

Ball State University

CONTRACTS AND GRANTS MANUAL

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1 - Introduction

1.1 Purpose of the CGO Manual

To ensure that funds provided from external sources to support research and other projects are administered in accordance with University policies, as well as those of the sponsor, externally sponsored projects for research or other purposes are administered through the Contracts and Grants Office (CGO) in accordance with established University policies and procedures. External sources include both governmental and private organizations.

Faculty and staff members who conduct sponsored projects under University auspices have an important public, as well as personal, responsibility to manage those projects carefully. This Contracts and Grants Manual will help project directors and research investigators fulfill that responsibility. Its purpose is to acquaint new investigators with the policies and procedures of the University, to inform them of the various services available to them, and to serve for all investigators and administrators as a reference and guide to further information and assistance.

Investigators and administrators should be mindful that portions of this Manual may be superseded by University policy memoranda, or changes in sponsors' policies and regulations. While every attempt will be made to keep the materials in this manual up to date, ultimately the most current information will be found in specific sponsor documentation and award documents.

1.2 Roles and Responsibilities

The University provides facilities and resources for sponsored research and other projects as well as an infrastructure and administrative support for compliance with all legal and sponsor-specific requirements. The Contracts and Grants Office (CGO) is part of that support. However, the Principal Investigator is responsible for carrying out the sponsored project successfully and for following the policies and procedures in place to ensure compliance in all aspects of the project. The consequences of a failure to meet these requirements may include audit findings which could result in significant fines, loss of funding, or even suspension or debarment from participation in federally funded programs.

A. Responsibilities of the Contracts and Grants Office

The Contracts and Grants Office (CGO) is the unit within the Business Affairs area of Ball State University that has the responsibility for post-award administration of sponsored programs. The Sponsored Programs Office (SPO) works with faculty and staff in the pre-award process. (See the Sponsored programs website at: www.bsu.edu/spo/). Once the researcher or project director has completed the clearance process through the SPO, documenting all necessary pre-award review/ approvals, and after an external sponsor has awarded funds for the project or study, the CGO's work begins.

The CGO has three major areas of responsibility:

- 1) Award Acceptance**
- 2) Account Administration**
- 3) Compliance of Sponsored Projects.**

Award Acceptance includes:

- Review of agreements received from external sponsors
- Preparation of agreements, including subawards
- Negotiation of favorable terms, including reduction of the risk of University liability, protection of intellectual property and publication rights
- Recommendation and processing of acceptance of contracts and grants

Account Administration includes:

- Advice and assistance for faculty and staff who have sponsored projects
- Establishing and monitoring accounts in the University's Financial Records System (FRS)
- Providing internal approval for expenditures
- Preparation of invoices, payroll documents and financial reports
- Serving as a liaison with the sponsor for changes and required approvals
- Tracking of final technical reports
- Providing other reports as required by sponsors, such as equipment reports, patent reports, audit reports, time and effort, etc.
- Following sponsor requirements for allowable costs
- Making electronic draw-downs of millions of dollars annually in federal funds for documented expenses incurred on federal grants and also for student financial aid

Compliance includes:

- Maintaining an up-to-date knowledge of and ability to interpret, understand and apply regulations and other requirements such as:
- Federal regulations required of educational institutions (OMB Circulars A-21, A-110 and A-133)
- Federal regulations issued by individual federal agencies
- Regulations and restrictions issued by sponsors for specific grant programs
- Contractual requirements
- Maintaining all financial records for 3 – 10 years for audit purposes
- Undergoing an annual audit by the State Board of Accounts
- Complying with audits by the federal agency assigned to us (Department of Health and Human Services /Chicago) as required
- Complying with audits by the State, non-profit organizations, industrial sponsors and other funding partners as required by regulation or by contract

The Contracts and Grants Office provides acceptance, administration and compliance for approximately 400 sponsored projects on an on-going basis. New projects and accounts begin as other projects are completed. Awards range in value from a few hundred dollars to \$5 million. Funds must be administered in compliance with all regulations to avoid adverse

audit findings. In addition, a history of well-administered contracts and grants gives the university credibility which helps secure future awards.

B. Responsibilities of Principal Investigators

The Contracts and Grants Office (CGO) provides advice and assistance to faculty and staff who have sponsored projects. The primary responsibility for the success of the project and for ensuring that it is conducted in compliance with the sponsor's requirements and applicable laws and regulations lies with the faculty or staff member who is the Principal Investigator (PI). In addition to their academic and scholarly duties, principal investigators must exercise a substantial degree of administrative acumen to enable the research enterprise to function successfully. Failure to become familiar with or to follow the administrative procedures designed to achieve regulatory compliance may cause the University to incur fines and penalties. Research funds expended for the project may have to be returned to the funding agency from departmental resources and eligibility for future funding may be jeopardized.

Some of the key responsibilities of PIs include:

- 1) Fiscal Management**
- 2) Equipment Control**
- 3) Time and Effort Certification**
- 4) Technical and Financial Reports**

Fiscal Management

The Grant Specialist in the CGO assigned to the PI's project processes claims for payment under a contract or grant following Sponsor and University requirements, but the PI has the overall responsibility for management of a sponsored project within the funding limitations, restrictions and criteria set by the agreement, including requirements for expenditure of funds within the award period established for the grant by the Sponsor. If a modification of the scope of work or the budget becomes necessary, the PI must secure the Sponsor's permission and provide the CGO with the contact information and details necessary to process an amendment of the agreement.

Equipment Control

The PI is responsible for securing necessary approvals for the purchase of Government-owned equipment, for ensuring that its use is within Sponsor and University guidelines, and for cooperating with the Inventory Control and Moving division of the Purchasing Department (<http://www.bsu.edu/purchasing/article/0,,27912--,00.html>) for proper tagging, inventory and disposal of the equipment.

Time and Effort Certification

The University is required by law to document all efforts charged to sponsored projects to ensure that salaries charged to the sponsor and/or included in cost-share reported to the sponsor correspond to effort actually expended on those projects. This includes a process for certification of the percentage of time and effort spent on a project after the work has been performed. The PI must ensure that s/he and all employees with time assigned to the PI's project have complied with the University's Effort Reporting policy. See the instructions for use of the University's electronic Time Certification System on the CGO website at <http://www.bsu.edu/cgo/timecertinstruc/> and the policies and procedures in Section 5 - "Effort Reporting."

Technical and Financial Reports

The PI is responsible for preparation and submission of technical reports required by the Sponsor in a timely manner. Copies of reports should be sent to the PI's Grant Specialist in the CGO when payment of funds is conditioned upon timely submission of reports. The PI's Grant Specialist in the CGO will prepare financial reports required by the Agreement, but the PI is responsible for providing documentation of expenses to the Grant Specialist in a timely manner to enable preparation of accurate and complete reports.

1.3 Administrative Policy Considerations

A. Institutional Review Board Action

If the research project involves human subjects or animal subjects and review by the Institutional Review Board (IRB) is required, documentation of the appropriate review activity must be provided to the CGO before a contract or grant can be processed for signature and an account opened. If you have questions about the status of IRB review for your project, please contact the Coordinator for Research Compliance in the SPO. (See SPO webpage at <http://www.bsu.edu/research/compliance/>).

B. Authorized Signatures

Awards for sponsored projects are made to Ball State University, which is identified as the grantee or contractor in the document. The following persons are authorized by the Board of Trustees of the University to sign contracts, grants and other documents related to sponsored projects that include a commitment of University resources:

- 1) the President of the University
- 2) the Vice President, Business Affairs and Treasurer
- 3) the Associate Vice president, Finance and Assistant Treasurer.

Only these individuals are permitted to sign sponsored project agreements. Contracts, proposals, and other award documents signed only by the principal investigator are not binding on the University.

C. Ownership of Intellectual Property

Ownership of any intellectual property developed during a sponsored project, including inventions, whether or not patentable, copyrightable materials, including computer software, and tangible research materials, is governed by the terms of the sponsored research agreement, the University's policies on these issues, and applicable laws and regulations. For further information, see the SPO website at: < <http://cms.bsu.edu/en/About/AdministrativeOffices/TechTransfer.aspx> > and contact the Director of Technology Transfer in the Sponsored Programs office.

Traditionally, graduate students have played a significant role in the conduct of sponsored research. Undergraduate students are also becoming increasingly involved in research activities. For all students participating in sponsored research projects, it is important to assure that the terms of sponsored research agreements will not conflict with ownership interests the students may have in copyrightable works or other intellectual property created during the

project under intellectual property laws. These interests of students, plus potential use of research documents by faculty and students for scholarly publications and presentations, instructional and academic purposes, and as portfolio examples must be taken into account, along with applicable intellectual property laws and regulations, before commitments are made to any third parties.

2 - Types of Awards/Agreements

2.1 Grants

A grant agreement is a legal instrument used when the principle purpose is the transfer of money, property, services, or anything of value to the recipient in order to accomplish a public purpose of support or stimulation. A grant will normally contain the following elements:

- The statement of work allows the PI significant freedom to change the emphasis within the general area of work as the project progresses
- Deliverables are minimal, usually consisting of reports only
- Separate accounting procedures are required

The terms and conditions of grants are often agreed upon when the authorized signed proposal was submitted. Federal grants are governed by the administrative terms and condition found in the grants administration manuals or handbooks of the sponsoring agency, e.g. the [NSF Grant Policy Manual](#) or the [NIH Grants Policy Statement](#). These types of documents set forth the sponsor's general terms and conditions of award and are derived from OMB Circular A-110 (<http://www.whitehouse.gov/omb/circulars/a110/a110.html>). However, it is always necessary to check program announcements and similar documents for embedded terms and conditions.

2.2 Cooperative Agreements

A cooperative agreement is used when substantial sponsor involvement is anticipated in the management and/or performance of the sponsored activity. In all other respects, a cooperative agreement is a type of grant.

2.3 Contracts

A contract is a legally binding agreement between one or more sponsors and the University. Contracts are usually more restrictive than grants. The terms of the agreement outline specific goals and requirements for goods and/or services to be provided to the sponsor by the University. It is routine for these goods or services to be provided on a specific schedule. The relationship between the sponsor and the University is one of procurement. This type of arrangement is not considered for public use but for the direct benefit or use of the sponsor.

2.4 Method of Funding/Compensation

There are two types of compensation arrangements for contracts and grants: Cost Reimbursement and Fixed Price.

A. Cost Reimbursement

A cost reimbursable agreement (contract or grant) provides for payment to the University based on the University's actual cost incurred in performing and completing the agreement. This means that budgeted funds must be SPENT within the approved budget or project period in order for the University to collect the actual cash funds. The amount of costs reimbursable under an agreement is usually capped at a fixed maximum.

B. Fixed Price

A firm fixed price contract provides for a payment to the University that is not subject to any adjustment on the basis of the University's actual costs incurred in performing and completing the contract, i.e., billings are not based on actual expenditures. Firm fixed price arrangements are most often used in contracts, as opposed to grants. Some compensation arrangements are based on a fixed price per unit, frequently capped at a specified maximum fee.

3 - Initiating the Project Award

3.1 Award Notification

When a proposal has been approved by a sponsor for support, the CGO will usually receive notice that an award has been made or a contract is being prepared. **If the PI receives such a notice, s/he must contact the CGO immediately to insure that the CGO has also received the notice.** CGO cannot administratively initiate the project without formal sponsor notification. Many award instruments are received which require both sponsor and University signatures (bilateral agreement) before they become effective. **Principal Investigators are not authorized to sign award documents on behalf of the University.** It is the responsibility of the CGO to review award documents, recommend acceptance and/or negotiate revisions, process with authorized signatories of the University if signature is required, and return the signed instrument to the sponsor. Often this must be done within a specified number of days after the notice of award has been received.

Important Information in a Notice of Award

Most notices of award address these points:

- **Period of Performance.** These dates may not coincide with the dates of the total project period. They also may not coincide with the dates set forth in the original proposal.
- **Name of the Principal Investigator.** This individual is responsible for conducting the project in accordance with University policies and sponsor requirements.
- **Dollars Committed and/or Obligated.** Not all project funds may be released at the beginning of the project but may be obligated incrementally. The sponsor is under no legal obligation to pay dollars not yet obligated. Awards also sometimes only provide partial funding of the amount requested in the proposal.
- **Future Year Commitments.** These funds are contingent on their availability and on satisfactory progress on the project. Use these amounts for preliminary planning purposes only.

- **Cost Sharing.** If the sponsor requires the University to contribute its own resources to the project, it usually specifies those requirements in the award notice. Accounting and reporting on these costs is a formal requirement for the University. Accounting for cost share may also be required if cost share was included in the proposal budget, whether or not the cost share amount is stated in the award.
- **Accounting and Reporting Obligations.** Virtually all awards require technical and financial reports. Most awards require patent and property reports.
- **Deliverables.** Under some contracts, the University must deliver specified work products to the sponsor.
- **Payment to University.** Awards specify how the University will be funded or reimbursed by the sponsor.
- **Special Terms and Conditions.** The award may have additional terms and conditions which may specify such things as key personnel, limitations on availability or use of funds, need for prior approvals and similar additional oversight by the awarding agency, incorporation of laws and regulations. It is critical to understand these restrictions before incurring costs. Both the PI and the responsible CGO Grant Specialist must take note of these requirements in addition to reading all referenced documents within the award notice.

3.2 Acceptance of Award

On receipt of the Award Notification, the CGO will review award documents, recommend acceptance and/or negotiate revisions, process with authorized signatories of the University if signature is required, and return the signed instrument to the sponsor.

3.3 Assignment of Account Number

When an award notification has been received and accepted, the CGO will set up an account for the project and assign a restricted account number to it, beginning with "5-4xxxx." This account will be used to record the budget and track costs associated with a sponsored project, and is entered into the University's Financial Record System (FRS).

3.4 Account Notification Form

An Account Notification Form is generated by the CGO once an account number has been assigned. The Account Notification identifies the title and purpose of the new account, its effective date and end date, budgetary detail, including direct and indirect costs and cost-sharing, the source of funds, provisions for return or other disposition of unexpended funds and for handling any expenditures that exceed funding from that source. The Account Notification requires the signatures of the PI/project director, department chair, dean, CGO, and the Controller's Office.

3.5 Meeting with Grant Specialist

When an award has been received and accepted, a Grant Specialist in the CGO will be assigned to the project account. The Grant Specialist will contact the PI to set up a meeting to go over the forms and procedures used to administer the grant account. It is the PI's responsibility to become familiar with the requirements and restrictions of the project by referring to the Award Notification, the attached award documentation, and the terms and conditions of

the contract or grant. The PI should contact the assigned Grant Specialist if s/he has questions at any time during the course of the project.

3.6 Sponsor Payments

Most awards are made on a "cost-reimbursable" basis and the University is reimbursed for actual expense incurred, usually on a monthly basis, by invoicing the sponsor. Some awards, usually from private sponsors, are funded by a payment schedule.

Should the principal investigator receive a sponsor check, he/she should immediately forward it to the CGO along with identifying information for deposit to the project account.

3.7 Making Expenditures

Expenditures are generally not authorized until after the formal Award Notification is received and usually not until all necessary signatures have been obtained on the award document (contract or grant) if signatures are required. See Section 4.2A on "Expenditure of Funds" under "General Administration," below.

3.8 Anticipated Awards (Advance Account Requests)

Infrequently, there may be a legitimate need to start a project prior to the receipt of formal notification of an award from a sponsor and final signature of a contract or grant. The CGO will consider assignment of a project account number and creation of an Advance Account if a properly completed and signed Internal Clearance Form has been obtained by the PI through the SPO and a Departmental Authorization for Account Prior to Receipt of Award form, signed by the PI, the Department Chair, and the College Dean, is provided to the CGO along with copy of the proposal for the award and confirmation of sponsor funding. The Departmental Authorization form may limit the amount of money that can be expended prior to receipt of award documents from the sponsor. Authorized Advance Account expenditures are usually limited to internal University expenses, such as salaries for personnel, and do not include payments under a subcontract or vendor agreement to any third parties. If for any reason an award is not received, or if sponsor conditions preclude pre-award-date expenses, an account in the PI's department identified in the Departmental Authorization form will be charged any unreimbursed expenditures. The Departmental Authorization form for Advance Accounts can be found online in the CGO website at <http://www.bsu.edu/cgo/media/pdf/earlyacct.ipdf.pdf> . The PI should forward the formal Award Notification and/or contract to the CGO immediately upon receipt.

3.9 Supplements to Awards

An existing award may be supplemented with additional funds during its performance period if supplemental funds are initiated or approved by the sponsor. If a supplemental award is needed, the PI should contact his or her Grant Specialist in CGO to coordinate and track the request to the sponsor.

4 - Account Administration

4.1 Sponsor-University Relationship

Awards for sponsored projects are made to Ball State University, which must be identified as the grantee or contractor in the award document. It is the primary responsibility of the CGO to serve as the intermediary between the sponsor and the principal investigator for the purposes of negotiating changes in the project budget, modifications (reallocations, increase or decrease of funds), date extensions, and other items of an administrative nature.

The CGO is responsible for submitting required financial reports and obtaining payment for sponsored projects. The CGO assists the principal investigator in obtaining compliance with sponsor regulations and guidelines.

The principal investigator is directly responsible for performing the project within any administrative constraints imposed by the sponsor and the University. The principal investigator directs the technical aspects of the project effort within the scope authorized by the sponsor and authorizes any and all expenditures of project funds subject to approval, where necessary, by the CGO or the sponsor. A principal criterion for assuring that costs charged to a sponsored project are appropriate is that they benefit the project. The principal investigator should meet with his/her Grant Specialist at the initiation of a project and periodically during its course to assure proper fiscal management. The principal investigator is responsible for the timely submission of all required technical or programmatic reports.

4.2 General Administration

A. Expenditures of Funds

Once an account has been established and entered into the FRS, project expenditures can be made. The PI should assure that the charges made to the project account each month are accurate, reasonable, allowable and allocable under the terms of the award. (See Glossary of Terms in Appendix A). If the PI is uncertain about the allowability of an expense, s/he should confer with the Grant Specialist before making the expenditure. Requests for payments from the account for allowable charges should be submitted by the PI to the Grant Specialist by submitting a Check Request Voucher with original detailed receipts and any other necessary documentation. Credit card receipts are not acceptable. The Grant Specialist reviews the expenditures and will contact the PI if there are questions about allowability. Expenses should be submitted to the Grant Specialist promptly.

For cost reimbursable accounts, which include most grant accounts, charges to the project can only be invoiced to the sponsor after the costs have been incurred (i.e. entered in the FRS as a paid expense). Invoices are sent to the sponsor periodically, as expenses are incurred, not more frequently than monthly.

B. Allowable and Unallowable Costs

Whether a cost is “allowable” or not is determined by the Office of Management and Budget (OMB), the sponsor’s requirements and/or University policy. For purposes of Office of Management and Budget (OMB) Circular A-21, an expense may be included in the facilities and administrative cost rate proposal or included as a direct cost to federal sponsored agreements if it is:

- Reasonable
- Allocable to the project (if a direct charge)*
- Given consistent treatment by use of generally accepted accounting principles

- In conformance with any limitations or exclusions set forth by the sponsored agreement or OMB Circular A-21.

*An “*Allocable Cost*” is a cost that can be assigned to a project that meets a specific project objective based on relative benefits received. A cost may be allocable to a specific project but paid for by the University rather than the sponsor, depending upon what the sponsor (funding agency) determines is allowable for a particular type of project.

All PI’s should become familiar with the provisions of OMB Circular A-21, which can be found at http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html

In general, expenditures that are in conformance with the sponsor approved budget are allowable. Unapproved deviations from the budget may result in a disallowance by the sponsor requiring transfer of the disallowed expenditure to an account in the PI’s department or other University account designated in the NOA form. Certain costs normally unallowable on federal awards, such as cell phones and local telephone charges, may be allowable on non-federal awards. Certain costs may be unallowable either as a direct or F&A cost, regardless of sponsor. For example, parking fines while on University business are unallowable. The PI should become familiar with all applicable allowability requirements.

C. Specific Expenditure Categories

Many specific expenditure categories have special requirements and considerations. Administration of some major categories is summarized below.

University Employees

- Faculty and Staff

Appointments of all employees to sponsored projects are subject to the human resource policies of the University. Payment of all personnel is effected through the University’s Payroll System. Generally, salary allocations to sponsored projects are documented as a percentage of assigned time from the regular work week of the employee. If supplemental pay is sought for sponsored project activities, an Addendum to the employment notification or agreement if a Request for Compensation for Extra Work is properly approved. Copies these forms are available in [Form Finder](#) under Human Resource forms.

- Graduate Assistants

Graduate assistants should be separately budgeted for their salary/stipend and for their tuition remission.

Human Subjects and Animal Care Costs

These costs are allowed only if project has received prior IRB approval. See SPO website at <http://www.bsu.edu/research/compliance/> >

Travel Expenses of Employees

- Domestic Travel

Reimbursement of employee travel expenses under sponsored awards is governed by sponsor requirements, applicable laws and regulations, and University policy. See the travel manual and forms in Form Finder at <<http://www.bsu.edu/webapps2/formfinder/travel.htm>>

- Foreign Travel

Foreign travel is generally defined as any travel outside the United States and Canada, although some contracts may stipulate differently.

Some sponsors require that foreign travel be **approved by the sponsor** in writing and **in advance**, even when the award includes funds for foreign travel.

Federal awards require that all foreign travel utilize US-flag air carriers wherever possible without regard to cost or convenience. This requirement applies to any non-federal funds used for cost sharing on federal awards.

- Group Meals

Additional information is required for reimbursement of group meals. A form, to which an itemized bill must be attached, is used to indicate the purpose of the meeting, persons in attendance, identification of all beverages (alcoholic beverages are not allowable under University policies or federal regulations). See a copy of this form on the CGO website at <<http://www.bsu.edu/cgo/media/pdf/add-Infor-meals.ipdf.pdf>>

Equipment

The term “Equipment” is used to refer to tangible items non-expendable in nature, instruments, or repairable machines that have a **useful life of more than one year** and an acquisition cost of **\$5,000 or greater**. Equipment is not a replacement part or component returning a piece of equipment to its original condition. If a component increases the capability of the original equipment and has an acquisition cost that meets or exceeds the established equipment cost thresholds, it is considered a capital item.

For further information see the definitions and policies/procedures for equipment at <<http://www.bsu.edu/cgo/manual/equipmentdef/>> and <<http://www.bsu.edu/cgo/article/0,,51007-,-00.html>>

- Approval to Purchase

Many sponsors permit the acquisition of non-expendable equipment with grant or contract funds if it is required for the performance of the project. Some sponsors require that prior written approval be obtained before equipment is purchased while others give the University the authority to make such decisions. The principal investigator should ascertain the specific requirements of the award from which equipment is to be purchased prior to ordering it. If there are any questions about allowability, the PI should consult with the Grant Specialist in CGO.

- Equipment Acquisition

Equipment purchases under contracts and grants, like other University purchases, are handled through the Purchasing Office. For further information go to their website at <http://www.bsu.edu/purchasing/>. Also, for information regarding equipment that is not 100%

dedicated to a sponsored project, see the CGO policy and procedure online at <http://www.bsu.edu/cgo/article/0,,51007--,00.html> >

- Equipment Records

All equipment must be tagged with a University inventory number. Information on such equipment is kept online in the purchasing system and includes:

- * Name of Item
- * Manufacturer
- * Model No.
- * Serial No.
- * Acquisition Document Reference (P.O. No., Date and Acct. No.)
- * Approval Document Reference (when required)
- * Sponsor Grant/Contract Number
- * Location
- * Equipment Inventory and Disposition Requirements

On all sponsored programs and contracts, annual and final equipment inventories to the sponsor are required. The CGO will initiate requests for inventories, as necessary. The award document and/or applicable laws and regulations must be consulted to determine if title to equipment purchased with contract/grant funding will be in the University or in the sponsor. If an item of equipment was bought with sponsored project funds or was provided by the sponsor, and is to be sold, traded in for new equipment, or scrapped, provide the CGO with the project number, original cost and acquisition date of the item. The CGO will advise as to appropriate action. In all cases equipment owned by the sponsor must be returned to the sponsor or a request for title must be made.

See the provision of OMB Circular A-110 on equipment at: <http://www.whitehouse.gov/omb/circulars/a110/a110.html#34>>

Non-Employee Personal Services to Sponsored Projects

Frequently, the services of individuals who are not University employees are necessary in the performance of sponsored projects. Such services may include consulting, preparation of working papers or reports, presentation of lectures or seminars and other such activities which are essential to the successful completion of the project. However, it is important that payments for such services be classified and documented properly in the accounting system to avoid audit exceptions.

- Payment of Non-University Employee Travel

If a non-University employee bills for travel in connection with the services provided under a contract or grant, limitations on reimbursement will apply in accordance with the terms of the sponsor's award and University policies. This will generally include a cap on total travel expenses a mileage rate not higher than the applicable rate for the University under the sponsor's award or University policy.

D. Rebudgeting of Funds

During the conduct of the project, the PI may determine that budget changes are necessary. Many sponsors allow flexibility in how project funds are expended and permit budget changes

needed to meet project requirements. PI's need to be aware of the specific requirements for their awards and to request prior approval for budget changes when necessary. Frequently, advance approval from the sponsor is required if the change to any budget category will exceed a specified percentage amount, such as 10%, for example. Re-budgeting to include animal care costs or human subject costs may not be permitted without prior IRB approval.

When budget revisions are made in direct cost categories, there may also be an impact on the F&A costs to be charged to the project. As an example, if funds budgeted for equipment, that were not included in the MTDC base for calculating the F&A cost, are expended for materials and supplies, then F&A costs will be assessed against those expenditures.

Principal investigators should seek guidance from their Grant Specialist in the CGO on specific re-budgeting questions. If re-budgeting becomes necessary, the PI should contact the Grant Specialist as soon as possible, whether or not sponsor approval will be required, for proper internal processing of requested expenditures.

E. Project Extensions

The principal investigator must plan and direct the project work so that it will be completed within the time and funds authorized. It is sometimes necessary, however, and appropriate to initiate a request for additional time with or without additional funds.

Requests for such changes should be initiated by the PI, through the CGO, and forwarded to the sponsor well in advance, **at least 60 days prior to the project expiration date**. Verifiable documentation from the sponsor authorizing an extension of the project or budget period must be provided to the CGO. Documentation must be in the form of a letter (or official e-mail) from an authorized official of the sponsor approving the extension, or by way of a notice of award.

No-Cost Extensions

If the project cannot be completed before the end of performance period, and if funds remain unexpended which can be used to complete the project, a no-cost extension may be available. This is an authorized extension of the period of performance with no additional funds awarded by the sponsor. The availability of a no-cost extension depends upon the terms of the sponsor's award, the sponsor's policies, and any applicable regulations.

- **Federal sponsors**

Federal awards sometimes provide for one automatic no-cost extension for six months to one year, and where an extension is not automatic, federal sponsors will frequently approve a no-cost extension upon timely request. A written request and formal notification of approval should be processed through the CGO. As noted above, the PI should notify the CGO as early as possible and not later than sixty (60) days before the expiration of the grant or the current budget period to request a no-cost extension.

- **State agency sponsors**

State agency sponsors frequently do not approve no-cost extensions unless a compelling reason is provided and documented well in advance of the project expiration date.

- **Other non-federal sponsors**

Non-federal sponsors generally require the formal execution of an amendment to the award document to effectuate changes or extensions of the terms and conditions of an award.

Carryover funds

Funds not expended on program needs during the award's period of performance or budget period may not be charged against a subsequent budget period or a different grant unless the sponsor has approved such a use of carryover funds or unless the terms of the sponsor's award and/or applicable regulations permit an automatic carryover of funds from one budget period to the next. Unless the award is made on a fixed fee basis, any unexpended funds will be promptly returned to the sponsor in the account close-out process, unless use of carryover funds is authorized.

Authorized carryover funds will need to be incorporated into the account budget for the renewal period or a new award if applicable.

Funding Renewals

Some sponsored projects are awarded for multiple years, but funding is allocated only for one budget period at a time. Other sponsored awards are for programs that continue operation indefinitely from year to year, but a new award is made by the sponsor each year. In the latter case, the clearance process should be initiated in the SPO for each new award, and program expenditures should not be incurred beyond the end of the performance period under the existing award unless an Advance Account is appropriate and has been approved. (See Section 3.8 on Anticipated Awards.)

F. Billing and Financial Reporting

[This section in process of revision]

G. Close out procedures

OMB Circular A-110 requires submission of final financial and technical reports for federal awards within ninety (90) calendar days after the end of the period of performance. See OMB Circular A-110, subpart D, § _____.70 online at: <http://www.whitehouse.gov/omb/circulars/a110/a110.html#70> The State of Indiana generally requires final reports to be filed within thirty (30) days, sometimes within forty-five (45) days, after the end of the grant. Unless the sponsor authorizes an extension, all obligations incurred under the award must be liquidated within the specified time allowed for preparation of the final report.

The Grant Specialist will send a reminder notice to the PI sixty (60) days prior to the end date of the contract or grant. It is the PI's responsibility to ensure that the project is completed and funds to be expended on the project are incurred within the performance period. It is also the responsibility of the PI to provide documentation of expenses incurred to the Grant Specialist in a timely manner. The Grant Specialist will prepare and file the final financial report.

Any fund balances remaining after the close of the grant period must be promptly returned to the sponsor unless an extension of the grant period has been approved to apply those funds to project expenses (a "no-cost extension.") or unless carry-over of the remaining funds to a new grant period or a new grant award has been authorized by the sponsor.

All final technical and financial reports required by the terms of the award or applicable regulations must be timely filed, along with any required disclosure of inventions and inventory of equipment.

H. Record Retention

Financial and program records must be retained on file for audit purposes for the minimum number of years required by the sponsor in the award document or under applicable regulations laws, regulations and University policy. The shortest record retention period under University policy and under most federal and state government contracts and grants is three (3) years from the date of the last payment made under the award. Some federal agencies and other sponsors, however, specify longer record retention periods, such as five (5) years, or in rare instances, ten (10) years. It is important to identify the applicable record retention period for each contract or grant. Also, if an account is being audited and there are any unresolved questions, the records must be kept any additional period required for resolution of the questions or dispute.

4.3 Special Administrative Concerns

A. Cost Transfers

Overview

A cost transfer is a direct charge expense transferred from one university account to another after the charge has been posted to the FRS. Once a cost has been incurred and charged to a particular project account, it cannot be arbitrarily transferred to another project account. As a general rule, the need for a cost transfer indicates a mistake in the initial transaction. Care should be taken to avoid the necessity of a cost transfer. Transfers of expenses from a sponsored project fund (a restricted account) to an unrestricted University account may occur when such expenses are determined to be unallowable. In rare circumstances, charges must be moved from one sponsored project account to another. In such instances, cost transfers are allowable with proper justification and approval by both the PI and the CGO.

Allowable Cost Transfers

Acceptable cost transfers into a sponsored project fund must:

- Occur in a timely manner (It is important that cost transfers occur as soon as an error is discovered, but not later than 90 days after the grant/contract ends. If the transfer must be made after 90 days, the reason for the delay must be documented. In no instance may costs be transferred after the Grant and Contract Fund Closeout Adjustment Period without the prior approval of the CGO.)
- Be allowable under sponsor and University policies
- Adequately describe the purpose of the entry, including an explanation of the reason for the entry
- Be necessary to appropriately allocate expenses to a correct fund

Types of Allowable Cost Transfers

Costs can be transferred for the following reasons:

- * To correct clerical or accounting errors, such as transposition of numbers; however a specific reason must be given
- * To amend charges posted to wrong fund by service center providers
- * To resolve any misunderstanding of instructions from the PI or other miscommunication

Such transfers must be documented with a full explanation of how the error occurred and a correlation of the charge to the fund to which the cost is transferred. Documentation should include the following information and any other pertinent details:

- 1) A description of why the error occurred. A statement that the cost transfer is necessary "to correct an error" or "to charge the correct project" is not sufficient. The circumstances of the error must be fully explained.
- 2) Correlation of the expense item to the project to which the cost is being transferred, and if transferred to a sponsored project account, an explanation of how the cost benefits the project.
- 3) Certification of the correctness of the new charge by a responsible financial or administrative official.

Documentation will include a copy of the FRS printout showing where the actual charge was posted, check request, purchase order, etc. Documentation from the Teleplex, which is a recharge center, should consist of an invoice detailing all costs incurred for its portion of the project.

Cost transfers for labor and fringe benefits are to be processed on a Labor Distribution Form if the expense is within the same fiscal year. Prior year transfers should be processed on a Journal Voucher. The Journal Voucher form can be accessed in Form Finder under accounting forms at: <http://www.bsu.edu/webapps2/formfinder/acctng.html> The Labor Distribution form can also be accessed in Form Finder under accounting forms.

Note: To avoid unnecessary cost transfers between continuation years of a project, an Advance Account should be requested from the CGO. See Section 3.8 on Anticipated Awards (Advance Account Requests). The Advance Account process helps eliminate the need for cost transfers if the notice of award is received after the start of the continuation year.

Unallowable Cost Transfers

- Funds in Overdraft Status

The transfer of charges from a fund in overdraft status to a federal award (including federal awards passed through another sponsor) is expressly unallowable in accordance with OMB Circular A-21: Cost Principles for Educational Institutions, Section C.4.b. This section specifically states that "any costs allocable to a particular sponsored agreement under the standards provided in this Circular 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."

Transfers of cost from one project to another or from one competitive segment to the next solely to cover cost overdrafts are not allowable.

- Funds Terminating with Unexpended Balances

In accordance with the requirements of OMB Circular A-21, costs must be allowable, allocable and reasonable/necessary. Therefore, costs should not be transferred to an account with an unexpended balance during the last months of a project simply to deplete the balance of funds.

B. Excess Cash on Hand

OMB Cir. A-110 requires the University to have written procedures to minimize the time elapsing between the transfer of funds to the University from the U.S. Treasury and the issuance of payments by the University for program purposes. (See: OMB Cir. A-110 ____,21 (b)(5) at <<http://www.whitehouse.gov/omb/circulars/a110/a110.html#21> > This is generally not a concern for cost reimbursement accounts, since payments from the sponsor are not received until after the expense has been paid by the University. However, in the rare situation that payment of direct federal funds or federal flow-through funds is received in advance, in a lump sum or incrementally pursuant to a payment schedule, care must be taken to ensure that the funds are promptly used for program expenses.

C. Over-expenditures and Collections

If a deficit or disallowance to the project account occurs, the CGO will work with the PI and his or her department chair and dean as to the desired disposition, which will generally require transfer of the over-expenditure into an unrestricted account of the appropriate school/department. The Account Notification form normally identifies the PI's department as the source of funding for any over-expenditure.

Occasionally, a sponsor fails to reimburse the University for legitimate expenditures made for a project. While it is the responsibility of the CGO to submit invoices or financial reports as required in the award document, the PI plays an important role in resolving situations where a sponsor will not or cannot reimburse the University.

D. Program Income

Federal laws and regulations govern the receipt, use and reporting of program income from projects under contracts and grants supported in whole or in part with federal funds.

Definition of Program Income:

Program income means gross income that is directly generated by the federally funded project or earned as a result of the award. Program income includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired with grant funds, the sale of commodities or items fabricated under an award, license fees and royalties on patents and copyrights, and interest on loans made with award funds.

Agency regulations and contract/grant provisions:

- **Deduction of costs if authorized:**

If authorized by either agency regulations or the terms of the award, costs incident to generation of program income may be deducted from gross income to determine program income.

- **Unless regulations of the awarding agency or the terms of the award provide otherwise:**
 - 1) There is no obligation regarding program income earned after the end of the project period;
 - 2) Program income does not include the receipt of principal on loans, or rebates, credits, discounts, etc.
 - 3) There is no obligation with respect to program income earned from license fees and royalties for copyrighted material, patents, patent applications, trademarks, and inventions produced under an award.
 - Note: Patent and Trademark Amendments (35 U.S.C. 18) apply to inventions made under an experimental, developmental, or research award.

Exclusions from Program Income:

- Program income does not include interest on grant funds.

Note: There are, however, separate regulations that apply to interest on grant funds, such as requirements to maintain certain federal funds in interest bearing accounts, requirements to remit interest earned to the awarding agency, and requirements to minimize the time between advances/drawdowns and disbursements.

- Program income does not include proceeds of the sale of equipment or property.

Note: See OMB Cir. A-110 § _____.30 through _____.37 for regulations regarding proceeds from the sale of property and OMB Cir. A-133 under “Equipment and Real Property Management.”

Use of Program Income:

- **Where agency regulations or contract/grant provisions specify:**

The regulations of the awarding agency or the terms of the grant/contract may provide for the use of program income in any of the following three ways:

- 1) **Added to project budget:** Program income is added to funds committed to the project by the federal awarding agency and the grantee, and is used to further eligible project or program objectives.

(If any program income limit is specified by the awarding agency, program income in excess of that limit is deducted from the total project or program allowable cost in determining the net allowable costs on which the Federal share of costs is based.)
- 2) **To meet matching requirements:** Program income is used to finance the non-Federal share of the project or program.

(If any program income limit is specified by the awarding agency, program income in excess of that limit is deducted from the total project or program allowable cost in determining the net allowable costs on which the Federal share of costs is based.)
- 3) **Deducted from federal grant outlay:** Program income is deducted from the total project or program allowable cost in determining the net allowable costs on which the Federal share of costs is based.

- **Where agency regulations and contract terms are silent:**
 - 1) For Research Awards:
Program income is added to the project budget (See above)
 - 2) For All Awards Other Than Research:
Program income is deducted from the federal grant outlay. (See above)

Responsibility of PI:

If program income is anticipated, it will usually be specified in the Award document. The PI is responsible for understanding what program income is, for identifying anticipated program income, reporting all program income to the CGO, and for working with his or her Grant Specialist for compliance with applicable Circulars, regulations and award provisions for the particular grant.

4.4 Project Changes

A. Overview

When a grant or contract is awarded in response to a proposal, the sponsor expects the project will be carried out in accordance with the proposed scope of work and the approved budget. Since the course of research is often uncertain and circumstances can change, provisions to manage project changes are necessary. When this is the case, requirements to obtain sponsor prior approval vary widely: some sponsors are very restrictive; others allow wide latitude for changes that benefit the project.

Since it is impractical to provide a comprehensive list of all sponsor requirements, this section focuses instead on federal regulations.

To determine whether a proposed change is permissible:

- Read the award terms and conditions
- Discuss the change with your Grant Specialist in the CGO.

The CGO works with the PI and the sponsor to implement any changes in the project which require University and sponsor approval (such as changes in scope of the project, key personnel identified in the notice of award, budget, and other modifications of award terms and conditions). Requests for changes must be approved and signed by CGO before submission to the sponsor. Certain significant changes may also require the review and approval by the department chair and dean of the college.

Project changes are of three basic types:

- programmatic
- budgetary
- administrative

- **Programmatic Changes**

Programmatic changes are necessary when the PI determines that the direction of the project must change based on the results obtained to date. Depending upon sponsor requirements, such changes may require prior sponsor approval. Also, adding human subject research or

animal research to a project is a programmatic change and may require sponsor notification as well as IRB approval.

- **Budget Changes**

Budget changes are necessary when the PI determines that expenditures are required for unanticipated items not included in the proposal budget (e.g., the purchase of equipment not originally needed for the project, or an unexpected trip that increases the amount spent for travel). Generally, budget changes involve moving funds from one budget category to another, without increasing the total amount of the award. Occasionally, however, a need arises that can be met only with increased funding and thus usually requires submission of a proposal for supplemental funds. See Section 4.2D on Rebudgeting of Funds.

- **Administrative Changes**

Administrative changes, the third general category of project changes, include but are not limited to:

- Changes in scope of work (see Programmatic Changes above)
- Expenditure of funds before receipt of the formal award (pre-award costs)
- Extension of the project period (no-cost extension)
- Changes in the effort of the PI or other key personnel named in a notice of award
- Carryover of unexpended funds from one budget period to another

B. Documenting Project Changes

PIs are responsible for maintaining written justification that changes are necessary in terms of the science or programmatic needs and that expenditures are correlated to successful completion of the project.

C. Expanded Authorities or Waiver of Authorities

[This section in process of revision]

D. Project Changes Allowability Checklist

Project Changes Allowability Checklist

Initial steps for PI when contemplating project changes:

- Review the terms of the specific award notice;
- Check sponsor general terms and conditions and any referenced regulations, laws, guidelines and agreement manuals;
- Ensure changes are consistent with project objectives and statement of work, and document this information;
- Review agency-specific requirements;
Review OMB Circular A-21: Cost Principles for Educational Institutions: Section J.

E. Change of Principal Investigator or Reduction of Effort

An award is based to a great extent on the qualifications and proposed level of effort of the named principal investigator. Should a PI wish to withdraw from the project, substantially reduce his or her stated level of effort, be absent from the project for an extended period (3 months or

more), such as sabbatical leave or illness, or sever his or her connection with the University, the situation must be communicated to the department chair and the dean. They, in turn, will recommend appropriate action, such as a substitute principal investigator or termination of the project. These recommendations must be forwarded through CGO to the sponsor for approval.

F. PI / Project transfer to new institution

When a Principal Investigator is moving to another institution and the Principal Investigator has current sponsored projects, these projects may be either transferred to the new institution or they may be retained by Ball State. Some project activities may be subcontracted back to Ball State if the project is transferred to the new institution or may be subcontracted to the new institution if the project is retained by Ball State University. Since sponsored project awards are made to institutions, and not directly to Principal Investigators, the University must agree to any transfer of a current award to the new institution. The principal investigator and department chair will need to discuss this disposition and then decide upon the best solution for each project.

For more information and detailed procedures see the guidelines and forms provided on the CGO website at <<http://www.bsu.edu/cgo/manual/pimovingpage/>>

G. Other Post Award Changes

Sponsor prior approval may be required for other post award changes to federal grants. They include but are not limited to:

- changes in the budget
- adding human subjects or animals if a change in scope
- foreign travel
- subawards
- equipment procurement
- initial no-cost extension
- title to supplies
- more than 90 day pre-award costs
- additional funding

The principal investigator must be cognizant of these sponsor restrictions at the outset of the project. Review the award terms and conditions carefully. Contact the PI's CGO Grant Specialist for further clarification. When sponsor prior approval is required, the PI will initiate a letter describing the desired change, with justification, and forward it to CGO for endorsement and submission to the sponsor.

H. Certain Categories of Post-Award Changes

The following is a list of factors to evaluate when determining the allowability of certain project changes by cost categories.

Change in Effort of Key Personnel

[This section in process of revision]

Change in Scope of Work

[This section in process of revision]

Significant Rebudgeting

[This section in process of revision]

Equipment Not Included in Proposal

[This section in process of revision]

Subrecipients Not Included in Proposal

[This section in process of revision]

Foreign Travel Not Included in Proposal

[This section in process of revision]

Consultants Not Included in Proposal

[This section in process of revision]

4.5 Subrecipients and Vendors

A. Distinguishing Subrecipients/Subcontractors from Vendors

Services that are provided by organizations or by individuals employed by an organization may be either subrecipients (subcontractors or subgrantees) or vendors. Neither of these categories are considered to be employees of the University. The distinction between the two categories is provided in OMB Circular A-133, § ____.210 which can be found online at <http://www.whitehouse.gov/omb/circulars/a133/a133.html#b>

Subrecipients

A subrecipient will be performing as a partner for the project, will perform its own portion of the project work as specified in the proposal, will participate in decision making and in determining the direction of the project, and will participate in and contribute to the final products and/or report. The work will be performed at the subrecipient's own worksite. Subrecipients are often other universities, but other types of organizations may also be subrecipients. Individuals are almost never considered subrecipients. They may be considered employees of the University or they may be vendors. See the paragraph on Vendors in this Section. Subrecipient agreements are prepared by the CGO and submitted to the subrecipient organization for its approval and signature.

Vendors

Vendors are individuals (or their organizations) who provide services that they normally provide to other customers in the marketplace. While the services may be important to the project, or may even represent a large dollar amount, the providers of the services are not fully participating in the project as partners and decision makers. The services may be provided for any length of time during the project period. Services may be provided for a short period or periodically throughout the project. If the provider of services is an individual, it is important to apply the "20 factors test" provided by the IRS to determine if the person is an independent contractor or if the person is actually acting as an employee of the University.

Consultants

Most federal sponsors limit the amount of payment to consultants to an equivalent rate of payment to an amount equivalent to payment for a GS-14 salary for federal employees.

Consulting firms are frequently vendors, but may be subrecipients in certain cases, depending upon the nature of the work they are to perform and the criteria described in this Section of the Manual above.

B. Subrecipients (Subcontractors, Subawards)

The Subaward

Subaward documents, called subcontracts, subagreements, or subgrants, are prepared in the CGO and submitted to the subrecipient for its approval and signature. If a proposal from the subrecipient was not included in the proposal for the prime award submitted by the University, the PI should obtain an appropriate proposal or prepare a "scope of work" for the subcontracted activities, and provide that to the CGO as soon as possible after notification of the University's prime award. After confirming the cost, time period, scope of work, billing requirements, reporting requirements, appropriate subaward instrument, and special needs of the project, the CGO will draft the subaward document and obtain authorized signatures. With only limited exceptions, subcontracts are issued on a cost-reimbursement basis. Whether the subcontract is fee based or cost-reimbursement, under University policy and state law regarding expenditure of state funds, payment is made only after the goods or services have been provided by the supplier, unless certain specific exceptions apply.

Flow-down requirements

Usually, subrecipients must honor the same terms and conditions the sponsor imposes on the University. The subaward document establishes those requirements contractually. The general terms and conditions of the prime award, including laws and regulations incorporated by reference, are generally attached to and incorporated into the subaward document.

Invoices

- **Documentation of costs**

Most grants received by the University are cost-reimbursement grants. Just as the University must have documentation to support all costs invoiced by it to the sponsor, the University must require subrecipients to do the same. For more information, please see the "Guidelines to Documentation of Subcontractor Expenditures" on the CGO website at <http://www.bsu.edu/cgo/media/pdf/subcontractorsexpen.pdf>

- **Cost Share Certification**

If the Subcontractor is required to contribute to any cost share requirements, the subcontractor must maintain documentation for its cost share expenses and must provide certification of these costs on a form provided by the CGO. Subcontractor cost share certification may be required with each invoice or only at the end of the subcontractor's performance period. The certification form can be found in the CGO website at <http://www.bsu.edu/cgo/forms/internalforms/>

- **Timeliness of final invoice**

If the subrecipient does not provide a properly documented final invoice within the subcontract's performance period or other time specified in the subaward document, the University may not be able to include the subrecipient costs in its final invoice and financial

report to the sponsor. The subaward document should specify that the University may deny payment to the subrecipient if the University is not able to recover its costs due to late submission of an invoice or documentation by the subrecipient.

- **Costs incurred within performance period**

As with costs expended on the project by the University under its prime award, a subrecipient's costs are not reimbursable if they are not incurred within the performance period of the subaward, unless there are specific award terms which permit recovery of pre-award costs and/or unless an extension is approved by the prime sponsor and the University to permit recovery of costs incurred after original ending date of the award.

Subaward Modifications

When changes in the University's prime award impact a subrecipient or when the needs of the project require changes in a subaward, the CGO will issue, when necessary, written modifications in the form of amendments to the subaward signed by both parties. Examples of possible modifications include:

- No cost extensions
- Reduction in Period of Performance and/or Subaward amount
- Increase in Award Amount for Existing Subaward Period
- New Subaward for a New Budget Period
- Authorization of carryover funds

- **No cost extensions**

If the University receives a No Cost Extension of its prime award, it may or may not extend the period of performance of the subaward (without additional funds). The decision to extend the subaward depends on the needs of the project and the terms and conditions of the University's award. If a request to extend the subaward from the subrecipient's principal investigator and authorized official is approved by the University's PI and the CGO, the CGO will issue an amendment to the subaward document extending the period of performance with no additional funding.

- **Reduction in Period of Performance and/or Subaward amount**

If the period of performance and/or amount of the prime grant to the University is reduced, it may be necessary to reduce the term, subaward amount/budget and/or scope of work of a subcontract. Upon written notification from the PI, including information on how the subaward is affected, the CGO will issue a modification to the subrecipient.

- **Increase in Award Amount for Existing Subaward Period**

If the University receives supplemental funding under a grant or otherwise has funds available to increase the amount of funds for a subaward, the CGO will issue an appropriate amendment to the subaward. An amendment to the scope of work to incorporate additional duties to be performed by the subrecipient may be needed from the PI.

- **Continuation Funding Available**

Under multi-year prime grants, funding is frequently awarded for one-year budget periods only. In such cases, subawards are also subject to continued availability of funds. When

appropriate, and if continued funding is made available under the prime grant for activities in the subrecipient's scope of work, the CGO will issue a modification to the existing subaward agreement, extending the period and increasing the subaward. If the account for the prime grant under which the initial subaward was issued has been closed, however, a new subcontract will be needed, rather than an amendment to the prior year's subaward. If a proposal from the subrecipient for the new period was not included in the initial proposal or if changes in the scope of work or budget have become necessary, the PI must inform the Grant Specialist in the CGO so that the appropriate changes can be made to the new or revised subaward.

- **Authorization of carryover funds**

If authorized carryover funds are to be used for subcontracted activities, the CGO will issue an appropriate award modification to the subrecipient. A new budget should be established for services performed in the new subaward period, including any remaining funds with approved carryover from the previous budget or performance period.

Subaward Close-out

It is essential that the final invoices and the final program and financial reports are received from the subcontractor sufficiently in advance of the due date of the University's final reports to enable timely preparation and filing of the University's reports as required by the prime contract or grant. Either the term of the subaward must end thirty (30) days prior to the expiration date of the University's prime award, or the subaward document must require the subcontractor's final invoices and reports a minimum of fifteen (15) days, preferably thirty (30) days prior to the due date of the University's final reports. The Grant Specialist in the CGO will include properly invoiced and documented subaward costs in the University's final financial report to the sponsor.

C. Vendors

Bidding Requirements or Sole Source Selection Process

If the amount of a vendor agreement equals or exceeds \$15,000, federal regulations and University policies require that a minimum of three (3) bids be reviewed before the contract is awarded, unless the PI can document that the criteria for a sole-source selection are met. If the selected service provider did not submit the lowest bid, an explanation and price justification are required. If the contract is to be awarded based upon sole-source selection criteria, documentation must be provided for the reason why the selected source is the only one that can satisfy the requirements and to establish that the cost is reasonable.

Prime award requirements

Even though vendors are not subject to all regulations that are applicable to the University as a grantee under federal and state awards, certain laws and regulations do apply to vendors under these grants.

Examples:

- Certification regarding suspension or debarment.
- Non-discrimination
- Ownership of data and reservation of government rights to use intellectual property created with government funds.

Independent Contractor Agreements

For individuals providing personal services, a standard Independent Contractor form developed by the CGO may be used. The PI can access this form online in the CGO website at [<http://www.bsu.edu/cgo/forms/internalforms/>](http://www.bsu.edu/cgo/forms/internalforms/) The PI can use the interactive form provided to enter the appropriate information to define the scope of work, timeframes for performance and deliverables, fee rates and payment schedule. The form includes the key requirements of the University and most sponsored agreements for vendor contracts.

For corporations and other organizations providing vendor services, the PI should contact the Purchasing Office.

Payments and Documentation

Vendors are required to provide itemized invoices and justification for the amount billed. As is the case with subrecipients, the timeliness of the vendor's final invoice is critical, in order to assure that the University's costs for the vendor's services can be included in the University's final invoice and final financial report to the prime sponsor.

University policy and Indiana law governing expenditures of state funds require that payments under both vendor and subcontracts be made to the service provider only after performance of the services or delivery of the goods purchased, unless specific limited exceptions apply.

4.6 Project Reporting

A. Overview

Certain prescribed actions are required to ensure the orderly administration and timely reporting/closeout of a grant or contract. While these requirements vary by sponsor, the following are necessary for most projects:

- Technical/Programmatic Report (Interim and Final)
- Report of Inventions (Interim and Final)
- Final Inventory of Equipment
- Financial Report (Interim and Final)

For further information, see the section on Close out Procedures under Account Administration/General Administration.

B. Technical Reports

Most grants and contracts require the submission of a final report of the research accomplished during the period of performance. Some sponsors also require the submission of interim reports. Such reports may vary from a brief summary and list of publications to a complete compilation of the project and its results. The specific requirements are stated in either the award document, or, in the case of many grants, in a policy manual referenced in the award. It is the PI's responsibility to prepare and submit the technical/programmatic reports to the sponsor. CGO does not require a copy of the final report, but does require a signed and dated copy of the transmittal letter and first page or summary to document submission of the report for audit purposes. The NSF mandates the submission of technical reports via FastLane. In this case, the submission date is directly available to CGO through FastLane.

C. Report of Inventions

Most sponsors require that discoveries and inventions be disclosed to the sponsor upon conception or reduction to practice. Many sponsors require reports of inventions at regular intervals, generally annually. The PI is responsible for adhering to a sponsor's invention reporting requirements and the University's policies regarding the disclosure of inventions. See the University's Patent and Copyright Policies online at <http://cms.bsu.edu/en/About/AdministrativeOffices/TechTransfer.aspx>

At the completion of a project it is often necessary to certify whether or not an invention has been made during the course of the project. The CGO or the sponsor will notify the PI when invention reports are required and will supply the necessary forms. However, it is the responsibility of the PI to report an invention to the Director of Technology Transfer at the earliest possible time to avoid premature public disclosure.

D. Final Inventory of Equipment

All federal contracts and many grants require a final inventory of equipment purchased, fabricated or furnished by the sponsor during the period of the project. Non-federal sponsors may have other requirements, and the PI is responsible for adhering to individual sponsors' reporting requirements.

E. Interim and Final Financial Reports

Interim Financial Reports

Interim financial reports may be required by the sponsor. The award notice will provide such instructions.

The responsibility for preparing and submitting all interim and final financial reports rests with the CGO, however, timely reporting requires the assistance of the PI through input prior to the point that the report is prepared. It is important to note that the PI is ultimately responsible for management of the fund and, as such, must ensure that all expenses charged are accurate and allowable under the terms of the award.

Final Financial Report

The CGO is responsible for preparing and submitting all final financial reports and final invoices where required. However, the PI and his or her department and school play a vital role in assuring that the report (and final invoice, if necessary) is accurate and submitted on time. In addition, for awards with required cost sharing an accounting of the cost shared amounts will need to be provided. For further information, see Section 4.2G on Close-out Procedures.

5 - Effort Reporting

5.1 Policy/Procedures

The effort reporting system at Ball State University is a system designed to provide a reasonable basis for determining and documenting salary and wages charged to sponsored programs.

5.2 Importance of Effort Reporting

Compensation for personal services is the single largest category of costs funded with grant dollars. All colleges and universities that receive federally funded grants must maintain an effort reporting system that meets federal regulations. Ball State University is audited annually for compliance with this requirement. Adverse audit findings can result in fines, penalties and loss of funding. Serious violations can lead to suspension or debarment from receiving government awards.

5.3 Effort Reporting and Cost-share

Cost-share is the dollar amount or percentage of funding or in-kind contribution the University has committed to provide for a project funded by an outside sponsor. This is usually included in the budget for the grant proposal. Cost-share salary and wage expense (whether mandatory or voluntary) is subject to effort reporting requirements just as the expenditure of sponsor dollars for salary and wages are.

5.4 Effort Reporting Rules

Ball State University uses the “Plan Confirmation” method of effort reporting for faculty and professional staff. This is one of the models approved by federal regulations in Office of Management and Budget (OMB) Circular A-21. Under these regulations, a Plan Confirmation system of effort reporting must:

- Base the distribution of salaries and wages of professorial and professional staff applicable to sponsored projects on budgeted, planned, or assigned activity, updated to reflect any significant changes in work distribution.
- Incorporate budgeted, planned or assigned work activity into the official records of the University and encompass both sponsored activity and other activities on an integrated basis.
- Reflect only activity for which the employee is compensated by the University. Incidental work, in excess of a normal load for the individual for which supplemental compensation is paid under University policy, need not be included in the payroll distribution system, so long as it is separately included in the financial management system.
- Include “after-the-fact” confirmation that the costs allocated to the grant represent actual costs. At least annually, a certified statement must be signed by either the employee who performed the work or another responsible person who can verify the work was performed, confirming that the salary and wages charged to the grant and to other non-grant categories of work are reasonable in relation to the work performed.
- Provide for independent internal evaluation to ensure the system’s integrity and compliance with the standards of OMB Cir. A-21.
- Charges may be made initially to sponsored agreements on the basis of estimates that are made before the services are performed, if all of the above requirements are met.

5.5 Ball State University’s Effort Reporting Procedures

(A Plan Confirmation System)

A. Budgeted estimates of assigned time are incorporated into the payroll system

The estimated percentage of compensated time that will be devoted to direct activities under a sponsored program is included in the budget submitted with the grant proposal and approved by the sponsor. This percentage of effort is entered into the Financial Reporting System (FRS) when an account is opened through the Contracts and Grants Office, through a process which includes the prior approval of the employee, his/her department chair and dean.

Any significant change in work activity charged to a grant must be approved by a responsible official and entered into the FRS system. A short term fluctuation (e.g. a variation affecting only one or two months) does not need to be entered into the system, so long as the overall percentage is still reasonable over the course of an academic term. Each PI is required to notify his/her Grant Specialist immediately if a change other than a short term fluctuation occurs. The Grant Specialist will submit the appropriate form to reflect the change in the payroll system and to properly adjust payroll records.

B. Invoicing

Invoices to the grant sponsor for cost reimbursement payments based on the salary percentages in the FRS are sent after the costs are incurred.

C. Effort Reporting Certification

Ball State University faculty and professional staff who have effort assigned to work on sponsored programs are required to certify on an annual basis the percentage of the total effort for which they received compensation which is applied to one or more sponsored programs.

The PI, the department chair, or another responsible official with a suitable means of verifying that the work was performed, may certify the percentage of an employee's effort on sponsored programs in lieu of certification made directly by the employee. This may apply, for example, when the employee is no longer available to certify his/her own effort when the data is available in the annual certification process.

Annual Online effort certification for Fiscal Year

The online Time Certification System (TCS) is available to facilitate compliance with the annual effort reporting requirements.

Detailed instructions for using the TCS can be found on the Contracts and Grants website at <http://www.bsu.edu/cgo/timecertinstruc/>

The Contracts and Grants Office will send each employee who needs to certify time a notice when the effort reporting data is available for the preceding fiscal year. Each employee who receives such a notice is required to certify or correct the information in the TCS within fifteen (15) days after receipt of this notice from the CGO. Timely compliance with effort reporting requirements is the responsibility of the employee and is enforced by the department chair and college dean. Failure to respond within fifteen (15) days will result in a notice of delinquency from the CGO to the employee with a copy to his/her department chair. Failure to respond within thirty (30) days will result in notice to the employee with a copy to the college dean.

Effort certification for hourly staff

The time and effort of employees paid on an hourly basis (non-faculty and non-professional staff) is usually included in the indirect costs of a grant and therefore is not separately budgeted or charged to the grant.

On those relatively rare occasions where such staff time is separately budgeted, the employee's time entries on the Kronos system provide after-the-fact confirmation of effort spent on sponsored programs.

It is the responsibility of the PI to ensure that any hourly paid employee who has time assigned directly to one or more sponsored programs is properly entered in the Kronos system with entry lines identifying the account number of each sponsored program for which the employee performs compensated effort.

In the limited situations where it is necessary for an hourly employee to begin work on a grant before the account is opened through the CGO (e.g. where the sponsoring agency does not issue a notice of award for an ongoing program until after the new program year has started), a retroactive Labor Distribution form will have to be completed for the employee to certify immediately after the account is opened. From that point forward, the employee's time must be properly entered into the Kronos system.

Note: unlike faculty and professional staff, an hourly paid employee who works on a sponsored program must certify his/her time no less frequently than monthly and in conjunction with the end of a pay period.

Reporting of indirect activities and other activities not directly charged to a sponsored program.

Costs for indirect activities are charged to grants under Ball State University's negotiated Facility and Administrative cost rate (formerly called "indirect cost rate") or in accordance with grant-specific requirements.

As permitted by OMB Cir. A-21, indirect activities, departmental, administrative, and all other activities not directly associated with any sponsored programs are included in one residual category of the employee's total efforts which, when combined with the percentages of effort certified for sponsored programs, equals 100% of the effort for which the employee receives compensation.

D. Independent internal evaluation

Periodic internal auditing of the University's effort reporting system is arranged by the Director of Auditing in the Office of Business Affairs, with assistance of independent accounting consultants as appropriate, to determine the system's effectiveness and compliance with OMB Cir. A-21.

6 - Other Compliance Areas

6.1 Lobbying Regulations

The “Byrd Amendment,” a federal law found at 31 USC §1352, prohibits the use of federal funds to engage in lobbying activities. OMB Cir. A-21 includes descriptions of unallowable costs related to prohibited lobbying activities. For more information see subsection 28 of section J in OMB Cir. A-21 at: <http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html#j>

6.2 Suspension and Debarment

Debarment and suspension are actions taken by the federal government against organizations or individuals who have committed fraud or a criminal offense in violation of federal law. Persons and organizations who have been suspended or debarred are listed on the federal Excluded Parties list and may not be awarded a federal contract or grant. This restriction applies to the University as a grantee and to any subcontractors and vendors under grants awarded to the University. Grantees and subgrantees are required to report promptly any event that would cause suspension or debarment.

6.3 Procurement Integrity

The Procurement Integrity statute prohibits certain activities by universities and their personnel in connection with contracts pending award.

[This section in process of revision]

7 - Audits

7.1 Overview

When the University accepts funds from outside organizations for research and other activities, those organizations presume the University will expend the funds for the purposes for which they were given and in accordance with any terms and conditions set forth in the award document. Similarly, the federal government has an obligation to the taxpayers to assure that recipients of federal funds are providing proper stewardship of those funds.

The University's sponsors generally reserve the right to audit the University financial records for sponsor awards and, in some cases, may audit the project's program/research records and data. This section on “Audits” addresses only the annual audit of federal awards, since they are the most common audits to which the University is subjected. Other sponsors, however, can and occasionally do perform various other audits.

If the PI or the department is contacted directly regarding any type of audit concerning a sponsored project, the CGO should be informed immediately.

7.2 Annual A-133 Audit by State Board of Accounts

As a state-supported university, Ball State University is audited annually by the Indiana State Board of Accounts pursuant to State law. The State Board of Accounts also performs the audit of federal awards received by Ball State University and each state university in Indiana. The audit of federal awards is conducted in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and in accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the State Board of Accounts annual audit of federal awards is

performed in accordance with OMB Circular A-133, separate audits of the grants from the federal agencies are not required. Any federal agency can, however, audit its awards.

Annual State Board of Account Audit Procedures

[This section in process of revision]

Exit Conference and Audit Reports

[This section in process of revision]

Audit Findings and Resolution

[This section in process of revision]

8 - OMB Circulars

Three Circulars issued by the federal Office of Management and Budget (OMB) apply to all Ball State University federal or federal pass-through awards. While these OMB Circulars do not directly apply to awards from non-federal sources, the University, because it is a recipient of federal funds, is required to apply the same cost accounting standards to both federal and non-federal awards.

The three OMB Circulars we must comply with are:

OMB Circular A-110 - Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations.

OMB Circular A-21 - Cost Principles for Educational Institutions

OMB Circular A-133 - Audits of States, Local Governments, and Non-Profit Organizations

Overview of the Circulars

8.1 OMB Circular A-110

This Circular establishes the minimum standards for recipients of funds from all federal agencies. Some specific post-award areas governed by Circular A-110 include: requirements for the recipient's financial management system, record retention policies, cost sharing practices, changes to project budget and scope of work, use of income generated by a federally funded program (i.e. "program income"), written procurement procedures, technical and financial reports and records, close-out of funded accounts within 90 days after the end of the award period. OMB Circular A-110 can be found at <http://www.whitehouse.gov/omb/circulars/a110/a110.html>

Each federal agency may issue detailed implementation rules applicable to their awards, so long as these do not go beyond the standards of Circular A-110. For example, the Department of Health and Human Services (HHS) has published agency-specific rules in the Code of

Federal Regulations at 45 CFR 74, Department of Defense rules are in 32 CFR 34, the National Science Foundation (NSF) has published a Grants Policy Manual. Links to the NSF Grants Policy Manual and other sponsor rules and regulations can be found on the CGO website at: <http://www.bsu.edu/cgo/links/cgolinks/>

8.2 OMB Circular A-21

This Circular establishes principles for determining costs whether specific costs may be charged to grants and contracts between the University and federal agencies. It applies to both indirect (F&A) costs and specific direct costs. Under OMB Circular A-21, to be chargeable to a federal grant an expense must be:

- Reasonable
- Allocable to the project if a direct charge
- Given consistent treatment by use of generally accepted accounting principles
- Conform to any limitations or exclusions set forth by the sponsored agreement or OMB Circular A-21.

Circular A-21 helps you determine if an expense is covered as an indirect cost or if it is allowable as a direct cost. Specific items of cost are addressed in A-21. For example, A-21 provides guidance on clerical and administrative salaries, postage, phone rental, membership costs, etc. OMB Circular A-21 may be found online at http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html

8.3 OMB Circular A-133

This Circular establishes the requirement of an audit to determine compliance with the requirements of Circulars A-110 and A-21. Each year, the State Board of Accounts audits grants and subgrants held by Ball State University that are funded directly or indirectly with federal funds. A finding of non-compliance in such an audit can result in fines, loss of funding, or suspension or debarment from participation in federally funded programs. OMB Circular A-133 may be found at <http://www.whitehouse.gov/omb/circulars/a133/a133.html> >

9 - Glossary of Terms

Account Set Up: Establishment of a new account to record the budget and track costs associated with a sponsored project. The New Account Form requires the signature of the project director, department chair, dean, Contracts and Grants and the Controller's Office.

Allocable Cost: A cost that can be assigned to a project that meets a specific project objective based on relative benefits received. A cost may be allocable to a specific project but paid for by the University, depending on what the sponsor (funding agency) determines is allowable for a particular type of project.

Allowable Cost: Determined by the Office of Management and Budget (OMB), the sponsor's requirements and/or University policy. For purposes of Office of Management and Budget (OMB) Circular A-21, an expense that can be included in the facilities and administrative cost rate proposal or included as a direct cost to federal sponsored agreements are:

- Reasonable
- Allocable to the project (if a direct charge)
- Given consistent treatment by use of generally accepted accounting principles
- In conformance with any limitations or exclusions set forth by the sponsored agreement or OMB Circular A-21.

Award: Funds provided from an external sponsor for support of a project.

Budget: Project director's financial plan or estimate that lists the categories of expenditures and dollar amounts required to carry out a project's objectives.

Budget Category: A portion of the budget designated for certain kinds of expenditures, i.e., salaries, travel, supplies, equipment.

Budget Period: An interval of time by which the project period is divided for budgetary purposes.

Carryover (carry forward): The remaining available budget balance of a project that may be used to increase the budget of the next budget period. Carryovers are not always automatic and are not always allowed by all funding agencies. They usually require permission from the

sponsor.

Cost Accounting Standards - (CAS)

CAS requires consistency in estimating, accumulating and reporting costs. Ball State University must comply with the following four CAS standards :

- **CAS 501:** Consistency in estimating, accumulating and reporting costs. The purposes of this standard are to (1) assure consistency in estimating, accumulating, and reporting costs as well as (2) provide a basis for comparison of such costs. The same practices should be used when estimating costs for the proposed budget, accumulating costs in the accounting system and reporting costs to the sponsor.
- **CAS 502:** Consistency in allocating costs incurred for the same purpose. The University is required to charge similar costs in the same manner, either as direct costs or indirect costs.
- **CAS 505:** Accounting for unallowable costs. This standard does not include additional guidance on unallowable costs. Educational institutions will, therefore, continue to follow A-21 for guidance on what is unallowable.
- **CAS 506:** Cost accounting period. An educational institution must use either its fiscal year or a fixed annual period approved by the government as its cost accounting period. The University uses its fiscal year which is July 1 through June 30.

Cost Reimbursement: A cost reimbursable agreement (contract or grant) provides for payment to the University based on the University's actual cost incurred in performing and completing the agreement. This means that budgeted funds must be SPENT within the approved budget and project period in order for the University to collect the actual cash funds.

Contributed Effort: Effort expended on a sponsored project that the sponsor does not compensate for; a form of cost sharing or matching.

Cost Sharing (Matching): The sharing of the costs of a sponsored agreement by the University. Cost sharing is typically done on grants, not contracts. Cost sharing can either be provided by academic release time, cash, facilities and administrative (indirect) cost, or a combination of all.

Cost Transfer: A direct charge expense transferred from one account to another after the charge has been posted in a financial accounting record or system. Cost transfers from one grant account to another

grant account are usually not allowed.

Deficit (Cost Overrun): Direct costs incurred and charged to a sponsored project in excess of the awarded amount.

Direct Cost: Cost that can be clearly identified and directly allocated to a specific sponsored agreement.

Effort: The amount of time, usually expressed as a percentage of the total that a faculty or other employee spends on a project. Effort is certified and documented through the University's Time Certification System.

Encumbrances/Obligations: The dollar amount of items ordered, services rendered, contracts awarded, or similar purchases that are outstanding or unpaid. Internal reports encumber salaries, administrative (indirect) costs on sponsored projects, and purchase orders.

Equipment: Tangible items non-expendable in nature, instruments, or repairable machines that have a useful life of more than one year and an acquisition cost of \$5,000 or greater. Equipment is not a replacement part or component returning a piece of equipment to its original condition. If a component increases the capability of the original equipment and has an acquisition cost that meets or exceeds the established equipment cost thresholds, it is considered a capital item.

Facilities and Administrative (F&A) Cost Rates: The rates used to recover the facilities and administrative costs of a sponsored project. Negotiated, approved rates are to be used for all agreements with the federal government and for most non-federal projects, as allowable.

Facilities and Administrative (F&A) Costs: Also referred to as indirect costs, overhead or administrative costs. These are actual costs incurred to conduct the normal business activities of an organization that cannot be readily identified with or directly charged to a specific project or activity. The normal activities of the University include instruction, departmental research, organized research, public service and other institutional activities. F&A costs are real, auditable costs incurred by the University each time it accepts an award for a sponsored project. If the University does not collect full reimbursement for these costs, other University resources must be used to subsidize them.

Fixed Price Contract: A firm fixed price contract provides for a payment to the University that is not subject to any adjustment on the basis of the University's actual costs incurred in performing and completing the contract, i.e., billings are not based on actual expenditures.

Grantee: A grantee is the recipient of a grant. When the University accepts a grant award, it becomes the grantee.

Indirect Costs: See Facilities and Administrative Costs.

In-Kind Contribution: A non-cash commitment (such as contributed or donated effort, facilities use, or supplies) to share the costs of a sponsored project.

Mandatory Cost Share or Match: Cost Sharing or matching that is required by the sponsor, is stipulated in the notice of award or agreement, which must be documented and reported to the sponsoring agency.

Modified Total Direct Costs (MTDC): The portion of direct costs on which the facilities and administrative (indirect costs) are based, specifically: salaries and wages, fringe benefits, materials and supplies, services, travel, and up to \$25,000 on each subgrant or subcontract. Ball State's current negotiated F&A cost rate is 44.5% of MTDC.

Modified Total Direct Costs (MTDC) Base: The MTDC base is the total Direct Costs for a project less those budget items that are excluded by agreement with the audit oversight agency. The excluded costs are: equipment, construction, alterations and renovations, space rental or lease, tuition and fee remission, scholarships and the amount that exceeds \$25,000 of any subgrant or subcontract.

No-Cost Extension: Provides for an additional period of performance to accomplish project goals. May be handled internally in certain circumstances or sought externally from the sponsor. Sponsor requirements for advance approval vary. Contracts and Grants should be contacted regarding no-cost extensions well in advance of the ending date of the project.

Off-Campus Projects: Projects that are based at facilities not owned, or leased and maintained by the University. However, if the project is conducted in leased or rented space and the lease/rental costs are directly charged to the project, the off-campus facilities and administrative (indirect) cost rate must be used. Ball State's current negotiated off-campus F&A rate is 24% of MTDC.

Office of Management and Budget Circulars - (OMB): OMB, working cooperatively with Federal agencies and non-Federal parties, established government wide grants management policies and guidelines through circulars and common rules. These policies are adopted by each grant making agency and inserted into their Federal regulations. Their website is available at:
<http://www.whitehouse.gov/OMB/grants/index.html> .

- **OMB A-21:** This circular establishes principles for determining allowable costs applicable to grants, contracts and other agreements with educational institutions. All federal agencies that sponsor research and development, training, and other work at educational institutions shall apply the provisions of this circular in determining allowable costs. The principles shall also be used as a guide in the pricing of fixed price or lump sum agreements.
- **OMB A-110:** This circular establishes uniform administration requirements for federal grants and agreements awarded to institutions of higher education, hospitals, and other non-profit organizations.
- **OMB A-133:** This circular establishes audit requirements for federally sponsored awards and defines federal responsibilities for implementing and monitoring higher education and other non-profit institutions that receive federal awards.

Principal Investigator / Project Director (PI / PD): Institutional employee that has direct responsibility for carrying out the requirements of a sponsored project, producing the final technical report, providing the required deliverables and exercising fiscal stewardship of the sponsored funds.

Pre-Award is considered to be activity prior to official funding of a sponsored agreement. These activities are performed by the Office of Academic Research and Sponsored Programs and include the following pre-award functions:

- Identify funding sources
- Proposal development, coordination, and submission to funding agency
- Clearance process to obtain all internal approvals before a contract or grant agreement can be executed

Pre-Award Costs: Costs incurred prior to the effective date of an award. Authorization to incur pre-award costs must be obtained from the sponsor.

Post-Award: Activity begins with the official award notification and continues until the award is closed.

Project: The services or activities, mutually agreed upon, that the sponsored funding recipient will provide for a specified period of time.

Project Award: The approval and funding of a project as detailed in the official award document. Specifies the amount of funding, project period, and any special requirements or restrictions.

Project Period: Project period means the total time for which support of a program has been approved, initially or by a renewal award.

Rebudgeting: Process by which funds available for spending are reallocated between budget categories to allow best use of funds to accomplish project goals. Some sponsored projects require obtaining prior approval for rebudgeting. Prior approval requirements will be communicated by the Contracts and Grants Office.

Sole Source Acquisition: A procurement that does not provide full and open competition, but is effected because only one source is available. There are restrictions on the use of this means of procurement and documentation must show justification for using single source acquisition. Applies to anything \$15,000 or more.

Sponsored Agreement/Award: Any contract, grant, or other agreement where the use of funds is restricted by the funding agency and there is some action required by the University (not a gift and not a fee-for-service contract).

Supplies: Expendable items having a purchase price of less than \$5,000 that will be consumed, worn out, or will otherwise deteriorate in less than two years.

Time and Effort Certification System: In order to be in compliance with the Office of Management and Budget Circular A-21, the University must have a mechanism in place in which effort committed on sponsored projects can be certified and documented. See the section on Effort Reporting in this Manual.

Total Direct Costs (TDC): TDC is the total of all direct costs budgeted for a project.

Total Project Cost: The cost of a sponsored project is comprised of allowable direct costs associated with the project performance and the allocable portion of the allowable indirect costs of the institution. This includes both the sponsor's share and the University's share (matching or cost share).

Unallowable Cost: For purposes of OMB Circular A-21, an expense that cannot be included in the facilities and administrative cost rate proposal and cannot be charged as a direct cost to federal sponsored agreements.