

## **Grants/Contracts Office (GCO) Policies and Procedures**

### [Introduction](#)

### [Expenditures](#)

[Direct Costs](#)

[Fringe Benefits](#)

[Purchases](#)

[Allowable and Unallowable Cost Chart](#)

[Indirect Costs](#)

[Indirect Cost Rate and Base](#)

[Budget and Expenditure Monitoring](#)

### [Financial Records](#)

[Banner](#)

[FOAPAL](#)

[Grant/Contract Funds](#)

### [Budget Revisions](#)

### [Cost Transfers](#)

### [Pre Award Costs](#)

### [Record Retention](#)

### [Subcontracts](#)

[Subawards](#)

[Consultant/Vendor](#)

### [Travel](#)

[Foreign Travel](#)

### [Effort Reporting and Policy](#)

## Introduction

Dakota State University certifies to the federal government that its faculty, staff and students, when accepting federal and sponsored funds will comply with all government rules and regulations and follow established standards for charging expenses to sponsored projects.

This policy/procedures manual has been established to meet compliance standards set forth in the Office of Management and Budget (OMB) Circular A-21 Cost principles for Education Institutions and the Uniform Guidance (2 CFR Part 200).

Project costs consist of the allowable direct costs specifically related to the performance of the award (grant, cooperative agreement, or contract) plus the allocable portion of the allowable indirect (F&A) costs of the University.

Feel free to contact DSU Grants/Contracts Office at any time with questions or comments.

Contact Info: Grants/Contracts Office  
[grantscontracts@dsu.edu](mailto:grantscontracts@dsu.edu)

Sara Hare  
Director, Budget and Grants/Contracts  
[sara.hare@dsu.edu](mailto:sara.hare@dsu.edu)  
256-7321

Amy Townsend  
Program Assistant, Grants/Contracts Office  
[amy.townsend@dsu.edu](mailto:amy.townsend@dsu.edu)  
256-5733

## Expenditures

Expenses are charged to the fund/index by the PI/PD or other authorized individual. It is the responsibility of the Principal Investigator (PI) or Project Director (PD) to control expenditures within the limits of his/her award. All overruns (overspending award amount) must be authorized by department director or college dean. All overruns will be absorbed within the department's or college's existing budget. Expense overruns may not be transferred from one grant to another simply because funds are available in the other grant. Supporting documentation for the transfer including adequate justification for charging the expense to the other grant must accompany any request. The expense to the other award must meet the test of being allowable, allocable and reasonable. All purchases must be authorized by the PI/PD through either system authorizations or written authorization accompanying/attached to the purchase requisition/direct pay voucher. The Grants/Contracts Office (GCO) will review expenditures in accordance with federal guidelines. The review will include, but is not limited to, expense reports, payroll authorizations and cost transfers.

The PI/PD and department personnel should review the expenses charged to the sponsored project on a regular basis. This review can be done online in Banner by reviewing FRIGITD. For assistance please contact the Grants/Contracts Office ([grantscontracts@dsu.edu](mailto:grantscontracts@dsu.edu)).

**Direct Costs** (as taken from UG (Uniform Guidance) 2 CFR 200.413) are all expenses that are directly attributable and chargeable to a particular sponsored project relatively easily and with a high degree of accuracy. Direct costs include, but are not limited to, salaries, benefits, travel, equipment, contractual costs (vendor agreements/sub awards) and supplies directly benefiting the supported project or activity (supplies does not include general office supplies such as paper, pens, pencils, etc.). Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect.

Direct expenditures for vendor invoices (using a direct pay voucher) must contain the appropriate grant index or fund/org/program (FOP), and, if necessary, location code for matching/cost share and the PI/PD's signature. By approving the payment of the invoice (signing the direct pay voucher), the PI/PD is verifying that the purchased item(s) or services have been received and certifies that the expense is both necessary and appropriate for the award being charged.

## Fringe Benefits

Fringe benefits are budgeted to sponsored projects as an estimated percentage plus estimated health costs (if appropriate), however they are charged to the sponsored project as actual costs to the project. They are not charged as a percentage of faculty and staff salaries and wages but specific to the individual. Fringe benefit charges include the employer paid costs for insurance (health (including vision and dental if applicable), unemployment, life, and disability), FICA, workman's compensation, retirement, and PEPL (SD's Public Entity Pool for Liability).

## Purchases

Purchases made either through SDezBuy or via pcard must be approved by the PI/PD or department dean/director (PI/PD proxy for purchases). All purchases must follow DSU's and the State of South Dakota's purchasing policy. The Purchasing Policy can be found at <https://portal.sdbor.edu/dsu-fac-staff/faculty-staff-resources/business-office/purchase/Pages/default.aspx>

The following is a partial list of allowable and unallowable costs on sponsored projects per the Uniform Guidance (UG) effective 12/26/14 (UG 2 CFR 200 Subpart E). This list only includes those items most frequently purchased. For more detail and a comprehensive list refer to UG 2 CFR 200.421 – 2 CFR 200.475.

**\*\*Note:** Always also refer to the sponsor’s specific terms and conditions as well as the UG for cost allowability. The sponsor’s terms and conditions may include additional restrictions.

<b>Guidance to Allowable or Unallowable costs from Uniform Guidance</b>	
<b>Type</b>	<b>Sponsor Allowable or Unallowable</b>
Advertising and Public Relations	Meaning – advertising media including magazines, newspapers, radio and television, direct mail, exhibits, electronic or computer transmittals. Costs are Allowable – only when necessary to meet the specific requirements of the sponsored agreement <b>Specific items that are NOT allowable:</b> Promotional items and memorabilia, including models, gifts, and souvenirs. (2 CFR 200.421)
Alcoholic Beverages	Unallowable with no exceptions (2 CFR 200.423)
Conferences and Meetings	Allowable to the extent that it is necessary and reasonable for successful performance under the award. Such costs may include rental of facilities, speakers’ fees, costs of meals and refreshments, local transportation, and other items incidental to such conferences unless further restricted by the terms and conditions of the award. (2 CFR 200.432)
Contributions and Donations	Unallowable (2 CFR 200.434)
Entertainment Costs	Costs of entertainment including amusement, diversion and social activities and any associated costs are unallowable <i>except</i> where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the award or with prior written approval of the awarding agency. (2 CFR 200.438)
Equipment and other capital expenditures	Equipment is defined as items of cost with a unit cost of more than \$5,000. The following rules of allowability apply to equipment and other capital expenditures: (1) capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except with the prior written approval of the awarding agency or pass-through entity, and (2) capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5,000 or more have the prior written approval of the awarding agency or pass-through entity. It should be noted that, for purposes of allowability, a computing device is considered a supply if the acquisition cost is less than the lesser of the capitalization level established by the Institution for financial statement purposes or \$5,000, regardless of the length of its useful life. (2 CFR 200.439) (See also 200.13, 200.33, 200.89, 200.94)
Goods or services for personal use	Unallowable; costs of housing (e.g., depreciation, maintenance, utilities, furnishings, rent), housing allowances, and personal living expenses are only allowable as direct costs if approved in advance by the awarding agency (2 CFR 200.445)

Insurance	Costs of insurance required or approved pursuant to the sponsored award are allowable; costs of other insurance in connection with the general conduct of activities are allowable subject to specific limitations. (See 2 CFR 200.447 for more detail on this)
Lobbying	The costs of certain influencing activities associated with obtaining grants, contracts, cooperative agreements, or loans is unallowable. (2 CFR 200.450)
Losses on other awards or contracts	Any excess of costs over income under any other award or contract of any nature is unallowable. This includes, but is not limited to, DSU's contributed portion by reason of cost-sharing agreements or any under-recoveries through negotiation of flat amounts for indirect (F&A) costs. Also, any excess of costs over authorized funding levels transferred from any award or contract to another award or contract is unallowable. (2 CFR 200.451)
Materials and supplies costs, including costs of computing devices (also includes books and journals)	Costs incurred for materials, supplies, and fabricated parts necessary to carry out the technical requirements of the award are allowable as direct costs. Costs for general purpose materials and supplies (such as pens, paper, toner, etc.) are unallowable unless approved in advance by the awarding agency. In the specific case of computing devices, charging as a direct costs is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of an award. Books and Journals are allowable only when necessary to meet the specific requirement of the award. Otherwise provided as part of the University's library services. (2 CFR 200.453)
Office Supplies	Unallowable as a direct cost except where extensive use of office supplies is necessary to meet the requirements of the award and the cost has been approved in advance by the sponsor. (2 CFR 200.453)
Memberships, subscriptions, and professional activity costs	Generally these costs are unallowable as a direct cost except when necessary to meet the technical requirements of the award. Contact GCO for determination. The cost of membership in any civic or community organization is unallowable. (2 CFR 200.454)
Participant Support Costs	Costs defined in 200.75 – Participant Support costs are allowable with the prior approval of the funding agency. (2 CFR 200.456)
Pre-Award Costs	Pre-award costs are those costs incurred prior to the effective date of the award directly pursuant to the negotiation and in anticipation of the award where such costs are necessary for the efficient and timely performance of the scope of work. Such costs are allowable only to the extent that they would have been allowable if incurred after the effective date of the award and only with the written approval of the awarding agency. (2 CFR 200.458)
Personnel – Administrative and clerical staff	The salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs. Direct charging of these costs may be appropriate only if they are integral to a project or activity; individuals involved can be specifically identified with the project or activity; such costs are explicitly included in the budget or have the prior written approval of the awarding agency, and the costs are not also recovered as indirect costs. (2 CFR 200.430)
Personnel – Faculty and professional staff (NFE)	Allowable provided the salary is reasonable, directly related to the work of the sponsored agreement, and documented in accordance with 2 CFR 200.430.

Personnel – Faculty summer salary	Allowable at a rate not in excess of the base salary divided by the period to which the base salary relates. The base salary period used is the number of months covered by the faculty member’s official academic year appointment contract. Other specific federal agency requirements may apply – contact GCO for determination. (2 CFR 200.430)
Personnel – Graduate Assistant wages (administrative)	Allowable provided the salary is reasonable, directly related to the work of the sponsored agreement, and documented in accordance with 2 CFR 200.430.
Personnel – Graduate Teaching Assistants wages	Allowable only when the purpose of the agreement is instruction or training and the charge is approved in advance by the sponsor. (2 CFR 200.430)
Personnel – Graduate Research Assistants stipend	Compensation paid as, or in lieu of, wages to students performing necessary work are allowable provided that: (1) the individual is conducting activities necessary to the award; (2) support (including any related tuition remission) is provided in accordance with DSU’s established policy; (3) during the academic period, the student is enrolled in an advanced degree program and the activities of the student in relation to the award are related to the degree program; and (4) compensation for the work performed is conditioned explicitly upon the performance of necessary work. (2 CFR 200.430, 200.466)
Professional service costs – Consulting services	Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and are not officers or employees of DSU or the SD Board of Regents, are allowable with a properly completed and authorized independent contractor agreement. (2 CFR 200.459)
Postage (freight, etc.)	Costs incurred for freight, express, cartage, postage, and other transportation services relating either to goods purchased, in process, or delivered, are allowable. When such costs can readily be identified with the items involved, they may be charged directly as transportation costs or added to the cost of such items. Where identification with the materials received cannot readily be made, inbound transportation cost may be charged to the appropriate indirect (F&A) cost accounts if the non-federal entity follows a consistent, equitable procedure in this respect. Outbound freight (mailings), if reimbursable under the terms and conditions of the award, should be treated as a direct cost. (2 CFR 200.473)
Proposal Costs	Unallowable as a direct cost (including salaries, fringe benefits, and other related cost) on any award. (2 CFR 200.460)
Prizes & Awards	Unallowable (2 CFR 200.445)
Professional Journal Publications	Allowable where the article reports sponsor supported work and costs are levied impartially on all papers published by the journal (2 CFR 200.461)
Rearrangement and reconversion costs	Costs incurred for ordinary and normal rearrangement and alteration of facilities are considered indirect costs and are not allowed to be charged directly to a project without prior approval of the awarding agency or pass-through entity and are not also part of the University’s negotiated F&A rate.
Scholarships – Merit	Allowable only when the purpose of the sponsored agreement is to provide training to selected participants and the charge is approved by the sponsor.

Taxes	Unallowable when exemptions are available to the University (e.g. sales tax) or are available to the University based on exemptions afforded the Federal government; Value Added Taxes (VAT) as a result of foreign transactions are normally allowable. (2 CFR 200.470)
Telephone – local	Unallowable as direct costs (UG is silent on communications costs unlike OMB A-21 – we are waiting clarification. Until that comes in they are treated as unallowable).
Training and education costs	The cost of training and education provided for employee development is allowable. (2 CFR 200.472)
Travel – domestic and foreign	Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the University in its regular operations as the result of DSU's (the State of SD) written travel policy. In addition, if these costs are charged directly to a federal award, documentation is required to justify that: (1) participation of the individual is necessary to the award being charged and (2) the costs are reasonable and consistent with DSU's (the State of SD) established travel policy. (2 CFR 200.474)
Tuition Remission (Graduate Research Assistants)	Tuition remission paid as, or in lieu of, wages to students performing necessary work under a federal award is generally allowable. (2 CFR 200.466)

### Indirect Costs

Indirect Costs, also known as Facilities & Administrative Costs (F&A), are real costs that are incurred by DSU in general support and management of research, where these costs are not directly attributable to a specific project or activity. Indirect costs and F&A costs are sometimes called overhead costs.

*Examples of indirect costs include but are not limited to:*

- Salaries of administrative and clerical staff of colleges - unless ALL the following conditions are met:
  - Administrative or clerical services are integral to a project or activity
  - Individuals involved can be specifically identified with the project or activity
  - Such costs are explicitly included in the budget or have the prior written approval of the federal awarding agency AND
  - The costs are NOT also recovered as indirect costs.
- Office supplies - general
- Depreciation of buildings and equipment
- Utilities
- Local telephone costs
- General purpose computers – if use of the computer cannot be specifically linked to the sponsored project (needs based), the computer would be considered an office supply.

In general, expenses are chargeable as direct costs to a sponsored project ONLY if they are:

- Reasonable – a prudent person would have purchased this item and paid this price.
- Allocable – expense can be allocated to the activity based on benefit derived, cause and effect, or other equitable relationship.

- Consistently Treated – like expenses must be treated the same in similar circumstances.
- Allowable – allowable or not unallowable as specified by sponsor regulations. OMB A-21 section J, UG 2 CFR Subpart E 200.420 – 200.475

If an expense cannot meet the criteria above, it is not eligible to be charged directly to a sponsored project, no matter what its purpose.

NOTE: Agencies that sponsor grants and contracts use the term ‘allowable’ to mean permitted as a direct cost under the terms of a specific grant or contract. Expenses which are generally allowable for sponsor reimbursement may not necessarily be permitted under the terms of a specific grant or contract. It is important that the PI/PD read and understand any limitations placed upon specific awards. Final determination of eligibility or allowability will be made by the GCO.

### **DSU’s Indirect Cost Rate and Base**

DSU’s base for calculating indirect cost is MTDC (modified total direct costs). Indirect costs are calculated by applying the federally negotiated (and approved) and/or sponsor-awarded rate (only if sponsor puts a cap on the rate allowed and that rate is less than DSU’s federally negotiated rate) to the base. The MTDC base consists of all direct costs, excluding only the following expenses:

- Capital expenditures (equipment, building alterations and renovations – with a per unit cost of \$5,000 and over)
- Scholarships and fellowships
- Tuition remission
- Rental costs for space off campus
- Costs in excess of \$25,000 for each subaward/subcontract

### **Budget & Expenditure Monitoring**

The Principal Investigator (PI) or Project Director (PD) is responsible for carrying out a project as proposed in the original proposal/award. DSU expects the PI/PD to use all reasonable “best efforts” to comply with the terms, conditions, and policies of both the sponsor and DSU/The State of South Dakota. This includes routine monitoring of the administrative and financial aspects of his/her award(s), timely submission of all required reports and processing of internal transactions. In short, the PI/PD is responsible for the following:

- Proper technical conduct of the research
- Ensure that work completed/research is conducted as per the proposal.
- Ensure that any deviations from the original proposed work is approved by the sponsor program officer and sponsor agency.
- Compliance with the terms and conditions of the sponsored agreement
- Timely completion and submission of required technical reports
- Complying with State/University and sponsor policies and procedures pertinent to the award
- Monitoring budgets against the grant award – GCO will assist with this
- Proper application of expenses to the award to ensure (with assistance from the GCO) that charges are:
  - Allowable, allocable, reasonable and consistently applied
  - Are managed within the sponsor approved budget
  - Occur within the time frame of the award and not before or after

- Assist the GCO in reconciling outstanding invoices and encumbrances
- Assist the GCO with necessary cost transfers in a timely manner (cost transfers must be completed within 90 days of the original charge)

The GCO conducts an expenditure review on awards on a bi-monthly basis for unallowable/unallocable costs and during the preparation of invoices/drawdowns and preparation of financial reports. The GCO will also run reports as needed for departments, colleges, and PI/PD's.

The Banner Finance system is used to record the budget and expenses on all grants. Department/College secretaries (and PI's upon request) are given access to the Banner Fund/Index/Grant code upon receipt of an award.

Reports available:

- Grant Inception to Date report
- Grant Expenditure Detail Report
- Payroll Expenditure Distribution Report (by grant, fund or employee)

Training is given to all department secretaries by the Business Office on how to access informational screens in Banner to view the budget/expense roll up or detail information by grant and by fund. If additional training is needed or you have questions, please send a request to the Business Office. A detailed handbook is also available and sent to each college/department secretary.

## **Financial Records**

BANNER is the Board of Regents/DSU's financial accounting, HR, Payroll and Information management system. Account numbers assigned to sponsored projects are called FOAPAL's. This is an acronym that represents the six elements of the BANNER accounting structure: FUND, ORGANIZATION, ACCOUNT, PROGRAM, ACTIVITY, and LOCATION. An INDEX code is also assigned as a 'shortcut' to the FOP. When an INDEX code is used only the ACCOUNT code is required for general expenses. A LOCATION code may be necessary if the expense is to be coded to cost share.

The Fund/Index codes are smart-coded within the Regental System so each campus's Funds are distinguishable from the others. Each campus's funds begin with the numeric identifier for each campus.

Fund codes represent the source of funding. Example: state funds, tuition funds, fee funds, federal grant funds, state grant funds and private/other grant funds. DSU's Grant Fund/Index codes are a six digit code beginning with an 84.

Organization codes represent the college or department. Example: College of Computing, College of Arts and Science, CAHIT, etc.

Account codes represent the line item (expense or revenue). Example: 611030 is faculty salary, 733010 is travel – auto – state owned.

Program codes are used to identify the NACUBO programs such as instruction, research, etc.

Activity codes are used by finance to identify specific projects. You will not need to use this code on direct pay vouchers.

Location codes are dual purpose codes. Finance uses these codes to identify buildings for asset identification/management and grants accounting uses these codes to identify cost share expenses. If an item of expense is to be used as cost share this code would need to be added to the direct pay voucher along with the appropriate index code/FOP.

A grant code will also be needed when looking up grant expenses/budget availability within the Banner system. Grant codes are also smart coded within the Regental System in order to differentiate one campus's grants from the others. All grant codes are a 9 digit code beginning with the alpha character assigned to each campus and the letter 'A' (award) followed by a 2 digit number identifying the fiscal year in which the award was received. The next 5 digits are numeric 'one-up' to identify each award. DSU's grant codes begin with 'D'. Ex: DA15xxxxx indicates a grant that was received by DSU in FY15. This full code will be given to the PI/PD and the department secretary upon receipt of the award and is necessary to review the grant inception to date report.

### **Establishing a grant fund in Banner**

Upon receipt of a fully executed award notification, the GCO will identify the source of funds, the appropriate organization code and the appropriate program code and send a request to the Controller noting the grant code, grant title, fund source, org code and program code. The Controller will set up the fund and index code and send the index, fund, org and program back to the GCO. The GCO will notify the department secretary(ies) and PI of this information.

### **Adding budget to the grant fund**

Once the fund number(s) (some grants will require multiple funds) is created the budget will be entered on each fund in various budget account codes (611030 – Faculty, 620000 – Benefits, 730000 – travel, 740000 – Contractual, 750000 – Supplies/Materials, etc.) based on the project budget approved by the funding agency.

### **Budget Revisions**

The PI/PD is responsible for adhering to the conditions of the sponsored agreement and is responsible for obtaining necessary approvals should budget revisions be necessary. Examples of revisions would include changes by expense (budget) classification (i.e.: travel to supplies/materials), adding a sub award, changing the timing and/or scope of work, and changing effort expended by key personnel or PI/PD.

If a revision is needed, the PI/PD must contact the GCO. The GCO will assist in determining if the revision can be approved internally or if sponsor approval is required. The GCO will review the terms and conditions of the award to determine if sponsor approval is needed. Under the Office of Management and Budget's "Expanded Authorities", some revisions and budget adjustments may be approved internally by the GCO without specific sponsor approval.

\*\* Note: It is always a good idea to make certain the program officer of the award is made aware of the requested revision and the justification behind it. It is up to the PI/PD to be in contact with the program officer.

If it is determined that sponsor approval is needed, the PI/PD and the GCO will work together to submit the proposed revision to the sponsor. Once a revision is approved, the GCO will update the budget in

Banner and the PI/PD will be notified that they can proceed with spending in accordance with the new budget.

### **Cost Transfers (Expenditure Transfers) on Sponsored Agreements**

DSU faculty and staff must comply with all federal and other sponsor rules and regulations and follow established standards for determining when it is appropriate to initiate a cost transfer. If there is any question the GCO should be notified and will make the final determination. All costs should be charged to the appropriate award when first incurred but the GCO accepts that there are circumstances where it may be necessary to transfer expenses to another award subsequent to the posting of the initial charge. Cost transfers can be initiated by either the PI/PD or by the GCO.

Procedures for cost transfers have been established according to OMB Circular A-21 and UG 2 CFR 200.

It is the PI/PD's responsibility to read through and become familiar with the procedures for cost transfers. Any questions can be directed to the Grants/Contracts Office. The Transfer Form can be found on the Business Office page of the DSU Portal. Adequate and appropriately detailed justification must accompany the Transfer Form any time a grant/contract fund is included in the transfer. The completed transfer form should be sent, along with any and all supporting documentation, to the Grants/Contracts Office for review and approval of transfer.

#### **Procedures for cost transfers on a grant/contract:**

To be permissible, costs transfers must meet the criteria established for both timeliness and appropriateness. Cost transfers should be initiated as soon as possible after the original transaction, preferably within 90 days of incurring the expense. Requests for transfers received after 90 days of initial charge will be considered after careful review by the GCO. DSU is obligated to immediately remove incorrect charges made to sponsored funds, regardless of time frame.

Typically, cost transfers are appropriate for allowable direct costs of the sponsored project. The purpose of a cost transfer is to:

- Correct errors in processing of the original charge;
- Move costs between funds for closely related work (as defined by the project scope) that is supported by more than one funding source;
- Transfer pre-award costs in accordance with the provisions of OMB A-110, Section C.25 or UG 2 CFR 200

Inappropriate circumstances include, but are not limited to:

- Transfers solely for the purpose of utilizing an unexpended balance;
- Transfers for the purpose of avoiding a cost overrun by charging another, unrelated sponsored agreement
- Transfers that circumvent pre- and/or post-award restrictions

**\*\*NOTE:** OMB Circular A-21 states:

*"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."*

*Any costs allocable to activities sponsored by industry, foreign governments or other sponsors may not be shifted to federally sponsored agreements.”*

Each cost transfer request must be clearly explained with supporting documentation. The person initiating the transaction has primary responsibility for providing this documentation. Explanations such as “to correct a clerical error” or “to transfer to a correct project” are not adequate. More must accompany these descriptions. Transfers of costs from one budget period to the next solely to cover cost overruns for the previous period are not allowable. Generally, the older the charge the more involved the explanation of the transfer should be.

#### **Cost Transfer Requests not subject to the 90 day period**

1. Transfers of true overdrafts (from research awards to unrestricted funds). These transfers may be made in lump sums rather than identifying individual transactions. The federal government considers a true overdraft as cost sharing. When a transfer is request due to this reason the location code for the cost share of this project must be used along with the index/FOP of the unrestricted fund. It is critical that the function of the fund absorbing the overdraft is consistent with the function of the fund being relieved of the overdraft.
2. Transfers of pre-award expenditures that were charged to a department fund, if the costs are allowable and allocable, and were incurred within 90 days before the beginning of the date of the award.
3. Transfers of expenditures incurred and charged to a departmental, unrestricted, or other fund while awaiting the fully executed sponsored agreement.
4. Transfer of an incorrect charge from a sponsored fund to a non-sponsored fund.

#### **Cost Transfers subject to the 90 day period**

1. Transfers to correct data entry or clerical errors to charge a research fund. Example: To correct data entry or transposition error.
2. Transfer of expenditures from one fund to an existing award. Example: to transfer project costs from a department fund to a sponsored fund because the sponsor issued a modification to an existing award agreement rather than issuing a new award – therefore the fund number remains the same.
3. Recurring and routine transfers to allocate direct expenses, such as telephone charges, postage charges, state travel expenses. The costs must be allowable, charged in a timely manner, and allocated based on the benefit derived.
4. Transfers of expenditures from the prior year fund to the competing or non-competing continuation fund if permitted by the terms of the award. The explanation should contain the sponsor fund number for both the prior year and the competing or non-competing continuation award.

#### **Cost Transfers made after the 90 day period**

Cost transfers made after the 90 day period will be considered only after careful review and must include a justification for the lateness as well as an explanation indicating the measures that have been put in place to prevent future occurrences. A transfer of a charge to a sponsored fund made after 90 days should contain the following statement along with the appropriate justification for the transfer:

*“By authorizing the above transfer, we certify that the cost to be transferred is an appropriate expenditure for the sponsored project charged and that the expenditures complies with the terms and conditions governing that sponsored project.”*

All requests must be authorized by the PI/PD or his/her designee. Some circumstances which necessitate a late cost transfer include but are not limited to the following:

1. The official award document, including amendments or modifications, was received after the start date of the project, causing a delay in the establishment of the grant and grant fund.
2. The creation of the grant and or grant fund was delayed because of negotiation issues.
3. The official approval from the sponsor for specific expenses was received after the expense was processed to a non-grant fund.
4. The official approval from the sponsor for specific actions, such as a no-cost extension, was received after the expense transaction was processed.

### **Pre Award Costs**

The GCO generally will not establish a grant code or request a grant fund before an award (official notification) is received, since expenses incurred before official award receipt are made at the University's risk. However, if effective conduct of the project requires incurring expenses prior to the receipt of the official notice, a fund may be requested by GCO in advance of the official notice. The GCO will minimize the risk by verifying anticipated award amount with the sponsor. In absence of that, minimal budget will be added to the grant fund with all expenses needing prior approval by the VP of Business and Administrative Services.

### **Record Retention**

DSU and the GCO will retain sponsored program files per the SD Board of Regents Record Retention Policy.

**Subcontracts:** includes both subawards and consultant/vendor contracts

### **Subawards**

A subcontract is necessary when DSU request another organization perform a significant portion of the work under a sponsored award. Sponsor approval to enter into a subcontract is usually required, unless already approved in the award.

GCO is responsible for preparing and executing all subcontracts related to sponsored programs. GCO will work with the PI/PD to obtain the information needed to prepare the agreement.

A subcontract must incorporate all terms and conditions required by the prime grant or contract. A subcontractor is not authorized to begin work until a subcontract has been fully executed by an authorized representative from DSU and the subcontracting organization. All invoices are submitted through GCO for payment. Invoices must include detailed reports of expenditures and must include PI/PD approval for payment.

### **Consultant/Vendor**

If a consultant is needed on a sponsored project, approval from GCO must be obtained by the PI/PD. If approved, the GCO will start the contract template process via DocuSign for the PI/PD to complete. Procedures for how to request/complete a consultant/service agreement can be found on the DSU

Portal/Grants and Contracts. A W-9, documenting the consultants tax ID number (TIN) must be obtained by the PI/PD's department and sent to DSU-Accounts Payable ([accountspayable@dsu.edu](mailto:accountspayable@dsu.edu)). This form is used in the vendor creation process. The fully executed agreement must accompany the direct pay voucher to pay the consultant.

### **Subaward/Subcontract vs Consultant/Contractor**

OMB characterizes a subaward to a subrecipient as an assistance transaction and is clear that the purpose of that assistance is to further the activities of the sponsored project where the subrecipient is carrying out a substantive portion of the work agreed to within the approved proposal. The work completed is measured against program objectives and has programmatic decision-making. A Consultant/Contractor is characterized as one of procurement of either goods or services. The consultant/contractor is only providing a service and is not responsible for completing a substantive portion of the approved proposal.

Guidelines for Consultant/Contractor:

1. Consultant/Contractor is providing services within normal business operations,
2. They provide similar goods and service to other purchasers and normally operate within a competitive environment.
3. The goods or services are ancillary to the federal program.

If there is question between a subaward and a consultant contract the GCO will make final determination.

### **Travel**

DSU must follow the State of SD's travel policy for all travel reimbursements including those paid by sponsored projects. Please refer to this policy for details regarding travel. Below is the link to the travel policy: <https://portal.sdbor.edu/dsu-fac-staff/faculty-staff-resources/business-office/travel2/Pages/default.aspx>

Please note the following are not allowed as direct charges to sponsored projects.

- Upgrades – including seat preferences and additional leg room (unless you have a documented medical reason)
- First class or business class tickets
- Wi-fi access (unless you can provide a documented reason it was needed to carry out work on that project and only for that project)

### **Foreign Travel**

Foreign Travel may require sponsor prior approval. Even if the funds for that travel were listed in the approved budget. Questions should be directed to the GCO.

All foreign air transportation must comply with the Fly America Act or an Open Skies Agreement.

- If you are travelling internationally on a Department of Defense Award (NSA, DoD), you MUST travel under the Fly America Act, meaning you must use a US Flag Carrier (an airline owned by a US company)
- In order for a flight to be in compliance with the Fly America Act, the code of a US flag air carrier must be noted as part of the flight number on the airline ticket, flight boarding pass, or passenger receipt. Each airline has a two letter alpha code. For example: United Airlines has a code of “UA”. On an airline ticket, boarding pass or passenger receipt, this two digit code is designated just to the left of the flight number. From this list, you will be able to compare airline codes on the ticket with those on the list and thereby be able to ascertain whether or not the flight is on a US Flag air carrier.
  - List of common US flag air carriers:
    - Airtran Airways (FL), Alaska Airlines (AS), American Airlines (AA), Continental Airlines (CO), Delta Airlines (DL), Frontier Airlines (F9), Hawaiian Airlines (HA), JetBlue Airways (B6), Midwest Express (YX), Southwest Airlines (WN), United Airlines (UA), USAirways (US)
- For all other non-DoD awards, the Open Skies Agreement can be used instead of the Fly America Act. There are links to open skies agreements in the Fly America and Open Skies document published by the Department of Education. Open skies agreements list carriers owned by other countries that can be used.
- In rare cases, an exception can be made (if it is well documented). Allowable exceptions are listed in the Fly America and Open Skies document. A lower price does not count as a reason.
- If you book with a US or other Open Skies Carrier, and they transfer you to another airline (but you still are ticketed using the original carrier) that’s OK. For example, American Airlines flight 6117 (ticketed as AA6117), but operated by Cathay Pacific Airways, is considered a US carrier.

Please go to <http://www.gsa.gov/portal/content/103191> for a full discussion of the Fly America Act and links to other helpful resources.

### **Effort Reporting and Policy**

DSU is required by federal regulations in the UG, to maintain an effort reporting system as a means to ensure salaries and wages charged or cost shared to sponsored research awards (for a specific period) reasonably reflects the actual time devoted to the project. DSU follows the SD Board of Regents policy on Effort Certification. Per policy, effort is certified on a monthly basis. Following is a link to the board policy: [https://www.sdbor.edu/policy/5\\_FinanceBusiness/documents/5-24.pdf](https://www.sdbor.edu/policy/5_FinanceBusiness/documents/5-24.pdf)

Any individual involved in overseeing, administering, or participating in any portion of an externally sponsored project should have knowledge of this policy.

All faculty and staff who are involved in allocating salaries and wages to sponsored projects, managing sponsored projects, or completing effort reports are required to understand how their salary charges are distributed and to verify that his/her salary distribution reasonably reflects the actual effort devoted to the project(s) being charged. In addition, PI/PDs are expected to provide reasonable estimates of the percent of effort necessary to carry out each proposed project, including effort relating to cost sharing commitments, and to obtain appropriate prior approvals for significant changes as required by sponsor awards and regulations.

Reported effort is the proportion of time expended to accomplish the individual's activities, regardless of the actual number of hours expended on those activities. Total reported effort for an individual must equal 100%. 100% effort is not defined as a single, standard number of hours or days per week. The number of hours implicit in an employee's "100%" must be reasonable and supportable to department, university and external reviewers, if requested. In most circumstances, a minimum of 40 hours (assuming a full-time schedule) and a maximum of 80 hours would be considered a reasonable average work week. Effort does not include effort resulting in compensation from sources other than the University, such as individual consulting compensation.

### **Time and Effort Recording**

DSU and the SD Board of Regents, uses the "after-the-fact" approach to certify the effort of all salaries and wages paid to employees. This staff time is charged on the basis of information on the most recent Personnel Action Request (PAR) form. This creates the initial distribution of effort to be certified on the monthly effort report. If, upon review, this initial distribution is incorrect, a change to the distribution must be requested and completed to distribute the pay accurately based on the actual effort put forth on the sponsored project(s). Once the correction is completed review and certification of the revised distribution and report is required. See the DSU Guide to Web EFC for specific direction on certifying your effort. A link to the Guide follows:

<https://portal.sdbor.edu/dsu-fac-staff/faculty-staff-resources/business-office/Documents/Guide%20to%20Online%20Effort%20Reporting%20and%20Certification%20v3.pdf>

Effort reports are created by the Banner Effort System for all Faculty, NFE, CSA and Graduate Students who have effort on a sponsored project. Undergraduate students certify their effort on a monthly basis by submitting the hours worked on their timesheets. Supervisor approval for undergraduate students is obtained using the timesheet approval process. Effort reports are first reviewed by the PI/PD and should be certified by the employee whenever possible. It is acceptable for the PI/PD to certify on behalf of the employee as long as the PI/PD has direct knowledge of, or a suitable means of verifying, the amount of effort put forth by the employee.

### **Effort Distribution Adjustments**

Effort distribution adjustments (changes requested from the distribution noted on the effort report) are required when there are changes in effort of five percent (5%) or more between sponsored projects or when there is a change in documented commitment on the part of the employee. If there is a change in committed effort of 25% (more or less than originally committed) the change must be approved by the funding agency. On-going changes must be initiated by the PI/PD. Changes to previous pay periods (Retroactive changes) must be requested by either the employee or the PI/PD who has suitable means of verifying the effort expended.

On-going Adjustments (adjustments made to fund source for future pay periods) are initiated when there is a change in the time commitment of an employee.

1. If there is an on-going change to the proposed distribution of effort, a Personnel Action Request (PAR) form must be initiated by the PI/PD college/department.
2. When sponsored projects funds are included in the new distribution, the GCO, dean or department head, budget, HR and the VP in charge of that college/department will approve the PAR and the GCO will receive a completed copy of the PAR for inclusion in the grant file.
3. Payroll will complete the change in distribution in the payroll system.

Retroactive Adjustments (adjustments for previous payroll periods) for employees:

1. The employee or PI/PD will submit the change request through the Banner Effort System.
2. The GCO will receive the change requested via email from the Banner Effort System. If the employee requests the change, the PI/PD must be copied on the email.
3. The GCO will approve and the budget office will complete the adjustment in the next Payroll Adjustment (PHAREDS) run completed. PHAREDS adjustments are completed generally in the first two (2) weeks of each month.

## **Effort Reporting FAQs**

### **1. What is effort and effort reporting?**

Effort is the proportion of compensated time devoted toward any University activity; it is expressed as a percentage of the total institutional activities of the employee. Effort reporting is a process required by the federal government in OMB Circular A-21, "Principles for Determining Costs Applicable to Grants, Contracts, and Other Agreements with Educational Institutions," as a means of verifying that compensation or cost sharing charged to sponsored projects is reasonable and reflects actual work performed. Effort reporting provides a means of verifying that:

- Effort compensated by a sponsored project has been devoted, as promised (direct charge), and
- Effort expended on a sponsored project, but compensated by the University (Cost sharing), has been devoted, as promised.

Effort reports must account for all effort for which the employee is compensated by the University. This includes pay for work on sponsored projects, administration, instruction (with the exception of instructional overload), and all other activity. It does not include effort for which the employee receives compensation directly from another entity (i.e., independent consulting). It is important to remember that effort is not calculated on 173.33 hours per month or any other standard number of hours per month approved by the University. Thus, even when the number of hours expended during the reporting period substantially exceeds the 'normal' (or is below the 'normal'), the total effort expended by the employee must account for all the work performed and cannot exceed 100%.

Example: If the employee worked 100 hours in the reporting period on a sponsored project and another 90 hours during that same period on an unrelated University project (or his/her normal job duties), then the employees effort for that period should show 53% effort devoted to the sponsored project (100 / 190) and 47% (to non-sponsored (or University) projects (90 / 190) – regardless of the fact that the employee's normal month would be 173 hours. The total effort cannot be more than or less than 100%.

### **2. Why is effort reporting important?**

Certified effort reports provide auditable documentation to confirm that DSU personnel did, in fact, commit the level of effort described in a proposal as awarded to the University. Both direct (salary and fringe benefits) and indirect costs may be disallowed and penalties imposed if the federal government finds such documentation to be inadequate. In addition, individuals may be subject to criminal penalties for knowingly falsifying the certification of effort on a report. Last,

but certainly not least, audit findings can and often do make headlines, because these headlines are not beneficial to the University, we do want to avoid them.

**3. How often do I need to certify effort?**

Faculty, NFE, CSA, and GRA's are required to certify their effort monthly through the Banner Effort Reporting system (Web EFC). Students who report their time on a timesheet use their timesheet to document effort.

**4. When is it necessary to make adjustments to effort or payroll distributions?**

Anytime payroll does not reasonably reflect how the employee spent his/her time on the certified effort report by a margin of +/- 5%, a retroactive adjustment is necessary to redistribute the pay based on actual effort. OMB Circular A-21 and the UG recognizes that activities that comprise an individual's total effort (teaching, research, service, administration, etc.) are often difficult to separate (faculty don't track actual hours worked) and that "an exact assessment of factors that contribute to costs is not always feasible, nor is it expected." Certification must rely on a reasonable estimate of effort during a reporting period, and when estimating, a degree of tolerance is acceptable and appropriate. DSU recognizes this degree of tolerance to be no more than +/- 5%.

**5. How do I determine if my effort is a direct charge or cost sharing?**

Cost sharing is a commitment of institutional funding or resources for which the University is not reimbursed by the external sponsor. As a general rule, anytime an individual's level of effort exceeds the amount of equivalent payroll distributed as a direct charge to a sponsored project, the result is cost sharing (i.e., when effort exceeds pay, the University must pay for the difference out of its own funds) because this cost is not paid by the sponsor. There are two types of cost sharing (committed has two components).

- Committed Cost Sharing – both types require tracking and documenting of the time/expenses for reporting and audit compliance.
  - Mandatory Committed – this type of cost sharing is required by the sponsor as a condition of the award. This results for either statutory requirements or from agency policy requirements.
  - Voluntary Committed – this type of cost sharing is not required by the sponsor, but is offered by an institution as a demonstration of its commitment to the project. When voluntary cost sharing is included in a proposal budget or elsewhere in the text of the proposal, it becomes committed cost sharing once the award has been made.
- Uncommitted Cost Sharing – this type of cost sharing results from contributions made toward a sponsored program above the amount committed and budgeted for in an award. Uncommitted cost sharing does not have to be tracked, documented, or reported to sponsors, and is not included in effort reports. This type of cost sharing occurs when effort exceeds compensation.

**6. If a 9-month employee is awarded salary for their effort during the summer term, can they still participate in non-grant activities (teaching, administrative duties, vacations, write and submit proposals)?**

The answer to this question is "It depends". It depends on how much time has been awarded for the summer months. Per DSU policy an employee can only receive 90% of their full summer funded by sponsored projects. If 100% were to be awarded, the agency would expect that individual to devote 100% of his/her effort on the funded project(s). This means that normal academic year activities (teaching, committee service, advising, proposal writing, etc.) should be discontinued during the summer. It also means that the employee could not take a vacation during those months. Keeping summer sponsor funding to 90% allows the employee some time to complete those non sponsor activities and/or take a vacation.