record:

A record with current administrative use for the unit that generated it. Records remain active for varying numbers of years, depending on the purpose for which they were created.

Inactive Record:

A record that is inactive, not required to be retained in the office in which it originated or was received, and has permanent or historic value.

Official Repository:

The unit designated as having responsibility for retention and timely destruction of particular types of official university records. Such responsibility is assigned to the unit's administrative manager or a designee.

OMB Circular A-110:

This Circular sets forth standards for obtaining consistency and uniformity among federal agencies in the administration of grants to and agreements with institutions of higher education, hospitals, and other non-profit organizations.

Records Retention and disposition schedule:

An internal control document that indicates how records should be handled after the period of their active administrative use.

Responsible Official:

A senior member of management who serves as the owner of institutional and divisional business processes, and, as such, is responsible for ensuring effective implementation of this policy in his/her assigned area of responsibility.

Retention Period:

The minimum required length of time for which a department or central administrative office is responsible for the maintenance of records.

University Record:

The original copy of any record.