

Campus Policy Number 200-XX

Treatment of Unallowable Costs

Policy Owner: Accounting

Effective Date: 07/01/2020

OVERVIEW

Guidance to ensure costs charged to each sponsored program award (e.g., contracts, grants, and cooperative agreements) are allowable and expended in accordance with the terms and conditions of the award and university policies. When there is a conflict in policies, the more restrictive policy prevails.

SCOPE

- Allowable Cost Determination

OBJECTIVES

- Compliance with sponsor terms and conditions and Federal cost principles (i.e., reasonable, allocable, consistent and allowable), validation, and ledger review
- Review of award terms and conditions to identify unallowable costs
- Development of department internal control procedures to ensure costs adhere to award terms and conditions
- Regular review of monthly ledgers by campus departments to validate all costs are allowable
- When unallowable costs are identified, procedures are in place to ensure a prompt transfer to an allowable fund source.

POLICIES

The following policies outline UC and UCR expectations regarding the administration of extramural funds to ensure departments have procedures in place to ensure costs posted to a sponsored award are allowable:

- UC Business & Finance Bulletin BUS-10, Principles of Accountability with Respect to Financial Transactions outlines the requirements to ensure financial accountability, financial management, data integrity and compliance.

- The UC Contract and Grant Manual provides guidance on policies for the solicitation, acceptance or execution, and administration of awards from extramural sponsors. Chapter 6-500 specifically discusses the Allowability of Costs
- UC Business & Finance Bulletin A-47, University Direct Costing Procedures outlines policy regarding direct charging of all appropriate costs to a sponsored agreement when such costs are not reimbursed as indirect costs through application of approved indirect cost or facilities and administrative (F&A) rates.
- 2 CFR 220 discusses the Federal principles: reasonable, allocable, consistent, and allowable.
- UCR Policy & Procedure 200-97 UCRFS Ledger Reconciliation & Review Guidelines outlines the monthly ledger review requirements for contracts and grants. Departments must have procedures in place to promptly transfer unallowable costs to an acceptable funding source.

CONTRACT AND GRANT CONTROL PROCEDURES

1. Campus Award Notice (CAN): Once a sponsored award is accepted by the university, the Principal Investigator (PI) and his designated department contract and grant analyst are provided with a CAN. This document transmits the official sponsored award document(s) including the award terms and conditions (or a link to such) and provides a synopsis of the important information about a sponsored project. Both the PI and the department contract and grant analyst should review the information provided, including the award terms and conditions, to ensure there is a thorough understanding of allowable costs. The PI and the department contract and grant analyst should contact Sponsored Programs Administration (SPA) if they have questions regarding the terms and conditions.
2. Based on the award documents, a budget should be established.
3. For contract and grant expenditures, the department should ensure procedures are in place to review for allowability and obtain the PI's approval, preferably in advance of the expenditures.
4. To complement the campus monthly ledger reconciliation procedures, the campus generates standard monthly reports for Principal Investigators on contract and grant activity in the PI Web Reporting System. Departments have the option of defining other funding sources within the system to enable reporting on the full portfolio of the PI's activities. Departments may also provide specialized reports to PIs based on specific needs. It is important for department contract and grant analyst to regularly meet with PIs to review the financial condition of their contract and grant activity. Changes to funding sources and corrections must be approved by the PI.
5. Annually, PIs are required to complete an annual certification of salaries charged to federal funds using the Payroll Certification Process to confirm the costs are reasonable based upon the work performed and allowable per the award terms and conditions. Department contract and grant analyst have the opportunity to review salary costs appearing on the report before the report is released to the PI. Special care should be taken to review and research items with "cost notes". If the cost is appropriate, a comment should be entered on the form; if the cost is not appropriate, it should be

immediately transferred off of the grant and onto an appropriate fund source and annotated accordingly.

REFERENCES/CONTACTS

- UC Business & Finance Bulletin BUS-10 Principles of Accountability with Respect to Financial Transactions: <https://policy.ucop.edu/doc/3620683/BFB-BUS-10>
- UC Contract and Grant Manual: <https://www.ucop.edu/research-policy-analysis-coordination/resources-tools/contract-and-grant-manual/index.html>
- UC Business & Finance Bulletin A-47, University Direct Costing Procedures <https://policy.ucop.edu/doc/3420326/BFB-A-47>
- Campus Policy Number 200-97, UCRFS Ledger Review Guidelines: <https://basapps.ucr.edu/policies/>
- PIWRS/Payroll Certification Support site: <https://cnc.ucr.edu/piwrs/>
- Please send questions or comments via e-mail to: emf@ucr.edu.