

UC Davis Policy and Procedure Manual

Chapter 330, Financial Management and Services

Section 31, Administration of Contract and Grant Projects

Date: 10/7/15

Supersedes: 10/15/14

Responsible Department: Accounting and Financial Services

Source Document: UC Contract and Grant Manual

I. Purpose

This section provides the policy and procedures for the financial management of contract and grant awards.

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.
- 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. Records must be kept in accordance with the appropriate requirements of the award and as specified in Chapter 17-312 of the UC [Contracts and Grants Manual](#).

III. Procedures

- A. Budgetary control of funds
 1. The principal investigator (PI), project director, or other equivalent responsible official in charge of the award must review the general ledger monthly and make expense adjustments, as necessary, in compliance with [Section 330-63](#).
 - a. Expenses must be allowable, allocable, reasonable, and specifically benefit the project.
 - b. Omitted charges must 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.
 2. The PI/project director/other equivalent responsible official must ensure 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. Cost overruns and unallowable expenditures must be cleared expeditiously from contract and grant funds to ensure that requisite expenditure reports can be prepared by Accounting and 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 equivalent responsible 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 and Financial Services must monitor financial reports to identify funds that have gone into overrun status in any of the accounts managed by departments or Organized Research Units (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 and 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 and Financial Services must 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 and Financial Services must review recorded expenditures for compliance with contract and grant terms prior to preparing final invoices.
 - a. If the PI/project director/other equivalent responsible official has not taken action to transfer unallowable non-payroll expenditures, Accounting and 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 to ensure that any applicable effort reports can be generated with accurate and timely data.
 3. Accounting and Financial Services must notify the PI/project director/other equivalent responsible official, department chair, or departmental bookkeeper, in writing, of any expenditures disputed by the sponsoring agency.
 - a. The PI/project director/other equivalent responsible official is responsible for reviewing the disputed expenditure and resolving the issue with the sponsoring agency.
 - b. Accounting and 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 and Financial Services have resolved the items in questions.
 - d. The PI/project director/other equivalent responsible official is responsible for transferring all disputed expenses that are determined to be unallowable to a permissible fund source.
- D. Minimum Effort
1. All federal research awards (i.e. basic research, applied research, developmental

research, and other research) require some level of committed faculty or senior researcher (i.e. PI/project director/other equivalent responsible official) effort.

2. A reasonable amount of PI/project director/other equivalent responsible official effort must be directly charged to the award via the payroll system or cost shared and tracked in the Cost Share Tracking system.
3. The PI/project director/other equivalent responsible official is responsible for determining what constitutes a reasonable level of effort for each project.
 - a. A fixed level of effort cannot be determined due to the uniqueness of each project; however, a measurable amount of effort is required.
 - b. This requirement does not apply to non-research projects such as awards made for equipment, construction, training, public service, or any other category.
4. Voluntary committed cost sharing is not expected nor used as a factor during the merit review of applications or proposals, per Uniform Guidance §200.306. For proposal opportunities where cost share is not a requirement, it is in the best interest of the University to directly charge federal agencies for PI and faculty efforts instead of cost sharing this effort.
5. The University encourages providing a minimum amount of directly charged salary for a PI on federally-funded research programs to avoid additional administrative burdens for tracking of cost-shared salaries for the duration of a research project.

IV. Roles and Responsibilities

- A. PI/project director/other equivalent responsible official is responsible for:
 1. The technical, administrative, and fiscal management of the project, including primary responsibility for financial management and control of project funds in accordance with University and sponsor policies and procedures as described in Chapter 6-440 of the UC Contract and Grant Manual.
 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. Monitoring sub-award performance.
 10. Reviewing invoices for consistency with sub-recipient performance and authorizing payment.
 11. Conducting closeout review 90 days prior to the award end date and ensuring expenditures are fully recorded appropriately after the award end date.
 12. 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 equivalent responsible 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, re-budgeting 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 equivalent responsible 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 the department chair/ORU director has 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.
 4. Processing sub-awards and performing sub-recipient monitoring for new award applications and amendments.
- E. Contracting Services is responsible for:
1. Ensuring procurement policy compliance and processing purchase orders and agreements for [independent contractors](#) or [independent consultants](#) needed to

support a project.

- F. Accounting and Financial Services is responsible for:
1. Maintaining records of expenditures for contract and grant funded projects.
 2. Reviewing non-payroll 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.
 10. Monitoring sub-award payment requests for proper authorization by the PI/Project Director/other equivalent responsible official before approving payments,

V. Further Information

Additional information regarding the financial administration of contract and grant award funds is available from Contracts & Grants Accounting (http://afs.ucdavis.edu/our_services/contracts-e-grants/index.html).

VI. References and Related Policies

- A. UC Office of the President:
1. Business and Finance Bulletin A-47, University Direct Costing Procedures (<http://policy.ucop.edu/doc/3420326>).
 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).
 6. Section 350-10, Procurement Authority.
 7. Section 380-70, Consultant Agreements.
 8. Section 380-71, Independent Contractor Agreements.
- C. U.S. Office of Management and Budget Circular A-21, Cost Principles for Educational Institutions (http://www.whitehouse.gov/omb/circulars_a021_2004).
- D. U.S. Office of Management and Budget Guidance for Grants and Agreements – Uniform

Guidance (http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl).

- E. OMB Memoranda 01-06 (https://www.whitehouse.gov/omb/memoranda_m01-06).