

101 Policy on Sponsored Project Financial Award Management

PURPOSE

The purpose of this policy is to ensure that Colorado Mesa University complies with sponsor requirements for allocating and managing direct costs on sponsored projects. Sponsor requirements are set forth in federal regulations and award specific terms and conditions.

DEFINITIONS

Allowable costs are those costs that are necessary and reasonable; conform to any limitations or exclusions in the terms of the award; consistently treated; and adequately documented. These general criteria are used to determine whether or not costs can be charged to a sponsored project by an authorized individual.

Allocability, a cost is allocable to a particular sponsored project, if the goods or services involved are chargeable or assignable in accordance with relative benefits received.

Authorized approvers are the Principal Investigator and their designees; in extenuating circumstances a university official with knowledge that the cost incurred will benefit the project and is allowable, allocable, and reasonable.

Consistency, a cost is considered to be treated consistently when the expense is treated as either a direct or F&A cost under like circumstances.

Cost Base, the direct project costs that are charged Facilities and Administrative (F&A) costs. The Cost Base may be MTDC or TDC depending on the university's F&A rate agreement and/or sponsor's guidelines.

Cost Share, the portion of project costs not paid by Federal funds. Cost share is also referred to as "matching".

Cost Transfer, a cost transfer is the reassignment of an expense to a sponsored project after the expense was initially charged to another project.

Direct costs, are costs that can be, easily and with a high degree of accuracy, identified with or assigned specifically to a project of major activity.

Facility & Administrative (F&A), are costs, also referred to as indirect costs, are costs incurred for common or joint activities of Colorado Mesa University and therefore cannot be identified readily and specifically with a particular sponsored project, instructional activity, or other University activity. F&A costs are also referred to as "indirect costs." Indirect costs generally include administrative and clerical salaries with related fringe benefits, office supplies, general postage, university phone system and local telephone charges, equipment, general building improvements, and other general costs.

Indirect Costs (IDC), see Facilities and Administrative Costs.

Late Cost Transfer: A cost transfer requested greater than 90 days after the original transaction posting date.

Mandatory Cost Share the portion of project costs not paid by Federal funds which is a condition of a project's award terms and conditions.

Modified Total Direct Cost (MTDC), means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward (regardless of the period of performance of the subawards under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs.

Prior Approval, a sponsor mandate indicating for a cost or activity to be allowable, it must have prior approval. Usually "prior written approval" is obtained to avoid subsequent disallowance or dispute based on unreasonableness or nonallocability; the University may seek the prior written approval of the sponsor in advance of the incurrence of special or unusual costs. Prior written approval should include the timeframe or scope of the agreement. Generally if a cost is identified and adequately justified in a proposal which is funded by the sponsor the acceptance of the proposed budget constitutes prior approval. If a cost requiring prior approval is not disclosed in the proposal budget, the Project Director/Principle Investigator must submit a request and justification for approval to OSP. OSP will coordinate the submission of the request between the University and the sponsoring agency. If the request is approved by the sponsor, OSP will notify the Project Director/Principle Investigator of the sponsor approval.

Program income is income earned in connection with a sponsored project during the period of the main award. Program income means gross income earned by the non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance except as provided in §200.307 paragraph (f). (See §200.77 Period of performance.) Program income includes but is not limited to income from fees for services performed, the use or rental of real or personal property acquired under Federal awards, the sale of commodities or items fabricated under a Federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with Federal award funds. Interest earned on advances of Federal funds is not program income. Except as otherwise provided in Federal statutes, regulations, or the terms and conditions of the Federal award, program income does not include rebates, credits, discounts, and interest earned on any of them. See also 35 U.S.C. 200-212 "Disposition of Rights in Educational Awards" applies to inventions made under Federal awards.

Service or Recharge Center, a unit within the University which allocated costs based on a reconciled cost allocation process based on services provided, examples include the renting of university owned vehicles and maintenance costs for renovation which may be required (and approved, if applicable) by a project.

Reasonable costs, a cost that in its nature and amount does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

Third party cost share is the contribution of necessary, reasonable and allowable resources or the contribution of cash for such resources by a third party, industry, volunteers, or another source to meet a project's mandatory cost share requirements.

Total cost, a project's total cost is the sum of allowable direct and allocable indirect costs, less any applicable credits.

Total direct cost, the summation of all of the direct costs which will be proposed or expended in direct project.

Voluntary committed cost share is a cost share commitment specifically pledged on a voluntary basis in a proposal or proposal budget by CMU. Voluntary committed cost share is a binding requirement of Federal award.

POLICY

Allowable Cost Determination Factors

Colorado Mesa University is committed to sound proposal budget development and fiscal stewardship of all University funds, which includes expenditures for goods and services under sponsored agreements. When proposing and charging for resources required to carry out activities under grants, contracts, and cooperative agreements (sponsored agreements) the University must comply with federal regulations, sponsor terms and conditions, and State and University regulations. Failure to comply with these requirements can bring into question the University's internal control procedures and result in the disallowance of costs or prohibit reimbursement of incurred costs. The federal regulations governing costs under federal agreements are defined in 2 CFR 200. The guiding principles for the allowability of costs are the expectations that the costs are reasonable, allocable, given consistent treatment, conform to any limitations or exclusions, are supported by documentation, and conform to generally accepted accounting principles.

Reasonable

A cost may be considered reasonable if the nature of the goods or services acquired or applied and the amounts involved reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made. Actions which may deviate from established practices and policies regarding the proposing or incurrence of costs, which unjustifiably increase the costs to an award are unacceptable.

Major considerations for the determination of the reasonableness of a cost include:

1. is the cost necessary for the performance of the sponsored project;
2. incurred in accordance with the restraints or requirements imposed by such factors as arm's length bargaining; Federal and State laws and regulations, including University and Board of Trustees policies and procedures and the terms and conditions of the agreement; and
3. consistent with market prices for comparable goods or services in the geographic area; whether or not the individuals concerned acted with due prudence in the circumstances, considering their responsibilities to the institution, its employees, its students, the Federal Government and the public at large.

Quick reference consideration question(s): Is the resource needed to carry out the project and is the cost being proposed or incurred reasonable?

Allocability

A cost is allocable if the goods or services proposed, charged or assigned to a particular project are in accordance with the relative benefits received or other equitable relationship.

A cost is allocable to a sponsored project if it:

1. is incurred solely to advance the work of the sponsored project;
2. benefits both the sponsored project and other work of the institution in proportions that can be approximated through use of reasonable methods and is allocated proportionally based on the expected or received benefit; and,
3. the costs can be readily and specifically identified with the project with a high degree of accuracy.

If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then the costs may be allocated or transferred to benefitted project on any reasonable documented basis.

In the case of equipment or other capital items purchased with specific authority of a sponsored award, the amount authorized for such purchases is assignable to the sponsored project regardless of the use that may subsequently be made of the items.

Any cost allocable to a particular sponsored project may not be shifted to other sponsored projects to compensate for overruns, other reasons of convenience, or to avoid restrictions in law or the terms of the sponsored award. Costs allocable to activities sponsored by industry, foreign governments, or other sponsors may not be shifted to federally sponsored projects. See 3.2 Corrections, Correcting Entries, and Cost Transfers for additional guidance.

Quick reference consideration question(s): Does the project benefit from the expense? With the exception of approved equipment, if the cost benefits more than one project or activity, is the cost being proportionally assigned based on benefit?

Consistent Treatment

The Federal government requires that costs be treated consistently as either a direct or indirect costs. Failure to treat costs consistently can result in the double charging the sponsor for costs that are charged directly to the project, which are also reimbursed in Colorado Mesa University’s Facilities and Administrative (F&A) rate.

There are circumstances when costs that are normally treated as F&A can be directly charged to a sponsored project as direct costs, if ALL of the following conditions are met:

1. The costs are required by the project scope and are incurred for a different purpose or in an unlike circumstances than similar types of costs included in the University’s indirect cost rate; and
2. These items of costs are justified, separately budgeted for, and approved by the sponsoring agency.

A different purpose or unlike circumstance may necessitate the direct charging of costs that are normally treated as indirect costs as a direct cost on a sponsored project. If normally indirect cost items are required for a project, these items should be identified explicitly in the proposal budget and budget justification. If the need for a normally indirect cost item is identified after the project is funded the cost may be allowable if sponsor prior approval is granted.

The following table provides general guidance on the treatment of costs as either a direct cost or indirect cost under normal circumstances.

Direct Costs	Indirect Costs (F&A)
<p>Salaries, Wages, and Fringe benefits, such as:</p> <ul style="list-style-type: none"> • principal investigator • research associate • laboratory technician 	<p>Administrative and Clerical Salaries Wages, and Fringe Benefits*</p>

Direct Costs	Indirect Costs (F&A)
<ul style="list-style-type: none"> • student research assistant 	
<p>Recharge Charge Services, including:</p> <ul style="list-style-type: none"> • animals and animal care • laboratory testing services • project specific Facilities Management work orders • duplicating for project specific mass mailings or other large volume jobs 	<p>Recharge or Service Centers including:</p> <ul style="list-style-type: none"> • see local telephone charges below • duplicating for routine copying
<p>Scientific or Project-Specific Computer Software and Supplies</p>	<p>General Purpose Software and Computer Supplies*, such as:</p> <ul style="list-style-type: none"> • word processing and spreadsheet programs • printer paper • toner cartridges
<p>Project-Specific Equipment</p>	<p>General Use Equipment (i.e. used for multiple purposes)</p>
<p>Project-Specific Equipment Maintenance Contracts and Project-Specific Equipment Repair</p>	
<p>Project-Specific Equipment Rental</p>	
<p>Project-Specific Motor Vehicle Expenses</p>	
<p>Participant Costs, such as:</p> <ul style="list-style-type: none"> • fellowships on training grants • research subject payments 	
<p>Project-Specific Space Costs for Off-campus rental of space from a third party.</p>	<p>Internal Space Cost, such as:</p> <ul style="list-style-type: none"> o lab space,

Direct Costs	Indirect Costs (F&A)
	<ul style="list-style-type: none"> o office space, o off-campus space where rent is paid by Colorado Mesa University.
<p>Overnight/Express Delivery when needed to transport project material (other than routine reports) in a timely manner, such as:</p> <ul style="list-style-type: none"> • Federal Express • US Postal Priority Mail • UPS • Freight <p>Postage for Project-Specific Major Activities, such as:</p> <ul style="list-style-type: none"> • program recruitment • survey research • conference publications 	<p>Postage Costs*, such as:</p> <ul style="list-style-type: none"> • US non-priority mail • delivering routine reports
Subcontract Costs	
<p>Supplies & Materials</p> <ul style="list-style-type: none"> • laboratory supplies and material • educational supplies and materials • instructional supplies and material 	<p>Office Supplies*</p> <ul style="list-style-type: none"> • pens and pencils • paper • file folders • binders (unless project-dedicated lab notebooks)
<p>Long Distance Telephone Costs</p> <ul style="list-style-type: none"> • project-specific toll charges • project-dedicated field work phones 	<p>Local Telephone Charges*</p> <ul style="list-style-type: none"> • basic line charges • networking service charges • local calls • pagers • cellular phones (unless project-dedicated field work phones)
	Membership Dues
Travel Directly Applicable to Project Requirements	Travel Not Directly Applicable to the Project Requirements

Direct Costs	Indirect Costs (F&A)
Publication of Project-Specific Research or Information	Publication-General
Patient Care	
Advertising for Research Subjects	Advertising for Personnel (except for unique project specific personnel)
Utilities, when the project is being direct charged rent and the off-campus F&A rate is applied.	Utilities
Project-Specific Consulting	General Consulting

*According to 2 CFR 200, administrative and clerical salaries, office supplies, postage, local telephone costs (including monthly service charges), and membership dues are normally treated as indirect costs. However, for sponsored projects which present special purpose or circumstance justifications, costs that are normally indirect may be directly charged if certain conditions are met.

Direct Charging of Normally Indirect Costs - Special Circumstances

Charging costs directly to a sponsored project that are normally treated as indirect may be appropriate for projects when the need for the resource is considered integral to the project.

There may be certain circumstances when costs that are normally treated as F&A can be direct charged to a sponsored project as direct costs if ALL of the following conditions are met:

- The costs are required by the project scope and are incurred for a different purpose or in unlike circumstances than similar types of costs included in the University indirect cost rate; and
- The costs can be readily and specifically identified with the project with a high degree of accuracy; and
- These items of costs were justified, separately budgeted for, and approved by the sponsoring agency.

The *special purposes or circumstance* of the sponsored project that necessitates the direct charging of costs that are normally treated as indirect costs should be explicitly identified in the Budget/Budget Justification section of the proposal/acceptance document. If the justification for the special purpose or circumstance is not detailed in the budget or budget justification, sponsor prior approval may be required.

Projects which may present a justification for charging normally indirect costs, directly due to a special purpose or unlike circumstance, which make the need for the resource integral to carrying out the project, include:

1. Administrative and clerical support which is specifically identified with the project, expressly discussed in the award and allowed by the sponsor's guidelines can be charged direct whenever they are a principle part of the award deliverables , such as:
 - Extensive data accumulation, analysis, and tabulation
 - Preparation of large reports, manuals or books
 - Extensive travel and meeting arrangements for conferences and seminars

2. Training grants whose project budgets may include costs that are normally indirect, such as clerical or administrative support, office supplies for trainee use or recruitment, when these costs are considered reasonable and are specifically identified in the proposed and approved budget
3. Planning grants used for preliminary work to determine the feasibility of a proposed line of inquiry, and/or other activities that will facilitate proposal development. Project budgets for planning grants include an allowance for direct charging indirect costs, such as proposal writing when the effort can be specifically identifiable with the project.
4. Projects which are geographically inaccessible to normal departmental administrative services.
5. Agreements for program funding in which the institution's cost recovery on indirect costs is limited by regulations or statutory requirements like United States Department of Agriculture (USDA) appropriations and State sponsored projects. These mandates may, however, authorize the direct reimbursement for indirect expenses.
6. Projects supported by non-federal funding which specifically propose and require items which are normally indirect in the performance of the project.

Additional illustrations on the allowability of direct charging normally indirect costs directly are provided in Exhibit 1.

Normally Indirect Costs Approval Requirements

In order to meet the criteria for charging normally indirect costs directly, these costs must be clearly identified and justified in the proposal budget and budget justification or as a footnote to the project budget. Through the authorized representative's signature on the proposal the Office of Sponsored Projects (OSP) is required to concur with the justification. If OSP does not concur with the justification, the proposal budget and narrative must be amended. Since these items are specifically set forth in the proposal, Colorado Mesa University will assume that the sponsoring agency has approved this exceptional treatment of administrative and clerical salaries or other costs if they accept the proposal and subsequently fund the project. It is the principal investigator's responsibility to notify the OSP of any changes made to the proposed budget in pre-award negotiation with the sponsor in which OSP did not formally participate.

If a need for normally indirect cost resources is identified subsequent to the proposal budget development and the sponsor's award issuance, project directors or principal investigators should provide a rebudgeting request and written justification to OSP, OSP will review, and as appropriate coordinate the submission of the request for sponsor approval. If the proposed cost is not identified in the project budget and the sponsor does not require prior approval for the rebudgeting of the costs, OSP will make the initial determination on allowability and the concurrence of the Controller is required for the cost to be institutionally allowable on the project. In the event the cost is questioned and disallowed by a sponsor, the sponsor's determination of allowability is final.

Quick reference consideration question(s): Is the resource required normally considered an indirect cost? And, is there justification for charging the cost to the project which would meet the unlike circumstance requirement, such as is the need for this resource different from the normal, typical use of this resource on our campus? If there is a justification for charging an item that is normally an indirect cost as a direct cost to a project, do I need prior approval?

Rebates

Rebates, such as purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates which offset or reduce expense items allocable to a sponsored agreement must be credited to the project either as a cost reduction or cash refund, as appropriate.

Quick reference consideration question(s): Does the manufacturer's \$150 rebate, received from

submitting the UPC code for project's new retinal fundus camera need to be deposited into the associated sponsored project account? Yes.

Supporting Documentation

For costs to be considered allowable on a sponsored project the costs must be supported by appropriate documentation, such documentation should demonstrate that the costs were or reflect:

1. Institutional costing and reasonable inflation expectations at the time the proposal was prepared and submitted;
2. Actual costs incurred in carrying out the sponsored project; and
3. Incurred and allocated to a project by an individual who is authorized and in a position to know that the cost is allocable to the specific project.

For example:

In proposing raises, the raises are consistent with reasonable expectations for raises in the upcoming year. When charging effort the salary charged is based appropriate distribution of institutional base salary. Normally the increase expectation is defined annually by the Office of Sponsored Program based on past history and supported by guidance from Academic Affairs.

In proposing increase in health insurance the increase is consistent with actuarial projects in increases in cost or based on past history. Normally the increase expectation is defined annually by the Office of Sponsored Program acting in concert with Human Resources and the Controller's Office.

The person making a long distance toll call or who incurs fax costs should be same person who identifies the sponsored project to which the cost should be charged, supporting documentation may be by means of a manual log or project-specific access code.

Purchases for a specific sponsored project must identify the appropriate project number on the requisition or other payment request document.

Effort may be charged to sponsored project based on expected commitment obligations, but variances between the expected commitment and actual commitment must be adjusted, consistent the guidance in Subpart 3, Budgetary Changes and Corrections, Correcting Entries, or Cost Transfers. Effort reports must also be approved by an individual who has knowledge that the effort charged whether initially or adjusted through and effort report adjustment is consistent with effort devoted.

If a purchase is expected to support more than one project, the purchase requisition should reflect the allocable proportion which should be charged to each funding source. Documentation demonstrating the reasonableness of the method used to allocate the costs across funding sources should be maintained.

Procurement card and recharge and service center charges should be supported by records which identify the resources or services provided, who requisitioned the services, and have the approval of an individual who is in a position to know that the resources or services charge to the project are allocable.

The State of Colorado mandates that records be retained for a period of six years from the date of submission of the final expenditure report. Federal construction projects may require a more extensive record retention requirement

Conformance to Generally Accepted Accounting Principles

Colorado Mesa University is responsible for ensuring costs charged to sponsored agreements conform to generally accepted accounting principles, establishment of a solid foundation of internal controls for the sponsored project enterprise, and for ensuring required audits are performed.

Factors Unallowable Costs, Prior Approval Requirements and Acceptable and Unacceptable Costs Practices

Unallowable costs are costs or expenditures that the sponsor or the federal government deems inappropriate and will not reimburse. Sponsor specified unallowable costs are typically identified in the program guidance or the award terms and conditions. For federal awards unallowable costs are identified in 2 CFR 200 Subpart E. Some of the costs identified in 2 CFR 200 Subpart E while normally unallowable, maybe allowable due to the nature of the project with sponsor prior approval. Additionally, activities and expenses that are unallowable for reimbursement using federal funds may still be appropriate, necessary and allowable using non-federal funds, it is important that these costs are identified appropriately in Colorado Mesa University financial records as these costs must be excluded from the University’s F&A rate proposal.

Unallowable Costs, Exceptions, and Costs Requiring Prior Approval

Unallowable costs on federal awards are defined in 2 CFR 200.402-411. Not only are the identified costs unallowable, but in the event of charging and cost disallowance, any “directly associated costs,” are also unallowable, if the cost would not have been incurred if the unallowable expense had not been charged to the project.

Unallowable Cost Categories	
Advertising and Public Relations (200.421)	<p>The only allowable advertising costs are:</p> <ul style="list-style-type: none"> • Recruitment of personnel • Procurement of goods and services • Disposal of scrap or surplus materials • Program outreach required by a sponsored agreement <p>The only allowable public relations costs are:</p> <ul style="list-style-type: none"> • Costs specifically required by the Federal award; • 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 • 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.

Unallowable Cost Categories	
Advisory councils (200.422)	Are unallowable unless authorized by Federal statute, the federal awarding agency or as an indirect cost where allocable.
Alcoholic beverages (200.423)	Alcoholic beverages are unallowable, including beer, wine, and mixed alcoholic drinks. However, alcohol can be directly charged to a research project if the nature of the research specifically requires the purchase and use of alcohol, and the sponsor explicitly approves the cost.
Alumni/ae activities (200.422)	Costs incurred for, or in support of, alumni/alumnae activities and similar services are unallowable
Bad Debts (200.426)	Any losses, whether actual or estimated, arising from uncollectible accounts and other claims, and any related collection and legal costs are unallowable.
Commencement and Convocation (200.429)	Costs incurred for commencement and convocations are unallowable.
Compensation in excess of base salary (200.430)	Compensation in excess of an individual's proportional distribution of their 100% institutional base salary is unallowable. Additional compensation for overload, extra-service pay, or intra-institutional consulting is only allowable with sponsor prior approval.
Contingency Provisions (200.433)	Contingency reserves or similar provision made for events, the occurrence of which cannot be foretold with certainty, is unallowable. Contingency amounts which are explicitly budgeted may be allowable when approved by the sponsor. Amounts must be estimated using broadly-accepted cost estimating methodologies, specified in the budget documentation.
Contributions and Donations (200.434)	All donations and contributions made by the University, regardless of the recipient, are unallowable. Services donated or volunteered to a sponsored project may be used to meet cost sharing requirements.

Unallowable Cost Categories	
Defense and Prosecution of Criminal and Civil Proceedings, Claims, Appeals and Patent Infringements (200.435)	Generally, these costs are unallowable. The only exception is when the federal government specifically authorizes the condition causing the action.
Entertainment Costs (200.438)	Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable. Entertainment costs are allowable, when the purpose of the entertainment is considered to have a programmatic purpose and the costs are authorized either in the approved budget or with prior written approval of the sponsor.
Fines and Penalties (200.441)	Costs resulting from violations of or failure of the institution to comply with Federal, State, and local or foreign laws and regulations are unallowable. The only exception is when the sponsor authorizes, in advance, such payments.
Fund Raising and Investment Management Costs (200.442)	Costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions are unallowable. This includes salary, printing, room charges, travel, meals, and supply costs of fund raising. However, fund raising costs for the purpose of meeting the program objectives are allowable with sponsor prior written approval.
Goods or Services for Personal Use (200.445)	Costs for goods or services for personal use by University employees, including housing expenses (e.g. depreciation, rent, maintenance, utilities, furnishings, etc.), housing allowances, and personal living expenses for University officers, are unallowable. When approved in advance by the sponsor, housing costs can be allowable.
Interest Expense (200.449)	Costs incurred for interest on borrowed capital, temporary use of endowment funds, or the use of the University's own funds, however represented, are unallowable.
Lobbying (200.450)	In general, lobbying costs are unallowable, except in the case of technical and factual presentations directly related to the performance of a grant, contract or other agreement in response to a request made by member of congress, legislative body or a subdivision, or a cognizant staff member thereof.

Unallowable Cost Categories	
Losses on other awards or contracts (200.451)	Any excess of costs over income for any sponsored agreement or contract of any nature is unallowable. This includes, but is not limited to, the University's contributed portion by reason of cost-sharing agreements or any under-recoveries through negotiation of flat amounts for F&A costs.
Memberships, Subscriptions and Professional Activity Costs (200.454)	Memberships in any country club or social or dining club are unallowable. Costs of membership in civic or community organizations are allowable with prior approval of the sponsor. Membership in any organization whose primary purpose is lobbying is unallowable. Membership in business, technical and professional organizations are allowable. The only allowable subscription costs are for subscriptions to business, professional or technical periodicals.
Selling and Marketing (200.467)	Costs of selling and marketing any services or products of the institution are unallowable, unless necessary for the performance of the award and specifically provided for in the award or by the sponsor.
Student activity costs (200.469)	Costs incurred for intramural activities, student publications, student clubs, and other student activities, are unallowable.

Prior Approval Requirements

Sponsors, including the Federal government may identify costs which require prior approval for the expenditures to be allowable. Costs identified by the Federal Government in 2 CFR 200 which require prior approval include:

- Issuance of subawards not previously approved. (200.308).
- Issuance of fixed price subawards (200.332).
- Clerical and administrative costs (200.413)
- Cost increases for fluctuations in exchange rates (200.440).
- Costs of membership in any civic or community organization (200.454).
- Use of or changes in the use of funds for participant support (200.456)
- Costs of selling and marketing (200.467).
- Travel costs for dependents (200.474).
- Charges of a faculty member's salary in excess of the proportionate share of Institutional Base Salary (IBS) (200.430).
- Faculty or staff overload, additional compensation, extra compensation, or extra service pay (200.430).
- Intra-institutional consulting (200.430)

- Any equipment purchase (general or specialized) (200.439)
- Costs of entertainment, including amusement, diversion, and social activities and any associated costs (200.438).
- Fund raising costs (200.442).
- Travel costs of government officials (200.474)

Individual federal sponsors may in their award guidance or terms and conditions may waive some or all the prior approval requirements identified in 2 CFR 200. In addition sponsors may identify costs not listed above, as a cost which requires prior written approval in the program guidance or award terms and conditions.

Securing Sponsor Prior Approval

The inclusion of a clearly identified cost which requires prior approval in an approved and funded proposal constitutes sponsor approval.

If a cost is determined to be necessary subsequent to issuance of the award, written sponsor prior approval is required. Principal Investigators and Project Directors should prepare a written justification for the request and submit the request to OSP for coordination of the sponsor's review and approval determination.

Acceptable and Unacceptable Direct Costing Practices

The following costing practices are generally unacceptable because they do not meet the standard for a "high degree of accuracy" in the assignment of costs to sponsored projects.

- Rotation of charges among sponsored projects by month without establishing that the rotation schedule credibly reflects the relative benefit to each sponsored project;
- Assigning charges to the sponsored project with the largest remaining balance;
- Charging the budgeted amount (in contrast to charging an amount based on actual usage);
- Assigning charges to a sponsored project in advance of the time the actual cost is incurred;
- Describing a cost as something other than what it actually is;
- Charging expenses exclusively to sponsored projects, when the expense also supports non-sponsored activities; and
- Assigning charges that are part of normal administrative support (indirect costs) for sponsored projects (e.g. accounting, payroll, departmental administration, etc.).

Examples of Appropriate and Inappropriate Costing

To provide additional guidance and background on appropriate and inappropriate costing the follow examples have been developed to assist in proposal budgeting and award management activities.

- Salary and Personnel: Examples of Appropriate and Inappropriate Costing

Additional guidance on appropriate and inappropriate charging practices is provided below by expense type:

Salaries/Personnel	
Incorrect Practice	Correct Practice
Charging of salaries based upon funding instead of actual effort; charging which is not supported by an after the fact effort confirmation.	Charging of salaries based upon actual effort which is support by after the fact effort reporting confirmation.
Charging for effort that exceeds 100% of an individual's institutional base salary	Compensation for effort must be supported by effort reporting and effort reporting distributions are limited to 100% of an individual's institutional base salary. Sponsor paid additional compensation, extra service pay, or overload requires sponsor prior approval and should be identified as compensation which is being provided in addition to base salary and accounted for separately.
Exempt salaries and hourly wages paid with no documentation of hours worked and payment for hours not worked.	Payment of wages must be based upon actual hours worked assigned to a specific project; payment must be properly documented and approved
Charging based upon funding, convenience, or to cover departmental accounts deficits.	Grants cannot be used to pay for deficits on other sponsored awards or unrelated accounts. All effort charged to a project must be consistent with the effort devoted to the project.
Charging unrelated activities performed, such as classroom instruction or preparation of new and competing grant proposals	Only those costs that are in direct benefit to the project should be charged. Classroom instruction or preparations of new and competing proposals are unallowable charges to a sponsored project.
Allocation of normally indirect services, such as clerical support, janitorial services, or the like without an unlike circumstance justification and approval.	Normally indirect cost services, such as clerical support must have sponsor prior approval.
Submission of delinquent or incorrect effort reports, i.e., not submitted within the required submission timeframe, submitted without proper certification, or failure to submit.	Effort reports must be submitted by the required date with the appropriate acknowledgement that the effort charged is consistent with the effort performed.
Submission of effort reports, which are not consistent with the work performed.	Effort reports must reflect the actual effort devoted to the project. If the effort report is reflect more time than that devoted it must be revised to reflect actual distribution and a cost transfer/journal voucher should be processed to reconcile financial records with the revised effort report.

Salaries/Personnel	
Incorrect Practice	Correct Practice
Charging at a rate which is not consistent with the individual's proportionally distributed base salary.	Effort must be charged consistent with the individual's base salary, any direct charging of salary above base, such as project funded overload or for intra-institutional consulting requires sponsor prior approval.
Failure to process timely, required effort allocation, distribution, redistribution/correction, or certification forms.	Timely processing of required accounting and payroll forms such as Personnel Action Forms or cost transfer or journal voucher requests for retroactive changes.
Charging of effort which is not authorized by the project director, principal investigator, or his or her authorized designee.	Ensuring all effort charged to an award has been authorized by the project director, principal investigator, or his or her authorized designee.
Charging effort devoted outside the approved project period and any authorized pre-award cost period.	Effort can only be charged to a project during the allowable project period and any associated pre-award cost authorization

- Goods and Services: Examples of Appropriate and Inappropriate Costing

Purchase of Goods and Services	
Incorrect Practice	Correct Practice
Purchase of goods and services which did not directly benefit the project.	All goods and services charged to a project as direct costs must have direct benefit to the project.
Purchase of goods and services outside of the project period or allowable authorized pre-award cost period.	Goods and services can only be charged to a project during the allowable project period and any associated pre-award cost authorization.
Charging office supplies, basic telephone, subscriptions, memberships or other costs identified as normally indirect as a direct charge without justification and proper approval.	Normally indirect cost items, identified in this policy can only be charged to a project if an unlike circumstance or special consideration exists and the cost was identified. See §3 on consistent treatment of costs a direct or indirect.
Charging costs that are identified as unallowable in the sponsor's guidelines,	Costs identified as unallowable have sponsor prior approval prior to the charging of such costs. See §4.1

Purchase of Goods and Services	
Incorrect Practice	Correct Practice
terms and condition, by this policy, or 2 CFR 200 to a project without proper justification or approval.	for a list of unallowable costs under 2 CFR 200; sponsors may identify additional costs as unallowable in the award guidelines, terms, or conditions.
Charges without the authorized approvers or his/her authorized designee's documented approval.	All transactions have an authorized approval.
Distribution of costs across project which is not supported by a justification or basis for the reasonableness of the distribution. Examples include lab supplies, rental costs,	With the exception of equipment purchased on federal awards which has sponsor prior costs which benefit more than project or fund are distributed across the benefiting project and presents a documented reasonable basis for distribution.
Purchase of goods and services which require prior without securing the required approvals.	Prior approval, if required, is secured prior to purchase of goods and services requiring such approval.

Budgetary Changes and Corrections, correcting Entries, or Cost Transfers

Budgetary changes or rebudgeting requests which shift funds from one budget line to another may be necessary during a course of a project. The allocation of an expense to a project to which it is not allocable, requires the movement of the expense from one project or fund to another source of funds.

Corrections, Correcting Entries, or Cost Transfers

Correcting entries or cost transfers are required when an expense is charged to a project to which it is not allocable. The correcting entry requires moving expenditures from one funding source to another. Cost transfers are the reassignment of an expense to a project after the expense was initially charged to another funding source. The reassignment may include salary, wages and other direct costs.

The transfer of costs to any project account is allowable only where there is direct benefit to the project account being charged. An overdraft of any direct cost item incurred in the conduct of one sponsored project may not be transferred to another sponsored project account merely for the sake of resolving a deficit or an allowability issue, i.e., cost transfers should not be used as a means of managing awards.

Due diligence and accuracy should always be exercised when assigned the cost of resources to a project. The transfer of costs should be minimized and should be a rare exception. Payroll cost transfers performed after the certification of effort that cause the payroll distribution to not align with the certified effort distribution are highly discouraged and require significant documentation, approval, and recertification of effort.

Cost transfers are to be carried out in a timely manner. Project expense detail should be reviewed on

a monthly basis and cost transfer should be made as soon as the error is identified. Cost transfers being made in excess of 90 days will be carefully scrutinized.

Written Justification for Cost Transfer: A written justification is required and must include: a) description of the expense being transferred including why and when the original charge occurred; b) why the receiving project was not originally charged; c) why is it appropriate to charge the receiving project; d) an explanation of the action(s) that have been taken to prevent the problem from occurring in the future and e) an extenuating circumstance explanation is required for late cost transfer.

The following table provides guidance on completing the justification section of the Cost Transfer Form.

Type of Error	Explanation
Data entry/Clerical error	Explain how the input error occurred and action being taken to reduce the likelihood of error in the future. An explanation of the relationship and allocability of the expense to the project may be required.
Preaward costs charged to an institutional account.	Explain the relationship and allocability of the expense to the project. Ensure that the expenses being transferred are within the allowable charging period for the project.
Wrong fund/project	Explain the situation which led to the expenses being charge to the project, the actions taken to reduce the likelihood of the error in the future, and provide an explanation of the relationship and allocability of the expenses to the project.
Payroll adjustment	<p>Explain why the payroll transaction should be adjusted and the effective date for the adjustment.</p> <ol style="list-style-type: none"> 1. If the adjustment is the result of a change in effort distribution, common with new project startup, the adjustment should include documentation that the adjustment is consistent with an updated/revised personnel action form. 2. If the adjustment results from the revision to an effort reporting form at the time of certification, explain the change in effort commitment(s) that resulted in the revision to the effort certification form and include a copy of the certified effort form with the adjustment request. 3. If the adjustment requires revision to a previously certified effort reporting period contact Sponsored Programs to discuss the adjustment. Only in rare instances will an adjustment transferring expenses to a sponsored project be allowed post certification of effort. In such an instance the adjustment will also require the revision of the effort certification.

The statement “To correct an error” is an inadequate and unacceptable justification.

Cost transfer requests should be submitted to CMU’s Office of Sponsored Programs for review, approval, and processing. Cost transfers in excess of 90 days receive significantly more scrutiny, as they may be an indication of poor budgetary oversight.

Program Income

Organizations are encouraged to earn income to defray program costs associated with the conduct, management and operation of sponsored projects, where appropriate.

What is Program Income

Under 2 CFR 200 program income is defined as “gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award.” For additional detail, see the definition for Program Income in the Definitions section of this policy.

Examples include, but are not limited to:

- Fees earned from services performed under the award, such as those resulting from laboratory testing.
- Rental or usage fees, such as those earned from fees charged for use of computer or equipment purchased with grant funds.
- Funds generated by the sale of commodities and research materials, such as tissue cultures, cell lines, or research animals.
- Proceeds from the sale of software, tapes or publications.
- Admission fees.
- Registration fee charged to participants for a workshop or conference sponsored by a grant award.

Program income does not include:

- Interest earned on advances of Federal funds,
- Receipt of principal on loans, rebates, credits, discounts, etc. or interest earned on them, unless otherwise specified in the award terms and conditions, or the sponsor regulations.
- Proceeds from the sale of real property, equipment, or supplies are not program income; on Federal awards such proceeds will be handled in accordance with the requirements in 2 CFR 200 of Subpart D—Post Federal Award Requirements of this part, Property Standards §§200.311 Real property, 200.313 Equipment, and 200.314 Supplies, or as specifically identified in Federal statutes, regulations, or the terms and conditions of the Federal award.
- Program income earned from license fees and royalties for copyrighted material, patents, patent applications, trademarks, and inventions made under a Federal award to which 37 CFR part 401, “Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Awards, Contracts and Cooperative Agreements” is applicable, unless the Federal statute, regulations, or terms and conditions for the Federal award provide otherwise.
- Income earned after the termination of the project award.

Treatment of Program Income

For CMU unless an award specifies how program income is to be used, the income is to be treated as an addition to the total awarded amount to be expended in support of the project. Program income is subject to the same costing compliance expectations as those funds awarded by the sponsoring agency.

Sponsor terms and conditions or the expectation of program income by a subrecipient may impose alternate treatment options for the income, these include:

1. Additive: Income is added to the funds committed to the project by the sponsor and used to further eligible project activities or objectives.

2. Deductive: Income is deducted from the amount of the project costs to be reimbursed by the sponsor.
3. Cost Sharing or Matching: Income is used to finance the non-federal share of the project (i.e. used to fulfill matching or cost sharing requirements.)
4. Additive / Deductive Method: Income received up to a maximum amount specified by the sponsor is added to the funds committed by the sponsor and used to further eligible project activities or objectives. Any income exceeding the maximum amount is deducted from the amount of project costs to be reimbursed by the sponsor.

For additional guidance or clarification on the treatment of program income on federal awards see 2 CFR 200.307. Federal and non-federal sponsors differ in their treatment of program income. Principal Investigators and Project Directors must be aware of which use applies to a specific award. For assistance with determining program income usage, questions should be directed to Sponsored Research.

Accounting for Program Income

In most instances, Sponsored Programs accounts for program income in a separate ORGN number; establishing a directly affiliated program income ORGN number for each project that will generate program income. The ORGN number is established at the time of award creation in the financial system, or if not known at that time, it will be established as soon as it is identified. On Federal awards, if program income is authorized by Federal regulations or the Federal award, the costs incidental to the generation of program income may be deducted from gross income to determine program income, provided these costs have not been charged to the Federal award.

- The Principal Investigator or Project Director is responsible for receiving/collecting the program income.
- When program income is received, the income must be promptly deposited into the project associated Program Income account in accordance with standard CMU procedures for deposits.
- Budgeted expenses that are to be paid from program income should be processed directly on the project income account. Expenses that are not allowable on the related award number are not allowable on the program income account, unless specifically approved by the sponsor.
- F&A (indirect) costs will be charged on all expenses related to program income at the same rate as the main award number.
- To the extent available, the CMU must disburse funds available from program income before requesting additional cash payments.

Use of Program Income

- Expenditures charged to a program income account must be allowable, allocable, and treated consistently in relation to the activity supported by the sponsor in accordance with this policy, the Federal Cost Principles, and the specific terms and conditions of the award.
- Expenditures must be incurred during the project period of the associated award.
- Program income accounts typically operate on a cash basis where expenditures may not exceed the amount of revenue collected. However, because program income revenue is often earned after expenses (i.e. hosting a conference), CMU allows such accounts to run a negative balance when income is anticipated.
- In all cases, Principal Investigator or Project Director is responsible for any expenses in excess of revenue collected.
- In general, any earned program income should be expended prior to sponsors' funding.
- F&A costs should be collected on program income accounts at the same rate applied to the sponsored agreement which generates the income. F&A costs should be included when determining the rates for registration fees, sales of materials, etc.

Income Continuation After Sponsored Project Termination

Unless required by the terms and conditions of the award or the award closeout process, once the sponsored project terminates any future income would not be considered program income. If the generation of income is expected to continue after the termination of the sponsored project, the Principal Investigator or Project Director is advised to contact OSP to determine how future income will be handled.

Mandatory Cost Share

Cost share is a commitment by CMU to share in the costs of carrying out a sponsored activity. Mandatory cost share can be a voluntary commitment of resources to the project, which upon award of the project becomes an obligation to commit the proposed resources or it can be a requirement by the sponsoring agency.

Any shared costs or matching funds and all contributions, including cash and third party in-kind contributions, must meet all of the following criteria:

1. Are verifiable in institutional records;
2. Are not included as contributions for any other award;
3. Are necessary and reasonable for accomplishment of project or program objectives;
4. Are allowable under the sponsor's award terms and conditions and this policy; for Federal awards, values for contributions of services and property must be in accordance the federal cost principles in defined in 2 CFR 200 Subpart E.
5. For Federally funded projects, the cost shared resources cannot be paid by the Federal Government under another Federal award, except where the Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs; and
6. Provided for in the approved budget.

Cost Share by the University

Financial commitment by the university maybe a commitment of institutional funds to support project activities, devotion of effort on a project by university employees, or waiver of indirect cost when allowable to meet cost share obligations.

1. Institutional funds for a variety of resources or activities. When CMU obligates institutional funds to a project to support a variety of resources or activities, Sponsored Programs will establish a separate ORGN number and transfer institutional funds into the dedicated cost share ORGN number, which is directly affiliated with project and project's sponsor funded ORGN number. The ORGN number is established at the time of award creation in the financial system. The Principal Investigator or Project Director is responsible for expending funds on allowable, allocable, and reasonable resources required to carry out the project. Where appropriate expenditure should be proportional to the spending on the sponsored project ORGN number.
2. Effort Commitments. A commitment of effort to a project which is not being paid by the sponsor can also be used to meet mandatory cost share obligations. In such events, the effort devotion will be reflected at the time of award establishment on a memorandum basis, the committed effort by CMU will also be reflected on an after-the-fact basis as part of CMU's effort reporting processes. Sponsored Program will, based on the percent effort committed to the project, calculate the value of the cost shared effort and applicable fringe benefits. Reconciliation of effort reports and valuation will be performed at the time of preparation of sponsor required financial reporting.

3. Unrecovered indirect costs. Unrecovered indirect costs, including indirect costs on cost sharing or matching may be included as part of cost sharing or matching with the prior approval of the awarding agency. Unrecovered indirect cost means the difference between the amount charged to the award and the amount which could have been charged to the Federal award under CMU's approved negotiated indirect cost rate.
4. Institutional commitments toward the purchase of equipment on an equipment award. Institutional funds to meet an cost sharing obligation on an equipment grant will be reflect on the purchase order as a distribution of assignment to an institutional ORGN number and the remaining obligation to the sponsored project ORGN number.
5. Donation of buildings or land. For Federal awards, if a Federal awarding agency authorizes CMU to donate buildings or land for construction/facilities acquisition projects or long-term use, the value of the donated property for cost sharing or matching must be the lesser of provisions 1 and 2 below:
 1. The value of the remaining life of the property recorded in the non-Federal entity's accounting records at the time of donation.
 2. The current fair market value. However, when there is sufficient justification, the Federal awarding agency may approve the use of the current fair market value of the donated property, even if it exceeds the value described in (1) above at the time of donation.

Cost Share by Third Parties

Third party cost share is the commitment of resources or effort by a third party, such as a business or individual(s) to support a proposed activity. Donated property from third parties may include such items as equipment, office supplies, laboratory supplies, or workshop and classroom supplies. Value assessed to donated property included in the cost sharing or matching share cannot exceed the fair market value of the property at the time of the donation. For third-party in-kind contributions, the fair market value of goods and services must be documented in CMU records.

1. Volunteer services furnished by third-party professional and technical personnel, consultants, and other skilled and unskilled labor may be counted as cost sharing or matching if the service is an integral and necessary part of an approved project or program. Rates for third-party volunteer services must be consistent with those paid for similar work at CMU. In those instances in which the required skills are not found at CMU the rates must be consistent with those paid for similar work in the labor market in which CMU competes for the kind of services involved. In either case, paid fringe benefits that are reasonable, necessary, allocable, and otherwise allowable may be included in the valuation.
2. When a third-party organization furnishes the services of an employee, these services must be valued at the employee's regular rate of pay plus an amount of fringe benefits that is reasonable, necessary, allocable, and otherwise allowable, and indirect costs at either the third-party organization's approved federally negotiated indirect cost rate or, a rate in accordance with 2 CFR 200.414 Indirect (F&A) costs, paragraph (d), provided these services employ the same skill(s) for which the employee is normally paid. Where donated services are treated as indirect costs, indirect cost rates will separate the value of the donated services so that reimbursement for the donated services will not be made.
3. The value of donated property must be determined in accordance with the usual accounting practices of CMU, with the following qualifications:
 1. The value of donated land and buildings must not exceed its fair market value at the time of donation to CMU as established by an independent appraiser (e.g., certified real property appraiser or General Services Administration representative) and certified to by CMU as required by the Uniform Relocation Assistance and Real Property Acquisition

Policies Act of 1970, as amended, (42 U.S.C. 4601-4655) (Uniform Act) except as provided in the implementing regulations at 49 CFR part 24.

2. The value of donated equipment must not exceed the fair market value of equipment of the same age and condition at the time of donation.
3. The value of donated space must not exceed the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately-owned building in the same locality.
4. The value of loaned equipment must not exceed its fair rental value.

For Federal awards, the method used for determining cost sharing or matching for third-party-donated equipment, buildings and land for which title passes to CMU may differ according to the purpose of the award, if either 1 or 2 of this section applies.

1.
 1. If the purpose of the Federal award is to assist CMU in the acquisition of equipment, buildings or land, the aggregate value of the donated property may be claimed as cost sharing or matching.
If the purpose of the Federal award is to support activities that require the use of equipment,
 2. buildings or land, normally only depreciation charges for equipment and buildings may be made. However, the fair market value of equipment or other capital assets and fair rental charges for land may be allowed, provided that the Federal awarding agency has approved the charges. See 2 CFR 200.420 Considerations for selected items of cost.

Responsibility for Financial Award Management

The Project Directors and Principle Investigators are responsible for the financial oversight of their grants, contracts, and cooperative agreements. Additional oversight and support is provided by the Colorado Mesa University Office of Sponsored Programs, as well as the Controller's Office, Purchasing, and Human Resources.

Principal Investigator

Principal Investigator Responsibilities:

- Develop proposal budgets in accordance with this policy;
- Maintain fiscal oversight of their awards;
- Review expenditures on a monthly basis and correct overruns or errors, if necessary;
- Ensure that all disbursements are allowable and are authorized based on terms and conditions of the award;
- Ensure mandatory cost share commitments are accumulated and supported by documentation;
- Charge expenses to the appropriate account;
- Expend funds according to their approved budgets, within the project period, and in accordance with this policy;
- Inspect items received and be sure they are in acceptable condition; if not, contact procurement.
- Forward invoices sent directly by the vendor to Sponsored Programs or Accounts Payable for processing;
- Approve and train any individuals who have delegated expenditure authority on the requirements of the policy;
- Proper authorization and documentation of expenditures;
- Submission of justified prior approval requests, rebudgeting requests and cost transfers;

- Monitor all aspects of their subawards, including subawardee performance and approval of invoices;
- Notify OSP immediately upon discovery of issues involving a subawardee's performance;
- At the time of proposal submission disclose the expectation for program income or if program income was not anticipated at submission but subsequently earned it should be disclosed at the time of the generating activity; and
- Contact OSP if there are any changes that may require prior approval from the sponsor.

Department Head or Director

The department to which a project is assigned is also responsible for providing oversight for sponsored accounts assigned to the unit.

Procurement

Procurement's responsibilities include:

- Compliance with University and Board of Trustees procurement policies and regulations;
- Compliance with 2 CFR 200.317-200.326, for the procurement of goods under federally funded awards;
- Follow up on purchase orders, when necessary;
- Identify vendors and provide a list of suppliers;
- Initiate bid process for items that meet the institution or applicable federal bid requirement threshold,
- Negotiate with the vendor; and
- Maintain records required under 2 CFR 200.317-200.326.

Human Resources

Many awards contain funds for hiring personnel to implement projects. Detailed information on hiring procedures is provided by the Office of Human Resources. Information on leave, benefits and salary structure is also available.

Human Resource responsibilities include:

- Consistent application of the CMU's hiring, compensation, and benefit policies.
- Ensuring that compensation provided under federal awards is consistent with University policy and federal guidance provided in 2 CFR 200.430-421.

Office of Sponsored Projects

Office of Sponsored Projects (OSP) responsibilities include:

- Maintenance of the Policy on Financial Management of Sponsored Projects;
- Approval of proposed budgets being submitted to external sponsors on behalf of Colorado Mesa University;
- Assisting investigators with understanding the compliance requirements and expectations defined in this policy;
- Notification and transmittal of awarded project budgets and approved rebudgeting requests to the Business Office.
- Monitoring projects for compliance with the Colorado Mesa University policy and sponsor terms and conditions;

- Review of direct costs identified in proposals for compliance with this policy;
- Recording rebudgeting requests in the financial system;
- Approve and process cost transfers, when required;
- Contacting Project Directors or Principle Investigators if concerns are identified;
- Ensuring compliance with sponsor cost-related prior approval requirements;
- Ensure mandatory cost share commitments reflect allowable, reasonable, and necessary contributions, receive appropriate valuation,
- Approval of rebudgeting requests;
- Submission of sponsor prior approval requests; and
- Oversight of the effort reporting processes;
- Timely submission of invoices and financial reports;
- Reporting of cost share and program income;
- Timely award closeout; and
- Record retention compliance for records maintained by OSP.

Controller's Office

The Controller's Office responsibilities include:

- Maintenance of Colorado Mesa University's indirect cost policy;
- Timely creation of projects in the Colorado Mesa University's financial system;
- Definition of financial system project controls which are consistent with the award terms and conditions;
- Timely processing of letter of credit draw requests;
- Ensuring program is appropriately in fund draws, when applicable;
- Timely award closeout; and
- Record retention compliance for records maintained by the Controller's Office.

Noncompliance

Noncompliance with this policy and the sponsor's award terms and conditions can have significant implications for CMU and for those engaged in the management, oversight, and compliance with sponsored activity requirements, including the proposing, accumulating, and reporting of costs on sponsored awards. For CMU noncompliance can result in sanctions, refund of funds and potentially treble damages. Specific sanctions authorized under federal award management guidance includes:

1. Temporarily withhold cash payments pending correction of the deficiency or more severe enforcement action by the Federal awarding agency or pass-through entity.
2. Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
3. Wholly or partly suspend or terminate the award.
4. Initiate suspension or debarment proceedings
5. Withhold further Federal awards for the project or program.
6. Take other remedies that may be legally available, including the pursuit of criminal charges.

For individuals who engage in noncompliance with these requirements and those of an award's terms and conditions, both sponsors and CMU, can take other remedies and actions that may be legally available, including the pursuit of criminal charges.

The federal government requires CMU to assure that expenditures are proper and in accordance with the terms and conditions of the Federal award and approved project budgets, the annual and final

fiscal reports or vouchers requesting payment under the agreements includes certification to the fact that the individual who is authorized to legally bind CMU acknowledge that “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 objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729-3730 and 3801-3812).”

For federal awards CMU is also required to disclose, in a timely manner, in writing to the awarding agency or pass-through entity all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award. When made applicable noncompliance with 2 CFR 200 Appendix XII—Award Term and Condition for Recipient Integrity and Performance Matters, CMU will be required to report certain civil, criminal, or administrative proceedings to SAM. Failure to make required disclosures can result in any of the remedies described in this section.

Exhibits

Illustrations of Allowability for Charging Normally Indirect Costs Directly.

Exhibit 9.1: Illustrations of Allowability for Charging Normally Indirect Costs Directly.

Illustrations of costs which are not incurred for the same purpose:

1. An educational institution normally allocates special test equipment costs directly to sponsored agreements. The costs of general purpose test equipment are normally included in the indirect cost pool which is allocated to sponsored agreements. Both of these accounting practices were previously disclosed to the Government. Since both types of costs involved were not incurred for the same purpose in accordance with the criteria set forth in the educational institution's Disclosure Statement, the allocation of general purpose test equipment costs from the indirect cost pool to the sponsored agreement, in addition to the directly allocated special test equipment costs, is not considered a violation of the standard.
2. An educational institution proposes to perform a sponsored agreement which will require three firemen on 24-hour duty at a fixed-post to provide protection against damage to highly inflammable materials used on the sponsored agreement. The educational institution presently has a firefighting force of 10 employees for general protection of its facilities. The educational institution's costs for these latter firemen are treated as indirect costs and allocated to all sponsored agreements; however, it wants to allocate the three fixed-post firemen directly to the particular sponsored agreement requiring them and also allocate a portion of the cost of the general firefighting force to the same sponsored agreement. The educational institution may do so but only on condition that its disclosed practices indicate that the costs of the separate classes of firemen serve different purposes and that it is the educational institution's practice to allocate the general firefighting force indirectly and to allocate fixed-post firemen directly.