



CHICAGO STATE UNIVERSITY

Office of Grants and Research Administration



Federal Grants Management Manual

12/13/2021

9501 S. King Drive, Chicago, IL 60628

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TABLE OF CONTENTS

I.	Introduction.....	8
II.	Office of Grants and Research Administration.....	9
A.	Who We Are.....	9
▪	Description of the Office	9
▪	Our Mission, Values, and Goals.....	9
B.	Our Responsibilities	9
▪	Our Responsibilities.....	9
C.	Key Leadership.....	9
▪	Key Leadership	10
III.	Glossary of Terms	11
IV.	Federal Grant Administration Rules	14
A.	Control Systems: Federal Administrative Requirements.....	14
B.	Expenditure Controls: Federal Cost Principles.....	15
C.	Audits	15
D.	Other Rules	15
▪	Lobbying Restrictions	15
▪	Debarment and Suspension	15
▪	Drug-Free Workplace	16
▪	Federal Compliance - Financial Conflicts of Interest (FCOI).....	16
▪	Federal Compliance - Institutional Review Board (IRB)	16
▪	Federal Compliance - Institutional Animal Care and Use Committee (IACUC).....	16
▪	Federal Compliance - Institutional Biosafety Committee (IBC)	17
▪	Federal Compliance - Data Management Plan	17
▪	Federal Compliance - Responsible Conduct in Research	17

Other Rules	17
V. Grant Lifecycle	18
A. Search For Federal Grants.....	18
▪ Grants.gov	18
B. Apply for a Grant.....	18
▪ Plan the Grant Application	18
▪ Key Grant Personnel.....	19
▪ Prepare Grant Documents	19
▪ Finalize Grant Application Packet	20
▪ Key Grant Signatory authority for grant application.....	20
▪ Submit and Track.....	20
▪ Legal Implications of Applications.....	21
C. Receive the Grant	21
▪ Sign the Agreement.....	22
▪ Grant Account Set-Up	22
▪ Receive Grant Funds	22
D. Spend Grant Funds.....	25
▪ Retrieving Grant Funds.....	25
▪ Procurement Procedures	25
▪ Contractor Management.....	28
▪ Affirmative Steps	28
▪ Maintenance of Procurement Records	28
▪ NOTE TO CSU: Federally-Mandated Procurement Contract Provisions	28
▪ Code of Standards	30
▪ Labor Reporting.....	30

E. Manage Grant Award.....	31
▪ Costs	31
▪ Cost Transfers.....	34
▪ Program Income.....	35
▪ Property.....	35
▪ Cost sharing	38
▪ Situations Requiring Prior Approval from the Federal Awarding Agency.....	38
▪ Reporting.....	38
▪ Federal Oversight in Grant Administration	39
F. Closeout Grant	40
▪ Final Phase.....	40
▪ Record Retention	41
Index.....	43
VI. Appendices.....	45
▪ Appendix A: SF-424 Application for Federal Assistance.....	45
▪ Appendix B: SF-424A, Budget Information for Nonconstruction Programs	46
▪ Appendix C: Chart of Accounts Example	47
▪ Appendix D: Purchase Order Example	48
▪ Appendix E: Federal Financial Report (SF-425)	49
▪ Appendix F: Request for Advance or Reimbursement (SF-270)	50
▪ Appendix G: Outlay Report and Request for Reimbursement for Construction Programs (SF-271).....	51
▪ Appendix H: SF-PPR Performance Progress Report	52
▪ Appendix I: Tangible Personal Property Report (SF-428).....	53
▪ Appendix J: Proposed Real Property Status Report (SF-429).....	54

- Appendix K: Signatory Authorization Form..... 55
- Appendix L: Procurement Records Checklist 56
- Appendix M: Property records checklist 57
- Appendix N: Grant Closeout Checklist 58
- Appendix O: Audit Checklist 59
- Appendix P: Expenditure Request Form 60
- Appendix Q: Selected Items of Cost..... 61

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I. INTRODUCTION

Chicago State University intends to use this Grants Manual to support the administration of its federal grants. This Grants Manual establishes policies and procedures for application, receipt, management, and closeout of federal grant awards. **Chicago State University** designates this Grants Manual as the prime resource for Grants Specialists in the administration and management of their respective grant programs. This Manual list and explains many relevant federal laws and policies regarding grant administration and contains sample forms most commonly used throughout the grant life cycle. While this Grants Manual is intended as a primary resource, it is not designed to replace or supersede any federal guidance, directive or grant terms covering grant administration. Each award should be evaluated on an individual basis to determine whether any additional or special requirements are imposed as a condition of receiving federal funding.

The Grants Manual organizes the information in the following manner:

- ✓ A brief overview of grant applications and management for faculty
- ✓ Chicago State University's Office of Grant and Research Administration (OGRA)
- ✓ A glossary of terms related to federal grants
- ✓ Basic rules concerning federal grant administration
- ✓ Information on managing a grant throughout the lifecycle of the federal award

Additionally, the Appendices include examples of some relevant forms and other documents commonly used for administering federal grants.

II. OFFICE OF GRANTS AND RESEARCH ADMINISTRATION

A. WHO WE ARE

▪ DESCRIPTION OF THE OFFICE

The Office of Grants and Research Administration's objectives and goals are focused on providing services that assist faculty in their acquisition of external funding that further academic pursuits, as well as providing a role in monitoring compliance of our activities with that of the funding agencies' guidelines, rules, and regulations. It is the OGRA's position that we provide both internal partnership between faculty and administrators, and an external partnership with the University in a variety of ways but with the common goal of furthering Chicago State University as a quality institution of higher learning.

▪ OUR MISSION, VALUES, AND GOALS

The Office of Grants and Research Administration at **Chicago State University** serves as the Sponsored Program Administrator for the University with the mission to provide leadership, information, direction, and technical assistance for the advancement of teaching, research, and community outreach. To accomplish this mission, OGRA supports the pursuit of external funding from federal and state sources, serving as the central coordination point for all sponsored program grants, contracts and subcontracts, and ensuring compliance with federal, state, and institutional requirements and policies. The office provides leadership to administrators, faculty, staff, and community leaders in exploring research opportunities and development of proposal writing skills to best position Chicago State University for the acquisition of external funding for research, training, and educational endeavors.

B. OUR RESPONSIBILITIES

▪ OUR RESPONSIBILITIES

OGRA's role of compliance oversight entails that proper ethical actions are taken and that scientific and fiscal integrity is preserved concerning grant activities. Our service role entails building partnerships with faculty and administrators so that our various research and funding agendas are supported and advanced to move the institution forward by providing assistance and guidance in proposal preparation, proposal submission, and oversight to all the financial and non-financial aspects once an award is secured. These administrative services and the subsequent roles of the OGRA are focused on ensuring that faculty are supported and their efforts are more positively directed to research and pursuit of external funding.

C. KEY LEADERSHIP

▪ **KEY LEADERSHIP**

Name	Title	Phone	Email
Edmundo Garcia-Solis, Ph.D.	Associate Provost	773-995-2339	egarcia@csu.edu
Angela Hopgood-Miller	Grants and Contracts Administrator	773-995-3599	ahopgood@csu.edu
Ditas Mesina Vidad	Grants and Compliance Administrator	773-821-2867	mvidad@csu.edu

III. GLOSSARY OF TERMS

Term	Definition
Administrative Requirements	Matters common to grants in general, such as financial management, kinds, and frequency of reports, and retention of records.
Advance	A payment made by Treasury check or other appropriate payment mechanisms to a recipient upon its request either before outlays is made by the recipient or through the use of predetermined payment schedules. An advance is the preferred method of payment for federal award recipients provided they meet the eligibility criteria specified in the administrative requirements.
Award	Financial assistance that provides support or stimulation to accomplish a public purpose. Awards include grants and other agreements in the form of money or property instead of money, by the federal government to an eligible recipient. The term does not include technical assistance, which provides services instead of money; other assistance in the form of loans, loan guarantees, interest subsidies, or insurance; direct payments of any kind to individuals; and contracts which are required to be entered into and administered under procurement laws and regulations.
Closeout	The process by which a federal awarding agency determines that all applicable administrative actions and all required work of the award have been completed by the recipient and federal awarding agency. Closeout includes many actions including final reporting for the award, disposition of property and record retention requirements.
Contract	A legal instrument, such as a procurement agreement, under a grant or subgrant, by which a recipient or subrecipient of an award purchases property or services needed to carry out the project or program under the award. The term also includes a procurement subcontract under a government contract.
Cost objective	A program, function, activity, award, organizational subdivision, contract, or work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, jobs, capital projects, etc. A cost objective may be a major function of the non-Federal entity, a particular service or project, a Federal award, or an indirect (Facilities & Administrative (F&A)) cost activity.
Cost sharing	Cost sharing or "matching" means the value of the third-party in-kind contributions and the portion of the costs of a federally assisted project or program not borne by the federal government.
Direct cost	Costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.
Discretionary Grants	Grants given by the federal awarding agency, according to specific authorizing legislation, to exercise judgment or "discretion," in selecting the non-federal award recipient through a competitive grant process. Discretionary grants may be selected on a non-competitive basis, as appropriate by the federal awarding agency.
Draw Down	The action of requesting and receiving grant funds to cover obligated expenditures under the grant.
Equipment	Tangible, nonexpendable property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit.
Expenditures	Charges made to the project or program. They may be reported on a cash or accrual basis.

	<p>For reports prepared on a cash basis, outlays are the sum of cash disbursements for direct charges for goods and services, the amount of indirect expense charged, the value of third-party in-kind contributions applied and the amount of cash advances and payments made to subrecipients.</p> <p>For reports prepared on an accrual basis, outlays are the sum of cash disbursements for direct charges for goods and services; the amount of indirect expense incurred, the value of in-kind contributions applied, and the net increase (or decrease) in the amounts owed by the recipient for goods and other property received. For services performed by employees, contractors, subrecipients and other payees and other amounts becoming owed under programs for which no current services or performance are required.</p>
Facilities and Administrative (F&A) costs	Necessary costs incurred by a recipient for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of F&A (indirect) costs. F&A (indirect) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.
Funding Opportunity	The formal announcement of open awards from a federal awarding agency. Funding opportunities typically describe the award including the deadline date, funding amounts, award description, and other pertinent information.
Grant	An award of financial assistance, including cooperative agreements in the form of money, or property instead of money, by the federal government to an eligible recipient. Grants do not require repayment.
Grant Life Cycle	The entire process of grant administration: applying for a grant, receiving a grant, managing a grant, and closing out a grant.
Recipient	Non-federal entities awarded a federal grant and held accountable for the use of the funds provided. The recipient is the entire legal entity even if only a particular component of the entity is designated in the award document. Recipient does not include subrecipients or individuals that are beneficiaries of the award.
Indirect cost	Necessary costs incurred by a recipient for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved. Indirect costs are sometimes referred to herein as facilities and administration cost (“F&A”).
Intellectual Property	Personal property that is lacking a physical presence and deriving from creations of the mind, such as patents or copyrights.
Internal Controls	The policies and procedures in place to ensure effective control over grant funds and property against fraud and waste.
Local Government	A county, borough, municipality, city, town, township, parish, local public authority (including public housing agencies), school district, special district, intrastate district, council of governments (whether or not incorporated as a nonprofit corporation under state law), any other agency or instrumentality of a multi-, regional, or intra-state or local government.
Non-Discretionary Grants	Grants that a federal agency is required by statute to award if the recipient, usually a state, submits an acceptable state plan or application and meets the eligibility and compliance requirements of the statutory and regulatory provisions of the grant program.

Non-Federal Entity	A state, local government, Indian tribe, institution of higher education, or nonprofit organization that administers a federal award as a recipient or subrecipient.
Obligations	The amounts of orders placed, contracts and grants awarded, services received and similar transactions during a given period that require payment by the recipient during the same or a future period.
Personal Property	Property of any kind except real property. It may be tangible, having physical existence, or intangible, having no physical existence, such as copyrights, patents, or securities.
Personally Identifiable Information (PII)	Information that can be used to distinguish or trace a person's identity – either alone or when used with other information linked to one person. Public PII includes information ordinarily available in public sources, such as public websites and telephone books. Such information includes name, address, phone numbers, emails and university credentials.
Programmatic Requirements	Matters relevant on a program-by-program or grant-by-grant basis, such as kinds of activities that can be supported by grants under a particular program.
Protected Personally Identifiable Information (Protected PII)	A person's first name or first initial and last name combined with one or more types of information, including, but not limited to, social security number, passport number, credit card numbers, clearances, bank numbers, biometrics, date and place of birth, mother's maiden name, and criminal, medical and financial records, educational transcripts. This information does not include PII that is required by law to be disclosed.
Real Property	Land, including land improvements, structures, and appurtenances to it, but excludes movable machinery and equipment.
Selected Items of Cost	Itemized lists of allowable costs contained in the last pages of each set of Cost Principles.
State	Any of the 50 states of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or any agency or instrumentality of a state exclusive of local governments.
Subrecipient	The legal entity to which a subaward is made and which is accountable to the recipient for the use of the funds provided. The term may include foreign or international organizations (such as agencies of the United Nations) at the discretion of the federal awarding agency.
Supplies	All tangible personal property other than equipment as defined in this part.
Suspension	<p>(1) Temporary withdrawal of the authority to obligate grant funds pending corrective action by the recipient or subrecipient or a decision to terminate the grant.</p> <p>(2) An action taken by a suspending official by agency regulations implementing E.O. 12549 to immediately exclude a person from participating in grant transactions for a period, pending completion of an investigation and such legal or debarment proceedings as may ensue.</p> <p>(3) An action by a federal awarding agency that temporarily withdraws federal sponsorship under an award, pending corrective action by the recipient or pending a decision to terminate the award by the federal awarding agency.</p>
Tribal Government	The governing body or a governmental agency of any Indian tribe, band, nation, or other organized group or community (including any native village as defined in Section 3 of the Alaska Native Claims Settlement Act, 85 Stat. 688) certified by the Secretary of the Interior as eligible for the special programs and services provided through the Bureau of Indian Affairs.

IV. FEDERAL GRANT ADMINISTRATION RULES

The federal government provides rules for how all grantees must receive, spend, track, and report on federal funds. These rules are located in 2 CFR Chapter I, Part 200 titled the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. This set of rules is also sometimes referred to as the “Uniform Guidance” and was officially implemented by the Office of Management and Budget (“OMB”) in December 2014. In this Grants Manual, the set of federal grant administration rules is divided into four major categories: federal administrative requirements, federal cost principles, audits, and other rules.

A. CONTROL SYSTEMS: FEDERAL ADMINISTRATIVE REQUIREMENTS

Federal administrative requirements for grant management can be found in 2 CFR Part 200, Subpart D and Subpart E accessible online at [2 CFR Part 200 -- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#)

This guidance applies to Chicago State University as a non-federal entity receiving federal grant awards and without regard to entity type. The federal government groups the administrative requirements into subparts that address the pre-award and post-award administration phases.

Pre-award Requirements: Discusses grant eligibility, applying for federal assistance, and debarment/suspension. Appears online at <http://www.ecfr.gov/cgi-bin/retrieveECFR?gp=1&SID=ddafb16f634f3a79df4414e8427931b3&ty=HTML&h=L&n=pt2.1.200&r=PART#sp2.1.200.c>

[Subpart C - §200.200 to §200.213](#)

Post-award Requirements: Discusses program management, payments, program income, budgeting, costs, cost sharing, and non-federal audits. Also discusses property and procurement guidelines, reporting and records retention, termination and enforcement, and closeout. Appears online at <http://www.ecfr.gov/cgi-bin/retrieveECFR?gp=1&SID=ddafb16f634f3a79df4414e8427931b3&ty=HTML&h=L&n=pt2.1.200&r=PART#sp2.1.200.d>

[Subpart D - §200.200 to §200.309](#)

B. EXPENDITURE CONTROLS: FEDERAL COST PRINCIPLES

Cost Principles govern how **Chicago State University** can spend federal grant funding. Federal cost principles can be found in 2 CFR Part 200 Subpart E, accessible online at <http://www.ecfr.gov/cgi-bin/retrieveECFR?gp=1&SID=ddafb16f634f3a79df4414e8427931b3&ty=HTML&h=L&n=pt2.1.200&r=PART%23sp2.1.200.d#sp2.1.200.e>

These laws discuss allowable costs, direct and indirect costs, determining reasonable costs, and unallowable costs associated with grant administration. The Cost Principles reference specific items, such as compensation, equipment, or advertising, in the *Selected Items of Cost* sections.

C. AUDITS

2 CFR Part 200 Subpart F appears online at <http://www.ecfr.gov/cgi-bin/retrieveECFR?gp=1&SID=ddafb16f634f3a79df4414e8427931b3&ty=HTML&h=L&n=pt2.1.200&r=PART%23sp2.1.200.d%23sp2.1.200.e#sp2.1.200.f>

The audit rules govern the audit of all federal grantees expending \$750,000 or more of federal awards during their fiscal year. CSU does have over \$750,000 in federal funding annually, and therefore undergoes a Single Audit each year by an external auditor. The results of the audit are reported to the Illinois State Auditor General and to the Federal Government.

D. OTHER RULES

Other rules governing grants administration can be found in various sections of the federal code. These rules include but are not limited to the following:

- **LOBBYING RESTRICTIONS**

Lobbying restrictions can be found in Section 200.450 of the federal administrative requirements. This section also identifies other agency regulations that discuss lobbying restrictions. Generally, federal grantees and subrecipients are prohibited from using federal funds to influence federal employees or members of Congress and their staff. If a federal grantee or subrecipient engages in lobbying activities, they must submit a form SF-LLL, Disclosure of Lobbying Activities, with their grant application. The University rarely uses State or Federal lobbyists funded by State appropriated dollars to advocate for grant funding. When this is done, it must be reported at the time of the grant application.

- **DEBARMENT AND SUSPENSION**

2 CFR 180, *OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Non-procurement)*, governs debarment and suspension of federal grantees from receiving federal grant awards. Debarment and suspension can occur if federal grantees use federal funds wastefully or fraudulently.

To ensure federal funds do not flow to excluded parties, federal grantees are required to check for excluded parties before opening bids or awarding work. Names of debarred or suspended parties can be found by searching the System for Award Management (SAM) for exclusion records, active or excluded at <https://sam.gov/content/home>. Exclusion records for debarred or suspended parties will also be checked by searching the Health and Human Services' Office of the Inspector General (OIG) website [at https://exclusions.oig.hhs.gov/](https://exclusions.oig.hhs.gov/). Such debarment or suspension searches will be carried by OGRA in the expenditure approval process.

- **DRUG-FREE WORKPLACE**

2 CFR 182, *Government-wide Requirements for Drug-Free Workplace (Financial Assistance)* requires federal grantees to agree to maintain a drug-free workplace. The rule appears online at [this link](#).

- **FEDERAL COMPLIANCE - FINANCIAL CONFLICTS OF INTEREST (FCOI)**

Faculty and staff of the University have a professional obligation to act in the best interests of the University. The Financial Conflicts of Interest Policy ("Policy") delineates the requirements for disclosing significant financial interests that may constitute financial conflicts of interest. CSU's Financial Conflict of Interest Policy can be found at: <https://www.csu.edu/sponsoredprograms/policies/financialconflict.htm>

- **FEDERAL COMPLIANCE - INSTITUTIONAL REVIEW BOARD (IRB)**

The Mission of the Institutional Review Board is to protect the rights and welfare of research subjects, through review of research involving human subjects at Chicago State University. The Mission of the CSU IRB is congruent with the University's mission of academic excellence, which encompasses teaching, research, service and community development including social justice, leadership and entrepreneurship. The IRB chair is appointed by the President and members are selected according to federal regulations.

Any data collection activity from human subjects including surveys, interviews, focus groups, assessments or evaluations that is designed to contribute to generalized knowledge requires IRB review. The definition of generalized knowledge is broad and includes theses, dissertations, publications or public presentations. If you are uncertain about whether your proposed research falls within the categories listed, please contact the IRB at irb@csu.edu for assistance.

No research project involving human subjects can begin until written authorization from the CSU IRB is received by the principal investigator. Details of the work of the IRB and how to submit documents requesting a review can be found at [Home | IRB](#)

- **FEDERAL COMPLIANCE - INSTITUTIONAL ANIMAL CARE AND USE COMMITTEE (IACUC)**

This committee oversees the University's animal programs, facilities and procedures. University faculty, staff and students using animals in research, teaching and/or display must submit a protocol for IACUC review and gain IACUC approval of the protocol. Once approved, a protocol is in effect for three years, with annual continuation. To renew a protocol after three years, a new protocol must be submitted for full IACUC review. Members of the IACUC are appointed by the designated Institutional Official, Dr. Edmundo Garcia-Solis, and assure that animal use is justified by benefits and minimizes animal pain or suffering. The IACUC holds full meetings semi-annually (the last week of April and the last week of October). New animal protocols can be submitted by investigators year-round, but protocol

reviews are scheduled only for the April and October meetings. Animal protocols must be received by no later than ten days prior to a scheduled meeting in order to be reviewed at the meeting. The outcome of a protocol review is communicated, in writing, from the IACUC to the investigator by no later than 40 days following the IACUC review. The composition of the CSU IACUC follows the federal requirements (Public Health Service Office of Animal Laboratory Welfare): One Doctor of Veterinary Medicine, one affiliated non-scientific member, one unaffiliated member, and one practicing scientist with experience in research involving animals (the CSU IACUC has four such members) For more information about the IACUC, please contact Dr. Mark Erhart at merhart@csu.edu or call (773) 995-2432.

- **FEDERAL COMPLIANCE - INSTITUTIONAL BIOSAFETY COMMITTEE (IBC)**

This committee oversees ...

- **FEDERAL COMPLIANCE - DATA MANAGEMENT PLAN**
- **FEDERAL COMPLIANCE - RESPONSIBLE CONDUCT IN RESEARCH**

The Research Integrity Officer (RIO) is appointed by the President and assures responsible conduct in research. Chicago State University's RIO, Dr. Edmundo Garcia-Solis, manages reports of potential research misconduct carried out by CSU faculty, staff, and students. To report alleged research misconduct, please contact Dr. Andrew in ADM-303 in person, by phone ((773) 995-2339), or by email (amaselli@csu.edu).

OTHER RULES

Agency-specific rules for grant administration can be found under the agency's CFR title. For example, administration of Head Start grants under the Department of Health and Human Services can be found under 45 CFR Part 1301. To find CFR titles for agency-specific grant administration rules, look in the grant administration manual accompanying the grant award or search the CFR online at the U.S. Government Printing Office (GPO website at [this link](#)).

For non-Federal entities such as State, Local and federally recognized Indian Tribal governments and nonprofit organizations requirements by a federal agency can be found at this [link](#).

V. GRANT LIFECYCLE

A. SEARCH FOR FEDERAL GRANTS

- **GRANTS.GOV**

The federal government requires federal agencies to post discretionary grant opportunities on Grants.gov located at www.grants.gov. This website offers a comprehensive search feature to locate federal grant opportunities for almost any federal government office. **Chicago State University** can conduct searches by funding opportunity number, the category of funding, agency, and other unique search criteria. Grants.gov also has an email alert service that will send notification of new grant opportunities as they are posted. The email alert service can be accessed at <https://www.grants.gov/web/grants/manage-subscriptions.html>

- **Individual Agency Websites**

In some instances, some federal grant opportunities may not appear on Grants.gov . Be sure to check individual federal agency websites for a comprehensive listing of grant opportunities. In other instances, some federal agencies use Grants.gov for retrieving applications prior to moving the application over to the agency’s individual platform. For example, the National Institute of Health (“NIH”) uses eRA Commons, an online interface that retrieves the application or proposal information from Grants.gov and compiles in a manner consistent with NIH to make available to applicants and NIH staff during the award evaluation process and beyond. Other Federal Agencies with their own application portals include NSF (uses Fastlane) and NASA (uses NSPIRES).

- **Unsolicited Proposals**

In many instances, federal agencies will review unsolicited proposals for new research or related activities that may be beneficial to the government. There typically are agency specific rules that govern such proposals, which may vary by agency and funding type. Please contact the OGRA if you are interested in potentially submitting an unsolicited proposal.

B. APPLY FOR A GRANT

- **PLAN THE GRANT APPLICATION**

Note the Deadline

Preparing a federal grant proposal can be extremely labor-intensive. Establishing a plan to complete the individual parts of the grant application package will keep the effort organized and ensure completion by the grant deadline date. Federal grant deadlines are hard deadlines. In most cases, even an application submitted 1 minute after the deadline will not be considered. Some agencies (such as NSF) require electronic submission to Grants.gov on or before 5:00 pm local time of the applicant on the appropriate date listed.

Certain federal awarding agencies allow submission of late applications for extenuating circumstances. For example, the NIH provides that if an application is submitted late, a cover letter explaining the reasons for the delay must be

included with the signed, completed application. Late applications are evaluated on an individual basis considering the reasons provided that the NIH Division of Receipt and Referral has the authority to accept a late application.

Download the Grant Application Packet

Chicago State University will apply for grants using [Federal Standard Form 424, Application for Federal Assistance](#). This form has approximately 21 sections. A copy of this form appears in Appendix A. Many federal agencies now allow online submission of federal grant applications either through Grants.gov or through a separate application system accessible from the agency’s website. Be sure to review all the guidelines in the grant funding opportunity to confirm how to apply. If the funding opportunity allows for online submission, be sure to download the grant application packet and complete it off-line before the submission. Completing the grant application packet off-line makes for easier entry online.

Identify the Project Administrator and Team

The Grant Administrator will serve as the lead for completing and submitting the grant application packet. The Grant Administrator will locate the key people providing information for or writing parts of the grant application packet. Establishing an initial team meeting to discuss roles and responsibilities will ensure organized and timely preparation of the grant application.

▪ **KEY GRANT PERSONNEL**

Name	Title	Phone	Email
Edmundo Garcia-Solis, Ph.D.	Associate Provost	773-995-2339	egarcia@csu.edu
Angela Hopgood-Miller	Grants and Contracts Administrator	773-995-3599	ahopgood@csu.edu
Ditas Mesina Vidad	Grants and Compliance Administrator	773-821-2867	mvidad@csu.edu

▪ **PREPARE GRANT DOCUMENTS**

Each document in a federal grant application packet must be completed before submission. Most federal grant application packets contain some variation of these forms as well as additional forms required by the agency:

- SF-424: [Application for Federal Assistance](#)
- SF-424A: [Budget Information for Non-construction Programs or SF424-C Budget Information for Construction Programs](#)
- SF-424B: [Assurances for Non construction Programs or SF-424D Assurances for Construction Programs](#)

The SF-424, Application for Federal Assistance contains 21 sections requesting contact information, organization background, demographic project information, total project funding, authorized representative information, and an explanation of any federal debt delinquencies.

The SF-424A/C, Budget information for Non-Construction/Construction programs, contains two parts requesting detailed budget information divided by these class categories: personnel, fringe benefits, travel, equipment, supplies, contractual, construction, other costs, and indirect charges.

The SF-424B/D, Assurances for Non-Construction/Construction programs requires the authorized representative to certify compliance with a variety of federal laws, such as Title VI of the Civil Rights Act, the Davis-Bacon Act, and the Clean Air Act.

The individual parts of the grant application packet should be accurate, well-written, and informative. Federal overseers, such as auditors and grant monitors, will refer to the documents in the application packet during site visits to evaluate project performance and grant compliance. The Catalog of Federal Domestic Assistance gives guidance on planning/writing federal grants as well as preparing budget forms at <https://www.cfda.gov/>.

- **FINALIZE GRANT APPLICATION PACKET**

Internal Approval Process

Authorized Signature Authority

The documents in the federal grant application packet will require the signature of an authorized CSU representative who has the power to bind the organization to the terms and conditions of the grant award. This individual is typically the CSU Provost or President.

- **KEY GRANT SIGNATORY AUTHORITY FOR GRANT APPLICATION**

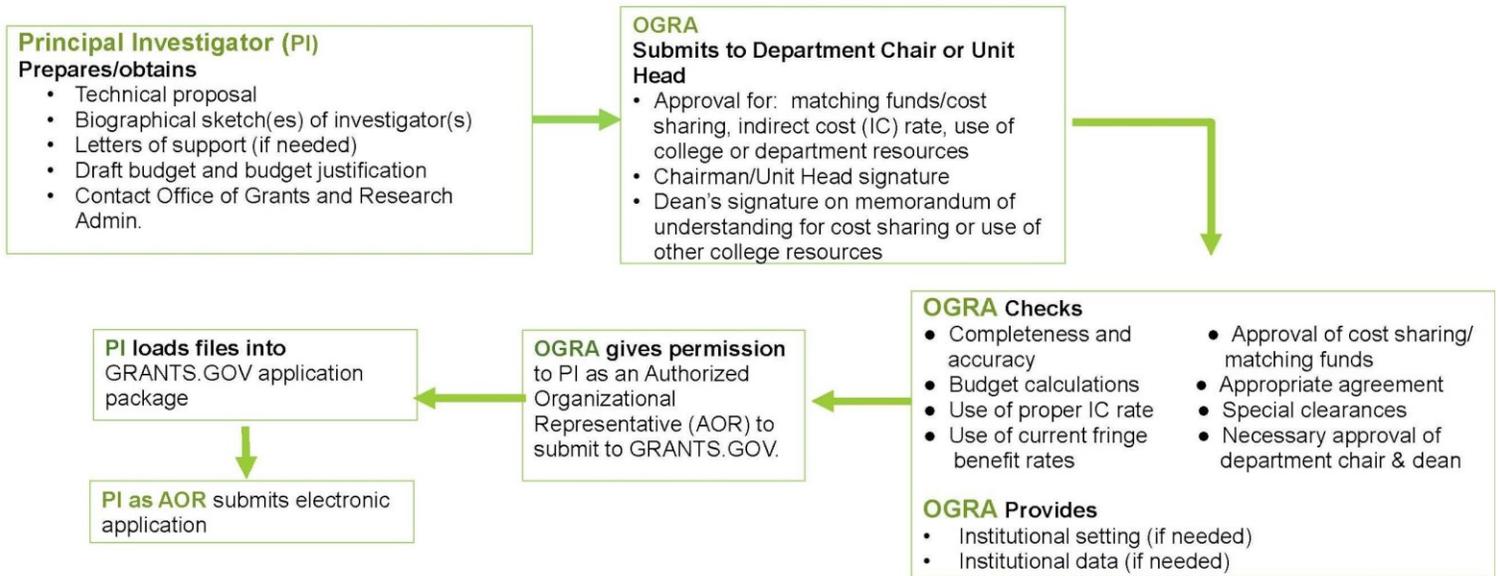
Name	Title	Phone	Email	Signatory Authority
Zaldwaynaka Scott	President	773-995-2400	president@csu.edu	Primary
Leslie Roundtree	Interim VP & Provost	773-995-2402	lroundtr@csu.edu	Secondary

- **SUBMIT AND TRACK**

Once the grant application packet is completed offline, the Authorized Organizational Representative (AOR) will then submit it online. At CSU the AOR is a staff member of the OGRA; commonly the AOR may delegate this role to the grant PI/PD. If applying online at an agency website or through Grants.gov, the sections of the completed grant application packet can be cut and pasted into the online submission program.

Grants.gov features a tracking mechanism that will give status reports on the processing of the grant application packet to the PI and AOR. The Grants.gov tracking feature can be found at <http://www.grants.gov/web/grants/applicants/apply-for-grants/step-4-track-my-application-package.html>

The following is an overview of the CSU internal routing and approval procedures for the preparing and submitting a grant application:



▪ **LEGAL IMPLICATIONS OF APPLICATIONS**

The signature of the CSU representative with authority to bind the organization on the application certifies that CSU will comply with all applicable assurances and certifications referenced in the application. As the applicant, CSU is responsible for verifying conformity with the most current guidelines for all administrative, fiscal, and scientific information in the application, including the facilities and administration (“F&A”) cost rate. The CSU Representative’s signature further certifies that CSU has the ability to provide appropriate administrative and scientific oversight of the project and agrees to be fully accountable for the appropriate use of any funds awarded and for the performance of the grant-supported project or activities resulting from the application.

CSU as an applicant for and recipient of grant funds, whether such funds are received through a grant, indirectly under a contract or consortium agreement, or by a fiscal agent acting on another organization’s behalf, or as student assistance under a training grant, is responsible for and must adhere to all applicable federal statutes, regulations, and policies. CSU also is expected to be in compliance with applicable state and local laws and ordinances.

The Grant Administrator and the CSU representative should ensure that CSU is compliant with or able to comply with all applicable requirements prior to submitting and certifying any award application.

C. RECEIVE THE GRANT

- **SIGN THE AGREEMENT**

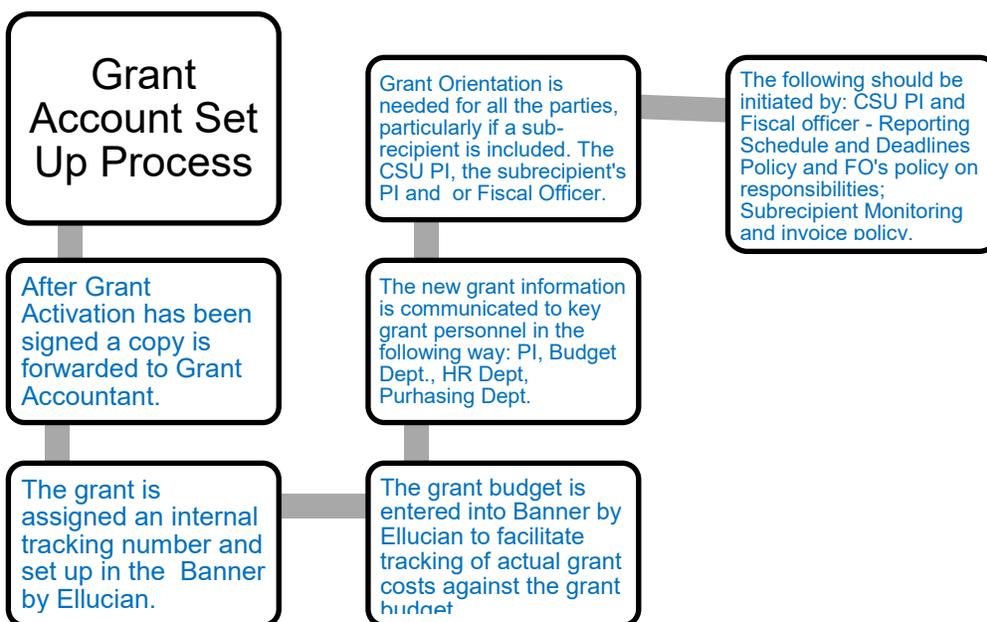
Upon an award of grant funds, a key official in the **Chicago State University** may need to sign the award document and return to the federal awarding agency to receive the grant funds. The Federal awarding agency will not release any grant funds without receiving the grant award document back with an authorized signature.

The authorized signer for **Chicago State University** is the President. She has the Key Grant Signatory authority for a grant agreement.

Name	Title	Phone	Email	Signatory Authority
Zaldwaynaka Scott	President	773-995-2400	president@csu.edu	Primary

- **GRANT ACCOUNT SET-UP**

Chicago State University uses the Banner by Ellucian to manage federal grant funding. Upon receipt of an award of federal grant funds, follow these instructions to set up a new account in the Banner by Ellucian:

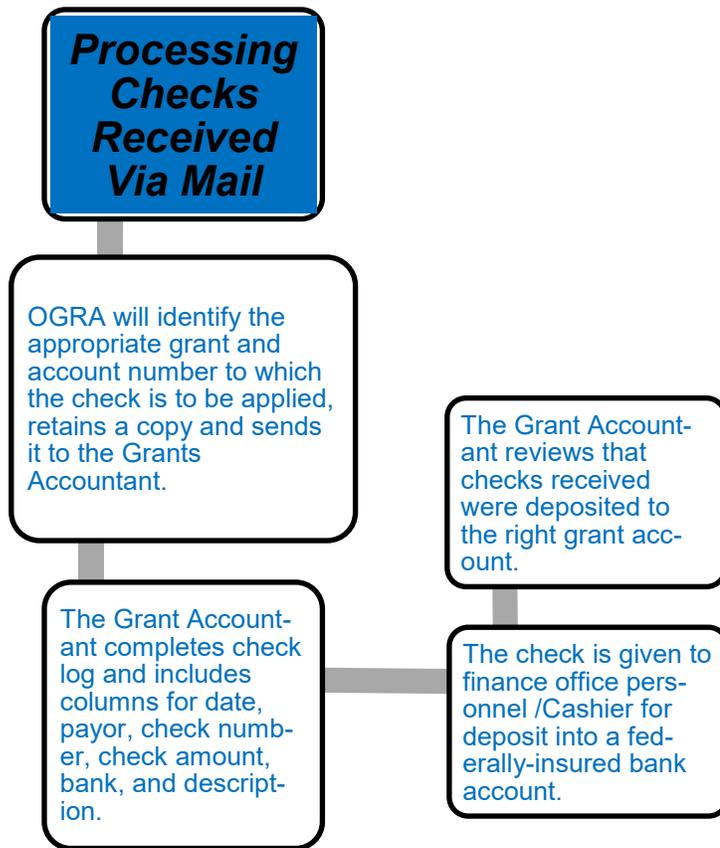


- **RECEIVE GRANT FUNDS**

Grantees typically receive grant funds either by check or in an account from which they can draw down funds as the funds become obligated under the grant. Please see [this link](#)

CSU’s Administration and Finance Policies and Procedure Manual and the Institutional Policy Manual (“IPM”) (<https://www.csu.edu/ipm/>) details the processing and receipt of grant funds. Further information regarding receipt of grant funds is detailed within IPM Article III, Research and Grants, Section 1, Appropriate Use of Grant Funds with [this link](#).

Processing Checks Received Via Mail



All phases of processing a check – retrieving the check from the mail, logging the check, and delivering the check to the bank – should be separated and conducted by different people to prevent one person from having complete control over grant funds.

Any checks related to Contract and Grant accounts must first be forwarded to the OGRA.

Grant and Contracts Administrator at the OGRA identifies the grant and account number to which the check will be applied and will be transmitted to the University cashier for same-day deposit. Most grants are on a cost reimbursement. That means that the University has to incur the cost up front for it to be reimbursed by the sponsor. This could have an impact on our cash flow; thus, it is required that all reimbursement checks on grants are received and deposited into University accounts on a timely basis. All grant checks received by any other university office must be forwarded to OGRA as soon as they are received.

OGRA will stamp the receipt date on the check. The Grant Accountant will then identify the appropriate grant and account number to which the check is to be applied. A copy of the check will be made and placed in the appropriate grant file. The check will then be transmitted to the Cashier's Office for deposit. This process is Sponsored Programs and will take an hour at best. Therefore, checks should be deposited within two days of being received unless further research is needed on the document.

All checks related to grants from sponsoring agencies, should be directed as follows:

Check payable to:

Chicago State University
Office of Grants and Research Administration
9501 S. Martin Luther King Jr. Dr.
Cook Administration Building, Room 303
Chicago, IL 60628

The cashiering operations control the receipts of all cash and negotiable instruments for the University, including payments for tuition and fees, receipt of funds from grants and contracts, daily parking fees and parking decals, and sales receipts.

Names and Contact Information for Check Processing

Name	Title	Phone	Email
Edmundo Garcia Solis, PhD	Associate Provost	773-995-2339	egarcia@csu.edu
Angela Hopgood-Miller	Grants and Contracts Administrator	773-995-3599	ahopgood@csu.edu
Tameka Ringo	Grant Accountant	773-995-4438	tringo@csu.edu
Bobbie Stewart	Director/Cashier	773-995-3995	b-stewart@csu.edu

Federal Funds Drawdown Account

Many federal agencies place grant awards in an account and allow the grantee to withdraw the funds as costs become obligated. If the grant award distributes grant funds in this manner, be sure to take note of any procedures listed in the grant terms and conditions for activating the drawdown account and drawing down funds.

D. SPEND GRANT FUNDS

▪ RETRIEVING GRANT FUNDS

Most government agencies deposit federal grant award funds into an account and allow federal grantees to draw down the funds as costs become obligated. Before drawing down funds, federal grantees are required to submit Form [SF-270 Request for Advance or Reimbursement](#). The SF-270, which may be submitted online but could be submitted by e-mail or postal mail. This form indicates the amount of the drawdown request and confirms the amount of grant award funds remaining. A copy of SF-270 appears in Appendix F of this manual.

Drawing Down Funds

Chicago State University must have a process that minimizes the time between receiving cash advances from the U.S. Treasury and the actual disbursement of funds by the federal award recipient for program or project costs. The timeframe should be as short a turnaround as is “administratively feasible.”

[Please see internal control over compliance Grant Expenditure Reimbursement through Invoice Billing and Drawdown Policy]

In the absence of a drawdown policy by the federal awarding agency, **Chicago State University** draws down federal funds approximately once a month. The Grant Accountant has authority to draw down funds in the amount they have been obligated under the grant. Before any drawdown of federal funding, the Grant Accountant will confirm the cash balance of each federal grant. After the Grant Accountant draws down funds, he or she will document the drawdown with appropriate accounting personnel

Once appropriate accounting personnel confirm the receipt of the wire transfer of funds, a journal voucher is created to document the transfer and allocate the funds to appropriate accounts within the accounting system. The Grant Accountant receives notification of the journal voucher and confirms the proper allocation of grant funds.

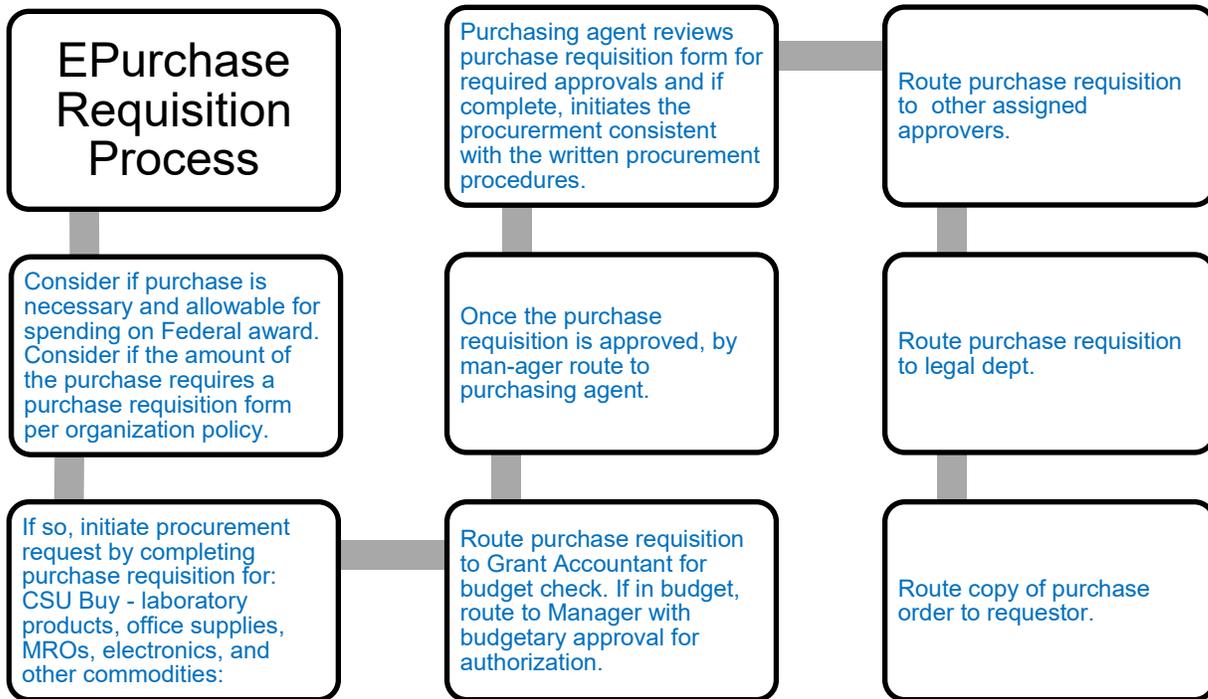
See: [CSU Administration and Finance Policies and Procedures Manual – Procedure No. 3.0, page 14 Admin Finance Policies Procedures Manual.pdf \(csu.edu\)](#)

If a drawdown is made in error, the Grant Accountant will follow the policy of the federal awarding agency.

▪ PROCUREMENT PROCEDURES

Purchase Requisition Process

The purchase of goods typically starts with the receipt of an approved purchase requisition form.



General Standards

Chicago State University must use documented procurement procedures which conform to applicable Federal law and procurement standards covered in 2 CFR Part 200 Sections 200.317-200.326 and procedures which echo applicable State and local laws and regulations.

All procurement transactions paid with federal funds are conducted in a manner providing full and open competition. In an environment of full and open competition, no proposer or bidder has a competitive advantage over another. All potential proposers and bidders must be provided the same information and have the same opportunity to submit a bid or proposal. Providing a competitive advantage to one or more potential proposers or bidders over another can open up the potential for disputes that can be costly and can significantly delay the award and completion of projects. CSU awards contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. CSU considers such matters as contractor integrity and business ethics, compliance with public policy, ability to complete the project on time and in accordance with specifications, record of past performance, and the contractor's financial and technical resources. 2 CFR § 200.318(h).

Procurement Procedures for the solicitation of goods and services can be found at:

[Admin Finance Policies Procedures Manual.pdf \(csu.edu\)](#)- laboratory products, office supplies, MROs, electronics, and other commodities

Information on Travel Related Services can be found at [Admin Finance Policies Procedures Manual.pdf \(csu.edu\)](#).

2 CFR Part 200 Section 200.320 specifies five methods of procurements to be followed as illustrated in the table below:

Method	Aggregate Dollar Amt.	Notes 1:	Notes 2:
1. Micro-Purchase	Not to exceed \$10,000 (\$2K for the subject to Davis-Bacon Act and Certain Research Institutions \$10,000.	No quotations required if the price is reasonable.	To extent practicable distribute equitably among qualified suppliers.
2. Small Purchase	Up to \$250,000	Rate quotations from an adequate number of qualified sources.	No cost or price analysis required.
3. Sealed Bid	>\$250,000	Primarily construction projects-Firm fixed price contract.	Price is a major factor-formal process for bidding
4. Competitive Proposals	>\$250,000	Fixed price or cost reimbursement.	RFP with evaluation methods for an adequate number of qualified sources.
5. Sole Source	Available for procurements of any dollar amount.	No competition/Must be authorized by the agency (or Pass-through entity).	Unique or public emergency.

The five specified procurement methods must comply with:

- The organizations' documented procurement procedures
- The necessity of the purchase
- Open competition to the extent required
- The organization's conflict of interest policy
- Sufficient and proper documentation of the purchase

Unnecessary Purchases Prohibited

Chicago State University shall avoid purchasing unnecessary or duplicative items. Every grant-funded purchase must meet the definition of an "allowable cost" per the federal administrative requirements. For a discussion of allowable costs, reference the *Costs* section under *Section E. Manage Grant Award*.

Non-Competitive Practices

Chicago State University and their subrecipients shall avoid actual, or the appearance of, conflicts of interest or non-competitive practices which may restrict or eliminate competition or otherwise restrain trade.

Contractors that develop or draft specifications, statements of work, and/or Requests for Proposals (RFPs) for a proposed procurement shall be excluded from bidding or submitting a proposal to compete for the award of such procurement. **Chicago State University** does not engage in the following practices, which may restrict full and open competition, including but not limited to:

- placing unreasonable requirements on firms in order for them to qualify to do business;
- requiring unnecessary experience and excessive bonding;
- noncompetitive pricing practices between firms or between affiliated companies;
- noncompetitive contracts to consultants that are on retainer contracts;
- placing orders with firms that have or create organizational conflicts of interest;

- specifying only a “brand name” product instead of allowing “an equal” product to be offered and describing the performance or other relevant requirements of the procurement; and
- any arbitrary action in the procurement process. 2 CFR § 200.319(a)

▪ **CONTRACTOR MANAGEMENT**

Chicago State University provides contractor oversight to make sure that contractors perform their responsibilities consistent with the terms and conditions of their purchase orders and contracts. CSU’s purchasing policies and procedures should be reviewed at [Admin Finance Policies Procedures Manual.pdf \(csu.edu\)](#). This system ensures contractors adhere to terms, conditions, and specifications of contracts and purchase orders.

▪ **AFFIRMATIVE STEPS**

Chicago State University takes all necessary affirmative steps to ensure that minority businesses, women-owned business enterprises, and labor surplus area firms are used when possible. To accomplish this, CSU uses the following required affirmative steps:

- placing qualified small and minority businesses and women’s business enterprises on solicitation lists
- assuring that small and minority business, and women’s business enterprises are solicited whenever they are potential sources
- dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority businesses, and women’s business enterprises
- establishing delivery schedules, where the requirement permits, which encourage participation by small and minority businesses, and women’s business enterprises
- using the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce, and
- requiring subrecipients or contractors, if subcontracts are to be let, to take the affirmative steps listed above.

▪ **MAINTENANCE OF PROCUREMENT RECORDS**

Departments are responsible for retaining documentation supporting purchases for grants according to the grant’s guidelines. Specific requirements are detailed in the grant’s terms and conditions and in CSU’s record retention policies.

▪ **NOTE TO CSU: FEDERALLY-MANDATED PROCUREMENT CONTRACT PROVISIONS**

In order to create greater consistency in the administration of federal awards, all federal awarding agencies utilize a standard core set of administrative terms and conditions on grants. Additionally, certain agencies, such as the Department of Health and Human Services, may administer a standard core of terms and conditions subject to 45 CFR Part 75, to the extent practicable.

In all federally-funded contracts, **Chicago State University** must include the applicable provisions described in Appendix II to 2 CFR Part 200 – Contract Provisions for non-Federal Entity Contracts under Federal Awards. 2 CFR §

200.326. All contracts awarded by **Chicago State University** involving a grant-funded purchase of goods or services, including small purchases, must include certain federally-mandated procurement contract provisions, including:

Provision	Citation
Recipient Termination	2 CFR Part 200 Appendix II
Equal Employment Opportunity	E.O. 11246, "Equal Employment Opportunity," as amended by E.O. 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," and as supplemented by regulations at 41 CFR part 60, "Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor."
Clean Air Act	42 U.S.C. 7401
Federal Water Pollution Control Act	33 U.S.C. 1251
Energy Efficiency	2 CFR Part 200 Appendix II
Copeland "Anti-Kickback" Act	18 U.S.C. 874 and 40 U.S.C. 276C
Byrd Anti-Lobbying Amendment	31 U.S.C. 1352
Debarment and Suspension	Executive Orders 12549 and 12689
Recycling	2 CFR Part 200 Appendix II
Davis-Bacon Act	40 U.S.C. 276a to a-7
Contract Work Hours and Safety Standards Act	40 U.S.C. 327-333
Rights to Inventions Made Under a Contract or Agreement	37 CFR part 401
Contractor Breach Clause	2 CFR Part 200 Appendix II

All contracts awarded by **Chicago State University** involving a grant-funded purchase of goods or services, including small purchases, must also contain the following contract clauses:

- Provisions that allow for administrative, contractual, or legal remedies where contractor violates or breaches contract terms as well as remedial actions
- Provisions addressing termination by **Chicago State University**, including the manner of termination and basis for settlement
- Provisions addressing termination of the contract for default as well as circumstances beyond the control of subrecipient
- Provisions for bid guarantees, performance bonds, and payment bonds
- Provisions allowing access to subrecipient records by **Chicago State University**, federal awarding agency, Comptroller General of the United States, and any other duly authorized representative

For an in-depth discussion of these contract provisions, reference 2 CFR Part 200 Appendix II accessible online at [this link](#).

CSU Administration and Finance Policies and Procedures Manual – Procedure No. 6.11.12, Page 85
<http://www.csu.edu/financialaffairs/purchasing/policyprocedure.htm>

Prior to awarding any contract, Chicago State University must carefully review the terms and conditions of its award to verify that all appropriate provisions are flowed down.

▪ **CODE OF STANDARDS**

The Code of Standards governs the performance of **Chicago State University** employees in the award and administration of procurement contracts, including standards for addressing conflicts of interest between individuals and organizations, and prohibition of soliciting or accepting gratuities, favors or items of monetary value.

- [Enter the written Code of Standards covering conflicts of interest for the organization that govern the performance of employees involved in the selection, award, and administration of contracts here.]
<http://www.csu.edu/irb/financial.htm>
<http://www.csu.edu/judicialaffairs/documents/CodeofExcellence.pdf>
<http://www.csu.edu/ethics/annualethicstraining.htm>
<http://www.csu.edu/ethics/complaints.htm>
<http://www.csu.edu/irb/informedconsentguidelines.htm>

▪ **LABOR REPORTING**

Chicago State University must comply with labor reporting requirements when labor is charged to a federal award for salaries and wages-whether as part of direct costs or as part of an indirect cost pool:

Payrolls must be documented and approved by responsible officials of the federal award recipient. Distribution of salaries and wages to awards must be supported by personnel activity reports.

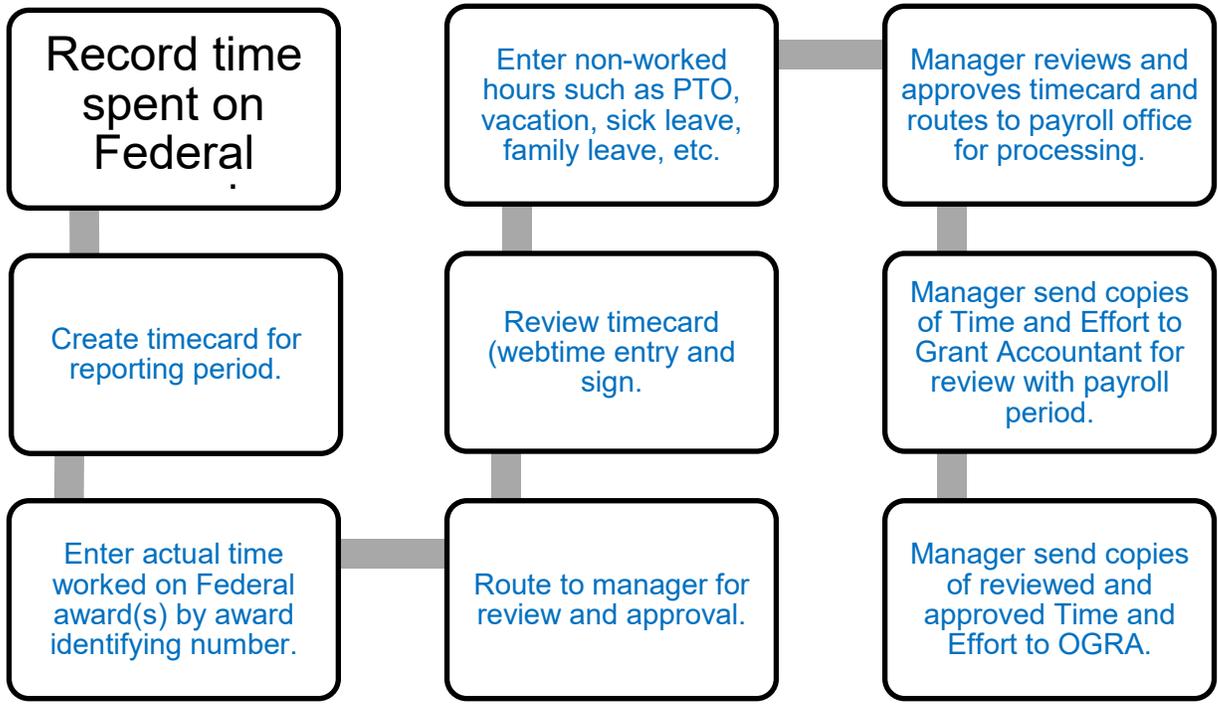
See: CSU Administration and Finance Policies and Procedures Manual—Procedure No. 9.0 – Page 100
[Admin Finance Policies Procedures Manual.pdf \(csu.edu\)](#)

Reports must be maintained for all staff members reflecting the distribution of labor activity of each employee.

This requirement includes professionals and nonprofessionals whose compensation is charged, in whole or in part, directly to awards. It also includes other employees whose work involves two or more functions or activities if distribution of their compensation between such functions or activities is needed in the determination of the federal award recipient's indirect cost rate.

Labor Reports shall reflect an after-the-fact determination of the actual activity of each employee. Account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization. This means both times worked on Federal Awards and non-Award hours must be tracked.

If grant funds are being used, the hiring form is first reviewed by Grant Accountants to assure that funds are allocated and available in the account indicated on the hiring form. For accounts other than grants, the Budget Control Accountant reviews the hiring forms to determine if there are funds available in the specified account. All hiring forms must have the signed approval of the Office of Sponsored Programs or Budget Control Accountant prior to processing by the Payroll Department.



See [Appendix Q: Selected Areas of Cost](#) Compensation for personal services-support of salaries and wages for further information on the labor reporting requirements.

E. MANAGE GRANT AWARD

- **COSTS**

Chicago State University must spend federal grant funds in accordance with the terms and conditions of the grant award. Cost considerations are critical throughout the life cycle of a grant. Therefore, before making an expenditure, program personnel must be aware of what costs are allowable and disallowable under the grant as well as what costs are considered direct and indirect. Generally, grant awards provide for reimbursement of actual, allowable costs incurred and are subject to the federal cost principles. The cost principles establish standards for the allowability of costs, provide detailed guidance on the classification of costs as direct or indirect costs (i.e., F&A), and set forth allowability and allocability principles for selected items of cost.

The cost principles address four tests to determine the allowability of costs. The tests are as follows:

Reasonableness (Including Necessity). A cost may be considered reasonable if the nature of the goods or services acquired or applied and the associated dollar amount reflect the action that a prudent person would have taken under the circumstances prevailing when the decision to incur the cost was made. The cost principles elaborate on this concept and address considerations such as whether the cost is of a type generally necessary for the organization’s operations or the grant’s performance, whether CSU complied with its established organizational policies in incurring the cost or charge, and whether the individuals responsible for the expenditure acted with due

prudence in carrying out their responsibilities to the Federal government and the public at large as well as to the organization.

Allocability. A cost is allocable to a specific grant, function, department, or other component, known as a cost objective, if the goods or services involved are chargeable or assignable to that cost objective in accordance with the relative benefits received or other equitable relationship. A cost is allocable to a grant if it is incurred solely in order to advance work under the grant; it benefits both the grant and other work of the institution, including other grant-supported projects; or it is necessary to the overall operation of the organization and is deemed to be assignable, at least in part, to the grant. A cost is allocable as a direct cost to a grant if it is incurred solely in order to advance work under the grant or meets the criteria for closely related projects determination.

Consistency. CSU must be consistent in assigning costs to cost objectives. Costs may be charged as either direct costs or F&A costs, depending on their identifiable benefit to a particular project or program, but all costs must be treated consistently for all work of the organization under similar circumstances, regardless of the source of funding.

Conformance. This allowability requirement—conformance with limitations and exclusions as contained in the terms and conditions of an award, including those in the cost principles—varies by the type of activity and the award. The federal awarding agency should provide information common to most of its grants and, where appropriate, specify distinctions, as appropriate.

These four basic requirements apply regardless of whether the particular category of costs is one specified in the cost principles or one governed by other terms and conditions of an award. These requirements also apply regardless of whether a cost is classified as a direct cost or an indirect cost.

Key points of costs are discussed below.

Allowable and Unallowable Costs

Allowable costs are those costs that fit the definition for authorized expenditures as stated in the applicable cost principles. Authorized expenditures comprise those expenditures that are:

- ✓ Allocable
- ✓ Reasonable and necessary
- ✓ Treated consistently as a direct or indirect cost
- ✓ Determined in accordance with Generally Accepted Accounting Principles (GAAP)
- ✓ Net of all applicable credits
- ✓ Not included as a cost or used to meet the matching requirement for another federal grant
- ✓ Authorized under local laws
- ✓ Well-documented
- ✓ Conforms to limits or exclusions on types or amounts of costs as stated in cost principles, federal laws, and terms and conditions of the grant award
- ✓ Consistent with grantee policies, regulations, and procedures regarding federal awards

The Cost Principles governing **Chicago State University** explain these criteria in detail. A few key explanations, however, will be helpful here.

Allocable

A cost is allocable to a federal award if it is identified with a federal award and treated consistently with other costs incurred for the same purpose and in like circumstances.

Reasonable and Necessary

The cost must also be incurred specifically for the award, benefit the award, and be necessary to the overall operation of the organization.

Consistent Cost Treatment

Costs incurred for the same purpose and in like circumstances must all be treated the same. For example, an equipment cost cannot be treated as a direct cost in one instance and an indirect cost in another instance if it was incurred for the same reason and circumstances in both instances.

Net of Applicable Credits

A cost is “net of all applicable credits” if it takes into account any credits received toward the cost. The phrase “net of all applicable credits” refers to those receipts or negative expenditure types of transactions that operate to offset or reduce direct or indirect (i.e. F&A) costs. Common examples are purchase discounts, rebates or allowances, recoveries or indemnities on losses, and adjustments for overpayments or erroneous charges.

Selected Items of Cost

In addition to the aforementioned, certain types of costs may be allowable or unallowable under federal law or agency guidelines, or the terms of a specific grant award, or may only be allowable under certain circumstances and conditions. To view an itemized list of costs subject to specific rules, reference the [Appendix Q: Selected Areas of Cost](#).

If a federal award recipient uses federal grant funding for unallowable costs, the federal award recipient may need to repay those funds to the federal government.

Direct and Indirect Costs

A direct cost is one that is specifically identified to the grant award. For example, the purchase of police equipment for a federal grant used to benefit local law enforcement is an example of a direct cost. Direct costs can be paid by the grant so long as they are allowable and reasonable.

An indirect cost is one that is shared with another objective, and that cannot be readily identified to one grant award. For example, electric service for the building housing operations for several programs would be an indirect cost.

The grant pays indirect costs based on the ratio of indirect costs to direct costs. This ratio is either the de minimis indirect cost rate or a rate negotiated by the cognizant federal agency. The cognizant federal agency for **Chicago State University** is the Department of Health and Human Services.

The de minimis indirect cost rate is a standard 10% of modified total direct costs (MTDC). This rate requires no indirect cost proposal and is available to certain federal award recipients who have never received a negotiated indirect cost rate. The de minimis indirect cost rate can be used indefinitely or until the federal award recipient decides to apply for a negotiated indirect cost rate.

Chicago State University's applicable indirect cost rates vary from year to year based upon the University's negotiated rate with the Federal Department of Health and Human Services. From the most recent Agreement, effective 7/1/2017 and ending 6/22/2022, the following indirect rates apply: 48% (organized research on and off campus) and 26% (other programs not using research facilities on & off campus]. Some grant programs cap the indirect cost rates or even prohibit indirect costs in the RFP and for these awards the University will follow the RFP should the University decide to submit the proposal.

Budgets

Chicago State University uses Banner Ellucian for the Budgeting System to track and reconcile the budget. The link <https://apply07.grants.gov/apply/forms/readonly/SF424A-V1.0.pdf> and the SF424-C Budget Information for Construction Programs categorize costs into eight categories: personnel, fringe benefits, travel, equipment, supplies, contractual, construction, and other. The Banner Ellucian Budgeting System should align with these eight categories for ease in tracking and reconciliation. Even though the federal government has noted these eight categories as comprising a grant award budget, the **Chicago State University** must still ensure that costs falling under these categories are allowable expenses per the applicable cost principles. For example, travel costs are an allowable expense and appear on the SF-424A/C Budget forms. However, costs for a first-class ticket when coach tickets were available may be disallowed as unreasonable.

▪ COST TRANSFERS

Proposed Cost Transfer Policy

A cost transfer is an after-the-fact reallocation of costs associated with a transaction from one grant award to another. Appropriate transfers include those that:

- ✓ Record a change in the use of goods or services under the grant award
- ✓ Correct an error
- ✓ Reallocate bulk charges billed to a central department for individual projects.

To initiate a cost transfer, the Grant Accountant must prepare a written transfer request for submission to appropriate accounting personnel. All cost transfers must be in the same amount as the original charge unless the transfer is being divided among different departments. If divided, an explanation of the division must accompany the transfer request. The department requesting the cost transfer must have incurred the item of cost and must identify the goods and services and their quantities in the transfer request. All cost transfers should be made within **120** days of the end of the month in which the original charge was posted to the ledger.

See: [CSU Administration and Finance Policies and Procedures Manual – Procedure No. 3.1, Page 20](#)

CSU identifies these recurring adjusting journal entries for posting to the general ledger in each accounting period. Nonrecurring adjusting journal entries must be prepared to properly reflect account balances. Nonrecurring adjusting journal entries include, but are not limited to, the following items:

Correction of posting errors

Accrual of income and expense items

Recording of noncash transactions

Adequate Documentation for All Journal Vouchers

All journal vouchers for journal entries are prepared only on the basis of adequate supporting documentation.

Authorization of Entries

All journal vouchers for entries into the general ledger are authorized and approved by the Chief Accountant or Director of Administration and Finance who is not involved in the origination of the entries.

▪ **PROGRAM INCOME**

The Grant Accounting Group must account for program income generated by grant activities according to the terms and conditions of the grant. Program income is gross income earned from grant activities that generates direct costs allocable to the grant award. For example, any fees earned from the sale of products or services under the grant would be considered program income since the creation of those products or services generate direct costs allocable to the grant. Any drawdowns of federal grant funds must take into account program income.

The SF-270 requires entry of any program income generated in the period of the request for advance or reimbursement. Not all program income requires reporting. Check the grant manual accompanying the federal grant award to determine the types of program income that must be reported against drawdowns of grant funds.

▪ **PROPERTY**

The Property Standards section of 2 CFR Part 200 Subpart D governs the treatment of property acquired with federal grant funding. The property standards are accessible online at [this link](#).

The three types of property discussed in the administrative requirements include real property, personal property, and intellectual property. Detailed instructions regarding the acquisition, titling, and disposition of property appear in the applicable administrative requirements. General guidelines governing the treatment of federally-funded property appear below.

Real Property

Chicago State University will receive title to property purchased with federal grant funding subject to the condition that the real property is used in accordance with the purpose of the grant and not encumbered without prior approval from the federal awarding agency.

When real property is no longer needed for its original purpose, **Chicago State University** must request disposition instructions from the federal awarding agency. **Chicago State University** may retain title to real property purchased with federal funds after compensating the federal awarding agency that percentage of the fair market value of the

property attributable to federal participation in the project funded by the grant award. If directed to sell real property acquired with federal grant funds, the federal awarding agency will give instructions for the sale.

Equipment and Supplies

As with real property, **Chicago State University** may receive title to equipment purchased with federal grant funding so long as the equipment is used in accordance with the purpose of the grant and not encumbered without prior approval from the federal awarding agency.

Equipment is further divided into “Special Purpose” equipment” and “General Purpose” equipment. “Special Purpose” equipment includes equipment which is used for research, medical, scientific and other similar technical activities. “General Purpose” equipment is defined as equipment whose use is not limited to “Special Purposes.”

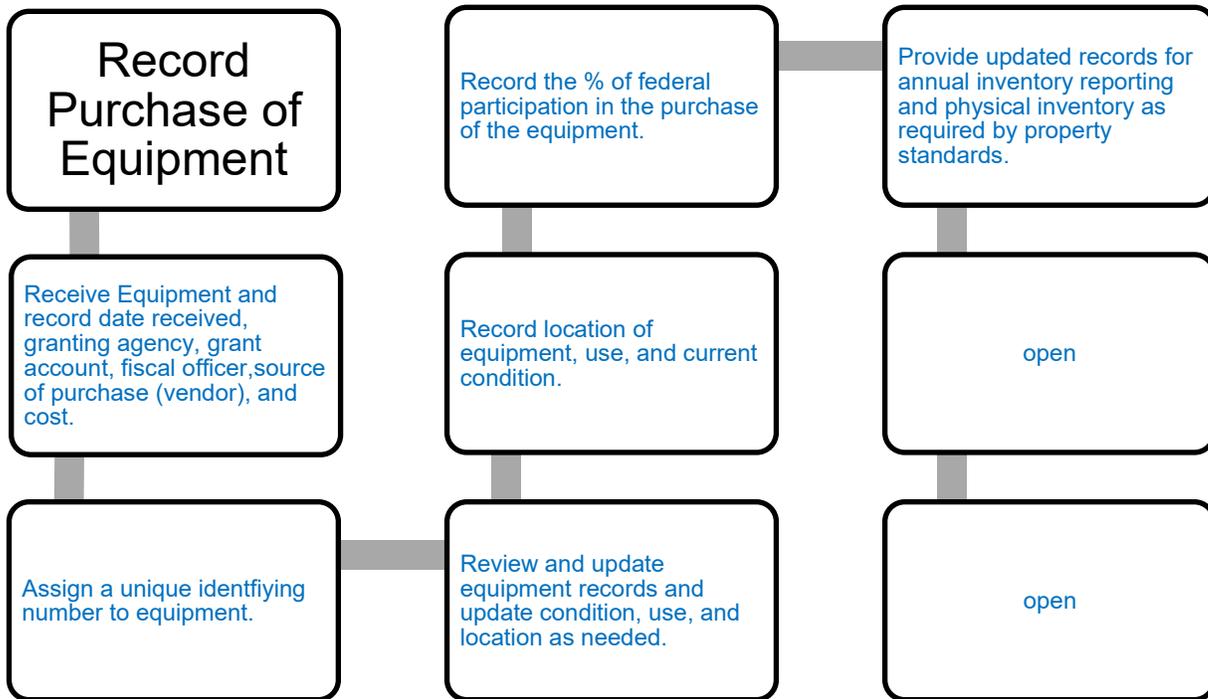
“Special Purpose” equipment is generally Allowable as a Direct Cost to the federal award. Normally, **Chicago State University** must have the prior approval of the Awarding Agency to purchase equipment costing over \$5,000. “General Purpose” equipment should not be charged as a Direct Cost to the federal award without prior approval of the Awarding Agency.

If **Chicago State University** needs to replace equipment, it may trade-in or sell the equipment and use the proceeds to offset the cost of the replacement equipment with prior approval from the federal awarding agency. For equipment valued at less than \$5,000, **Chicago State University** may keep the equipment when it is no longer needed for its original purpose. For equipment valued at more than \$5,000, **Chicago State University** must pay the federal awarding agency a portion of the market value or sale proceeds based on the percentage of the equipment funded by the federal awarding agency.

Equipment Records

Chicago State University must maintain equipment records for all grant-funded equipment. AssetWorks is the current software being used for control of property for the University. These equipment records must indicate:

- A description of the equipment
- Manufacturer’s serial number, model number, or other identification number
- State of Illinois Inventory Number
- Source of the equipment, including the federal grant award number and CSU account number
- Owner of the property (federal government or grant recipient)
- Acquisition date or date received
- Cost of equipment
- Details indicating the percentage of federal participation in the cost of the equipment
- Location of equipment and date reported
- The condition of equipment and date reported
- Unit acquisition cost
- Date of disposal (if applicable)
- Disposal price (if applicable)
- The method used to determine fair market value for disposal price (if applicable)



Equipment Maintenance

Chicago State University must have procedures in place to ensure that equipment purchased with Federal funds is maintained to keep the equipment in good condition.

Property Controls

Property purchased with Federal funds must be held in trust for the beneficiaries of the Federal program or project. The **Chicago State University** must implement effective control measures to ensure the protection of grant-funded equipment from loss, damage, and theft. Any loss, damage, or theft discovered during a site visit will be investigated and documented.

If equipment titled to the federal government suffers loss, damage, or theft, **Chicago State University** must notify the federal awarding agency immediately.

See: CSU - Administration and Finance Policies and Procedures Manual - Procedure No 5.0, Page 37

Inventory Reporting

Chicago State University must inventory grant-funded equipment and reconcile inventory records with equipment records annually. If the reconciliation reveals differences in quantities of equipment, **Chicago State University** shall investigate the inventory and equipment records to discern the cause of the difference.

Intellectual Property

Chicago State University may copyright any work under a grant award. The Federal awarding agency, however, retains a royalty-free, non-exclusive, and irrevocable right to reproduce, publish, or otherwise use the work for Federal purposes and to authorize others to do so.

▪ **COST SHARING**

Generally, any contributions received under a grant-funded project, including cash and in-kind contributions, will be accepted as part of the **Chicago State University** cost sharing or matching requirement so long as they:

- ✓ are verifiable from the federal award recipient's records
- ✓ do not count as contributions for other federally-assisted projects,
- ✓ are necessary and reasonable,
- ✓ are allowable,
- ✓ are not paid by the federal government under another award except where designated for cost sharing or matching,
- ✓ are noted in the approved budget required by the federal awarding agency

▪ **SITUATIONS REQUIRING PRIOR APPROVAL FROM THE FEDERAL AWARDING AGENCY**

Understanding those situations requiring prior approval from the federal awarding agency will save time and money. Costs incurred that required, but did not receive, prior approval from the federal awarding agency may not be reimbursed. 2 CFR Part 200 Section 200.308 covers prior approvals in detail. Generally, prior approval from the federal awarding agency is required in the following situations:

- ✓ revision of the scope or objective of the project
- ✓ changes in key personnel
- ✓ the project director or principal investigator absent from project for more than three months or has reduced time devoted to the project by 25%
- ✓ to incur certain types of costs
- ✓ transfers among direct cost categories that exceed 10% of the total approved budget in instances where the agency's share exceeds the Simplified Acquisition Threshold (current set at \$150,000 at the time of this writing)
- ✓ to subcontract or subgrant some of the activities of the project central to the grant award
- ✓ changes in the amount of approved cost sharing or matching provided by the federal award recipient
- ✓ to extend the expenditure of approved funds beyond the previously-approved grant end date
- ✓ budget revisions requiring the need for additional funds needed to extend the period of availability of funds

▪ **REPORTING**

Awarding of federal grant funds requires a fair amount of reporting. Sections 200.327 and 200.328 under 2 CFR Part 200 give detailed guidance on federal reporting requirements for grant administration. Generally, the federal government requires two types of reports: progress reports and financial reports.

Progress Reports

Progress reports compare actual achievements with the goals stated for the reporting period, explain the reasons why goals may not have been met, and explain cost overruns or high unit costs, where necessary. Typically, progress reports are submitted online.

Financial Status Reports

The SF-425 - Federal Financial Report serves as a financial status report. It reflects program spending and program income as well as cash transactions at least annually but no more than quarterly.

▪ **FEDERAL OVERSIGHT IN GRANT ADMINISTRATION**

Federal awarding agencies use two types of site visits to monitor grant compliance by federal award recipients: monitoring and audits.

Monitoring

A monitoring site visit ensures compliance with the terms and conditions of the grant by reviewing financial, personnel, procurement, property, and program activities. Monitoring activities are discussed throughout the *Performance and Financial Monitoring and Reporting* section of 2 CFR Part 200 (Sections 200.327 thru 200.342). A grant monitor conducting a site visit typically reviews records, interviews key personnel, views grant-funded purchases, and otherwise investigates how **Chicago State University** is managing grant funds. At the conclusion of a monitoring site visit, the grant monitor then prepares an in-depth report documenting the visit. If the grant monitor discovered compliance issues during the site visit, they would reach out to the **Chicago State University** in an attempt to resolve them.

Subrecipient Monitoring

Chicago State University is required by Uniform Guidance, specifically §200.328, to evaluate each subrecipient's risk of noncompliance. This evaluation consists of monitoring the activities of subrecipient organizations to ensure the subaward is in compliance with applicable Federal statutes and regulations and terms of the subaward, and verifying that subrecipients are audited as required by Subpart F of the Uniform Guidance.

Consistent with federal, state, and local regulations, and to ensure proper stewardship of sponsored projects, **Chicago State University** must undertake certain activities to monitor subrecipients, including but not limited to subrecipient pre-qualification, reporting, site visits, regular contact, and other means to provide reasonable assurance that subrecipients administer and perform subawards in compliance with applicable law, regulations, and the provisions of **Chicago State University's** sponsored projects. Additionally, **Chicago State University** must assess, among other factors, the subrecipient organization's financial status and internal controls based on documentation from the subrecipient and other independent sources, in order to determine whether to proceed with the subrecipient. Based on that assessment, terms and conditions are established in the subaward agreement to be consistent with the level of perceived risk and then **Chicago State University** identifies specific monitoring activities.

Failure to adequately monitor the compliance of subrecipients could result in reputational damage to **Chicago State University** and jeopardize current and future funding. It is the responsibility of **Chicago State University**, as the prime recipient, to ensure the good stewardship of sponsored funding and ensure that all funds assigned to subrecipient organizations receive the same diligence as sponsored funds that remain at **Chicago State University**.

Note, the Uniform Guidance makes a distinction between subrecipients and contractors.

A subrecipient is defined as “a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a federal program; but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.”

A contractor is defined as "an entity that receives a contract," which is defined as “a legal instrument by which a non-Federal entity purchases property or services needed to carry out the project or program under a Federal award. The term does not include a legal instrument, even if the non-Federal entity considers it a contract, when the substance of the transaction meets the definition of a Federal award or sub-award”

Chicago State University as the pass-through entity, must make a case-by-case determination regarding each agreement it makes for the disbursement of federal funds casting the party receiving the funds in the role of a subrecipient or a contractor. The above requirements apply only to subrecipients, not contractors.

Audits

Audits differ from monitoring visits in that they provide a comprehensive review of financial records. Auditors typically have training in generally accepted accounting principles and other audit practices. Like grant monitors, auditors investigate financial records to ensure compliance with the terms and conditions of the grant award. In the event they discover a compliance issue, they work with the grantee to resolve the issue. Audits are governed by 2 CFR Part 200 Subpart F accessible online at [this link](#).

F. CLOSEOUT GRANT

▪ **FINAL PHASE**

The final stage in the grant lifecycle is grant closeout. This phase begins when either the grant award period has expired, or when the **Chicago State University** draws down its entire grant award. Federal awarding agencies will notify **Chicago State University** as it nears the end of its grant term to request final reports. If **Chicago State University** is nearing the end of its grant term but has not yet expended its entire grant award, it may be able to seek an extension from the federal awarding agency. In general, the requirement for timely closeout is CSU's responsibility.

2 CFR Part 200 Sections 200.343 thru 200.345 give detailed guidance on grant closeout activities. Generally, the federal awarding agency will request and review the following items within 90 days after the expiration of the grant award:

- ✓ Work plan and progress reports
- ✓ SF-269 Financial Status Reports
- ✓ Requests for payments
- ✓ Compliance with matching requirements
- ✓ Federally-owned property records

Closeout of a grant does not automatically cancel any requirements for property accountability, record retention, or financial accountability. As the federal awarding agency conducts its review, it can still discover and collect payments for disallowed costs and other deficits in the administration of the grant. Failure to submit timely and

accurate closeout documents may affect future funding to the organization. Closeout includes ensuring timely and accurate submission of all required reports and adjustments for amounts due CSU or the federal awarding agency. Generally, the cognizant federal agency for CSU grants is the Department of Health and Human Services. If CSU disagrees with the results of a grant closeout, the Department permits recipients, such as CSU, to appeal certain post-award adverse administrative decisions made by Department officials (see 45 CFR 16 and appendix to Part 16).

Additional information on grant closeout procedures may be found within the Administration and Finance Policies and Procedures Manual. See GRANT CLOSE-OUT Procedure 20.6 – Grant Close-Out, Page 118

https://www.csu.edu/financialaffairs/documents/Admin_Finance_Policies_Procedures_Manual.pdf

[Invoicing | Sponsored Programs | Chicago State University \(csu.edu\)](#)

Procedures

- 1) A termination of account memorandum should be forwarded to the appropriate departments several days before the grant expires.
- 2) Grant Accounting Group (GAG) should liquidate any outstanding reservations/encumbrances balance.
- 3) The account should be reviewed to ensure that total revenue is equal to the total expenditures.
- 4) Indirect cost charged to the project must be checked to ensure that the indirect cost rate used on the project and the amount charged are in accordance with the grant/contract agreement.
- 5) The accounts receivable balance should be reviewed to ensure that there is no open balance in the grant receivable account.
- 6) To avoid any erroneous transactions posted to the account after the 90- day lapse period following the grant expiration date, a termination and expenditure end date must be attached to the account using the Banner screens **FTMFUND** and **FRAGRNT**.
- 7) Ensure all required program deliverables are accomplished.

- **RECORD RETENTION**

CSU generally must retain financial and programmatic records, supporting documents, statistical records, and all other records that are required by the terms of the grant, or may reasonably be considered pertinent to a grant. Record retention requirements for federal award recipients appear in the *Record Retention and Access* section of 2 CFR Part 200 Sections 200.333 thru 200.337. The general rule for record retention is that the records must be retained for three years from the date of submission of the final expenditure report.

Exceptions:

- For records related to litigation, claims or audits started before the three-year period expires; the federal award recipient must retain records until all actions have been resolved and final action related to the litigation, claims, or audits has been taken.
- For real property and equipment, records must be retained for three years from the date of final disposition of the property.
- When the federal awarding agency maintains the records, the three-year retention requirement does not apply to the federal award recipient.
- For program income received after the period of performance, the federal award recipient must retain such records for three years after the end of the federal award recipient's fiscal year during which the program income was earned. For example, if a federal award recipient concludes its period of performance in 2015, but earns program income in 2017, then it must maintain those program income records for three years after the end of 2017.
- Where records are required to be preserved longer than 3 years, as for example for NIH training grants, these will be stored permanently, safeguarded, and retrievable during leadership changes on the CSU server and also in the cloud via **Preservica** (<https://preservica.com/>) .

INDEX

2 CFR Part 215	IV-12	for-profit	IV-12, IV-13
A-102	IV-12	fraud	III-9
accrual basis	III-9	fringe benefits	V-16, V-28
Administrative Requirements	III-8, IV-12	funding opportunity	V-15
Advance	III-8, VI-44	Generally Accepted Accounting Principles (GAAP)	V-27
agency's CFR title	IV-14	Grant	III-9
allocable	V-27, V-29	Grant Application Packet	V-15, V-17
allowable costs	III-11	grant life cycle	III-9
Allowable costs	V-26	grant monitors	V-16, V-34
Application for Federal Assistance	V-15, V-16, VI-39	Grants.gov	V-15
Assurances	V-16	hospitals	IV-12
auditors	V-16, V-34	indirect cost rate	V-28
audits	IV-12, V-33	indirect costs	IV-13, V-28
authorized representative	V-16, V-17	in-kind contributions	III-8, III-9, V-32
Award	III-8	intellectual property	III-9, V-29, V-32
awarding agency	III-8, III-11	Internal Approval	V-17
Byrd Anti-Lobbying Amendment	V-24	Internal Controls	III-9
cash basis	III-9	journal voucher	V-21
Catalog of Federal Domestic Assistance	V-17	ledger	V-29
Check Processing	V-20	Lobbying	IV-13
Clean Air Act	V-16, V-24	local government	III-10
close out	I-6, III-8, V-35	matching	III-8, V-26, V-32, V-35
colleges	IV-12	Non-Construction Programs	V-16, V-28
compliance	III-10, V-16, V-17, V-33, V-34	Non-Discretionary Grants	III-10
Construction Programs	V-16, V-28, VI-45	nonprofits	IV-12
contract	III-8	obligated	V-19, V-20, V-21
Contract Work Hours and Safety Standards Act	V-24	Obligations	III-8, III-10
Control Systems	IV-12	outlays	III-8, III-9
cooperative agreements	III-9	payments	III-8, III-9, IV-12
cost principles	III-11, IV-12, IV-13, V-27	personal property	III-9, III-10, III-11, V-29
cost share	III-8	Personally Identifiable Information	III-10
cost transfer	V-28, V-29	personnel	V-16, V-21, V-26, V-28, V-29, V-32, V-33
cost-sharing	IV-12	Post-award	IV-12
Davis-Bacon Act	V-16, V-24	Pre-award	IV-12
de minimis indirect cost rate	V-28	Prior Approval	V-32
deadline	III-9, V-15	procurement	III-8
Debarment and Suspension	IV-13, V-24	program income	IV-12, V-27, V-29, V-33
direct cost	V-27, V-32	Programmatic Requirements	III-10
Draw Down	III-8, V-20	progress reports	V-33, V-35
drug-free workplace	IV-14	property records	V-35
email alert service	V-15	Protected Personally Identifiable Information	III-10
Equal Employment Opportunity	V-24	public purpose	III-8
equipment	III-9, III-10, III-11, IV-13, V-16, V-27, V-28, V-30	real property	III-10
Equipment	V-30	Real Property	V-29, VI-48, VI-49, VI-50, VI-51
expenditures	III-8, III-9, V-26	reasonable costs	IV-13
federal debt delinquencies	V-16	Recipient	III-9
Federal Water Pollution Control Act	V-24	Reporting	V-33, V-35
financial reports	V-33	Request for Advance or Reimbursement	V-21, VI-44

Rights to Inventions Made Under a Contract or Agreement	V-24	subaward	III-11
Selected Items of Cost	III-11, IV-13	subgrant	III-8, V-32
SF-269	V-35	subrecipient	III-9, III-11, IV-13
SF-270	V-21, V-29	Supplies	III-11, V-30
SF-424	V-16	Suspension	III-11, IV-13
SF-424A	V-16, V-28, VI-40	technical assistance	III-8
SF-424B	V-16	travel	V-16, V-28
SF424-C	V-28	Tribal Government	III-11
SF-424C	V-16	U.S. Government Printing Office (GPO)	IV-14
SF-424D	V-16	unallowable costs	IV-13
site visit	V-33	Unnecessary Purchases	V-21, V-22, V-23
State	III-11	waste	III-9

VI. APPENDICES

- **APPENDIX A: SF-424 APPLICATION FOR FEDERAL ASSISTANCE**

View Burden Statement		OMB Number: 4040-0002 Expiration Date: 6/31/2014	
APPLICATION FOR FEDERAL ASSISTANCE SF-424 - MANDATORY			
1.a. Type of Submission: <input checked="" type="checkbox"/> Application <input type="checkbox"/> Plan <input type="checkbox"/> Funding Request <input type="checkbox"/> Other Other (specify): <input type="text"/>	1.b. Frequency: <input checked="" type="checkbox"/> Annual <input type="checkbox"/> Quarterly <input type="checkbox"/> Other Other (specify): <input type="text"/>	1.d. Version: <input checked="" type="checkbox"/> Initial <input type="checkbox"/> Resubmission <input type="checkbox"/> Revision <input type="checkbox"/> Update	2. Date Received: <input type="text"/>
		3. Applicant Identifier: <input type="text"/>	STATE USE ONLY: 5. Date Received by State: <input type="text"/>
		4a. Federal Entity Identifier: <input type="text"/>	6. State Application Identifier: <input type="text"/>
		4b. Federal Award Identifier: <input type="text"/>	
1.c. Consolidated Application/Plan/Funding Request? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Explanation			
7. APPLICANT INFORMATION:			
a. Legal Name: <input type="text"/>			
b. Employer/Taxpayer Identification Number (EIN/TIN): <input type="text"/>		c. Organizational DUNS: <input type="text"/>	
d. Address:			
Street1: <input type="text"/>		Street2: <input type="text"/>	
City: <input type="text"/>		County / Parish: <input type="text"/>	
State: <input type="text"/>		Province: <input type="text"/>	
Country: <input type="text"/> USA: UNITED STATES		Zip / Postal Code: <input type="text"/>	
e. Organizational Unit:			
Department Name: <input type="text"/>		Division Name: <input type="text"/>	
f. Name and contact information of person to be contacted on matters involving this submission:			
Prefix: <input type="text"/>	First Name: <input type="text"/>	Middle Name: <input type="text"/>	
Last Name: <input type="text"/>		Suffix: <input type="text"/>	
Title: <input type="text"/>			
Organizational Affiliation: <input type="text"/>			
Telephone Number: <input type="text"/>		Fax Number: <input type="text"/>	
Email: <input type="text"/>			

▪ **APPENDIX B: SF-424A, BUDGET INFORMATION FOR NONCONSTRUCTION PROGRAMS**

[View Burden Statement](#)

BUDGET INFORMATION - Non-Construction Programs

OMB Number: 4040-0006
Expiration Date: 06/30/2014

SECTION A - BUDGET SUMMARY

	Grant Program Function or Activity (a)	Catalog of Federal Domestic Assistance Number (b)	Estimated Unobligated Funds		New or Revised Budget		
			Federal (c)	Non-Federal (d)	Federal (e)	Non-Federal (f)	Total (g)
1.			\$	\$	\$	\$	\$
2.							
3.							
4.							
5.	Totals		\$	\$	\$	\$	\$

Standard Form 424A (Rev. 7-97)
Prescribed by OMB (Circular A-102) Page 1

▪ APPENDIX C: CHART OF ACCOUNTS EXAMPLE

Sample Chart of Accounts

<u>Account Category</u>	<u>Account Code</u>	<u>Account Title</u>
<i>Current Assets</i>		
	1000	Cash
	1020	Accounts Receivable
	1040	Inventory – Work in Progress
	1060	Prepayments
<i>Property, Plant & Equipment</i>		
	1100	Equipment – Lab
	1101	Accumulated Depreciation – Lab Equipment
	1110	Equipment – Office
	1111	Accumulated Depreciation – Office Equipment
	1200	Leasehold Improvements
	1201	Accumulated Amortization – Leasehold Improvements
<i>Other Assets</i>		
	1800	Deposits
<i>Current Liabilities</i>		
	2000	Current Notes Payable
	2010	Accounts Payable
	2030	Accrued Wages and Payroll Taxes Withheld
<i>Long Term Liabilities</i>		
	2100	Notes Payable
<i>Equity</i>		
	3000	Common Stock
	3001	Retained Earnings
<i>Revenue</i>		
	4000	Commercial Sales
	4010	Grant Revenue
	4020	Interest Income
<i>Direct Program Costs</i>		
	5000	Direct Labor
	5100	Consultants
	5200	Equipment
	5300	Materials and Supplies
	5400	Travel
	5500	Other/Miscellaneous
	5600	Consortium/Contractual
<i>Fringe Benefit Costs</i>		
	6010	Vacation
	6015	Holidays
	6020	Sick Leave
	6025	Payroll Taxes
	6030	401(k) Plan
	6035	Group Insurance

▪ APPENDIX E: FEDERAL FINANCIAL REPORT (SF-425)

FEDERAL FINANCIAL REPORT

(Follow form instructions)

1. Federal Agency and Organizational Element to Which Report is Submitted		2. Federal Grant or Other Identifying Number Assigned by Federal Agency (To report multiple grants, use FFR Attachment)		Page 1	of pages		
3. Recipient Organization (Name and complete address including Zip code)							
4a. DUNS Number	4b. EIN	5. Recipient Account Number or Identifying Number (To report multiple grants, use FFR Attachment)		6. Report Type <input type="checkbox"/> Quarterly <input type="checkbox"/> Semi-Annual <input type="checkbox"/> Annual <input type="checkbox"/> Final	7. Basis of Accounting <input type="checkbox"/> Cash <input type="checkbox"/> Accrual		
8. Project/Grant Period From: (Month, Day, Year)			To: (Month, Day, Year)	9. Reporting Period End Date (Month, Day, Year)			
10. Transactions					Cumulative		
(Use lines a-c for single or multiple grant reporting)							
Federal Cash (To report multiple grants, also use FFR Attachment):							
a. Cash Receipts							
b. Cash Disbursements							
c. Cash on Hand (line a minus b)							
(Use lines d-o for single grant reporting)							
Federal Expenditures and Unobligated Balance:							
d. Total Federal funds authorized							
e. Federal share of expenditures							
f. Federal share of unliquidated obligations							
g. Total Federal share (sum of lines e and f)							
h. Unobligated balance of Federal funds (line d minus g)							
Recipient Share:							
i. Total recipient share required							
j. Recipient share of expenditures							
k. Remaining recipient share to be provided (line i minus j)							
Program Income:							
l. Total Federal program income earned							
m. Program income expended in accordance with the deduction alternative							
n. Program income expended in accordance with the addition alternative							
o. Unexpended program income (line l minus line m or line n)							
11. Indirect Expense	a. Type	b. Rate	c. Period From	d. Period To	e. Base	f. Amount Charged	g. Federal Share
g. Totals:							
12. Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation:							
13. Certification: By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and intent set forth in the award documents. I am aware that any false, fictitious, or fraudulent information may subject me to criminal, civil, or administrative penalties. (U.S. Code, Title 18, Section 1001)							
a. Typed or Printed Name and Title of Authorized Certifying Official				c. Telephone (Area code, number and extension)			
				d. Email address			
b. Signature of Authorized Certifying Official				e. Date Report Submitted (Month, Day, Year)			
14. Agency use only:							

Standard Form 425 - Revised 02/02/2010
OMB Approval Number: 0348-0061
Expiration Date: 10/01/2011

Paperwork Burden Statement

According to the Paperwork Reduction Act, as amended, no persons are required to respond to a collection of information unless it displays a valid OMB Control Number. The valid OMB control number for this information collection is 0348-0061. Public reporting burden for this collection of information is estimated to average 1.5 hours per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0061), Washington, DC 20503.

▪ **APPENDIX F: REQUEST FOR ADVANCE OR REIMBURSEMENT (SF-270)**

REQUEST FOR ADVANCE OR REIMBURSEMENT (See instructions on back)		OMB APPROVAL NO. 0348-0004		PAGE _____ OF _____ PAGES	
		1. TYPE OF PAYMENT REQUESTED a. "X" one or both boxes <input type="checkbox"/> ADVANCE <input type="checkbox"/> REIMBURSEMENT b. "X" the appropriate box <input type="checkbox"/> FINAL <input type="checkbox"/> PARTIAL		2. BASIS OF REQUEST <input type="checkbox"/> CASH <input type="checkbox"/> ACCRUAL	
3. FEDERAL SPONSORING AGENCY AND ORGANIZATIONAL ELEMENT TO WHICH THIS REPORT IS SUBMITTED		4. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER ASSIGNED BY FEDERAL AGENCY		5. PARTIAL PAYMENT REQUEST NUMBER FOR THIS REQUEST	
6. EMPLOYER IDENTIFICATION NUMBER	7. RECIPIENT'S ACCOUNT NUMBER OR IDENTIFYING NUMBER	8. PERIOD COVERED BY THIS REQUEST			
		FROM (month, day, year) _____ TO (month, day, year) _____			
9. RECIPIENT ORGANIZATION Name: Number and Street: City, State and ZIP Code:		10. PAYEE (Where check is to be sent if different than item 9) Name: Number and Street: City, State and ZIP Code:			
11. COMPUTATION OF AMOUNT OF REIMBURSEMENTS/ADVANCES REQUESTED					
PROGRAMS/FUNCTIONS/ACTIVITIES		(a)	(b)	(c)	TOTAL
a. Total program outlays to date (Sum of date)		\$	\$	\$	\$
b. Less: Cumulative program income					
c. Net program outlays (Line a minus line b)					
d. Estimated net cash outlays for advance period					
e. Total (Sum of lines c & d)					
f. Non-Federal share of amount on line e					
g. Federal share of amount on line e					
h. Federal payments previously requested					
i. Federal share now requested (Line g minus line h)					
j. Advances required by month, when requested by Federal grantor agency for use in making prescheduled advances	1st month				
	2nd month				
	3rd month				
12. ALTERNATE COMPUTATION FOR ADVANCES ONLY					
a. Estimated Federal cash outlays that will be made during period covered by the advance				\$	
b. Less: Estimated balance of Federal cash on hand as of beginning of advance period					
c. Amount requested (Line a minus line b)				\$	
AUTHORIZED FOR LOCAL REPRODUCTION		(Continued on Reverse)		STANDARD FORM 270 (Rev. 1-9-77) Prescribed by OMB Circulars A-102 and A-110	

▪ **APPENDIX G: OUTLAY REPORT AND REQUEST FOR REIMBURSEMENT FOR CONSTRUCTION PROGRAMS (SF-271)**

OUTLAY REPORT AND REQUEST FOR REIMBURSEMENT FOR CONSTRUCTION PROGRAMS <i>(See instructions on back)</i>		OMB APPROVAL NO. 0348-0002	PAGE _____ OF _____ PAGES	
3. FEDERAL SPONSORING AGENCY AND ORGANIZATIONAL ELEMENT TO WHICH THIS REPORT IS SUBMITTED		4. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER ASSIGNED BY FEDERAL AGENCY	2. BASIS OF REQUEST <input type="checkbox"/> CASH <input type="checkbox"/> ACCRUAL	
5. EMPLOYER IDENTIFICATION NUMBER	7. RECIPIENT'S ACCOUNT NUMBER OR IDENTIFYING NUMBER	PERIOD COVERED BY THIS REQUEST FROM (Month, day, year) TO (Month, day, year)		
6. RECIPIENT ORGANIZATION Name: No. and Street: City, State and ZIP Code:		8. PAYEE (Where check is to be sent if different than item 6) Name: No. and Street: City, State and ZIP Code:		
11. STATUS OF FUNDS				
CLASSIFICATION	PROGRAMS -- (a)	FUNCTIONS -- (d)	ACTIVITIES (c)	TOTAL
a. Administrative expense	\$	\$	\$	\$
b. Preliminary expense				
c. Land, structures, right-of-way				
d. Architectural engineering basic fees				
e. Other architectural engineering fee				
f. Project inspection fees				
g. Land development				
h. Relocation expense				
i. Relocation payments to individuals and businesses				
j. Demolition and removal				
k. Construction and project improvement cost				
l. Equipment				
m. Miscellaneous cost				
n. Total cumulative to date (sum of lines a thru m)				
o. Deductions for program income				
p. Net cumulative to date (line n minus line o)				
q. Federal share to date				
r. Rehabilitation grants (100% reimbursement)				
s. Total Federal share (sum of lines q and r)				
t. Federal payments previously requested				
u. Amount requested for reimbursement	\$	\$	\$	\$
v. Percentage of physical completion of project	%	%	%	%
12. CERTIFICATION		SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL		DATE REPORT SUBMITTED
I certify that to the best of my knowledge and belief the billed costs or disbursements are in accordance with the terms of the project and that the reimbursement represents the Federal share due which has not been previously requested and that an inspection has been performed and all work is in accordance with the terms of the award.		a. REGIPIENT		TELEPHONE (Area code, number, and extension)
		TYPED OR PRINTED NAME AND TITLE		
		b. REPRESENTATIVE CERTIFYING TO LINE 11V		DATE SIGNED
		TYPED OR PRINTED NAME AND TITLE		TELEPHONE (Area code, number, and extension)

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Prescribed by OMB Circular A-102 and A-110

▪ APPENDIX H: SF-PPR PERFORMANCE PROGRESS REPORT

PERFORMANCE PROGRESS REPORT
SF-PPR

		Page	of Pages
1. Federal Agency and Organization Element to Which Report is Submitted	2. Federal Grant or Other Identifying Number Assigned by Federal Agency	3a. DUNS Number	
		3b. EIN	
4. Recipient Organization (Name and complete address including zip code)		5. Recipient Identifying Number or Account Number	
6. Project/Grant Period Start Date: (Month, Day, Year) End Date: (Month, Day, Year)		7. Reporting Period End Date (Month, Day, Year)	
		8. Final Report? <input type="checkbox"/> Yes <input type="checkbox"/> No	
		9. Report Frequency <input type="checkbox"/> annual <input type="checkbox"/> semi-annual <input type="checkbox"/> quarterly <input type="checkbox"/> other (If other, describe: _____)	
10. Performance Narrative (attach performance narrative as instructed by the awarding Federal Agency)			
11. Other Attachments (attach other documents as needed or as instructed by the awarding Federal Agency)			
12. Certification: I certify to the best of my knowledge and belief that this report is correct and complete for performance of activities for the purposes set forth in the award documents.			
12a. Typed or Printed Name and Title of Authorized Certifying Official		12c. Telephone (area code, number and extension)	
		12d. Email Address	
12b. Signature of Authorized Certifying Official		12e. Date Report Submitted (Month, Day, Year)	
		13. Agency use only	

▪ **APPENDIX I: TANGIBLE PERSONAL PROPERTY REPORT (SF-428)**

**TANGIBLE PERSONAL PROPERTY REPORT
SF- 428**

		Page	of	Pages
1. Federal Agency and Organization Element to Which Report is Submitted	2. Federal Grant or Other Identifying Number Assigned by Federal Agency	3a. DUNS	3b. EIN	
4. Recipient Organization (Name and complete address including zip code)		5. Recipient Account or Identifying Number		
6. Attachment (Check applicable) <input type="checkbox"/> Annual Report (SF-428-A) <input type="checkbox"/> Final (Award Closeout) Report (SF-428-B) <input type="checkbox"/> Disposition Report/Request (SF-428-C)		7. Supplemental Sheet <input type="checkbox"/> Yes <input type="checkbox"/> No		
8. Comments				
8a. Typed or Printed Name and Title of Authorized Certifying Official		9c. Telephone (area code, number, extension)		
		9d. Email address		
8b. Signature of authorized Certifying Official		9e. Date report submitted (Month, Day, Year)		
10. Agency use only				

SF- 428 Tangible Personal Property Report
 OMB Approval Number: 3090-0289
 EXPIRATION DATE: 04/30/2013

▪ **APPENDIX J: PROPOSED REAL PROPERTY STATUS REPORT (SF-429)**

OMB Control No.: 3090-0296
Expires: 07/31/2014

**REAL PROPERTY STATUS REPORT SF-429
(COVER PAGE)**

		Page:	of:	Pages
1. Federal Agency and Organizational Element to Which Report is Submitted:		2. Federal Grant(s) or Other Identifying Number(s) Assigned by Federal Agency(ies):		
3. Recipient Organization (name and complete address including zip code):				
4a. DUNS Number:	4b. EIN:	5. Recipient Account or Identifying Number:	8. Contact Person for this Report: Name: Phone: Email: Fax:	
7. Report End Date: (MM/DD/YYYY)				
8. Real Property Status Report – Attachments: <i>[check the applicable block(s)]:</i> <input type="checkbox"/> : Attachment A (General Reporting) attached <input type="checkbox"/> : Attachment B (Request to Acquire, Improve or Furnish) attached <input type="checkbox"/> : Attachment C (Disposition Request) attached				
9. Comments (attach additional sheets if necessary):				
10. Certification: I certify to the best of my knowledge and belief that all information presented in this report is true, correct and complete and constitutes a material representation of fact upon which the Federal government may rely.				
11a. Typed or Printed Name and Title of Authorized Certifying Official:		11c. Telephone (area code, number, extension):		
		11d. Email Address:		
11b. Signature of Authorized Certifying Official:		11e. Date Report Submitted (MM/DD/YYYY):		
		12. Agency use only		

▪ **APPENDIX K: SIGNATORY AUTHORIZATION FORM**

Title	Accounts	Dollar Limit
President	All	Unlimited
Exec. VP		Up to:
Program Director		Up to:
CFO		Up to:

▪ **APPENDIX L: PROCUREMENT RECORDS CHECKLIST**

Procurement Records Checklist

Items to include in the Procurement Records:

- Description of Goods and Services**
 - Clear, accurate description that includes technical requirements**
 - Don't unduly restrict competition**
- Requirements**
 - Technical requirements in terms of the "functions to be performed"**
 - What requirements is the bidder expected to fulfill?**
 - What factors will be used to evaluate the bids?**
- Selection basis for contractor**
- Cost or Price basis for goods and services**
- Cost or price analysis**
- Excluded Parties review**

If applicable, include:

- Lease vs. buy decision**
 - Which option is the most economical and practical?**
- Written justification for lack of competition, such as sole source**
- Contract provisions**
- Other Compliance Documentation**
- Other _____**
- Other _____**

▪ **APPENDIX M: PROPERTY RECORDS CHECKLIST**

Asset Number	
Ownership (Feds or Grantee)	
Original Award Number	
Follow-on Award Number (If applicable)	
Description	
Source/Vendor	
Financial Transaction Number (if available)	
ID#	
Date Acquired	
Cost per Unit	
% of Federal Ownership	
Last Reported Location	
Last Reported Condition	
Last Reported Use	
Date of Last Report	
Disposed (Y/N)	
If Y, Date of Disposal	
Disposal Sales Price	

▪ **APPENDIX N: GRANT CLOSEOUT CHECKLIST**

Grant Closeout Checklist

Items to review for Grant Closeout:

Award # _____ Period of Performance _____

- All Allowable Costs Reimbursed?
- Final Drawdown of Grant Funds Received?
- Final Financial Status Report (FSR) Submitted
- Final Review of Grant
 - All Closeout Requirements Completed?
- Required Documentation Completed
 - Financial records, Including Budget vs. Actual Reports
 - "Matching" or "Cost-share" Documentation
 - Reconciliation of Cash Draw-downs with the Financial Status Reports
 - Program Records Demonstrating Full Implementation of the Grant Objectives
- Record Retention Requirements
 - Financial Records and Supporting Documentation
 - Property and Equipment Records
 - Indirect Cost Proposals
 - Subrecipient Monitoring Documentation
 - Suspension and Debarment Compliance Documentation
- On-going Responsibilities:
 - Property Reporting
 - Indirect Cost Rates Finalized

Other _____

▪ **APPENDIX O: AUDIT CHECKLIST**

Audit Checklist

Various Items which may be requested for Audit:

Contracts

- Purchase Orders/Authorizations**
- List of Bidders and Individual Bid Packages**
- Bid Recommendations by Reviewer**
- Awarding of Bids Authorizations/Resolutions**
- Contracts/Agreements/Change Orders**
- Contractor Bonds**
- Suspension and Debarment Review**
- Payment Records**

Labor Records

- Work Authorization Identifying Award**
- Time Sheets Signed by Employee and Supervisor**
- Hourly Rate Support (Payroll Registers/Salary Schedules)**
- Fringe Benefits (Provide Schedule)**

Property Records

- Cost Records**
- Location, Condition, Use, and Disposal Records**

Other Records

- Board Minutes**

Indirect Cost Allocation Plans

Subawards

▪ **APPENDIX P: EXPENDITURE REQUEST FORM**

	Chicago State University
Requested by:	
Date:	
Description	
\$\$ Amount	
Reason for Purchase:	
Award #	
Account #	
Budget Review by:	
Date:	
In Budget? (Y/N)	
Purchase Authorized (Y/N)	
Authorizing Official Name	
Authorizing Official Title	
Date Authorized:	

▪ **APPENDIX Q: SELECTED ITEMS OF COST**

2 CFR Part 200 Sections 200.420 thru 200.475 titled *General Provisions for Selected Items of Cost* provide principles to be applied in establishing the allowability of certain items of cost. These principles apply whether a cost is treated as direct or indirect. Failure to mention a particular item of cost is not intended to imply that it is unallowable; rather, determination of allowability in each case should be based on the treatment standards provided for similar or related items of cost.

General Provisions for Selected Items of Cost

200.420 Considerations for selected items of cost.	200.447 Insurance and indemnification.
200.421 Advertising and public relations.	200.448 Intellectual property.
200.422 Advisory Councils.	200.449 Interest.
200.423 Alcoholic beverages.	200.450 Lobbying.
200.424 Alumni/ae activities.	200.451 Losses on other awards or contracts.
200.425 Audit services.	200.452 Maintenance and repair costs.
200.426 Bad debts.	200.453 Materials and supplies costs, including costs of computing devices.
200.427 Bonding costs.	200.454 Memberships, subscriptions, and professional activity costs.
200.428 Collections of improper payments.	200.455 Organization costs.
200.429 Commencement and convocation costs.	200.456 Participant support costs.
200.430 Compensation—personal services.	200.457 Plant and security costs.
200.431 Compensation—fringe benefits.	200.458 Pre-award costs.
200.432 Conferences.	200.459 Professional service costs.
200.433 Contingency provisions.	200.460 Proposal costs.
200.434 Contributions and donations.	200.461 Publication and printing costs.
200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements.	200.462 Rearrangement and reconversion costs.
200.436 Depreciation.	200.463 Recruiting costs.
200.437 Employee health and welfare costs.	200.464 Relocation costs of employees.
200.438 Entertainment costs.	200.465 Rental costs of real property and equipment.
200.439 Equipment and other capital expenditures.	200.466 Scholarships and student aid costs.
200.440 Exchange rates.	200.467 Selling and marketing costs.
200.441 Fines, penalties, damages and other settlements.	200.468 Specialized service facilities.
200.442 Fundraising and investment management costs.	200.469 Student activity costs.
200.443 Gains and losses on disposition of depreciable assets.	200.470 Taxes (including Value Added Tax).
200.444 General costs of government.	200.471 Termination costs.
200.445 Goods or services for personal use.	200.472 Training and education costs.
200.446 Idle facilities and idle capacity.	200.473 Transportation costs.
	200.474 Travel costs.
	200.475 Trustees.

§200.420 Considerations for selected items of cost.

This section provides principles to be applied in establishing the allowability of certain items involved in determining cost, in addition to the requirements of Subtitle II. Basic Considerations of this subpart. These principles apply whether or not a particular item of cost is properly treated as direct cost or indirect (F&A) cost. Failure to mention a particular item of cost is not intended to imply that it is either allowable or unallowable; rather, determination as to allowability in each case should be based on the treatment provided for similar or related items of cost, and based on the principles described in §§200.402 Composition of costs through 200.411 Adjustment of previously negotiated indirect (F&A) cost rates containing unallowable costs. In case of a discrepancy between the provisions of a specific Federal award and the provisions below, the Federal award governs. Criteria outlined in §200.403 Factors affecting allowability of costs must be applied in determining allowability. See also §200.102 Exceptions.

§200.421 Advertising and public relations.

(a) The term advertising costs mean the costs of advertising media and corollary administrative costs. Advertising media include magazines, newspapers, radio and television, direct mail, exhibits, electronic or computer transmittals, and the like.

(b) The only allowable advertising costs are those which are solely for:

(1) The recruitment of personnel required by the non-Federal entity for performance of a Federal award (See also §200.463 Recruiting costs);

(2) The procurement of goods and services for the performance of a Federal award;

(3) The disposal of scrap or surplus materials acquired in the performance of a Federal award except when non-Federal entities are reimbursed for disposal costs at a predetermined amount; or

(4) Program outreach and other specific purposes necessary to meet the requirements of the Federal award.

(c) The term “public relations” includes community relations and means those activities dedicated to maintaining the image of the non-Federal entity or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public.

(d) The only allowable public relations costs are:

(1) Costs specifically required by the Federal award;

(2) Costs of communicating with the public and press pertaining to specific activities or accomplishments which result from performance of the Federal award (these costs are considered necessary as part of the outreach effort for the Federal award); or

(3) Costs of conducting general liaison with news media and government public relations officers, to the extent that such activities are limited to communication and liaison necessary to keep the public informed on matters of public concern, such as notices of funding opportunities, financial matters, etc.

(e) Unallowable advertising and public relations costs include the following:

- (1) All advertising and public relations costs other than as specified in paragraphs (b) and (d) of this section;
- (2) Costs of meetings, conventions, convocations, or other events related to other activities of the entity (see also §200.432 Conferences), including:
 - (i) Costs of displays, demonstrations, and exhibits;
 - (ii) Costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events; and
 - (iii) Salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings;
- (3) Costs of promotional items and memorabilia, including models, gifts, and souvenirs;
- (4) Costs of advertising and public relations designed solely to promote the non-Federal entity.

§200.422 Advisory Councils.

Costs incurred by advisory councils or committees are unallowable unless authorized by statute, the Federal awarding agency or as an indirect cost where allocable to Federal awards. See §200.444 General costs of government, applicable to states, local governments and Indian tribes.

§200.423 Alcoholic beverages.

Costs of alcoholic beverages are unallowable.

§200.424 Alumni/ae activities.

Costs incurred by IHEs for, or in support of, alumni/ae activities are unallowable.

§200.425 Audit services.

(a) A reasonably proportionate share of the costs of audits required by, and performed in accordance with, the Single Audit Act Amendments of 1996 (31 U.S.C. 7501-7507), as implemented by requirements of this part, are allowable. However, the following audit costs are unallowable:

- (1) Any costs when audits required by the Single Audit Act and Subpart F—Audit Requirements of this part have not been conducted or have been conducted but not in accordance therewith; and
- (2) Any costs of auditing a non-Federal entity that is exempted from having an audit conducted under the Single Audit Act and Subpart F—Audit Requirements of this part because its expenditures under Federal awards are less than \$750,000 during the non-Federal entity's fiscal year.

(b) The costs of a financial statement audit of a non-Federal entity that does not currently have a Federal award may be included in the indirect cost pool for a cost allocation plan or indirect cost proposal.

(c) Pass-through entities may charge Federal awards for the cost of agreed-upon-procedures engagements to monitor subrecipients (in accordance with Subpart D—Post Federal Award Requirements of this part, §§200.330 Subrecipient and contractor determinations through 200.332 Fixed Amount Subawards) who are exempted from the requirements of the Single Audit Act and Subpart F—Audit Requirements of this part. This cost is allowable only if the agreed-upon-procedures engagements are:

(1) Conducted in accordance with GAGAS attestation standards;

(2) Paid for and arranged by the pass-through entity; and

(3) Limited in scope to one or more of the following types of compliance requirements: activities allowed or unallowed; allowable costs/cost principles; eligibility; and reporting.

§200.426 Bad debts.

Bad debts (debts which have been determined to be uncollectible), including losses (whether actual or estimated) arising from uncollectible accounts and other claims, are unallowable. Related collection costs, and related legal costs, arising from such debts after they have been determined to be uncollectible are also unallowable. See also §200.428 Collections of improper payments.

§200.427 Bonding costs.

(a) Bonding costs arise when the Federal awarding agency requires assurance against financial loss to itself or others by reason of the act or default of the non-Federal entity. They arise also in instances where the non-Federal entity requires similar assurance, including bonds as bid, performance, payment, advance payment, infringement, and fidelity bonds for employees and officials.

(b) Costs of bonding required pursuant to the terms and conditions of the Federal award are allowable.

(c) Costs of bonding required by the non-Federal entity in the general conduct of its operations are allowable as an indirect cost to the extent that such bonding is in accordance with sound business practice and the rates and premiums are reasonable under the circumstances.

§200.428 Collections of improper payments.

The costs incurred by a non-Federal entity to recover improper payments are allowable as either direct or indirect cost, as appropriate. Amounts collected may be used by the non-Federal entity in accordance with cash management standards set forth in §200.305 *Payment*.

§200.429 Commencement and convocation costs.

For IHEs, costs incurred for commencements and convocations are unallowable, except as provided for in Appendix III to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs), paragraph (B)(9) Student Administration and Services, as student activity costs.

§200.430 Compensation—personal services.

(a) *General.* Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits which are addressed in §200.431 Compensation—fringe benefits. Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees:

(1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities;

(2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and

(3) Is determined and supported as provided in paragraph (i) of this section, Standards for Documentation of Personnel Expenses, when applicable.

(b) *Reasonableness.* Compensation for employees engaged in work on Federal awards will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the non-Federal entity. In cases where the kinds of employees required for Federal awards are not found in the other activities of the non-Federal entity, compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market in which the non-Federal entity competes for the kind of employees involved.

(c) *Professional activities outside the non-Federal entity.* Unless an arrangement is specifically authorized by a Federal awarding agency, a non-Federal entity must follow its written non-Federal entity-wide policies and practices concerning the permissible extent of professional services that can be provided outside the non-Federal entity for non-organizational compensation. Where such non-Federal entity-wide written policies do not exist, or do not adequately define the permissible extent of consulting or other non-organizational activities undertaken for extra outside pay, the Federal government may require that the effort of professional staff working on Federal awards be allocated between:

(1) Non-Federal entity activities, and

(2) Non-organizational professional activities. If the Federal awarding agency considers the extent of non-organizational professional effort excessive or inconsistent with the conflicts-of-interest terms and conditions of the Federal award, appropriate arrangements governing compensation will be negotiated on a case-by-case basis.

(d) *Unallowable costs.* (1) Costs which are unallowable under other sections of these principles must not be allowable under this section solely on the basis that they constitute personnel compensation.

(2) The allowable compensation for certain employees is subject to a ceiling in accordance with statute. For the amount of the ceiling for cost-reimbursement contracts, the covered compensation subject to the ceiling, the covered employees, and other relevant provisions, see 10 U.S.C. 2324(e)(1)(P), and 41 U.S.C. 1127 and 4304(a) (16). For other types of Federal awards, other statutory ceilings may apply.

(e) *Special considerations.* Special considerations in determining allowability of compensation will be given to any change in a non-Federal entity's compensation policy resulting in a substantial increase in its employees' level of compensation (particularly when the change was concurrent with an increase in the ratio of Federal awards to other

activities) or any change in the treatment of allowability of specific types of compensation due to changes in Federal policy.

(f) *Incentive compensation.* Incentive compensation to employees based on cost reduction, or efficient performance, suggestion awards, safety awards, etc., is allowable to the extent that the overall compensation is determined to be reasonable and such costs are paid or accrued pursuant to an agreement entered into in good faith between the non-Federal entity and the employees before the services were rendered, or pursuant to an established plan followed by the non-Federal entity so consistently as to imply, in effect, an agreement to make such payment.

(g) *Nonprofit organizations.* For compensation to members of nonprofit organizations, trustees, directors, associates, officers, or the immediate families thereof, determination should be made that such compensation is reasonable for the actual personal services rendered rather than a distribution of earnings in excess of costs. This may include directors and executive committee member's fees, incentive awards, allowances for off-site pay, incentive pay, location allowances, hardship pay, and cost-of-living differentials.

(h) *Institutions of higher education (IHEs).* (1) Certain conditions require special consideration and possible limitations in determining allowable personnel compensation costs under Federal awards. Among such conditions are the following:

(i) Allowable activities. Charges to Federal awards may include reasonable amounts for activities contributing and directly related to work under an agreement, such as delivering special lectures about specific aspects of the ongoing activity, writing reports and articles, developing and maintaining protocols (human, animals, etc.), managing substances/chemicals, managing and securing project-specific data, coordinating research subjects, participating in appropriate seminars, consulting with colleagues and graduate students, and attending meetings and conferences.

(ii) Incidental activities. Incidental activities for which supplemental compensation is allowable under written institutional policy (at a rate not to exceed institutional base salary) need not be included in the records described in paragraph (h)(9) of this section to directly charge payments of incidental activities, such activities must either be specifically provided for in the Federal award budget or receive prior written approval by the Federal awarding agency.

(2) *Salary basis.* Charges for work performed on Federal awards by faculty members during the academic year are allowable at the IBS rate. Except as noted in paragraph (h)(1)(ii) of this section, in no event will charges to Federal awards, irrespective of the basis of computation, exceed the proportionate share of the IBS for that period. This principle applies to all members of faculty at an institution. IBS is defined as the annual compensation paid by an IHE for an individual's appointment, whether that individual's time is spent on research, instruction, administration, or other activities. IBS excludes any income that an individual earns outside of duties performed for the IHE. Unless there is prior approval by the Federal awarding agency, charges of a faculty member's salary to a Federal award must not exceed the proportionate share of the IBS for the period during which the faculty member worked on the award.

(3) *Intra-Institution of Higher Education (IHE) consulting.* Intra-IHE consulting by faculty is assumed to be undertaken as an IHE obligation requiring no compensation in addition to IBS. However, in unusual cases where consultation is across departmental lines or involves a separate or remote operation, and the work performed by the faculty member is in addition to his or her regular responsibilities, any charges for such work representing additional compensation above IBS are allowable provided that such consulting arrangements are specifically provided for in the Federal award or approved in writing by the Federal awarding agency.

(4) Extra Service Pay normally represents overload compensation, subject to institutional compensation policies for services above and beyond IBS. Where extra service pay is a result of Intra-IHE consulting, it is subject to the same requirements of paragraph (b) above. It is allowable if all of the following conditions are met:

(i) The Non-Federal entity establishes consistent written policies which apply uniformly to all faculty members, not just those working on Federal awards.

(ii) The Non-Federal entity establishes a consistent written definition of work covered by IBS which is specific enough to determine conclusively when work beyond that level has occurred. This may be described in appointment letters or other documentation.

(iii) The supplementation amount paid is commensurate with the IBS rate of pay and the amount of additional work performed. See paragraph (h)(2) of this section.

(iv) The salaries, as supplemented, fall within the salary structure and pay ranges established by and documented in writing or otherwise applicable to the non-Federal entity.

(v) The total salaries charged to Federal awards including extra service pay are subject to the Standards of Documentation as described in paragraph (i) of this section.

(5) *Periods outside the academic year.* (i) Except as specified for teaching activity in paragraph (h)(5)(ii) of this section, charges for work performed by faculty members on Federal awards during periods not included in the base salary period will be at a rate not in excess of the IBS.

(ii) Charges for teaching activities performed by faculty members on Federal awards during periods not included in IBS period will be based on the normally written policy of the IHE governing compensation to faculty members for teaching assignments during such periods.

(6) *Part-time faculty.* Charges for work performed on Federal awards by faculty members having only part-time appointments will be determined at a rate not in excess of that regularly paid for part-time assignments.

(7) *Sabbatical leave costs.* Rules for sabbatical leave are as follow:

(i) Costs of leaves of absence by employees for performance of graduate work or sabbatical study, travel, or research are allowable provided the IHE has a uniform written policy on sabbatical leave for persons engaged in instruction and persons engaged in research. Such costs will be allocated on an equitable basis among all related activities of the IHE.

(ii) Where sabbatical leave is included in fringe benefits for which a cost is determined for assessment as a direct charge, the aggregate amount of such assessments applicable to all work of the institution during the base period must be reasonable in relation to the IHE's actual experience under its sabbatical leave policy.

(8) *Salary rates for non-faculty members.* Non-faculty full-time professional personnel may also earn "extra service pay" in accordance with the non-Federal entity's written policy and consistent with paragraph (h)(1)(i) of this section.

(i) *Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

(ii) Be incorporated into the official records of the non-Federal entity;

(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS);

(iv) Encompass both federally assisted, and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;

(v) Comply with the established accounting policies and practices of the non-Federal entity (See paragraph (h)(1)(ii) above for treatment of incidental work for IHEs.); and

(vi) [Reserved]

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

(viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:

(A) The system for establishing the estimates produces reasonable approximations of the activity actually performed.

(B) Significant changes in the corresponding work activity (as defined by the non-Federal entity's written policies) are identified and entered into the records in a timely manner. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term; and

(C) The Non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to Federal awards based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

(ix) Because practices vary as to the activity constituting a full workload (for IHEs, IBS), records may reflect categories of activities expressed as a percentage distribution of total activities.

(x) It is recognized that teaching, research, service, and administration are often inextricably intermingled in an academic setting. When recording salaries and wages charged to Federal awards for IHEs, a precise assessment of factors that contribute to costs is therefore not always feasible, nor is it expected.

(2) For records which meet the standards required in paragraph (i)(1) of this section, the non-Federal entity will not be required to provide additional support or documentation for the work performed, other than that referenced in paragraph (i)(3) of this section.

(3) In accordance with Department of Labor regulations implementing the Fair Labor Standards Act (FLSA) (29 CFR part 516), charges for the salaries and wages of nonexempt employees, in addition to the supporting documentation described in this section, must also be supported by records indicating the total number of hours worked each day.

(4) Salaries and wages of employees used in meeting cost sharing or matching requirements on Federal awards must be supported in the same manner as salaries and wages claimed for reimbursement from Federal awards.

(5) For states, local governments and Indian tribes, substitute processes or systems for allocating salaries and wages to Federal awards may be used in place of or in addition to the records described in paragraph (1) if approved by the cognizant agency for indirect cost. Such systems may include, but are not limited to, random moment sampling, "rolling" time studies, case counts, or other quantifiable measures of work performed.

(i) Substitute systems which use sampling methods (primarily for Temporary Assistance for Needy Families (TANF), the Supplemental Nutrition Assistance Program (SNAP), Medicaid, and other public assistance programs) must meet acceptable statistical sampling standards including:

(A) The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results except as provided in paragraph (i)(5)(iii) of this section;

(B) The entire time period involved must be covered by the sample; and

(C) The results must be statistically valid and applied to the period being sampled.

(ii) Allocating charges for the sampled employees' supervisors, clerical and support staff, based on the results of the sampled employees, will be acceptable.

(iii) Less than full compliance with the statistical sampling standards noted in subsection (5)(i) may be accepted by the cognizant agency for indirect costs if it concludes that the amounts to be allocated to Federal awards will be minimal, or if it concludes that the system proposed by the non-Federal entity will result in lower costs to Federal awards than a system which complies with the standards.

(6) Cognizant agencies for indirect costs are encouraged to approve alternative proposals based on outcomes and milestones for program performance where these are clearly documented. Where approved by the Federal cognizant agency for indirect costs, these plans are acceptable as an alternative to the requirements of paragraph (i)(1) of this section.

(7) For Federal awards of similar purpose activity or instances of approved blended funding, a non-Federal entity may submit performance plans that incorporate funds from multiple Federal awards and account for their combined use based on performance-oriented metrics, provided that such plans are approved in advance by all involved Federal awarding agencies. In these instances, the non-Federal entity must submit a request for waiver of the requirements based on documentation that describes the method of charging costs, relates the charging of costs to the specific

activity that is applicable to all fund sources, and is based on quantifiable measures of the activity in relation to time charged.

(8) For a non-Federal entity where the records do not meet the standards described in this section, the Federal government may require personnel activity reports, including prescribed certifications, or equivalent documentation that support the records as required in this section.

§200.431 Compensation—fringe benefits.

(a) Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave (vacation, family-related, sick or military), employee insurance, pensions, and unemployment benefit plans. Except as provided elsewhere in these principles, the costs of fringe benefits are allowable provided that the benefits are reasonable and are required by law, non-Federal entity-employee agreement, or an established policy of the non-Federal entity.

(b) *Leave.* The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, family-related leave, sick leave, holidays, court leave, military leave, administrative leave, and other similar benefits, are allowable if all of the following criteria are met:

(1) They are provided under established written leave policies;

(2) The costs are equitably allocated to all related activities, including Federal awards; and,

(3) The accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the non-Federal entity or specified grouping of employees.

(i) When a non-Federal entity uses the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid for. Payments for unused leave when an employee retires or terminates employment are allowable as indirect costs in the year of payment.

(ii) The accrual basis may be only used for those types of leave for which a liability as defined by GAAP exists when the leave is earned. When a non-Federal entity uses the accrual basis of accounting, allowable leave costs are the lesser of the amount accrued or funded.

(c) The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance (except as indicated in §200.447 Insurance and indemnification); pension plan costs (see paragraph (i) of this section); and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits must be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities, and charged as direct or indirect costs in accordance with the non-Federal entity's accounting practices.

(d) Fringe benefits may be assigned to cost objectives by identifying specific benefits to specific individual employees or by allocating on the basis of entity-wide salaries and wages of the employees receiving the benefits. When the allocation method is used, separate allocations must be made to selective groupings of employees, unless the non-

Federal entity demonstrates that costs in relationship to salaries and wages do not differ significantly for different groups of employees.

(e) *Insurance*. See also §200.447 Insurance and indemnification, paragraphs (d)(1) and (2).

(1) Provisions for a reserve under a self-insurance program for unemployment compensation or workers' compensation are allowable to the extent that the provisions represent reasonable estimates of the liabilities for such compensation, and the types of coverage, extent of coverage, and rates and premiums would have been allowable had insurance been purchased to cover the risks. However, provisions for self-insured liabilities which do not become payable for more than one year after the provision is made must not exceed the present value of the liability.

(2) Costs of insurance on the lives of trustees, officers, or other employees holding positions of similar responsibility are allowable only to the extent that the insurance represents additional compensation. The costs of such insurance when the non-Federal entity is named as beneficiary are unallowable.

(3) Actual claims paid to or on behalf of employees or former employees for workers' compensation, unemployment compensation, severance pay, and similar employee benefits (e.g., post-retirement health benefits), are allowable in the year of payment provided that the non-Federal entity follows a consistent costing policy, and they are allocated as indirect costs.

(f) *Automobiles*. That portion of automobile costs furnished by the entity that relates to personal use by employees (including transportation to and from work) is unallowable as fringe benefit or indirect (F&A) costs regardless of whether the cost is reported as taxable income to the employees.

(g) *Pension Plan Costs*. Pension plan costs which are incurred in accordance with the established policies of the non-Federal entity are allowable, provided that:

(1) Such policies meet the test of reasonableness.

(2) The methods of cost allocation are not discriminatory.

(3) For entities using accrual-based accounting, the cost assigned to each fiscal year is determined in accordance with GAAP.

(4) The costs assigned to a given fiscal year are funded for all plan participants within six months after the end of that year. However, increases to normal and past service pension costs caused by a delay in funding the actuarial liability beyond 30 calendar days after each quarter of the year to which such costs are assignable are unallowable. Non-Federal entity may elect to follow the "Cost Accounting Standard for Composition and Measurement of Pension Costs" (48 CFR 9904.412).

(5) Pension plan termination insurance premiums paid pursuant to the Employee Retirement Income Security Act (ERISA) of 1974 (29 U.S.C. 1301-1461) are allowable. Late payment charges on such premiums are unallowable. Excise taxes on accumulated funding deficiencies and other penalties imposed under ERISA are unallowable.

(6) Pension plan costs may be computed using a pay-as-you-go method or an acceptable actuarial cost method in accordance with established written policies of the non-Federal entity.

(i) For pension plans financed on a pay-as-you-go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries.

(ii) Pension costs calculated using an actuarial cost-based method recognized by GAAP are allowable for a given fiscal year if they are funded for that year within six months after the end of that year. Costs funded after the six-month period (or a later period agreed to by the cognizant agency for indirect costs) are allowable in the year funded. The cognizant agency for indirect costs may agree to an extension of the six-month period if an appropriate adjustment is made to compensate for the timing of the charges to the Federal government and related Federal reimbursement and the non-Federal entity's contribution to the pension fund. Adjustments may be made by cash refund or other equitable procedures to compensate the Federal government for the time value of Federal reimbursements in excess of contributions to the pension fund.

(iii) Amounts funded by the non-Federal entity in excess of the actuarially determined amount for a fiscal year may be used as the non-Federal entity's contribution in future periods.

(iv) When a non-Federal entity converts to an acceptable actuarial cost method, as defined by GAAP, and funds pension costs in accordance with this method, the unfunded liability at the time of conversion is allowable if amortized over a period of years in accordance with GAAP.

(v) The Federal government must receive an equitable share of any previously allowed pension costs (including earnings thereon) which revert or inure to the non-Federal entity in the form of a refund, withdrawal, or other credit.

(h) *Post-Retirement Health.* Post-retirement health plans (PRHP) refer to costs of health insurance or health services not included in a pension plan covered by paragraph (g) of this section for retirees and their spouses, dependents, and survivors. PRHP costs may be computed using a pay-as-you-go method or an acceptable actuarial cost method in accordance with established written policies of the non-Federal entity.

(1) For PRHP financed on a pay-as-you-go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries.

(2) PRHP costs calculated using an actuarial cost method recognized by GAAP are allowable if they are funded for that year within six months after the end of that year. Costs funded after the six-month period (or a later period agreed to by the cognizant agency) are allowable in the year funded. The Federal cognizant agency for indirect costs may agree to an extension of the six-month period if an appropriate adjustment is made to compensate for the timing of the charges to the Federal government and related Federal reimbursements and the non-Federal entity's contributions to the PRHP fund. Adjustments may be made by cash refund, reduction in current year's PRHP costs, or other equitable procedures to compensate the Federal government for the time value of Federal reimbursements in excess of contributions to the PRHP fund.

(3) Amounts funded in excess of the actuarially determined amount for a fiscal year may be used as the Federal government's contribution in a future period.

(4) When a non-Federal entity converts to an acceptable actuarial cost method and funds PRHP costs in accordance with this method, the initial unfunded liability attributable to prior years is allowable if amortized over a period of years in accordance with GAAP, or, if no such GAAP period exists, over a period negotiated with the cognizant agency for indirect costs.

(5) To be allowable in the current year, the PRHP costs must be paid either to:

(i) An insurer or other benefit provider as current year costs or premiums, or

(ii) An insurer or trustee to maintain a trust fund or reserve for the sole purpose of providing post-retirement benefits to retirees and other beneficiaries.

(6) The Federal government must receive an equitable share of any amounts of previously allowed post-retirement benefit costs (including earnings thereon) which revert or insure to the entity in the form of a refund, withdrawal, or other credit.

(i) *Severance Pay.* (1) Severance pay, also commonly referred to as dismissal wages, is a payment in addition to regular salaries and wages, by non-Federal entities to workers whose employment is being terminated. Costs of severance pay are allowable only to the extent that in each case, it is required by (a) law, (b) employer-employee agreement, (c) established policy that constitutes, in effect, an implied agreement on the non-Federal entity's part, or (d) circumstances of the particular employment.

(2) Costs of severance payments are divided into two categories as follows:

(i) Actual normal turnover severance payments must be allocated to all activities; or, where the non-Federal entity provides for a reserve for normal severances, such method will be acceptable if the charge to current operations is reasonable in light of payments actually made for normal severances over a representative past period, and if amounts charged are allocated to all activities of the non-Federal entity.

(ii) Measurement of costs of abnormal or mass severance pay by means of accrual will not achieve equity to both parties. Thus, accruals for this purpose are not allowable. However, the Federal government recognizes its obligation to participate, to the extent of its fair share, in any specific payment. Prior approval by the Federal awarding agency or cognizant agency for indirect cost, as appropriate, is required.

(3) Costs incurred in certain severance pay packages which are in an amount in excess of the normal severance pay paid by the non-Federal entity to an employee upon termination of employment and are paid to the employee contingent upon a change in management control over, or ownership of, the non-Federal entity's assets, are unallowable.

(4) Severance payments to foreign nationals employed by the non-Federal entity outside the United States, to the extent that the amount exceeds the customary or prevailing practices for the non-Federal entity in the United States, are unallowable, unless they are necessary for the performance of Federal programs and approved by the Federal awarding agency.

(5) Severance payments to foreign nationals employed by the non-Federal entity outside the United States due to the termination of the foreign national as a result of the closing of, or curtailment of activities by, the non-Federal entity in that country, are unallowable, unless they are necessary for the performance of Federal programs and approved by the Federal awarding agency.

(j)(1) *For IHEs only.* Fringe benefits in the form of tuition or remission of tuition for individual employees are allowable, provided such benefits are granted in accordance with established non-Federal entity policies, and are

distributed to all non-Federal entity activities on an equitable basis. Tuition benefits for family members other than the employee are unallowable.

(2) Fringe benefits in the form of tuition or remission of tuition for individual employees not employed by IHEs are limited to the tax-free amount allowed per section 127 of the Internal Revenue Code as amended.

(3) IHEs may offer employees tuition waivers or tuition reductions for undergraduate education under IRC Section 117(d) as amended, provided that the benefit does not discriminate in favor of highly compensated employees. Federal reimbursement of tuition or remission of tuition is also limited to the institution for which the employee works. See §200.466 Scholarships and student aid costs, for treatment of tuition remission provided to students.

(k) For IHEs whose costs are paid by state or local governments, fringe benefit programs (such as pension costs and FICA) and any other benefits costs specifically incurred on behalf of, and in direct benefit to, the non-Federal entity, are allowable costs of such non-Federal entities whether or not these costs are recorded in the accounting records of the non-Federal entities, subject to the following:

(1) The costs meet the requirements of Basic Considerations in §§200.402 Composition of costs through 200.411 Adjustment of previously negotiated indirect (F&A) cost rates containing unallowable costs of this subpart;

(2) The costs are properly supported by approved cost allocation plans in accordance with applicable Federal cost accounting principles; and

(3) The costs are not otherwise borne directly or indirectly by the Federal government.

§200.432 Conferences.

A conference is defined as a meeting, retreat, seminar, symposium, workshop or event whose primary purpose is the dissemination of technical information beyond the non-Federal entity and is necessary and reasonable for successful performance under the Federal award. Allowable conference costs paid by the non-Federal entity as a sponsor or host of the conference 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 Federal award. As needed, the costs of identifying, but not providing, locally available dependent-care resources are allowable. Conference hosts/sponsors must exercise discretion and judgment in ensuring that conference costs are appropriate, necessary and managed in a manner that minimizes costs to the Federal award. The Federal awarding agency may authorize exceptions where appropriate for programs including Indian tribes, children, and the elderly. See also §§200.438 Entertainment costs, 200.456 Participant support costs, 200.474 Travel costs, and 200.475 Trustees.

§200.433 Contingency provisions.

(a) Contingency is that part of a budget estimate of future costs (typically of large construction projects, IT systems, or other items as approved by the Federal awarding agency) which is associated with possible events or conditions arising from causes the precise outcome of which is indeterminable at the time of estimate, and that experience shows will likely result, in aggregate, in additional costs for the approved activity or project. Amounts for major project scope changes, unforeseen risks, or extraordinary events may not be included.

(b) It is permissible for contingency amounts other than those excluded in paragraph (b)(1) of this section to be explicitly included in budget estimates, to the extent they are necessary to improve the precision of those estimates. Amounts must be estimated using broadly-accepted cost estimating methodologies, specified in the budget documentation of the Federal award, and accepted by the Federal awarding agency. As such, contingency amounts are to be included in the Federal award. In order for actual costs incurred to be allowable, they must comply with the cost principles and other requirements in this part (see also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of Subpart D of this part and 200.403 Factors affecting allowability of costs); be necessary and reasonable for proper and efficient accomplishment of project or program objectives and be verifiable from the non-Federal entity's records.

(c) Payments made by the Federal awarding agency to the non-Federal entity's "contingency reserve" or any similar payment made for events the occurrence of which cannot be foretold with certainty as to the time or intensity, or with an assurance of their happening, are unallowable, except as noted in §§200.431 Compensation—fringe benefits regarding self-insurance, pensions, severance and post-retirement health costs and 200.447 Insurance and indemnification.

§200.434 Contributions and donations.

(a) Costs of contributions and donations, including cash, property, and services, from the non-Federal entity to other entities, are unallowable.

(b) The value of services and property donated to the non-Federal entity may not be charged to the Federal award either as a direct or indirect (F&A) cost. The value of donated services and property may be used to meet cost sharing or matching requirements (see §200.306 Cost sharing or matching). Depreciation on donated assets is permitted in accordance with §200.436 Depreciation, as long as the donated property is not counted towards cost sharing or matching requirements.

(c) Services donated or volunteered to the non-Federal entity may be furnished to a non-Federal entity by professional and technical personnel, consultants, and other skilled and unskilled labor. The value of these services is not allowable either as a direct or indirect cost. However, the value of donated services may be used to meet cost sharing or matching requirements in accordance with the provisions of §200.306 Cost sharing or matching.

(d) To the extent feasible, services donated to the non-Federal entity will be supported by the same methods used to support the allocability of regular personnel services.

(e) The following provisions apply to nonprofit organizations. The value of services donated to the nonprofit organization utilized in the performance of a direct cost activity must be considered in the determination of the non-Federal entity's indirect cost rate(s) and, accordingly, must be allocated a proportionate share of applicable indirect costs when the following circumstances exist:

(1) The aggregate value of the services is material;

(2) The services are supported by a significant amount of the indirect costs incurred by the non-Federal entity;

(i) In those instances where there is no basis for determining the fair market value of the services rendered, the non-Federal entity and the cognizant agency for indirect costs must negotiate an appropriate allocation of indirect cost to the services.

(ii) Where donated services directly benefit a project supported by the Federal award, the indirect costs allocated to the services will be considered as a part of the total costs of the project. Such indirect costs may be reimbursed under the Federal award or used to meet cost sharing or matching requirements.

(f) Fair market value of donated services must be computed as described in §200.306 Cost sharing or matching.

(g) Personal Property and Use of Space.

(1) Donated personal property and use of space may be furnished to a non-Federal entity. The value of the personal property and space is not reimbursable either as a direct or indirect cost.

(2) The value of the donations may be used to meet cost sharing or matching share requirements under the conditions described in §§200.300 Statutory and national policy requirements through 200.309 Period of performance of subpart D of this part. The value of the donations must be determined in accordance with §§200.300 Statutory and national policy requirements through 200.309 Period of performance. Where donations are treated as indirect costs, indirect cost rates will separate the value of the donations so that reimbursement will not be made.

§200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements.

(a) Definitions for the purposes of this section.

(1) *Conviction* means a judgment or conviction of a criminal offense by any court of competent jurisdiction, whether entered upon verdict or a plea, including a conviction due to a plea of nolo contendere.

(2) *Costs* include the services of in-house or private counsel, accountants, consultants, or others engaged to assist the non-Federal entity before, during, and after commencement of a judicial or administrative proceeding, that bear a direct relationship to the proceeding.

(3) *Fraud* means:

(i) Acts of fraud or corruption or attempts to defraud the Federal government or to corrupt its agents,

(ii) Acts that constitute a cause for debarment or suspension (as specified in agency regulations), and

(iii) Acts which violate the False Claims Act (31 U.S.C. 3729-3732) or the Anti-Kickback Act (41 U.S.C. 1320a-7b(b)).

(4) *Penalty* does not include restitution, reimbursement, or compensatory damages.

(5) *Proceeding* includes an investigation.

(b) *Costs.* (1) Except as otherwise described herein, costs incurred in connection with any criminal, civil or administrative proceeding (including filing of a false certification) commenced by the Federal government, a state, local government, or foreign government, or joined by the Federal government (including a proceeding under the

False Claims Act), against the non-Federal entity, (or commenced by third parties or a current or former employee of the non-Federal entity who submits a whistleblower complaint of reprisal in accordance with 10 U.S.C. 2409 or 41 U.S.C. 4712), are not allowable if the proceeding:

(i) Relates to a violation of, or failure to comply with, a Federal, state, local or foreign statute, regulation or the terms and conditions of the Federal award, by the non-Federal entity (including its agents and employees); and

(ii) Results in any of the following dispositions:

(A) In a criminal proceeding, a conviction.

(B) In a civil or administrative proceeding involving an allegation of fraud or similar misconduct, a determination of non-Federal entity liability.

(C) In the case of any civil or administrative proceeding, the disallowance of costs or the imposition of a monetary penalty, or an order issued by the Federal awarding agency head or delegate to the non-Federal entity to take corrective action under 10 U.S.C. 2409 or 41 U.S.C. 4712.

(D) A final decision by an appropriate Federal official to debar or suspend the non-Federal entity, to rescind or void a Federal award, or to terminate a Federal award for default by reason of a violation or failure to comply with a statute, regulation, or the terms and conditions of the Federal award.

(E) A disposition by consent or compromise, if the action could have resulted in any of the dispositions described in paragraphs (b)(1)(ii)(A) through (D) of this section.

(2) If more than one proceeding involves the same alleged misconduct, the costs of all such proceedings are unallowable if any results in one of the dispositions shown in paragraph (b) of this section.

(c) If a proceeding referred to in paragraph (b) of this section is commenced by the Federal government and is resolved by consent or compromise pursuant to an agreement by the non-Federal entity and the Federal government, then the costs incurred may be allowed to the extent specifically provided in such agreement.

(d) If a proceeding referred to in paragraph (b) of this section is commenced by a state, local or foreign government, the authorized Federal official may allow the costs incurred if such authorized official determines that the costs were incurred as a result of:

(1) A specific term or condition of the Federal award, or

(2) Specific written direction of an authorized official of the Federal awarding agency.

(e) Costs incurred in connection with proceedings described in paragraph (b) of this section, which are not made unallowable by that subsection, may be allowed but only to the extent that:

(1) The costs are reasonable and necessary in relation to the administration of the Federal award and activities required to deal with the proceeding and the underlying cause of action;

(2) Payment of the reasonable, necessary, allocable and otherwise allowable costs incurred is not prohibited by any other provision(s) of the Federal award;

(3) The costs are not recovered from the Federal Government or a third party, either directly as a result of the proceeding or otherwise; and,

(4) An authorized Federal official must determine the percentage of costs allowed considering the complexity of litigation, generally accepted principles governing the award of legal fees in civil actions involving the United States, and such other factors as may be appropriate. Such percentage must not exceed 80 percent. However, if an agreement reached under paragraph (c) of this section has explicitly considered this 80 percent limitation and permitted a higher percentage, then the full amount of costs resulting from that agreement are allowable.

(f) Costs incurred by the non-Federal entity in connection with the defense of suits brought by its employees or ex-employees under section 2 of the Major Fraud Act of 1988 (18 U.S.C. 1031), including the cost of all relief necessary to make such employee whole, where the non-Federal entity was found liable or settled, are unallowable.

(g) Costs of prosecution of claims against the Federal government, including appeals of final Federal agency decisions, are unallowable.

(h) Costs of legal, accounting, and consultant services, and related costs, incurred in connection with patent infringement litigation, are unallowable unless otherwise provided for in the Federal award.

(i) Costs which may be unallowable under this section, including directly associated costs, must be segregated and accounted for separately. During the pendency of any proceeding covered by paragraphs (b) and (f) of this section, the Federal government must generally withhold payment of such costs. However, if in its best interests, the Federal government may provide for conditional payment upon provision of adequate security, or other adequate assurance, and agreement to repay all unallowable costs, plus interest, if the costs are subsequently determined to be unallowable.

§200.436 Depreciation.

(a) Depreciation is the method for allocating the cost of fixed assets to periods benefitting from asset use. The non-Federal entity may be compensated for the use of its buildings, capital improvements, equipment, and software projects capitalized in accordance with GAAP, provided that they are used, needed in the non-Federal entity's activities, and properly allocated to Federal awards. Such compensation must be made by computing depreciation.

(b) The allocation for depreciation must be made in accordance with Appendices IV through VIII.

(c) Depreciation is computed by applying the following rules. The computation of depreciation must be based on the acquisition cost of the assets involved. For an asset donated to the non-Federal entity by a third party, its fair market value at the time of the donation must be considered as the acquisition cost. Such assets may be depreciated or claimed as matching but not both. For this purpose, the acquisition cost will exclude:

(1) The cost of land;

(2) Any portion of the cost of buildings and equipment borne by or donated by the Federal government, irrespective of where title was originally vested or where it is presently located;

(3) Any portion of the cost of buildings and equipment contributed by or for the non-Federal entity, or where law or agreement prohibits recovery; and

(4) Any asset acquired solely for the performance of a non-Federal award.

(d) When computing depreciation charges, the following must be observed:

(1) The period of useful service or useful life established in each case for usable capital assets must take into consideration such factors as type of construction, nature of the equipment, technological developments in the particular area, historical data, and the renewal and replacement policies followed for the individual items or classes of assets involved.

(2) The depreciation method used to charge the cost of an asset (or group of assets) to accounting periods must reflect the pattern of consumption of the asset during its useful life. In the absence of clear evidence indicating that the expected consumption of the asset will be significantly greater in the early portions than in the later portions of its useful life, the straight-line method must be presumed to be the appropriate method. Depreciation methods once used may not be changed unless approved in advance by the cognizant agency. The depreciation methods used to calculate the depreciation amounts for indirect (F&A) rate purposes must be the same methods used by the non-Federal entity for its financial statements.

(3) The entire building, including the shell and all components, may be treated as a single asset and depreciated over a single useful life. A building may also be divided into multiple components. Each component item may then be depreciated over its estimated useful life. The building components must be grouped into three general components of a building: building shell (including construction and design costs), building services systems (e.g., elevators, HVAC, plumbing system and heating and air-conditioning system) and fixed equipment (e.g., sterilizers, casework, fume hoods, cold rooms and glassware/washers). In exceptional cases, a cognizant agency may authorize a non-Federal entity to use more than these three groupings. When a non-Federal entity elects to depreciate its buildings by its components, the same depreciation methods must be used for indirect (F&A) purposes and financial statements purposes, as described in paragraphs (d)(1) and (2) of this section.

(4) No depreciation may be allowed on any assets that have outlived their depreciable lives.

(5) Where the depreciation method is introduced to replace the use allowance method, depreciation must be computed as if the asset had been depreciated over its entire life (i.e., from the date the asset was acquired and ready for use to the date of disposal or withdrawal from service). The total amount of use allowance and depreciation for an asset (including imputed depreciation applicable to periods prior to the conversion from the use allowance method as well as depreciation after the conversion) may not exceed the total acquisition cost of the asset.

(e) Charges for depreciation must be supported by adequate property records, and physical inventories must be taken at least once every two years to ensure that the assets exist and are usable, used, and needed. Statistical sampling techniques may be used in taking these inventories. In addition, adequate depreciation records showing the amount of depreciation taken each period must also be maintained.

§200.437 Employee health and welfare costs.

(a) Costs incurred in accordance with the non-Federal entity's documented policies for the improvement of working conditions, employer-employee relations, employee health, and employee performance are allowable.

(b) Such costs will be equitably apportioned to all activities of the non-Federal entity. Income generated from any of these activities will be credited to the cost thereof unless such income has been irrevocably sent to employee welfare organizations.

(c) Losses resulting from operating food services are allowable only if the non-Federal entity's objective is to operate such services on a break-even basis. Losses sustained because of operating objectives other than the above are allowable only:

(1) Where the non-Federal entity can demonstrate unusual circumstances; and

(2) With the approval of the cognizant agency for indirect costs.

§200.438 Entertainment costs.

Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the Federal award or with the prior written approval of the Federal awarding agency.

§200.439 Equipment and other capital expenditures.

(a) See §§200.13 Capital expenditures, 200.33 Equipment, 200.89 Special purpose equipment, 200.48 General purpose equipment, 200.2 Acquisition cost, and 200.12 Capital assets.

(b) The following rules of allowability must 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 Federal awarding agency or pass-through entity.

(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 Federal awarding agency or pass-through entity.

(3) Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior written approval of the Federal awarding agency, or pass-through entity. See §200.436 Depreciation, for rules on the allowability of depreciation on buildings, capital improvements, and equipment. See also §200.465 Rental costs of real property and equipment.

(4) When approved as a direct charge pursuant to paragraphs (b)(1) through (3) of this section, capital expenditures will be charged in the period in which the expenditure is incurred, or as otherwise determined appropriate and negotiated with the Federal awarding agency.

(5) The unamortized portion of any equipment written off as a result of a change in capitalization levels may be recovered by continuing to claim the otherwise allowable depreciation on the equipment, or by amortizing the amount to be written off over a period of years negotiated with the Federal cognizant agency for indirect cost.

(6) Cost of equipment disposal. If the non-Federal entity is instructed by the Federal awarding agency to otherwise dispose of or transfer the equipment the costs of such disposal or transfer are allowable.

§200.440 Exchange rates.

(a) Cost increases for fluctuations in exchange rates are allowable costs subject to the availability of funding, and prior approval by the Federal awarding agency. The Federal awarding agency must, however, ensure that adequate funds are available to cover currency fluctuations in order to avoid a violation of the Anti-Deficiency Act.

(b) The Non-Federal entity is required to make reviews of local currency gains to determine the need for additional federal funding before the expiration date of the Federal award. Subsequent adjustments for currency increases may be allowable only when the non-Federal entity provides the Federal awarding agency with adequate source documentation from a commonly used source in effect at the time the expense was made, and to the extent that sufficient Federal funds are available.

§200.441 Fines, penalties, damages, and other settlements.

Costs resulting from non-Federal entity violations of, alleged violations of, or failure to comply with, Federal, state, tribal, local or foreign laws and regulations are unallowable, except when incurred as a result of compliance with specific provisions of the Federal award, or with the prior written approval of the Federal awarding agency. See also §200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements.

§200.442 Fundraising and investment management costs.

(a) Costs of organized fundraising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions are unallowable. Fundraising costs for the purposes of meeting the Federal program objectives are allowable with prior written approval from the Federal awarding agency. Proposal costs are covered in §200.460 Proposal costs.

(b) Costs of investment counsel and staff and similar expenses incurred to enhance income from investments are unallowable except when associated with investments covering pension, self-insurance, or other funds which include Federal participation allowed by this part.

(c) Costs related to the physical custody and control of monies and securities are allowable.

(d) Both allowable and unallowable fundraising and investment activities must be allocated as an appropriate share of indirect costs under the conditions described in §200.413 Direct costs.

§200.443 Gains and losses on disposition of depreciable assets.

(a) Gains and losses on the sale, retirement, or other disposition of depreciable property must be included in the year in which they occur as credits or charges to the asset cost grouping(s) in which the property was included. The amount of the gain or loss to be included as a credit or charge to the appropriate asset cost grouping(s) is the difference between the amount realized on the property and the undepreciated basis of the property.

(b) Gains and losses from the disposition of depreciable property must not be recognized as a separate credit or charge under the following conditions:

(1) The gain or loss is processed through a depreciation account and is reflected in the depreciation allowable under §§200.436 Depreciation and 200.439 Equipment and other capital expenditures.

(2) The property is given in exchange as part of the purchase price of a similar item, and the gain or loss is taken into account in determining the depreciation cost basis of the new item.

(3) A loss results from the failure to maintain permissible insurance, except as otherwise provided in §46*200.447 Insurance and indemnification.

(4) Compensation for the use of the property was provided through use allowances in lieu of depreciation.

(5) Gains and losses arising from mass or extraordinary sales, retirements, or other dispositions must be considered on a case-by-case basis.

(c) Gains or losses of any nature arising from the sale or exchange of property other than the property covered in paragraph (a) of this section, e.g., land, must be excluded in computing Federal award costs.

(d) When assets acquired with Federal funds, in part or wholly, are disposed of, the distribution of the proceeds must be made in accordance with §§200.310 Insurance Coverage through 200.316 Property trust relationship.

§200.444 General costs of government.

(a) For states, local governments, and Indian Tribes, the general costs of government are unallowable (except as provided in §200.474 Travel costs). Unallowable costs include:

(1) Salaries and expenses of the Office of the Governor of a state or the chief executive of a local government or the chief executive of an Indian tribe;

(2) Salaries and other expenses of a state legislature, tribal council, or similar local governmental body, such as a county supervisor, city council, school board, etc., whether incurred for purposes of legislation or executive direction;

(3) Costs of the judicial branch of a government;

(4) Costs of prosecutorial activities unless treated as a direct cost to a specific program if authorized by statute or regulation (however, this does not preclude the allowability of other legal activities of the Attorney General as described in §200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements); and

(5) Costs of other general types of government services normally provided to the general public, such as fire and police, unless provided for as a direct cost under a program statute or regulation.

(b) For Indian tribes and Councils of Governments (COGs) (see §200.64 Local government), the portion of salaries and expenses directly attributable to managing and operating Federal programs by the chief executive and his or her staff is allowable. Up to 50% of these costs can be included in the indirect cost calculation without documentation.

§200.445 Goods or services for personal use.

(a) Costs of goods or services for personal use of the non-Federal entity's employees are unallowable regardless of whether the cost is reported as taxable income to the employees.

(b) Costs of housing (e.g., depreciation, maintenance, utilities, furnishings, rent), housing allowances and personal living expenses are only allowable as direct costs regardless of whether reported as taxable income to the employees. In addition, to be allowable direct costs must be approved in advance by a Federal awarding agency.

§200.446 Idle facilities and idle capacity.

(a) As used in this section the following terms have the meanings set forth in this section:

(1) Facilities means land and buildings or any portion thereof, equipment individually or collectively, or any other tangible capital asset, wherever located, and whether owned or leased by the non-Federal entity.

(2) Idle facilities mean completely unused facilities that are excess to the non-Federal entity's current needs.

(3) Idle capacity means the unused capacity of partially used facilities. It is the difference between:

(i) That which a facility could achieve under 100 percent operating time on a one-shift basis less operating interruptions resulting from time lost for repairs, setups, unsatisfactory materials, and other normal delays and;

(ii) The extent to which the facility was actually used to meet demands during the accounting period. A multi-shift basis should be used if it can be shown that this amount of usage would normally be expected for the type of facility involved.

(4) Cost of idle facilities or idle capacity means costs such as maintenance, repair, housing, rent, and other related costs, e.g., insurance, interest, and depreciation. These costs could include the costs of idle public safety emergency facilities, telecommunications, or information technology system capacity that is built to withstand major fluctuations in load, e.g., consolidated data centers.

(b) The costs of idle facilities are unallowable except to the extent that:

(1) They are necessary to meet workload requirements which may fluctuate and are allocated appropriately to all benefiting programs; or

(2) Although not necessary to meet fluctuations in workload, they were necessary when acquired and are now idle because of changes in program requirements, efforts to achieve more economical operations, reorganization, termination, or other causes which could not have been reasonably foreseen. Under the exception stated in this subsection, costs of idle facilities are allowable for a reasonable period of time, ordinarily not to exceed one year, depending on the initiative taken to use, lease, or dispose of such facilities.

(c) The costs of idle capacity are normal costs of doing business and are a factor in the normal fluctuations of usage or indirect cost rates from period to period. Such costs are allowable, provided that the capacity is reasonably anticipated to be necessary to carry out the purpose of the Federal award or was originally reasonable and is not subject to reduction or elimination by use on other Federal awards, subletting, renting, or sale, in accordance with

sound business, economic, or security practices. Widespread idle capacity throughout an entire facility or among a group of assets having substantially the same function may be considered idle facilities.

§200.447 Insurance and indemnification.

(a) Costs of insurance required or approved and maintained, pursuant to the Federal award, are allowable.

(b) Costs of other insurance in connection with the general conduct of activities are allowable subject to the following limitations:

(1) Types and extent and cost of coverage are in accordance with the non-Federal entity's policy and sound business practice.

(2) Costs of insurance or of contributions to any reserve covering the risk of loss of, or damage to, Federal government property are unallowable except to the extent that the Federal awarding agency has specifically required or approved such costs.

(3) Costs allowed for business interruption or other similar insurance must exclude coverage of management fees.

(4) Costs of insurance on the lives of trustees, officers, or other employees holding positions of similar responsibilities are allowable only to the extent that the insurance represents additional compensation (see §200.431 Compensation—fringe benefits). The cost of such insurance when the non-Federal entity is identified as the beneficiary is unallowable.

(5) Insurance against defects. Costs of insurance with respect to any costs incurred to correct defects in the non-Federal entity's materials or workmanship are unallowable.

(6) Medical liability (malpractice) insurance. Medical liability insurance is an allowable cost of Federal research programs only to the extent that the Federal research programs involve human subjects or training of participants in research techniques. Medical liability insurance costs must be treated as a direct cost and must be assigned to individual projects based on the manner in which the insurer allocates the risk to the population covered by the insurance.

(c) Actual losses which could have been covered by permissible insurance (through a self-insurance program or otherwise) are unallowable, unless expressly provided for in the Federal award. However, costs incurred because of losses not covered under nominal deductible insurance coverage provided in keeping with sound management practice, and minor losses not covered by insurance, such as spoilage, breakage, and disappearance of small hand tools, which occur in the ordinary course of operations, are allowable.

(d) Contributions to a reserve for certain self-insurance programs including workers' compensation, unemployment compensation, and severance pay are allowable subject to the following provisions:

(1) The type of coverage and the extent of coverage and the rates and premiums would have been allowed had insurance (including reinsurance) been purchased to cover the risks. However, provision for known or reasonably estimated self-insured liabilities, which do not become payable for more than one year after the provision is made, must not exceed the discounted present value of the liability. The rate used for discounting the liability must be

determined by giving consideration to such factors as the non-Federal entity's settlement rate for those liabilities and its investment rate of return.

(2) Earnings or investment income on reserves must be credited to those reserves.

(3)(i) Contributions to reserves must be based on sound actuarial principles using historical experience and reasonable assumptions. Reserve levels must be analyzed and updated at least biennially for each major risk being insured and take into account any reinsurance, coinsurance, etc. Reserve levels related to employee-related coverages will normally be limited to the value of claims:

(A) Submitted and adjudicated but not paid;

(B) Submitted but not adjudicated; and

(C) Incurred but not submitted.

(ii) Reserve levels in excess of the amounts based on the above must be identified and justified in the cost allocation plan or indirect cost rate proposal.

(4) Accounting records, actuarial studies, and cost allocations (or billings) must recognize any significant differences due to types of insured risk and losses generated by the various insured activities or agencies of the non-Federal entity. If individual departments or agencies of the non-Federal entity experience significantly different levels of claims for a particular risk, those differences are to be recognized by the use of separate allocations or other techniques resulting in an equitable allocation.

(5) Whenever funds are transferred from a self-insurance reserve to other accounts (e.g., general fund or unrestricted account), refunds must be made to the Federal government for its share of funds transferred, including earned or imputed interest from the date of transfer and debt interest, if applicable, chargeable in accordance with applicable Federal cognizant agency for indirect cost, claims collection regulations.

(e) Insurance refunds must be credited against insurance costs in the year the refund is received.

(f) Indemnification includes securing the non-Federal entity against liabilities to third persons and other losses not compensated by insurance or otherwise. The Federal government is obligated to indemnify the non-Federal entity only to the extent expressly provided for in the Federal award, except as provided in paragraph (c) of this section.

§200.448 Intellectual property.

(a) *Patent costs.* (1) The following costs related to securing patents and copyrights are allowable:

(i) Costs of preparing disclosures, reports, and other documents required by the Federal award, and of searching the art to the extent necessary to make such disclosures;

(ii) Costs of preparing documents and any other patent costs in connection with the filing and prosecution of a United States patent application where title or royalty-free license is required by the Federal government to be conveyed to the Federal government; and

(iii) General counseling services relating to patent and copyright matters, such as advice on patent and copyright laws, regulations, clauses, and employee intellectual property agreements (See also §200.459 Professional service costs).

(2) The following costs related to securing patents and copyrights are unallowable:

(i) Costs of preparing disclosures, reports, and other documents, and of searching the art to make disclosures not required by the Federal award;

(ii) Costs in connection with filing and prosecuting any foreign patent application, or any United States patent application, where the Federal award does not require conveying title or a royalty-free license to the Federal government.

(b) *Royalties and other costs for use of patents and copyrights.* (1) Royalties on a patent or copyright or amortization of the cost of acquiring by purchase a copyright, patent, or rights thereto, necessary for the proper performance of the Federal award are allowable unless:

(i) The Federal government already has a license or the right to free use of the patent or copyright.

(ii) The patent or copyright has been adjudicated to be invalid, or has been administratively determined to be invalid.

(iii) The patent or copyright is considered to be unenforceable.

(iv) The patent or copyright is expired.

(2) Special care should be exercised in determining reasonableness where the royalties may have been arrived at as a result of less-than-arm's-length bargaining, such as:

(i) Royalties paid to persons, including corporations, affiliated with the non-Federal entity.

(ii) Royalties paid to unaffiliated parties, including corporations, under an agreement entered into in contemplation that a Federal award would be made.

(iii) Royalties paid under an agreement entered into after a Federal award is made to a non-Federal entity.

(3) In any case involving a patent or copyright formerly owned by the non-Federal entity, the amount of royalty allowed should not exceed the cost which would have been allowed had the non-Federal entity retained title thereto.

§200.449 Interest.

(a) *General.* Costs incurred for interest on borrowed capital, temporary use of endowment funds, or the use of the non-Federal entity's own funds, however represented, are unallowable. Financing costs (including interest) to acquire, construct, or replace capital assets are allowable, subject to the conditions in this section.

(b)(1) Capital assets are defined as noted in §200.12 Capital assets. An asset cost includes (as applicable) acquisition costs, construction costs, and other costs capitalized in accordance with GAAP.

(2) For Non-Federal entity fiscal years beginning on or after January 1, 2016, intangible assets include patents and computer software. For software development projects, only interest attributable to the portion of the project costs capitalized in accordance with GAAP is allowable.

(c) *Conditions for all non-Federal entities.* (1) The Non-Federal entity uses the capital assets in support of Federal awards;

(2) The allowable asset costs to acquire facilities and equipment are limited to a fair market value available to the non-Federal entity from an unrelated (arm's length) third party.

(3) The Non-Federal entity obtains the financing via an arm's-length transaction (that is, a transaction with an unrelated third party); or claims reimbursement of actual interest cost at a rate available via such a transaction.

(4) The Non-Federal entity limits claims for Federal reimbursement of interest costs to the least expensive alternative. For example, a capital lease may be determined less costly than purchasing through debt financing, in which case reimbursement must be limited to the amount of interest determined if leasing had been used.

(5) The Non-Federal entity expenses or capitalizes allowable interest cost in accordance with GAAP.

(6) Earnings generated by the investment of borrowed funds pending their disbursement for the asset costs are used to offset the current period's allowable interest cost, whether that cost is expensed or capitalized. Earnings subject to being reported to the Federal Internal Revenue Service under arbitrage requirements are excludable.

(7) The following conditions must apply to debt arrangements over \$1 million to purchase or construct facilities, unless the non-Federal entity makes an initial equity contribution to the purchase of 25 percent or more. For this purpose, "initial equity contribution" means the amount or value of contributions made by the non-Federal entity for the acquisition of facilities prior to occupancy.

(i) The Non-Federal entity must reduce claims for reimbursement of interest cost by an amount equal to imputed interest earnings on excess cash flow attributable to the portion of the facility used for Federal awards.

(ii) The non-Federal entity must impute interest on excess cash flow as follows:

(A) Annually, the non-Federal entity must prepare a cumulative (from the inception of the project) report of monthly cash inflows and outflows, regardless of the funding source. For this purpose, inflows consist of Federal reimbursement for depreciation, amortization of capitalized construction interest, and annual interest cost. Outflows consist of initial equity contributions, debt principal payments (less the pro-rata share attributable to the cost of land), and interest payments.

(B) To compute monthly cash inflows and outflows, the non-Federal entity must divide the annual amounts determined in step (i) by the number of months in the year (usually 12) that the building is in service.

(C) For any month in which cumulative cash inflows exceed cumulative outflows, interest must be calculated on the excess inflows for that month and be treated as a reduction to allowable interest cost. The rate of interest to be used must be the three-month Treasury bill closing rate as of the last business day of that month.

(8) Interest attributable to a fully depreciated asset is unallowable.

(d) Additional conditions for states, local governments and Indian tribes. For costs to be allowable, the non-Federal entity must have incurred the interest costs for buildings after October 1, 1980, or for land and equipment after September 1, 1995.

(1) The requirement to offset interest earned on borrowed funds against current allowable interest cost (paragraph (c)(5), above) also applies to earnings on debt service reserve funds.

(2) The non-Federal entity will negotiate the amount of allowable interest cost related to the acquisition of facilities with asset costs of \$1 million or more, as outlined in paragraph (c)(7) of this section. For this purpose, a non-Federal entity must consider only cash inflows and outflows attributable to that portion of the real property used for Federal awards.

(e) Additional conditions for IHEs. For costs to be allowable, the IHE must have incurred the interest costs after September 23, 1982, in connection with acquisitions of capital assets that occurred after that date.

(f) Additional condition for nonprofit organizations. For costs to be allowable, the nonprofit organization incurred the interest costs after September 29, 1995, in connection with acquisitions of capital assets that occurred after that date.

(g) The interest allowability provisions of this section do not apply to a nonprofit organization subject to “full coverage” under the Cost Accounting Standards (CAS), as defined at 48 CFR 9903.201-2(a). The non-Federal entity's Federal awards are instead subject to CAS 414 (48 CFR 9904.414), “Cost of Money as an Element of the Cost of Facilities Capital,” and CAS 417 (48 CFR 9904.417), “Cost of Money as an Element of the Cost of Capital Assets Under Construction.”

§200.450 Lobbying.

(a) The cost of certain influencing activities associated with obtaining grants, contracts, cooperative agreements, or loans is an unallowable cost. Lobbying with respect to certain grants, contracts, cooperative agreements, and loans is governed by relevant statutes, including among others, the provisions of 31 U.S.C. 1352, as well as the common rule, “New Restrictions on Lobbying” published at 55 FR 6736 (February 26, 1990), including definitions, and the Office of Management and Budget “Governmentwide Guidance for New Restrictions on Lobbying” and notices published at 54 FR 52306 (December 20, 1989), 55 FR 24540 (June 15, 1990), 57 FR 1772 (January 15, 1992), and 61 FR 1412 (January 19, 1996).

(b) Executive lobbying costs. Costs incurred in attempting to improperly influence either directly or indirectly, an employee or officer of the executive branch of the Federal government to give consideration or to act regarding a Federal award or a regulatory matter are unallowable. Improper influence means any influence that induces or tends to induce a Federal employee or officer to give consideration or to act regarding a Federal award or regulatory matter on any basis other than the merits of the matter.

(c) In addition to the above, the following restrictions are applicable to nonprofit organizations and IHEs:

(1) Costs associated with the following activities are unallowable:

(i) Attempts to influence the outcomes of any Federal, state, or local election, referendum, initiative, or similar procedure, through in-kind or cash contributions, endorsements, publicity, or similar activity;

(ii) Establishing, administering, contributing to, or paying the expenses of a political party, campaign, political action committee, or other organization established for the purpose of influencing the outcomes of elections in the United States;

(iii) Any attempt to influence:

(A) The introduction of Federal or state legislation;

(B) The enactment or modification of any pending Federal or state legislation through communication with any member or employee of the Congress or state legislature (including efforts to influence state or local officials to engage in similar lobbying activity);

(C) The enactment or modification of any pending Federal or state legislation by preparing, distributing, or using publicity or propaganda, or by urging members of the general public, or any segment thereof, to contribute to or participate in any mass demonstration, march, rally, fund raising drive, lobbying campaign or letter writing or telephone campaign; or

(D) Any government official or employee in connection with a decision to sign or veto enrolled legislation;

(iv) Legislative liaison activities, including attendance at legislative sessions or committee hearings, gathering information regarding legislation and analyzing the effect of legislation when such activities are carried on in support of or in knowing preparation for an effort to engage in unallowable lobbying.

(2) The following activities are excepted from the coverage of paragraph (c)(1) of this section:

(i) Technical and factual presentations on topics directly related to the performance of a grant, contract, or other agreement (through hearing testimony, statements, or letters to the Congress or a state legislature, or subdivision, member, or cognizant staff member thereof), in response to a documented request (including a Congressional Record notice requesting testimony or statements for the record at a regularly scheduled hearing) made by the non-Federal entity's member of congress, legislative body or a subdivision, or a cognizant staff member thereof, provided such information is readily obtainable and can be readily put in deliverable form, and further provided that costs under this section for travel, lodging or meals are unallowable unless incurred to offer testimony at a regularly scheduled Congressional hearing pursuant to a written request for such presentation made by the Chairman or Ranking Minority Member of the Committee or Subcommittee conducting such hearings;

(ii) Any lobbying made unallowable by paragraph (c)(1)(iii) of this section to influence state legislation in order to directly reduce the cost, or to avoid material impairment of the non-Federal entity's authority to perform the grant, contract, or other agreement; or

(iii) Any activity specifically authorized by statute to be undertaken with funds from the Federal award.

(iv) Any activity excepted from the definitions of “lobbying” or “influencing legislation” by the Internal Revenue Code provisions that require nonprofit organizations to limit their participation in direct and “grass roots” lobbying activities in order to retain their charitable deduction status and avoid punitive excise taxes, I.R.C. §§501(c)(3), 501(h), 4911(a), including:

(A) Nonpartisan analysis, study, or research reports;

(B) Examinations and discussions of broad social, economic, and similar problems; and

(C) Information provided upon request by a legislator for technical advice and assistance, as defined by I.R.C. §4911(d)(2) and 26 CFR 56.4911-2(c)(1) -(c)(3).

(v) When a non-Federal entity seeks reimbursement for indirect (F&A) costs, total lobbying costs must be separately identified in the indirect (F&A) cost rate proposal, and thereafter treated as other unallowable activity costs in accordance with the procedures of §200.413 Direct costs.

(vi) The Non-Federal entity must submit as part of its annual indirect (F&A) cost rate proposal a certification that the requirements and standards of this section have been complied with. (See also §200.415 Required certifications.)

(vii)(A) Time logs, calendars, or similar records are not required to be created for purposes of complying with the recordkeeping requirements in §200.302 Financial management with respect to lobbying costs during any particular calendar month when:

(1) The employee engages in lobbying (as defined in paragraphs (c)(1) and (c)(2) of this section) 25 percent or less of the employee's compensated hours of employment during that calendar month; and

(2) Within the preceding five-year period, the non-Federal entity has not materially misstated allowable or unallowable costs of any nature, including legislative lobbying costs.

(B) When conditions in paragraph (c)(2)(vii)(A)(1) and (2) of this section are met, non-Federal entities are not required to establish records to support the allowability of claimed costs in addition to records already required or maintained. Also, when conditions in paragraphs (c)(2)(vii)(A)(1) and (2) of this section are met, the absence of time logs, calendars, or similar records will not serve as a basis for disallowing costs by contesting estimates of lobbying time spent by employees during a calendar month.

(viii) The Federal awarding agency must establish procedures for resolving in advance, in consultation with OMB, any significant questions or disagreements concerning the interpretation or application of this section. Any such advance resolutions must be binding in any subsequent settlements, audits, or investigations with respect to that grant or contract for purposes of interpretation of this part, provided, however, that this must not be construed to prevent a contractor or non-Federal entity from contesting the lawfulness of such a determination.

§200.451 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, the non-Federal entity'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. All losses are not

allowable indirect (F&A) costs and are required to be included in the appropriate indirect cost rate base for allocation of indirect costs.

§200.452 Maintenance and repair costs.

Costs incurred for utilities, insurance, security, necessary maintenance, janitorial services, repair, or upkeep of buildings and equipment (including Federal property unless otherwise provided for) which neither add to the permanent value of the property nor appreciably prolong its intended life, but keep it in an efficient operating condition, are allowable. Costs incurred for improvements which add to the permanent value of the buildings and equipment or appreciably prolong their intended life must be treated as capital expenditures (see §200.439 Equipment and other capital expenditures). These costs are only allowable to the extent not paid through rental or other agreements.

§200.453 Materials and supplies costs, including costs of computing devices.

- (a) Costs incurred for materials, supplies, and fabricated parts necessary to carry out a Federal award are allowable.
- (b) Purchased materials and supplies must be charged at their actual prices, net of applicable credits. Withdrawals from general stores or stockrooms should be charged at their actual net cost under any recognized method of pricing inventory withdrawals, consistently applied. Incoming transportation charges are a proper part of materials and supplies costs.
- (c) Materials and supplies used for the performance of a Federal award may be charged as direct costs. In the specific case of computing devices, charging as direct costs is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of a Federal award.
- (d) Where federally-donated or furnished materials are used in performing the Federal award, such materials will be used without charge.

§200.454 Memberships, subscriptions, and professional activity costs.

- (a) Costs of the non-Federal entity's membership in business, technical, and professional organizations are allowable.
- (b) Costs of the non-Federal entity's subscriptions to business, professional, and technical periodicals are allowable.
- (c) Costs of membership in any civic or community organization are allowable with prior approval by the Federal awarding agency or pass-through entity.
- (d) Costs of membership in any country club or social or dining club or organization are unallowable.
- (e) Costs of membership in organizations whose primary purpose is lobbying are unallowable. See also §200.450 Lobbying.

§200.455 Organization costs.

Costs such as incorporation fees, brokers' fees, fees to promoters, organizers or management consultants, attorneys, accountants, or investment counselor, whether or not employees of the non-Federal entity in connection with

establishment or reorganization of an organization, are unallowable except with prior approval of the Federal awarding agency.

§200.456 Participant support costs.

Participant support costs as defined in §200.75 Participant support costs are allowable with the prior approval of the Federal awarding agency.

§200.457 Plant and security costs.

Necessary and reasonable expenses incurred for routine and security to protect facilities, personnel, and work products are allowable. Such costs include, but are not limited to, wages and uniforms of personnel engaged in security activities; equipment; barriers; protective (non-military) gear, devices, and equipment; contractual security services; and consultants. Capital expenditures for plant security purposes are subject to §200.439 Equipment and other capital expenditures.

§200.458 Pre-award costs.

Pre-award costs are those incurred prior to the effective date of the Federal award directly pursuant to the negotiation and in anticipation of the Federal 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 date of the Federal award and only with the written approval of the Federal awarding agency.

§200.459 Professional service costs.

(a) Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the non-Federal entity, are allowable, subject to paragraphs (b) and (c) when reasonable in relation to the services rendered and when not contingent upon recovery of the costs from the Federal government. In addition, legal and related services are limited under §200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements.

(b) In determining the allowability of costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors are relevant:

- (1) The nature and scope of the service rendered in relation to the service required.
- (2) The necessity of contracting for the service, considering the non-Federal entity's capability in the particular area.
- (3) The past pattern of such costs, particularly in the years prior to Federal awards.
- (4) The impact of Federal awards on the non-Federal entity's business (i.e., what new problems have arisen).
- (5) Whether the proportion of Federal work to the non-Federal entity's total business is such as to influence the non-Federal entity in favor of incurring the cost, particularly where the services rendered are not of a continuing nature and have little relationship to work under Federal awards.
- (6) Whether the service can be performed more economically by direct employment rather than contracting.

(7) The qualifications of the individual or concern rendering the service and the customary fees charged, especially on non-federally funded activities.

(8) Adequacy of the contractual agreement for the service (e.g., description of the service, an estimate of the time required, the rate of compensation, and termination provisions).

(c) In addition to the factors in paragraph (b) of this section, to be allowable, retainer fees must be supported by evidence of bona fide services available or rendered.

§200.460 Proposal costs.

Proposal costs are the costs of preparing bids, proposals, or applications on potential Federal and non-Federal awards or projects, including the development of data necessary to support the non-Federal entity's bids or proposals. Proposal costs of the current accounting period of both successful and unsuccessful bids and proposals normally should be treated as indirect (F&A) costs and allocated currently to all activities of the non-Federal entity. No proposal costs of past accounting periods will be allocable to the current period.

§200.461 Publication and printing costs.

(a) Publication costs for electronic and print media, including distribution, promotion, and general handling are allowable. If these costs are not identifiable with a particular cost objective, they should be allocated as indirect costs to all benefiting activities of the non-Federal entity.

(b) Page charges for professional journal publications are allowable where:

(1) The publications report work supported by the Federal government; and

(2) The charges are levied impartially on all items published by the journal, whether or not under a Federal award.

(3) The Non-Federal entity may charge the Federal award before closeout for the costs of publication or sharing of research results if the costs are not incurred during the period of performance of the Federal award.

§200.462 Rearrangement and reconversion costs.

(a) Costs incurred for ordinary and normal rearrangement and alteration of facilities are allowable as indirect costs. Special arrangements and alterations costs incurred specifically for a Federal award are allowable as a direct cost with the prior approval of the Federal awarding agency or pass-through entity.

(b) Costs incurred in the restoration or rehabilitation of the non-Federal entity's facilities to approximately the same condition existing immediately prior to the commencement of Federal awards, less costs related to normal wear and tear, are allowable.

§200.463 Recruiting costs.

(a) Subject to paragraphs (b) and (c) of this section, and provided that the size of the staff recruited and maintained is in keeping with workload requirements, costs of "help wanted" advertising, operating costs of an employment office necessary to secure and maintain an adequate staff, costs of operating an aptitude and educational testing

program, travel costs of employees while engaged in recruiting personnel, travel costs of applicants for interviews for prospective employment, and relocation costs incurred incident to recruitment of new employees, are allowable to the extent that such costs are incurred pursuant to the non-Federal entity's standard recruitment program. Where the non-Federal entity uses employment agencies, costs not in excess of standard commercial rates for such services are allowable.

(b) Special emoluments, fringe benefits, and salary allowances incurred to attract professional personnel that does not meet the test of reasonableness or do not conform with the established practices of the non-Federal entity are unallowable.

(c) Where relocation costs incurred incident to recruitment of a new employee have been funded in whole or in part as a direct cost to a Federal award, and the newly hired employee resigns for reasons within the employee's control within 12 months after hire, the non-Federal entity will be required to refund or credit the Federal share of such relocation costs to the Federal government. See also §200.464 Relocation costs of employees.

(d) Short-term, travel visa costs (as opposed to longer-term, immigration visas) are generally allowable expenses that may be proposed as a direct cost. Since short-term visas are issued for a specific period and purpose, they can be clearly identified as directly connected to work performed on a Federal award. For these costs to be directly charged to a Federal award, they must:

- (1) Be critical and necessary for the conduct of the project;
- (2) Be allowable under the applicable cost principles;
- (3) Be consistent with the non-Federal entity's cost accounting practices and non-Federal entity policy; and
- (4) Meet the definition of "direct cost" as described in the applicable cost principles.

§200.464 Relocation costs of employees.

(a) Relocation costs are costs incident to the permanent change of duty assignment (for an indefinite period or for a stated period of not less than 12 months) of an existing employee or upon recruitment of a new employee. Relocation costs are allowable, subject to the limitations described in paragraphs (b), (c), and (d) of this section, provided that:

- (1) The move is for the benefit of the employer.
- (2) Reimbursement to the employee is in accordance with an established written policy consistently followed by the employer.
- (3) The reimbursement does not exceed the employee's actual (or reasonably estimated) expenses.

(b) Allowable relocation costs for current employees are limited to the following:

- (1) The costs of transportation of the employee, members of his or her immediate family and his household, and personal effects to the new location.

(2) The costs of finding a new home, such as advance trips by employees and spouses to locate living quarters and temporary lodging during the transition period, up to maximum period of 30 calendar days.

(3) Closing costs, such as brokerage, legal, and appraisal fees, incident to the disposition of the employee's former home. These costs, together with those described in (4), are limited to 8 percent of the sales price of the employee's former home.

(4) The continuing costs of ownership (for up to six months) of the vacant former home after the settlement or lease date of the employee's new permanent home, such as maintenance of buildings and grounds (exclusive of fixing-up expenses), utilities, taxes, and property insurance.

(5) Other necessary and reasonable expenses normally incident to relocation, such as the costs of canceling an unexpired lease, transportation of personal property, and purchasing insurance against loss of or damages to personal property. The cost of canceling an unexpired lease is limited to three times the monthly rental.

(c) Allowable relocation costs for new employees are limited to those described in paragraphs (b)(1) and (2) of this section. When relocation costs incurred incident to the recruitment of new employees have been allowed either as a direct or indirect cost and the employee resigns for reasons within the employee's control within 12 months after hire, the non-Federal entity must refund or credit the Federal government for its share of the cost. However, the costs of travel to an overseas location must be considered travel costs in accordance with §200.474 Travel costs, and not this §200.464 Relocation costs of employees, for the purpose of this paragraph if dependents are not permitted at the location for any reason and the costs do not include costs of transporting household goods.

(d) The following costs related to relocation are unallowable:

(1) Fees and other costs associated with acquiring a new home.

(2) A loss on the sale of a former home.

(3) Continuing mortgage principal and interest payments on a home being sold.

(4) Income taxes paid by an employee related to reimbursed relocation costs.

§200.465 Rental costs of real property and equipment.

(a) Subject to the limitations described in paragraphs (b) through (d) of this section, rental costs are allowable to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and the type, life expectancy, condition, and value of the property leased. Rental arrangements should be reviewed periodically to determine if circumstances have changed, and other options are available.

(b) Rental costs under "sale and lease back" arrangements are allowable only up to the amount that would be allowed had the non-Federal entity continued to own the property. This amount would include expenses such as depreciation, maintenance, taxes, and insurance.

(c) Rental costs under "less-than-arm's-length" leases are allowable only up to the amount (as explained in paragraph (b) of this section). For this purpose, a less-than-arm's-length lease is one under which one party to the lease

agreement is able to control or substantially influence the actions of the other. Such leases include, but are not limited to those between:

(1) Divisions of the non-Federal entity;

(2) The Non-Federal entity under common control through common officers, directors, or members; and

(3) The Non-Federal entity and a director, trustee, officer, or key employee of the non-Federal entity or an immediate family member, either directly or through corporations, trusts, or similar arrangements in which they hold a controlling interest. For example, the non-Federal entity may establish a separate corporation for the sole purpose of owning property and leasing it back to the non-Federal entity.

(4) Family members include one party with any of the following relationships to another party:

(i) Spouse, and parents thereof;

(ii) Children, and spouses thereof;

(iii) Parents, and spouses thereof;

(iv) Siblings, and spouses thereof;

(v) Grandparents and grandchildren, and spouses thereof;

(vi) Domestic partner and parents thereof, including domestic partners of any individual in 2 through 5 of this definition; and

(vii) Any individual related by blood or affinity whose close association with the employee is the equivalent of a family relationship.

(5) Rental costs under leases which are required to be treated as capital leases under GAAP are allowable only up to the amount (as explained in paragraph (b) of this section) that would be allowed had the non-Federal entity purchased the property on the date the lease agreement was executed. The provisions of GAAP must be used to determine whether a lease is a capital lease. Interest costs related to capital leases are allowable to the extent they meet the criteria in §200.449 Interest. Unallowable costs include amounts paid for profit, management fees, and taxes that would not have been incurred had the non-Federal entity purchased the property.

(6) The rental of any property owned by any individuals or entities affiliated with the non-Federal entity, to include commercial or residential real estate, for purposes such as the home office workspace is unallowable.

§200.466 Scholarships and student aid costs.

(a) Costs of scholarships, fellowships, and other programs of student aid at IHEs are allowable only when the purpose of the Federal award is to provide training to selected participants and the charge is approved by the Federal awarding agency. However, tuition remission and other forms of 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 Federal award;
 - (2) Tuition remission and other support are provided in accordance with established policy of the IHE and consistently provided in a like manner to students in return for similar activities conducted under Federal awards as well as other activities; and
 - (3) During the academic period, the student is enrolled in an advanced degree program at a non-Federal entity or affiliated institution and the activities of the student in relation to the Federal award are related to the degree program;
 - (4) The tuition or other payments are reasonable compensation for the work performed and are conditioned explicitly upon the performance of necessary work; and
 - (5) It is the IHE's practice to similarly compensate students under Federal awards as well as other activities.
- (b) Charges for tuition remission and other forms of compensation paid to students as, or in lieu of, salaries and wages must be subject to the reporting requirements in §200.430 Compensation—personal services, and must be treated as direct or indirect cost in accordance with the actual work being performed. Tuition remission may be charged on an average rate basis. See also §200.431 Compensation—fringe benefits.

§200.467 Selling and marketing costs.

Costs of selling and marketing any products or services of the non-Federal entity (unless allowed under §200.421 Advertising and public relations.) are unallowable, except as direct costs, with prior approval by the Federal awarding agency when necessary for the performance of the Federal award.

§200.468 Specialized service facilities.

- (a) The costs of services provided by highly complex or specialized facilities operated by the non-Federal entity, such as computing facilities, wind tunnels, and reactors are allowable, provided the charges for the services meet the conditions of either paragraphs (b) or (c) of this section, and, in addition, take into account any items of income or Federal financing that qualify as applicable credits under §200.406 Applicable credits.
- (b) The costs of such services, when material, must be charged directly to applicable awards based on actual usage of the services on the basis of a schedule of rates or established methodology that:
- (1) Does not discriminate between activities under Federal awards and other activities of the non-Federal entity, including usage by the non-Federal entity for internal purposes, and
 - (2) Is designed to recover only the aggregate costs of the services. The costs of each service must consist normally of both its direct costs and its allocable share of all indirect (F&A) costs. Rates must be adjusted at least biennially and must take into consideration over/under applied costs of the previous period(s).
- (c) Where the costs incurred for a service are not material, they may be allocated as indirect (F&A) costs.

(d) Under some extraordinary circumstances, where it is in the best interest of the Federal government and the non-Federal entity to establish alternative costing arrangements, such arrangements may be worked out with the Federal cognizant agency for indirect costs.

§200.469 Student activity costs.

Costs incurred for intramural activities, student publications, student clubs, and other student activities, are unallowable unless specifically provided for in the Federal award.

§200.470 Taxes (including Value Added Tax).

(a) For states, local governments, and Indian tribes:

(1) Taxes that a governmental unit is legally required to pay are allowable, except for self-assessed taxes that disproportionately affect Federal programs or changes in tax policies that disproportionately affect Federal programs.

(2) Gasoline taxes, motor vehicle fees, and other taxes that are in effect user fees for benefits provided to the Federal government are allowable.

(3) This provision does not restrict the authority of the Federal awarding agency to identify taxes where Federal participation is inappropriate. Where the identification of the amount of unallowable taxes would require an inordinate amount of effort, the cognizant agency for indirect costs may accept a reasonable approximation thereof.

(b) For nonprofit organizations and IHEs:

(1) In general, taxes which the non-Federal entity is required to pay and which are paid or accrued in accordance with GAAP, and payments made to local governments in lieu of taxes which are commensurate with the local government services received are allowable, except for:

(i) Taxes from which exemptions are available to the non-Federal entity directly or which are available to the non-Federal entity based on an exemption afforded the Federal government and, in the latter case, when the Federal awarding agency makes available the necessary exemption certificates,

(ii) Special assessments on land which represent capital improvements, and

(iii) Federal income taxes.

(2) Any refund of taxes, and any payment to the non-Federal entity of interest thereon, which were allowed as Federal award costs, will be credited either as a cost reduction or cash refund, as appropriate, to the Federal government. However, any interest actually paid or credited to a non-Federal entity incident to a refund of tax, interest, and penalty will be paid or credited to the Federal government only to the extent that such interest accrued over the period during which the non-Federal entity has been reimbursed by the Federal government for the taxes, interest, and penalties.

(c) Value Added Tax (VAT) Foreign taxes charged for the purchase of goods or services that a non-Federal entity is legally required to pay in the country is an allowable expense under Federal awards. Foreign tax refunds or applicable

credits under Federal awards refer to receipts, or reduction of expenditures, which operate to offset or reduce expense items that are allocable to Federal awards as direct or indirect costs. To the extent that such credits accrued or received by the non-Federal entity relate to allowable cost, these costs must be credited to the Federal awarding agency either as costs or cash refunds. If the costs are credited back to the Federal award, the non-Federal entity may reduce the Federal share of costs by the amount of the foreign tax reimbursement, or where the Federal award has not expired, use the foreign government tax refund for approved activities under the Federal award with prior approval of the Federal awarding agency.

§200.471 Termination costs.

Termination of a Federal award generally gives rise to the incurrence of costs, or the need for special treatment of costs, which would not have arisen had the Federal award not been terminated. Cost principles covering these items are set forth in this section. They are to be used in conjunction with the other provisions of this part in termination situations.

(a) The cost of items reasonably usable on the non-Federal entity's other work must not be allowable unless the non-Federal entity submits evidence that it would not retain such items at cost without sustaining a loss. In deciding whether such items are reasonably usable on other work of the non-Federal entity, the Federal awarding agency should consider the non-Federal entity's plans and orders for current and scheduled activity. Contemporaneous purchases of common items by the non-Federal entity must be regarded as evidence that such items are reasonably usable on the non-Federal entity's other work. Any acceptance of common items as allocable to the terminated portion of the Federal award must be limited to the extent that the quantities of such items on hand, in transit, and on order are in excess of the reasonable quantitative requirements of other work.

(b) If in a particular case, despite all reasonable efforts by the non-Federal entity, certain costs cannot be discontinued immediately after the effective date of termination, such costs are generally allowable within the limitations set forth in this part, except that any such costs continuing after termination due to the negligent or willful failure of the non-Federal entity to discontinue such costs must be unallowable.

(c) Loss of useful value of special tooling, machinery, and equipment is generally allowable if:

(1) Such special tooling, special machinery, or equipment is not reasonably capable of use in the other work of the non-Federal entity,

(2) The interest of the Federal government is protected by transfer of title or by other means deemed appropriate by the Federal awarding agency (see also §200.313 Equipment, paragraph (d)), and

(3) The loss of useful value for any one terminated Federal award is limited to that portion of the acquisition cost which bears the same ratio to the total acquisition cost as the terminated portion of the Federal award bears to the entire terminated Federal award and other Federal awards for which the special tooling, machinery, or equipment was acquired.

(d) Rental costs under unexpired leases are generally allowable where clearly shown to have been reasonably necessary for the performance of the terminated Federal award less the residual value of such leases, if:

(1) The amount of such rental claimed does not exceed the reasonable use value of the property leased for the period of the Federal award and such further period as may be reasonable, and

(2) The Non-Federal entity makes all reasonable efforts to terminate, assign, settle, or otherwise reduce the cost of such lease. There also may be included the cost of alterations of such leased property, provided such alterations were necessary for the performance of the Federal award, and of reasonable restoration required by the provisions of the lease.

(e) Settlement expenses including the following are generally allowable:

(1) Accounting, legal, clerical, and similar costs reasonably necessary for:

(i) The preparation and presentation to the Federal awarding agency of settlement claims and supporting data with respect to the terminated portion of the Federal award, unless the termination is for cause (see Subpart D—Post Federal Award Requirements of this part, §§200.338 Remedies for Noncompliance through 200.342 Effects of Suspension and termination); and

(ii) The termination and settlement of subawards.

(2) Reasonable costs for the storage, transportation, protection, and disposition of property provided by the Federal government or acquired or produced for the Federal award.

(f) Claims under subawards, including the allocable portion of claims which are common to the Federal award and to other work of the non-Federal entity, are generally allowable. An appropriate share of the non-Federal entity's indirect costs may be allocated to the amount of settlements with contractors and/or subrecipients, provided that the amount allocated is otherwise consistent with the basic guidelines contained in §200.414 Indirect (F&A) costs. The indirect costs so allocated must exclude the same and similar costs claimed directly or indirectly as settlement expenses.

§200.472 Training and education costs.

The cost of training and education provided for employee development is allowable.

§200.473 Transportation costs.

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, if reimbursable under the terms and conditions of the Federal award, should be treated as a direct cost.

§200.474 Travel costs.

(a) *General.* Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the non-Federal entity. Such costs may be charged on an

actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the non-Federal entity's non-federally-funded activities and in accordance with non-Federal entity's written travel reimbursement policies. Notwithstanding the provisions of §200.444 General costs of government, travel costs of officials covered by that section are allowable with the prior written approval of the Federal awarding agency or pass-through entity when they are specifically related to the Federal award.

(b) *Lodging and subsistence.* 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 non-Federal entity in its regular operations as the result of the non-Federal entity's written travel policy. In addition, if these costs are charged directly to the Federal award documentation must justify that:

(1) Participation of the individual is necessary to the Federal award; and

(2) The costs are reasonable and consistent with non-Federal entity's established travel policy.

(c)(1) Temporary dependent care costs (as a dependent is defined in 26 U.S.C. 152) above and beyond the regular dependent care that directly results from travel to conferences is allowable provided that:

(i) The costs are a direct result of the individual's travel for the Federal award;

(ii) The costs are consistent with the non-Federal entity's documented travel policy for all entity travel; and

(iii) Are only temporary during the travel period.

(2) Travel costs for dependents are unallowable, except for travel of duration of six months or more with prior approval of the Federal awarding agency. See also §200.432 Conferences.

(3) In the absence of an acceptable, written non-Federal entity policy regarding travel costs, the rates and amounts established under 5 U.S.C. 5701-11, ("Travel and Subsistence Expenses; Mileage Allowances"), or by the Administrator of General Services, or by the President (or his or her designee) pursuant to any provisions of such subchapter must apply to travel under Federal awards (48 CFR 31.205-46(a)).

(d) *Commercial air travel.* (1) Airfare costs in excess of the basic least expensive unrestricted accommodations class offered by commercial airlines are unallowable except when such accommodations would:

(i) Require circuitous routing;

(ii) Require travel during unreasonable hours;

(iii) Excessively prolonged travel;

(iv) Result in additional costs that would offset the transportation savings; or

(v) Offer accommodations not reasonably adequate for the traveler's medical needs. The non-Federal entity must justify and document these conditions on a case-by-case basis in order for the use of first-class or business-class airfare to be allowable in such cases.

(2) Unless a pattern of avoidance is detected, the Federal government will generally not question a non-Federal entity's determinations that customary standard airfare or other discount airfare is unavailable for specific trips if the non-Federal entity can demonstrate that such airfare was not available in the specific case.

(e) *Air travel by other than commercial carriers.* Costs of travel by non-Federal entity-owned, -leased, or -chartered aircraft include the cost of the lease, charter, operation (including personnel costs), maintenance, depreciation, insurance, and other related costs. The portion of such costs that exceeds the cost of airfare as provided for in paragraph (d) of this section is unallowable.

§200.475 Trustees.

Travel and subsistence costs of trustees (or directors) at IHEs and nonprofit organizations are allowable. See also §200.474 Travel costs.

View the electronic version of the Selected Principles of Cost online at <http://www.ecfr.gov/cgi-bin/text-idx?SID=c284ea68c8b37a7362ee89dafb9f3d8e&node=2:1.1.2.2.1&rgn=div5#sp2.1.200.e>

Banner Finance – Overview

http://www.csu.edu/financialaffairs/documents/Admin_Finance_Policies_Procedures_Manual.pdf - page 9)

The Banner 2000 “system” is an integrated general and operating (subsidiary) ledger accounting and reporting system. The system is designed to provide both the features of a budgetary control system (management information) and a fund accounting system.

System Features

Provides the ability to budget all accounts, both state and local.

Permits automatic reallocation of expenditure budgets (ABR) within an account. Provides for reporting on an annual or a project-to-date basis.

Provides for the comparison of actual expenditures against budgets.

Produces both detailed and summary reports.

Provides the ability to generate special reports through a variety of report generating techniques.

Provides for automatic linkage between the general ledger and subsidiary ledger, which assures that the system will always be in balance and provides for the simplification of entering data into the system.

Maintains current and past year data on budgets and actual expenditures, and budgets for a future year.

Provides automation controls and edit routines to greatly increase the accuracy of data within the system.

Provides the capability to perform daily update processing which simplifies error location and correction, account reconciliation and work scheduling, while also permitting the data files to be in a current reportable state at all times.

Current Restricted Accounts

Current Restricted Accounts are funded from grants and contracts from agencies and organizations outside of the University. Such accounts can only be activated through the Office of Sponsored Programs. In addition to State, Board of Trustees and University regulations, current restricted accounts must also adhere to restrictions placed on their use by the sponsor of the funds as federal granting agencies and outside organizations.

Budget Line Items

All accounts, regardless of type, are structured by budget categories as followed by the State of Illinois known as line items. These accounts are enumerated in Chapter 11 (eleven) titled Expenditure Authority of Statewide Accounting and Management Systems (SAMS) manual. The most common line items are personal services, contractual, commodities, operation of automotive equipment, permanent improvements, travel, equipment and library books, telecommunication, awards and grants, debt services, refunds, and indirect cost (used for current restricted accounts only).

Account Code Structure Under Banner 2000 System

The Banner 2000 system identifies an account by means of a 15-digit account number. The first four-digits identifies the fund, followed by a four-digit sub code which identifies the organization, followed by a four-digit sub code which identifies the account, followed by a Chart of Accounts Structure (FOAP)

Fund

Seventeen fund codes are used to record all the transactions of the University. Fund accounts are grouped into one of the following funds:

Fund =20 Current Restricted

Organization

Organization identifying number defines the functional group or a division of the University, as well as special fund groups.

1100- Division I – President

1200- Division II – Academic Affairs
1300- Division III - Administrative and External Affairs
1400- Division IV – Student Affairs

5000C- Grants
7000C- CSU Loan Funds
8000C- CSU Plant Funds
9000C- Agency Funds
16921D- Center for Global Studies
5056- CWS-ECON/POL Science
50600- CWS-VP Institutional Advancement
9999- Revenue Organization

Account Number

The account number identifies all type of accounting transactions, i.e., assets, liabilities, fund balance, revenues and expenditures accounting to the State of Illinois SAMS account code categories. The most common expense account codes as follows:

1100 Personal Services
1200 Contractual
1292 Travel (In State)
1293 Travel (Out of State)
1300 Commodities
1500 Equipment
1600 Electronic Data Processing
1700 Telecommunications
1800 Operation of Automotive Equipment
4400 Awards and Grants
8800 Debt Services – Lump Sum

Program Codes

Program defines the Illinois Board of Higher Education (IBHE) ramp code classification as follows:

- Instruction
- Organized Research
- Public Service
- Academic Support
- Student Services
- Institutional Support
- Operation and Maintenance
- Auxiliary Services
- Student Financial Support

CSU
Internal Control over Compliance
Federal Programs (Not including SFA cluster)
May 1, 2019

Compliance Requirement:

Grant Expenditure Reimbursement through Invoice Billing and Drawdown Policy

Overview:

OGRA and GAG utilize the following guidelines to obtain reimbursement from the sponsoring agency for expenses incurred on federal, state, local, and private research grants, subawards and other sponsored awards. While the particular method of reimbursement is typically listed on the award documents for each respective award, reimbursement of program expenditures is completed by utilizing one of the following methods: advance/payment schedule, invoice or drawdown.

The purpose of this control process is to ensure that all restricted grants and contracts are properly billed and funds drawn down in an efficient and timely manner.

Most Federal agencies reimburse through a drawdown process, while some Federal agencies and most non-Federal funding agencies reimburse through an invoice. Invoice billings and Federal drawdown requests are prepared on a monthly basis or as required by the funding agency. They will be prepared after the second semi-monthly payroll is posted.

Control Processes and Procedures:

Grant Invoice Billing Procedure:

Following the monthly end of each accounting period, Grant Accounting will run a BANNER expenditure report for the entire fiscal year to determine if there is a need to produce an invoice for the month for a specified grant. This expenditure report is analyzed by the Grant Accountant utilizing an excel spreadsheet that details each general ledger account code and the dollar amount associated with that account code. These year-to-date expenditures are compared with the year-to-date expenditure report from the prior month and the difference between the current period and the prior period determines the amount to be billed for the month. In addition, the Grant Accounting Department will analyze the expenditures to the related receivable and prior drawdowns received, reconciling any changes in expenses to prior drawdowns. Once this analysis has been completed, the Grant Accountant prepares an invoice in the format determined by the funding agency. Once the invoice has been generated, the Grant Accountant submits the invoice and corresponding expenditure analysis to the Grant Accounting Manager for review and approval. If there is a discrepancy between the expenditure amount and the grant account receivable amount, the Grant Accountant runs an additional general ledger report to determine which expenditures do not coincide with the corresponding grant account receivable balance. Once the invoice has been thoroughly reviewed and signed by the Grant Accounting Manager, it will be logged into the grants accounts receivable log and sent to the funder. This process ensures all expenditures associated with the federal award are properly captured for the next draw request.

Procedure for the Drawdown of Federal Funds:

Following the monthly close accounting period, Grant Accounting will run a BANNER expenditure report for the entire fiscal year to determine if there is a need to request a drawdown for the month for a specified grant. This expenditure report is analyzed by the Grant Accountant utilizing an excel spreadsheet that details each general ledger account code and the dollar amount associated with that account code. These year-to-date expenditures are compared with the year-to-date expenditure report from the prior month and the difference between the current period and the prior period determines the amount for the current draw request. The Grant Accountant takes the difference of the expenditure control amounts and reconciles the amount against the outstanding grant account receivable balance and review of prior drawdowns. After the expenditure control amount and the grant account receivable balance have been reconciled, the Grant Accountant completes an agency drawdown request form and submits it to the Grant Accounting Manager for accuracy review and approval. Once the drawdown is approved, the Grant Accountant logs into the G5 using a unique user ID and password and proceeds through the specific agency's process to request the funds based on the agency's draw request form. Once the Grant Accountant completes the process, the DOE (G-5) funding agency approves the draw request and informs the user of when the funds are scheduled to be wired via ACH\$ into Chicago State University's general/federal bank account. The Grant Accountant saves the agency approval documentation and attached agency draw request and files the documentation in a related grant drawdown file. The Associate Vice-President of Grants and Research is updated quarterly by the Grant Accounting Manager on the status of expenditures and revenues by grant.

Identified and analyzed risks and how the risks are managed:

The University is responsible for managing all funds in a manner consistent with the standards set by the Office of Management and Budget (OMB), as well as with all applicable guidelines and policies set by the funders. Accurate and timely grant invoicing and Federal drawdowns are critical to this responsibility.

Process used by CSU to assess the quality of internal control:

The internal audit department is required to audit the grant internal control processes every two (2) years as required by the Fiscal Control and Internal Auditing Act.

Control Environment:

The University has put procedures in place to address previous audit concerns through Corrective Action Plans. Employees not following the established Corrective Action Plans may be sanctioned.

Information and Communication:

OGRA and GAG staff members attend training sessions for grant administration pending availability of funding. The offices communicate with fiscal officers regarding changes to both Federal and University procedures and policies. Representatives of the offices also communicate with funding agencies if there are questions concerning any applicable rules.

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