



## **AWARDS, EXPENDITURES AND ALLOWABILITY**

### **POLICY 3.1.01**

#### **PURPOSE:**

To set forth the principles for managing sponsored project funds and to provide for consistent compliance with the federal Uniform Guidance 2 CFR200 under which all federal funds must be managed.

#### **POLICY:**

For consistency purposes, the Center for Veterans Research and Education (CVRE) applies the basic principles of the federal Uniform Guidance to all other sponsored projects. Some funds held at the CVRE are not sponsored funding and may be allowed additional flexibility. This policy should clarify those exceptions.

This policy provides the general principles for managing accounts held in CVRE including all sponsored projects and residual accounts. In addition, some sponsors have the authority to approve what would otherwise be considered an unallowable cost and the sponsor's determination will provide sufficient justification for allowance.

CVRE is not able to finance or make arrangements to finance awards for which funding is not secured in advance, nor may the PI make expenditures before or after the dates of the award (period of performance). This date restriction applies to all purchases and payroll charges.

#### **PROCEDURES:**

##### **I. Awards**

Institutional policy requires that grant income be used for the purpose for which the income was awarded. As a result, "fund accounting" procedures are utilized, and each project must have its own unique account number.

Funds will not be dispersed, nor an award set up, for payments received that have no corresponding documentation. Therefore, it is necessary that PIs follow proposal or contractual guidelines to prevent the loss of time and possibly funds.

##### Procedures for Award Set Up:

###### ◦ Receipt of Award:

At the time the award document is received, the CVRE accountant will assign an account number which is to be used on all financial transactions. The financial billing or reporting date is noted and all necessary reports will be prepared as of these dates. CVRE will not accept checks unless accompanied by documentation that provides direction for the use of those funds. CVRE will not accept cash for deposit in accounts.

###### ◦ Normal Approval for establishing award accounts:

Grant awards and finalized contract notifications are normally issued before the actual start date. Accounts are then established, and expenditures can be made on the first day of the award.

## II. Expenditures

### Procedures regarding Expenditures:

- Payroll over-expenditures: Any payroll over-expenditures will be the responsibility of the PI. Employees must be transferred off the project by notifying CVRE.
- Inadequate funding within the project period: The PI should be aware of account balances and monitor the availability of funds. However, if the PI overspends the budget of a project between the start and end dates, it is the responsibility of the PI to reconcile those expenditures; *purchases will automatically be rejected during that period*. CVRE will communicate cost overruns to the PI and Department within 30 (thirty) days.
- Post expiration expenditures: CVRE will not honor expenditures that are dated after the expiration of the award.
- CVRE will notify the PI of the approaching end date of the grant 60 (sixty) days before the closing date of the grant. Failure to respond or failure to receive the notification will not be grounds to alter this policy.
- Internal and external billing expenses: Because most funding agencies require final financial reports to be submitted 90 (ninety) calendar days after the award expiration, all internal and external billing will need to be submitted no later than 60 (sixty) calendar days from the award end date. Any invoice, whether internal or external, that has been approved prior to the end date and sent to CVRE within that sixty-day period will be honored and charged to the grant if it is within the period of performance. Vendors should be communicated with to explain the time constraints for receiving invoices at the end of a project. Invoices that are not received within that sixty-day period will not be honored. It will be the responsibility of the PI to pay those expenditures by other means (other than another sponsored project).

## III. Allowable Costs

One of the most important underlying principles for determining the allowability and appropriateness of charges is ensuring that transactions are adequately documented. Adequate documentation includes an invoice or receipt that identifies WHAT was purchased, WHERE it was purchased, and WHO purchased it. In addition, WHEN it was purchased may also be a deciding factor on allowability. Adequate documentation is necessary to determine allowability and appropriateness.

The Principal Investigator (PI) or other responsible party overseeing an account and his/her unit are ultimately responsible for the allowability and appropriateness of expenditures charged to a sponsored project or residual account. The PI is in the position to determine the best use of his/her funds and should rely on the basic principles of the Uniform Guidance for allowability. Judgment on the reasonableness of all expenditures, and especially in the case of hospitality, is the responsibility of the department or unit managing the project or fund account. Certain types of expenditures are never allowable, except as noted below.

Allowable costs are those that are reasonable to the project; allocable; consistent; and conform to the restrictions set forth in the Uniform Guidance and the guiding principles of the sponsoring agency. CVRE has the responsibility to ensure that the costs assigned to a sponsored project are allowable, applicable, reasonable, and treated in a consistent manner according to these costing principles. Allowability of costs on federally funded projects is subject to the guiding principles set forth in 2 CFR part 200 Uniform Guidance.

- An allowable cost is a cost that has been accounted for in the terms of agreement for the project.
- A reasonable cost is a cost that a prudent person would incur that is within the scope of the project.

- An allocable cost is a cost that is directly related to the sponsored agreement that specifically furthers the work of the project.
- A consistent cost is a cost that is treated in the same manner and placed in the same category as on other projects.

By applying prudent practices to costing decisions, one may determine whether a cost is allowable to a project. Questions to ask to determine the allowability of a cost are:

- Is the cost necessary for the continuation of the project?
- Is the cost reasonable to the scope of the project?
- Is there an "arm's length" in the transaction to avoid conflict-of-interest issues?
- Would the cost survive public scrutiny, i.e. the "front page" test?
- Is the cost acceptable under the policies of the CVRE?

If any of the answers to the above questions in relation to your cost is "no", the cost is not likely to be allowable. If an unallowable cost has been applied to a federally funded project, the cost must be transferred off the project to a non-sponsored (residual) account.

IV. Unallowable expenditures include, but are not limited to, those set forth below and in 2 CFR Part 200:

- Alcoholic beverages charged to any fund account unless the use is for an official business purpose, for cooking, research, or course study. No funds may be used for the purchase of alcoholic beverages.
- Flowers or gifts of any kind in connection with the illness, death or personal benefit of employees or family members.
- Any item of personal benefit to the recipient as the Internal Revenue Service considers such items to have a taxable nature.

**EXCEPTIONS:**

None

**APPLIES TO:**

CVRE researchers and staff

**CONTACTS:**

Executive Director, 617-467-5732

**RELATED:**

Uniform Guidance 2CFR200 <http://www.ecfr.gov/cgi-bin/text-idx?SID=53037da1f61ee252f5191a22acc9851d&mc=true&node=pt2.1.200&rgn=div5>

**BOARD APPROVED:**

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