BASIC ACCOUNTING PRACTICES FOR SPONSORED PROJECTS

A quick guide for Faculty and Staff

As a rule of thumb, a faculty member and his/her research administrator should meet at a minimum once per fiscal quarter to review account balances, spending rates, and project end dates, in order to help formulate a plan for the fiscal and academic calendars. The level of communication and the number of meetings may need to increase at particular times during a sponsored project, such as at the beginning of a project, around annual report time (if applicable), and in the last 120 days of an award.

Holding such regular meetings is crucial to: keep on a consistent spending path to alleviate a high carryover from occurring; communicate any upcoming expenditure and/or travel plans; and ensure proactively that the account is budgeted properly. Such meetings should include planning for no-cost extensions or advance funding options so as to ensure that these steps are processed in time, per the agency guidelines.

For Federal Awards, USC is governed by the Federal Government in OMB Circulars A-81 and A-21 for spending practices. (The URL for the Federal Circulars is found below.)

There are four key factors for evaluating whether a cost can be charged to an award:

1) The cost must be Reasonable (e.g., equipment usually needs sole-source justification or competitive bidding to ensure this, which can delay large purchases)
2) The cost must be Allocable to the project
   a. It is incurred solely to advance the work under the sponsored agreement
   b. If splitting with one or more projects it must be done in proportions that can be approximated through use of reasonable methods
   c. Is deemed assignable in whole or part to the sponsored project
3) The cost must be Allowable
4) The cost must be given Consistent treatment
   (Think RAAC when remembering the basic principles)

Some key items that are unallowable on federal awards are alcoholic beverages, alumni activities, general office supplies, and first/business class travel; a comprehensive list of expenditures and whether they are allowable can be found in the OMB Circular A-21 section J.

Budget Reallocations on Federal Awards are governed by OMB Circulars A-81 and A-110 and agency requirements. In addition to these requirements, there are also instances when an award may have additional restrictions for re-budgeting. It is important to review the award document carefully when received. Below is a list of the general restrictions:

- Any changes to the scope of work require sponsor approval.
- Any Reduction of the PIs effort by more than 25%. Sponsor approval is needed for such reductions and will need to work with the Department of Contracts and Grants for proper agency approval.
- Both NIH and NSF require preapproval prior to reallocation of funds that are directed for Participant or Trainee Support Costs.

The following link takes you to where both OMB Circulars covering the policies mentioned above are located: https://www.whitehouse.gov/omb/information-for-agencies/circulars#educational