

# Sponsored Projects Accounting

JANUARY 2016

## Campus Question Corner!

By: Sherri Armstrong, SPA Accountant

“Why does SPA ask for backup documentation for certain charges? We (the department) know how to spend the funds, so why is SPA asking for proof? Don’t you trust us?”

It’s all about gatekeepers.

The awarded Principle Investigator is the first gatekeeper for all expenses charged to his sponsored research award, and is responsible for adhering to the terms and conditions of the grant, as well as federal cost principles. Legitimate expenses must pass a three-prong evaluation: every cost incurred must be “allowable, allocable, and reasonable,” according to the Office of Management and Budget’s Code of Federal Regulations 2 CFR 200, also known as Uniform Guidance for Federal Awards. The PI is fully responsible for all expenses posting to the grant.

The department financial office is the second gatekeeper. Staff should recognize inappropriate expenses charged to the restricted account, and take the necessary action to remove the costs immediately. Sponsored Projects Accounting (SPA) is counting on you, the departments, to be on the front line and to also reject purchases or expenses that are not in alignment with the sponsors regulation, specifically, before they post to the account.

SPA is the final gatekeeper for analyzing expenses for their appropriateness. SPA, also, monitors incurred costs. A first review may be based on information in IRIS. However, IRIS is limited in the amount of data it can provide. Therefore, SPA may request additional documentation from the department, where the charge originated, for clarification and determination that the expense is “allowable, allocable, and reasonable.”

Certain types of expenses are also subject to additional inspection. Computer purchases, entertainment expenses, and international travel are, historically, an auditor’s first areas of examination for pre-approval. Because of this, SPA performs monthly compliance analysis of those types of expenses, so additional documentation may be requested for review. By having the documentation readily available in SPA’s official files, additional audit scrutiny and investigation may be deviated.

Audit findings are unfavorable to the integrity of the University, the department, and the PI. They can also be very costly, both in financial penalties and tarnished reputations to the University and PI. By prohibiting or removing inappropriate expenses from the general ledgers BEFORE an auditor discovers them affirms our high standard of conduct and refrain the University and PI from being publicized in a negative light, which could be a deterrent in obtaining additional research funding from sponsors.

So it’s not that SPA does not trust the PI and department to know how to correctly spend the awarded funds. SPA is simply being the last gatekeeper in identifying any inappropriate charges, and averting any negative consequences – to the PI, department, or University.

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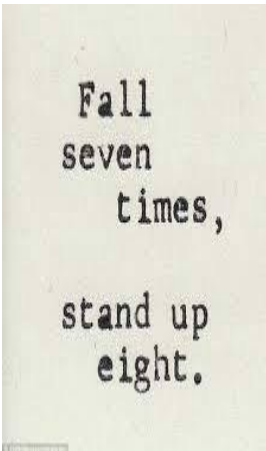
## Fixed Rate Contracts

SPA has seen fixed rate contracts become a financial burden for some departments. These contracts are not the normal type of contracts seen by most departments, but some large Colleges have a few of them. A fixed rate contract is just what it sounds like ~ a pre-negotiated rate for a specific "unit," whether the unit is a lab sample analysis, a device, or even personnel. A fixed hourly labor rate may include wages, benefits, and F&A, yet it is not directly tied to a specific employee's payroll. It is simply the billable labor rate for which UT can invoice the sponsor.

One risk of a fixed rate contract is that departments can be exposed to unrecoverable expenses even if they do not overspend the obligated amount of an award. We normally recommend to departments that have issues with managing the expenses of fixed rate agreements to try and obtain a cost reimbursable contract. If this isn't an option, we recommend that departments conduct a thorough cost analysis to ensure unit rates cover their costs (plus F&A if loaded). It is also important to ensure that the project is managed exactly as proposed or a budget revision may be needed to minimize unrecoverable expenses.

Some examples of fixed rate contracts are: report or bill expenses by hours worked, by number of workshops conducted, or by number of items tested.

Departments must ensure that they are not overspending the unit rates allowed within the agreements for fixed rate contracts, instead of just monitoring their overall spending based on obligated amounts. Overspending of these unit rates will result in SPA having to do an overspent cost sharing entry for these budget lines even though the project is not overspent in total based on the overall obligated project funds.



## SPA Certification-Where are they????

As those of you who read last month's SPA Newsletter know, we had 20 people who earned the SPA Certification during the 2015 Calendar year. We had planned, and announced, that those certificates would be issued in Jan. **WELL, we hit a snag in the plan.**

We don't have access to officially use the UT logos at this point. We are waiting on our contact person to obtain download access for us. Once we receive this we will issue the certificates.

We anticipate being able to do this by the end of Feb. So, stay tuned!!!  
AND, we are very sorry for not getting these to you in Jan.

## Effort Certification:

Departments have until Jan. 30, 2016 to certify effort for Fall semester. Please ensure everyone in your department who are required to certify does so by this date in order to be in compliance with UT policy regarding Effort Certification. Please find a link to the UT FI0215-Sponsored Projects - Effort Certification policy below!

[http://policy.tennessee.edu/fiscal\\_policy/fi0215/](http://policy.tennessee.edu/fiscal_policy/fi0215/)

# Upcoming Trainings!

## [Business Ethics for Sponsored Projects \(Cancelled\)](#)

January 28, 8:30-11:30

238 Conference Center Building

This class was cancelled due to low enrollment. We were surprised by this because we normally have such great attendance for the Blount Hall In-House classes. If you wanted to take this class and did not because of the location please let us know.

The next training will be:

## [Effort Certification Reports](#)

February 24, 9-11

This class is being taught by Jay Taylor, SPA, but is being held through Employee and Organizational Development/IRIS. Please register for this course at the link below!

[http://uthr.admin.utk.edu/TandD/Iris\\_Classes.shtml](http://uthr.admin.utk.edu/TandD/Iris_Classes.shtml)

### Highlights of the Effort Certification Class!

#### Effort Certification

Educational institutions which receive federal funding are required to maintain an effort reporting system, the purpose of which is to assure that the distribution of payroll is in accordance with actual effort expended (by funding source and activity). The IRIS effort certification system was designed for monthly online certification and automatic electronic salary transfers.

#### Who must certify effort?

Every monthly paid employee who has committed work on a sponsored grant or contract, whether paid or unpaid, must certify his/her effort. Biweekly paid employees document their work performance through reporting on their time sheets. An employee who has worked on a sponsored project has the responsibility for certifying his/her effort. Direct supervisors can certify on behalf of their subordinates with a written or electronic record. It is critical that a person with first-hand knowledge of an employee's effort certify for the employee, if he/she cannot certify for themselves.

#### Due dates for certifying effort are:

January 30

May 30

August 30

Or 30 days after a grant/contract has ended. It is strongly recommended that you certify effort monthly.

We hope to see a large turn out for this training class!

Thank you,  
SPA

