## Contracts and Grants

Only post grant charges to budget lines that have been approved or that have a Prior Approval Request (PAR) for a budget revision on file

### Why do you care?

- Incorrectly coded charges could result in over or under recovery of F&A costs
- If costs are put in the wrong budget lines, sponsor approval may be required to re-budget or reallocate these charges. This takes time from both departmental and Contracts and Grants staff.
- There is a risk that a sponsor could deny the action and money could be forfeited. These costs would then have to be borne by the department.

### Recommended Solution

**OMB Circular A-110 - Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Institutions** requires that recipient's financial management systems provide for "Effective control over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes."

According to **University Regulation 10.05.01 - Budgeting**, the University's Office of Contracts and Grants enters the budget into the financial system based on what was awarded by the sponsor. Section 2.3 states that "The Office of Contracts and Grants will accept written notification from the colleges in order to correct original budget entries made upon project set-up. These corrections only relate to cases wherein C&G misinterpreted into which account code the budget should have been entered." If this notice is not submitted, a budget revision must be requested on a Prior Approval Request (PAR) Form (CG-005).


### If transferring costs, including labor costs on a grant, make sure you have sufficient justification

### Why do you care?

Without documentation justifying the adjustments, these costs appear to have been transferred to eliminate overdrafts or otherwise avoid restrictions. These costs could be disallowed and the award could be suspended or terminated.

### Recommended Solution

Things to be aware of:

- Split transfers - (e.g., salary without the corresponding benefits or tuition)
- High volumes of transfers affecting overspent projects (especially large, round numbers)
- Poorly documented transfers
- Post-effort report transfers, inconsistent with effort report

**OMB Circular A-21 - Cost Principles for Educational Institutions**, 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."

The OMB Circular goes on to define documentation requirements for cost transfers. This sections states that "If the institution authorizes the principal investigator or other individual
to have primary responsibility...for the management of sponsored agreement funds, then the institution's documentation requirements for the actions of those individuals (e.g., signature or initials of the principal investigator or designee or use of a password) will normally be considered sufficient."

University Regulation 10.05.14 - Sponsored Awards - Transfers and Adjustments, provides additional guidance on when, why and how to make, approve and document transfers that are necessary to correct errors.

For a quick way to audit your contracts and grants, see Internal Audit's Contracts and Grants self-assessment tool: https://internalaudit.ncsu.edu/campus-tools-2/self-assessment-tools/operational-self-assessment/

Monitor project spend rates to prevent high spend rates at the end of a project

Why do you care?
Expenditures late in the period lead to questions about the benefit of the charges to the sponsored project and whether they were made in an attempt to spend all remaining money.

Recommended Solution
OMB Circular A-21 - Cost Principles for Educational Institutions states that "Only materials and supplies actually used for the performance of a sponsored agreement may be charged as direct costs."

University Regulation 10.05.12 - Sponsored Awards - Expenditures, states at section 2.5 "Expenditures for goods and services should not be made in an attempt to 'spend out' a project's available balance."

OMB Circular A-110 - Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Institutions states that a one-time extension "may not be exercised merely for the purpose of using unobligated balances."

For a quick way to audit your contracts and grants, see Internal Audit's Contracts and Grants self-assessment tool: https://internalaudit.ncsu.edu/campus-tools-2/self-assessment-tools/operational-self-assessment/

Maintain sufficient documentation to prove the direct benefit to the project of an expenditures made late in the project

Why do you care?
Expenditures late in the period lead to questions about the benefit of the charges to the sponsored project and whether they were made in an attempt to spend all remaining money.

Recommended Solution
OMB Circular A-21 - Cost Principles for Educational Institutions states that "Only materials and supplies actually used for the performance of a sponsored agreement may be charged as direct costs."

University Regulation 10.05.12 - Sponsored Awards - Expenditures, states at section 2.5 "Expenditures for goods and services should not be made in an attempt to 'spend out' a project's available balance."

OMB Circular A-110 - Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Institutions states that a one-time extension "may not be exercised merely for the purpose of using unobligated balances."
For a quick way to audit your contracts and grants, see Internal Audit's Contracts and Grants self-assessment tool: https://internalaudit.ncsu.edu/campus-tools-2/self-assessment-tools/operational-self-assessment/