

UC Davis Policy and Procedure Manual

Chapter 330, Financial Management and Services

Section 31, Administration of Contract and Grant Projects

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Responsible Department: Accounting and Financial Services

Source Document: UC Contract and Grant Manual

I. Purpose

This section provides guidance on the procedures and shared responsibility for contract and grant awards financial management.

II. Policy

- A. The University solicits and accepts contracts and grants for research, training, and public service projects from a variety of Federal and non-Federal sponsors, including industrial and commercial concerns, universities, governments, private foundations, and other organizations.
- B. With the acceptance of extramurally funded awards, the University agrees to provide technical or scientific expertise, and to manage each award in conformance with various fiscal and administrative regulations.
- C. Responsibility for the financial management of contracts and grants is shared as described herein.

III. Procedures

- A. Budgetary control of funds
 - 1. The principal investigator (PI), project director, or other UCD official in charge of the award shall review the Transaction Listing (FIS2) monthly and make adjustments as necessary to the general ledger.
 - a. Expenses must be allowable, allocable, reasonable, and specifically benefit the project.
 - b. Omitted charges shall be corrected within 30 days of the review.
 - c. Adjustments may include transferring outstanding liens, transferring unallowable expenses, and transferring cost overruns to other permissible fund sources.
 - d. Adjustments shall occur within 120 days from the date of the initial transaction.
 - e. If it is necessary to make after-the-fact adjustments in the allocation of certified costs, the PI/project director/other official or other knowledgeable academic official must provide full justification and documentation of the costs being transferred in accordance with Section 330-63.
 - 2. The PI/project director/other official shall assure that all required certifications of effort are performed in accordance with University policy.
 - 3. Proper monitoring and control of budgetary funds is necessary for accurate and timely invoicing of the sponsoring agency (see III.C, below).
- B. Cost overruns and unallowable expenditures
 - 1. Effective financial management requires that cost overruns and unallowable expenditures be cleared expeditiously from contract and grant funds to ensure that requisite expenditure reports can be prepared by Accounting & Financial Services and submitted to sponsoring agencies on a timely basis.

- a. Late reports may jeopardize the University's receipt of future awards.
 - b. The University loses interest income when funds are in an overrun status.
 2. The PI/project director/other official is required to prepare transfers of expense or obtain additional funding as appropriate. The University has no centrally budgeted funds to pay interest or to cover cost overruns or unallowable expenditures.
 3. On a monthly basis, Accounting & Financial Services shall monitor financial reports to identify funds that have gone into overrun status in any of the accounts managed by departments or ORUs.
 - a. Cost overrun reports are sent to the appropriate school/college administrators.
 - b. Departments are responsible for clearing cost overruns immediately.
 - c. When cost overruns or unallowable expenditures have not been cleared within 30 days, Accounting & Financial Services is authorized to close out accounts by transferring cost overruns and unallowable charges to department funds. Lien overdrafts will not be considered when determining the dollar amount to be transferred.
- C. Invoices to sponsoring agencies
1. Accounting & Financial Services shall prepare invoices including all charges and credits recorded in the general ledger during the applicable billing period in accordance with the terms and conditions of the agreement.
 2. Accounting & Financial Services shall review recorded expenditures for compliance with contract and grant terms prior to preparing invoices.
 - a. If the PI/project director/other official has not taken action to transfer unallowable nonpayroll expenditures, Accounting & Financial Services may prepare a journal voucher to do so at the time the invoice is prepared.
 - b. Department administrative staff is responsible for transferring all unallowable payroll charges using the online payroll reporting system to ensure that any applicable effort reports can be generated with accurate and timely data.
 3. Accounting & Financial Services shall notify the PI/project director/other official, department chair, or departmental bookkeeper, in writing, of any expenditures disputed by the sponsoring agency.
 - a. The PI/project director/other official is responsible for reviewing the disputed expenditure and resolving the issue with the sponsoring agency.
 - b. Accounting & Financial Services will ask the agency to pay the amount of the claim less the disputed amount, and will submit a revised bill if necessary.
 - c. Disputed expenditures on claims submitted for payment will be excluded from future invoicing until the department, the sponsor, and Accounting & Financial Services have resolved the items in questions.
 - d. The PI/project director/other official is responsible for transferring all disputed expenses that are determined to be unallowable to a permissible fund source.

IV. Roles and Responsibilities

- A. PI/project director/other official is responsible for:
 1. The technical, administrative, and fiscal management of the project.
 2. Being knowledgeable, at the proposal stage, about appropriate agency and University

guidelines and restrictions relative to the conduct of research, training, and public service programs and adhere to such guidelines and restrictions.

3. Conducting the work supported by the grant or contract in a timely manner.
 4. Complying with the specific terms and conditions of each award as stated in the contract or grant documents and with all administrative requirements described in sponsoring agency and University policies concerning issues such as publication, patents, equipment screening, proprietary data, consultants, human subjects, animal subjects, computing equipment, recombinant DNA/RNA, or regulated substances.
 5. Assuring that expenditures made prior to the receipt of the fully executed contract or grant award are incurred only after obtaining specific authorized approval, that expenditures do not exceed the total amount of funds awarded, and that specific budget category expenditure limits are adhered to.
 6. Maintaining appropriate budgetary control as described in III.A, above.
 7. Assuring that all required certifications of effort are performed in accordance with University policy.
 8. Complying with the reporting requirements of each contract and grant, which may include periodic progress reports, annual reports of project accomplishments, reports of inventions, reports of publications generated, reports of major items of equipment acquired, financial reports, and final technical and invention reports.
 9. Notifying the Office of Research, Sponsored Programs, when final reports are submitted to the sponsor.
- B. Department chair/Organized Research Unit (ORU) director is responsible for:
1. Reviewing proposals submitted by faculty members and assuring that any cost sharing or matching fund commitments set forth in the proposal can be met.
 2. Providing the PI/project director/other official with approval authority necessary to meet fiscal management obligations (see Section 330-10).
 3. Reviewing and approving financial transactions related to personnel, equipment purchase, rebudgeting of funds, or retention of consultants for consistency with project purposes, and terms and conditions of the award.
 4. Identifying appropriate unrestricted fund sources at the department level to cover cost overruns or disallowances that the PI/project director/other official is not able to cover with award funds.
- C. Deans are responsible for:
1. Maintaining accountability for all funds administered by units under their control.
 2. Identifying appropriate unrestricted fund sources to cover cost overruns or disallowances that department chairs/ORU directors have not been able to cover with funds under their jurisdiction.
 3. Reviewing proposals for cost sharing or matching fund commitments in excess of University-defined limits to assure that commitments can be met.
- D. Office of Research is responsible for:
1. Determining that a funding agency has made a firm commitment and authorizing expenditures under a contract or grant prior to its receipt.
 2. Reviewing and approving certain financial transactions, such as equipment acquisition, for

consistency with award terms and conditions.

3. Monitoring compliance with contract and grant final/closeout reporting requirements and coordinating agencies' inquiries regarding delinquent final reports.
- E. Business Contracts Office is responsible for processing subagreements for independent contractors and independent consultants as needed to support a project.
- F. Accounting & Financial Services is responsible for:
1. Maintaining records of expenditures for contract- and grant-funded projects.
 2. Reviewing nonpayroll expenditures for conformance to sponsor and University policies.
 3. Monitoring high-risk payroll transfers.
 4. Preparing and submitting invoices and reports of expenditures as described in III.B-C, above.
 5. Closing out contract and grant accounts and, when necessary, transferring expenditures as described in III.B, above.
 6. Providing the Office of Research with a monthly listing of all final financial reports filed with sponsors during the month.
 7. Notifying the Office of Research when final equipment reports have been submitted.
 8. Coordinating responses to audit reports or recommendation of disallowances of expenditures under contract and grant awards.
 9. Providing assistance to departments experiencing difficulties in the management of contract and grant funds.

V. Further Information

Additional information regarding the financial administration of contract and grant award funds is available from Extramural Funds Accounting, Accounting & Financial Services, 530-757-8523.

VI. References and Related Policies

- A. UC Office of the President (<http://www.ucop.edu/ucophome/coordrev/ucpolicies/>):
1. Business and Finance Bulletin A-47, University Direct Costing Procedures.
 2. Contract and Grant Manual.
- B. UCD Policy and Procedure Manual (<http://manuals.ucdavis.edu/PPM/about.htm>):
1. Section 230-01, Private Support of Research.
 2. Section 230-02, Eligibility to Undertake Sponsored Research.
 3. Section 330-05, Business Contracts.
 4. Section 330-10, Approval Authorization.
 5. Section 330-63, Expenditure Adjustments (Cost Transfers).
- C. U.S. Office of Management and Budget Circular A-21, Cost Principles for Educational Institutions.