SECTION IX – Conducting the Funded Project

The acceptance of funds from external sponsors carries with it certain complex technical and administrative responsibilities requiring strict accountability. It is important to remember that funds are awarded to institutions, not to the individuals responsible for the conduct of the project. While the awards are made because of the special competence of faculty members, it is the institution which assumes full legal responsibility for the funds and for ensuring that those funds are used for the purpose and subject to the conditions of the award.

Principal investigators have certain administrative and reporting responsibilities in addition to the actual execution of the research. It is the responsibility of the Principal Investigator to familiarize him/herself with the requirements specified in the award. Sponsored Programs provides support during the life of the sponsored project to help ensure successful completion and guard against any unexpected financial liability, e.g., disallowances. This section explains some of the more important of these responsibilities.

Initiating the Project

When proposals are approved by sponsors for support, an official notification of award will be sent to the University. Some agencies, such as NSF and NIH provide the Notice of Grant award electronically. Some send letters with no signature requirements, while others will send a multi-page document which must be reviewed, negotiated and authorized by designated Senior Research Administrators in Sponsored Programs and signed by the Vice President for Research or his authorized designee. Although the award format varies among sponsors, there is certain information common to all:

- Award number
- Name of principal investigator(s)
- Amount of the award
- Period of performance
- Technical reporting requirements
- Financial reporting requirements
- Terms and conditions which apply to the award

When an award is fully executed and all approvals, including any approvals required from Regulatory Compliance, are in place Sponsored Programs creates a unique account for each award. The account number will be four digits preceded by the Sponsored Programs fund designation of 5-3: 5-3XXXX.

When an account is created, the process generates a "project start" abstract, which is sent by e-mail to the Principal Investigator, the college and department. Project information can be accessed from the Research Project Status (RPS) screen. The first page of the abstract provides the basic information on the award and establishes the budget on the University Financial Reporting System (FRS). Information in the FRS, the only official accounting system of the University, is the basis for numerous financial statements including financial reports and/or invoices to external sponsors. The second page contains information (known as attributes),
which may be used to generate a variety of other University reports: expenditures by individual sponsor, department/college; amount of facilities and administrative costs (F&A) generated, etc. It also contains valuable information for Sponsored Programs accounting technicians on requirements related to invoicing and reporting information to the sponsor.

If the project involves cost sharing, whether mandatory or voluntary, a cost share account must be created along with the 5-3 account. Details on cost sharing can be found in Section VIII, Cost Sharing.

Of particular importance to principal investigators are the "REPORTS" and "REMARKS" sections of the abstract which will list key conditions of the award, such as a schedule of required technical reports and any prior approvals that may be required. Be sure to look at these sections as soon as you receive the e-mail notification that your account has been established.

Every change needed on the official project record (e.g. additional funding, budget reallocations, extensions of time, etc.) will be reflected by a new "abstract notification" e-mail. A hard copy of each action is maintained in Sponsored Programs. Most changes affect only page one of the abstract. Copies of each action are sent electronically to:

- Principal investigator
- The responsible department
- The responsible college

Principal Investigators should consult the Sponsored Programs Research Administrator(s) assigned to their college for assistance with any administrative or managerial problems which may arise. It is recommended that principal investigators and the departmental support staff meet with the Research Administrator(s) at the start of the project to be sure all administrative considerations are identified and understood.

**Senior Research Administrators**

The responsibilities of the Senior Research Administrators include, but are not limited to:

- Supervise and manage the team responsible for the assigned college,
- Serve as the primary institutional representative of the University in approving and submitting proposals,
- Review, negotiate and approve for execution grants, contracts, Material Transfer Agreements (MTA’s) and non-disclosure agreements (NDA’s),
- Ensure compliance with university, state, federal and sponsor requirements,
- Assist in developing policies and procedures for conducting sponsored activities, and
- Provide individual guidance and training programs to principal investigators and the campus community.

**Research Administrators**
The responsibilities of the Research Administrators include, but are not limited to:

- Provide guidance to faculty and staff regarding proper application and adaptation of federal, state and university rules and regulations in development of proposals, including electronic submission,
- Review and authorize submission of proposals,
- Assist Senior Research Administrator in providing administrative oversight of assigned contracts and grants to ensure compliance, and,
- Conduct formal and informal training sessions related to proposal submission and research administration for faculty and staff.

**Sponsored Programs Accounting Staff**

The responsibilities of accounting technicians include, but are not limited to:

- Create accounts on the University’s FRS,
- Monitor accounts for accuracy and allowability of expenditures throughout the life of the project,*
- Invoice and financial reporting to sponsors,
- Identify and deposit receipts from sponsors to the proper accounts,
- Approve all 5-3 fund payroll expense transfers and CIS correcting journal entries, and
- Respond to questions and problems from faculty and staff.

*See “Monitoring the Financial Status of a Project” in this section.

**Financial Business Manager**

The responsibilities of the Financial Business Manager include but are not limited to

- Prepare various management reports for Sponsored Programs and the University administration,
- Draw funds from federal agencies not invoiced by accounting technicians
- Create and monitor 88 accounts,
- Close out accounts within the 5-3 fund group for fiscal year end,
- Prepare work papers for fiscal year end closing which is consolidated in the Restricted Funds for reporting in Colorado State's year-end financial statements, and
- Respond to State and Federal auditors on 5-3 fund accounts.

A list of Sponsored Programs Team assignments may be found at: [http://web.research.colostate.edu/osp/pdf/osporgchart.pdf](http://web.research.colostate.edu/osp/pdf/osporgchart.pdf).

**Principal Investigator Files**

At the start of a project, the principal investigator should set up project files, which include at a minimum:
The proposal,
The award document,
The project summary and abstract forms,
A schedule of report due dates, and
Any other information which may be needed for reference.

Department Files

At the start of a project, a department staff member should be assigned responsibility for the account. This person should set up a project file, which includes the following:

- The proposal and budget,
- The award document,
- The project summary and abstract forms,
- FRS reports, and
- Any other pertinent information.

Information Sources

The manuals listed below contain not only general information about operations at Colorado State University, but also some special procedures which are of particular importance to sponsored projects. All are available electronically. **It is important to become familiar enough with these manuals to know where to look for the information you need.**

**Academic Faculty and Administrative Professional Staff Manual**
[http://facultycouncil.colostate.edu/files/manual/table.html](http://facultycouncil.colostate.edu/files/manual/table.html)

Some sections of particular interest on sponsored projects in this manual are:

- **D.7** Conditions of Employment for Academic Faculty and Administrative Professionals
- **D.7.2** Supplemental Pay Policy
- **D.7.7** Conflict of Interest
- **D.9** Code of Ethical Behavior
- **D.7.15.2** Policy on Classified Research
- **D.7.16** University Policy on Patentable Inventions or Discoveries
- **J.1-12** Rights and Responsibilities Related to Creative Work

**Human Resource Services Manual**
[http://www.hrs.colostate.edu/hrsmn/manual.html](http://www.hrs.colostate.edu/hrsmn/manual.html)

In addition to information about hiring, processing appointments and hourly timesheets, two sections of particular interest are:
Section 8 – Management Reports. This section describes the various reports distributed by the Payroll Section which provide essential information on salary charges for all employees.

Section 9 – Certification Reporting. Every PI should review this section and ensure that salaries for all personnel working on their project reasonably reflect the amount of effort being expended and the correct time frame.

Purchasing Manual
http://www.purchasing.colostate.edu/pages/pmanual.asp

- Section 8, Contracts
- Section 39, Sponsored Programs - subcontracting

http://busfin.colostate.edu/frs/frsmanual.pdf

Financial Policy and Procedure Instructions
http://busfin.colostate.edu/fpi.aspx

- FPI - B-1 Signature authorization
- FPI - D-3 Travel and Recruitment
- FPI - F-1 Property accounting
- FPI - F-3 Work-in-progress – equipment fabrication
- FPI - H-4 Gift funds
- FPI - H-6 Journal entry corrections
- FPI - I-1 Lease agreements, rent and use charges
- FPI - J-6 External auditors
- FPI - J-7 Record Retention

Signatures Required to Expend Project Funds

Authority to sign documents committing University funds is restricted to those individuals formally assigned such authority. The procedure is detailed in FPI B-1, Signature authorization, details the University’s policy and the procedure for becoming an authorized signatory. Since individual department/college policies do vary, the department head should be consulted.

Principal investigators are responsible for the expenditure of funds on their projects. If other department/college staff will be authorizing expenditures on your project(s), it is important that they be given sufficient information to ensure that charges are correct, timely, and in compliance with the terms and conditions of the award.

The following points should be checked by departmental personnel prior to issuing a purchasing document:

- Is the project period current?
- Are there sufficient funds available?
• Is the sub-code correct?
• Is the charge appropriate and beneficial to the project?
• If required, has sponsor approval been obtained?
• If the payment is to a consultant, has an independent contractor agreement been signed?
• If equipment, does the award allow equipment purchases and is it sub-coded to correctly reflect title? (Note: equipment purchases are not permitted in the last 90 days of a project)
• Does the description of the charge or justification of travel, for example, adequately justify the charge in terms of project needs?

Advance Project Number Request

Special authorization to commit the University to expenditures before receipt of a fully executed award document may be given if the following conditions exist:

• Sponsored Programs has determined that the eventual receipt of an award is a virtual certainty,
• Lack of authorization for expenditure would create a serious hardship upon the program,
• The department and/or college assume(s) responsibility for such expenditures in the event the award is not received.

Such requests are to be made on Sponsored Programs Form SP-2, Advance Project Number Request.

Program Income

The federal government encourages grantees to earn program income whenever possible as a way to defray program costs. Program income may be used to meet cost sharing or matching requirements or add to the funds already committed to the grant. The University is accountable for the use of such income. Program income may come from a number of sources, both federal and non-federal; the following are typical examples:

• Sale of publications, videos, or other items developed under an award,
• Fees for services performed, e.g., lab analyses, diagnostic evaluations, etc.,
• Fees from participants, e.g., workshops, training programs, etc., and
• Fees from use or rental of property/equipment acquired with grant funds.

Program income is the gross income generated by the funded activity. We can deduct the costs of generating program income only when specifically permitted under the federal agency’s regulations or the terms of a specific award.

Income which is not defined as program income:

Some sources of income are excluded from the definition of program income and thereby exempt from federal restrictions. Examples include:
• Interest on cash advances from federal agencies. Such cash is considered to belong to the federal government.
• Copyright and patent royalties and license fees received as a result of the funded activity, unless provided otherwise in the agreement.
• Proceeds from sale of real property and equipment, which is governed by A-110.

Alternatives for the use of program income:

The federal government provides three options for the use of program income. Each of these three options is illustrated below for a project budget of $100,000, with 80% participation by the federal sponsor and 20% participation by the recipient; program income is estimated to be $10,000.

• The additive alternative. Using the additive alternative, which also must be specifically approved by the sponsor, program income is used to supplement funds already committed to the project by both the sponsor and the recipient. For research awards, the additive method will apply if no other method is stipulated in the sponsor’s regulations or in the terms of the specific agreement (i.e., this is the default method for research awards).

  EXAMPLE:  
  Program Income  = $  10,000  
  Recipient Share  =  20,000  
  Sponsor Share  =  80,000  
  Total Project Costs  = $  110,000

• The matching alternative. Using the matching alternative, which must be specifically approved by the sponsor, program income is applied to the recipient share only.

  EXAMPLE:  
  Program Income  = $  10,000  
  Recipient Share  =  10,000  
  Sponsor Share  =  80,000  
  Total Project Cost  = $  100,000

• The deductive alternative. Unless the sponsoring agency’s regulations or the terms of the agreement provide otherwise, the deductive alternative is the option in effect (i.e., the default option), except for research agreements. Under the deductive alternative method, income is applied toward the allowable project costs during the period of the grant to reduce the net cost of the shares of both the federal sponsor and the recipient.

  EXAMPLE:  
  Program Income  = $  10,000  
  Recipient Share  =  18,000 (apply 20% of income)  
  Sponsor Share  =  72,000 (apply 80% of income)  
  Total Project Cost  = $  100,000

Showing program income in proposal budgets:
The most important factor in correctly accounting for program income is to structure the proposal budget in a way which accurately reflects the intended use of the income:

- To increase the amount of funds already committed to the project by the sponsor and the University (additive alternative). For research awards, the additive method will apply automatically unless the sponsoring agency indicates one of the other options in the terms and conditions of the specific award or in their regulations.
- To reduce the University’s share of the project cost (matching alternative); or
- To reduce the total cost of the project (deductive alternative). Under the deductive method, a grantee subtracts program income from total project costs to determine the new allowable costs on which the federal share of costs is based. This is the default method for non-research activities.

The method for using program income detailed in the proposal budget must then be reflected in the award, or the default methods described above will apply. If the sponsor approves either the matching or additive alternatives in the award, the University must account for any program income in excess of the approved limits in accordance with the deductive alternative, unless the sponsor approves an increase of the limit.

**Accounting for program income:**

The accounting procedure selected for program income is determined by the method to be used:

- For the additive alternative, a dedicated cost share account (5-399XX) would be used to accumulate the income as well as the expenses. This prevents commingling sponsor funds with program income for an increased budget.
- For the matching alternative, program income would be accumulated in a dedicated 5-3 cost share account, assigned in the same sponsor series. If the income is from a conference or training course administered in another fund (e.g., 1-2 or 2-6), the balance remaining after expenses were paid would be transferred into the 5-3 cost share account.
- For the deductive alternative, program income would be deposited directly to the 5-3 account as a reimbursement to expense.

**University’s obligation to the federal government:**

Unless federal sponsoring agency regulations or the terms of an award provide otherwise, the University has no obligation to the federal government for program income earned after the end of the grant period. In applications for renewal or continuation grants which are generating program income, such income will generally need to be reflected on the grant applications. Check sponsor guidelines for specific requirements.

Recipients shall have no obligation to the Federal Government with respect to program income earned from license fees and royalties for copyrighted material, patents, patent applications, trademarks, and inventions produced under an award. However, Patent and Trademark Amendments (35 U.S.C.18) apply to inventions made under an experimental, developmental, or research award.
Requirements for Sponsor Approvals

Some types of expenditures require the prior approval of the sponsor, even though they may have been listed in the proposal budget. This is especially true of contracts and is sometimes overlooked by principal investigators. The consequences are sometimes frustrating, inconvenient, and even embarrassing. **One cannot over-emphasize the importance of knowing which expenditures require prior approval and obtaining it in advance of the planned activity.**

If you anticipate expenditures which may require prior approval under the terms and conditions of your grant or contract, contact your Research Administrator(s) for assistance. This should be done sufficiently in advance of the planned activity in order to avoid an interruption to program activities due to a delay in obtaining sponsor approval.

Federal Demonstration Partnership

The Federal Demonstration Partnership (FDP) of which CSU is a participant is a cooperative initiative among 10 federal agencies and numerous institutional recipients of federal funds. The FDP was established to increase research productivity by streamlining the administrative process and minimizing the administrative burden on principal investigators while maintaining effective stewardship of federal funds.

One of the benefits of the FDP is the waiver of certain administrative requirements. For example, the FDP allows the following without prior approval:

- Pre-award costs up to 90 days,
- Initial no-cost extension of up to 12 months (per competitive segment),
- Carry-forward of unexpended balances to subsequent funding periods,
- Rebudgeting among budget categories, and
- Rebudgeting between direct and F&A costs.

Although the FDP allows considerable flexibility in an award, prior approval is still required for certain situations:

- Change in scope of work,
- Supplemental Pay for University staff,
- Absence or change in PI,
- Need for additional funding,
- Pre-award costs of more than 90 days,
- Subsequent no-cost extension or extension of more than 12 months, and
- Remodeling or alteration of facilities.

If disallowances, due to inadequate approvals, are identified by an audit, the department and college are responsible for covering these costs.

**Cost Principles**

The Federal government has established cost principles (OMB Circular A-21) for determining what costs may be charged to grants, contracts, and other agreements with educational institutions. The principles are designed to provide that the Federal Government bear its fair share of total costs, determined in accordance with generally accepted accounting principles. These cost principles can be found at [http://www.whitehouse.gov/omb/circulars/a021/a021.html](http://www.whitehouse.gov/omb/circulars/a021/a021.html).

Section XIII, Cost Principles, of this manual provides a list of some of the more common examples of costs which are allowable as well as those which are unallowable. Individual categories of costs, such as salaries, travel, equipment, etc., are covered in this section.

**Cash Transactions**

**Receipts from Sponsors**

Occasionally, sponsors may send checks directly to a department or to a principal investigator. In such cases, the check must be delivered to the University Cashier’s Office on the same day as received. Include with the check the envelope and all documents accompanying the check. It is the responsibility of the Cashier’s Office to send copies of the check and documentation to Sponsored Programs for deposit into the University CashNet system.

**Disbursements from Petty Cash**

The expenditure of projects funds should be accomplished through the use of University expenditure documents. However, there may be occasions when an employee will pay cash for something for the benefit of the project, which will be reimbursed through a "petty cash" fund. The procedure to be followed is detailed in FPI G-1.

**Subcontracting**

The subcontracting procedure can be lengthy. Principal investigators should allow up to one month for formalizing a subcontracting arrangement. When a project is awarded which includes a subcontract(s) in the proposal (Section V, Proposal Submission Policies and Procedures), Sponsored Programs will obtain the following additional information from the subcontractor(s) and/or the PI in order to formalize the subcontract(s):

- A copy of the subcontractor's most recent negotiated indirect cost rate agreement (as well as negotiated agreements on other applicable rates, such as fee, general & administrative, fringe benefits, etc.),
- A Certificate of Current Cost & Pricing Data, if applicable (a standard form certifying the appropriateness of the subcontractor's pricing),
- A copy of the subcontractor’s most recently released financial statement and report of audit findings, or a certification that there were no findings,
• A Request to Issue a Subcontract form, concerning source selection and cost/price
determination (to be filled out by the PI), and.
• A signed copy of the subcontract document.

When all the above information has been obtained and analyzed, and all points of contention
negotiated, the subcontract is executed on behalf of the University and a fully executed copy is
returned to the subcontractor.

The Principal Investigator is responsible for monitoring the subcontractor's technical
performance and expenditures. The Principal Investigator’s signature, which is required on all
payments to the subcontractor, constitutes acceptance of the subcontractor's performance and
costs incurred. Any anticipated deviation from the executed subcontract, including changes in
the anticipated costs, should be promptly reported to the Sponsored Programs Subcontract
Administrator.

**Monitoring the Financial Status of a Project**

The University Financial Reporting System (FRS) is the only accounting system authorized by
the University for the accumulation of financial transactions, which are to serve as the basis for
reports to sponsors. Monthly FRS reports, available through e-print, provide the following
important information:

• Project budget
• Current month expenditures by category (sub-code)
• Encumbrances by category (sub-code)
• Total project expenditures to date
• Unexpended, unencumbered balance available

A summary of this information can also be found on the Research Project Status (RPS) screen.

The Principal Investigator and departmental accounting technician assigned to the project, are
responsible for reviewing these reports to assure that (1) expenditures reported are correct, and
(2) applicable expenditures (including encumbrances) appear on the report. Correct distribution
of salary charges should be given special attention. If there are errors or omissions, it is critical
that corrections are made as soon as possible to ensure the reliability of accounting data to be
reported to the sponsor.

Careful budgeting near the end of a project is important to avoid cost overruns. Particular
attention needs to be given to charges which may be initiated without a procurement document,
such as instructional services, lab services, mail services, etc., and which, therefore, could be
overlooked when doing final budget planning. Additional information about financial reporting
at project completion is contained later in this section.

The [Financial Records System Accounting System Users Manual](#) provides complete information
on the University's accounting system. Principal investigators should consult department and/or
college staff for assistance in this area.
Cost Transfers

Federal auditors carefully examine and often strongly criticize the transfer of costs made by universities. Rigid compliance with CSU's policy on cost transfers and thorough explanation and documentation showing such compliance is essential to avoid audit criticism and possible disallowances (see FPI H-6, Journal Entry Corrections). Use CIS to create correcting journal entries. Every effort should be made to ensure that the initial charge and credit are recorded in the proper account number and expenditure sub-code. Changes may be authorized in certain circumstances, which are described in the financial procedure. It is important that each correcting entry be processed promptly after the discovery of the respective error. Transfers involving federally funded projects must be submitted within 90 days following the recording of the original charge. Excessive transfer of costs among projects is viewed as an indication that project management is less than adequate. Transfers made at project completion raise a flag to auditors that transfers are being made to (1) move over-expenditures to another account, or (2) to utilize excess funds remaining; neither of these circumstances is allowable and the audit risk is high.

Over-Expenditures

Principal investigators carry the responsibility for ensuring that project expenditures stay within the budget. By following the procedures outlined in this manual, the likelihood of an over-expenditure should be significantly reduced. However, when a project is overspent, the responsible department must provide funds to cover the over expenditure.

Sponsored Programs reviews the FRS reports for all 5-3 Fund projects which are over-expended. Unless additional funding or some other action to clear the account is pending, departments will be notified of the need to take action to clear the deficit. Departments will be given 60 days in which to remove all over expenditures. At the end of 60 days, if expenditures remain, a list of those remaining over expenditures will be given to the Director of Business and Financial Services for final resolution.

Deficit projects which have been completed, including submission of the final financial report to the sponsor, must be cleared upon notification from Sponsored Programs. University policy prescribes that over-expended projects are to be charged to the college resident instruction or RA/RSP accounts.

No-Cost Extensions

Completion of projects by the end of the authorized period of performance and submission of performance reports according to sponsor requirements are very important. However, circumstances beyond the control of the principal investigator may prevent the completion of the work and/or the submission of the report as scheduled.

If a principal investigator anticipates a delay, he/she should contact the Sponsored Programs Research Administrator responsible for his/her project. No cost extensions vary from sponsor to
sponsor. If the award is an FDP award, the project can be extended by Sponsored Programs with notification to the Sponsor. Most sponsors require that this be done 30 days prior to project end. In this case, the PI should send a written request (e-mail), justification and extension period to the SP Research Administrator.

When an award is not an FDP award, it is important to notify the sponsor as soon as possible - as much as 90 days in advance of the ending date. Information typically needed by the sponsor includes:

- Justification for the request,
- Extension period being requested,
- Statement of work completed and work remaining, and
- Statement of funds expended and budget for remaining work.

**Cost-of-Education and Institutional Allowance Funds**

A number of federally sponsored programs which award fellowships to both graduate students and postdoctoral scholars also provide the University with a cost-of-education or similar institutional allowance. Even though the methods of receiving these funds may vary, a consistent method of accounting for the funds should be employed.

When the National Science Foundation (NSF) awards a Graduate Fellowship and authorizes a cost-of-education allowance with it, this is charged to the NSF letter of credit on the basis of the Fellow's tenure. The institution becomes entitled to one-half of the allowance when the Fellow begins tenure. If the Fellow remains on tenure beyond the following academic term, the institution becomes entitled to the remainder of the allowance. A separate account is established to disburse these funds. The account series 5-337XX is used for this purpose.

National Institutes of Health (NIH) Individual National Research Service Awards are submitted by the faculty sponsor and awarded to Colorado State University. A 5-3 account is established from which the stipend and certain allowances are paid. One-half of the institutional allowance is drawn by letter of credit at the beginning of the fellowship. The final half is drawn six months later. A separate account (5-337XX) is used to disburse the institutional allowance.

Some postdoctoral fellowship grants are applied for by, and awarded directly to, the individual. Stipends and special allowances are paid directly to the Fellow. An institutional allowance may be paid directly to the University at the start of the award, often with a check being mailed directly to the academic department sponsoring the Fellow. Such checks should be forwarded to Sponsored Programs with a SP-1 so that a separate 5-337XX account can be established for the disbursement of these funds.

Most institutional allowances are not restricted in their usage. Items purchased, including equipment, are the property of the University.

If there are questions concerning this procedure, please contact the Sponsored Programs Research Administrator responsible for your college.
Reporting to the Sponsor

Performance/Technical Reporting

The main product of most university research is a written report or series of reports, and principal investigators should ensure that reports are completed and submitted in a timely manner. Typically, sponsors require at a minimum annual progress and final reports. It is the responsibility of the principal investigator to know sponsor requirements for performance reporting.

Reports should be prepared according to the instructions provided by the sponsor. If no specific format is provided, the principal investigator should, at a minimum, provide a statement of progress in achieving the stated goals and a list of results (both positive and negative).

The three most common performance reporting problems are late submission, lack of completeness and inaccuracy. If delays beyond your control prevent a timely report, the sponsor should be notified and an extension requested.

A copy of the transmittal letter of the final report MUST be provided to Sponsored Programs in order for SP to complete the close out process of the project.

Delinquent reports may cause a sponsor to:

- Postpone action on further awards, continuations or extensions until all reports are received. (This action is usually directed at individual investigators, but also may be directed at the institution as a whole),
- Withhold payment of invoices, and
- Suspend the award.

Failure to submit reports within a reasonable time will necessitate Sponsored Programs notifying the principal investigator's department head or dean, who may take such tardiness into consideration when evaluating the performance of faculty.

Any deficit resulting from a sponsor's refusal to reimburse the University for allowable expenditures due to the failure of a principal investigator to submit the required, acceptable technical report(s) will be the department’s responsibility.

While final reports are directed chiefly to the sponsor, principal investigators should recognize other interest areas and the University's ultimate accountability to the public. Since the University is committed to making research results available without restriction, it is reasonable to budget for informational services in addition to formal reports to sponsors. All reports should be circulated wherever appropriate to achieve the desired impact.

Most sponsors require that written materials contain an acknowledgement of their support, including the award number. Some sponsors require a disclaimer as well. This information can
usually be found in the award document. If you are not familiar with your sponsor's requirements, contact the Sponsored Programs Research Administrator.

Financial Reporting

Federal regulations require that final financial reports be submitted within ninety (90) days of the project completion date. When Colorado State University is a sub-recipient of another organization which has a Federal prime award, it has only sixty (60) days within which to submit the final financial report in order for the prime recipient to meet the 90-day requirement.

Both sponsoring agencies and auditors are increasing their monitoring of recipients for compliance with these reporting requirements.

Along with the increased emphasis on timeliness of report submission, sponsors are often unwilling to accept "revised" final reports. Requests to submit revised final reports reflect badly on the institution as well as the principal investigator; it is viewed as an indication that project management is less than adequate.

Consequently, it is extremely important that principal investigators and their units ensure that all project charges are complete and accurate on the FRS at the time a project ends. If the final report includes inappropriate charges, we risk disallowance; if it does not include all appropriate charges, we are not collecting all costs to which we are entitled and other University funds must cover the shortfall.

Whenever adjustments are needed to establish the correct project amounts to be reported to the sponsor after the project end date, it is the responsibility of the principal investigator and/or the responsible unit to immediately notify the Sponsored Programs accounting technician of this fact and to complete all necessary transactions within sixty (60) days after the project end date. Transactions submitted after the 60-day period in most cases will not be accepted. In order to ensure accuracy in the financial report to be submitted, the account will be frozen at that time and the financial report to the sponsor will be prepared from the official University accounting record (FRS) as reflected at the time the account was frozen.

Project Completion Notice

Sponsored Programs issues a Project Completion Notice approximately ninety (90) days prior to the project end date. This notice is sent to the principal investigator, the responsible department, and the responsible college. The purpose is to provide an early reminder that the project is nearing completion and that certain details must be addressed.

The notice provides the following information:

- Project Number and scheduled end date,
- Request to contact Sponsored Programs if continuation funding is expected or if the project cannot be completed by that date, including the technical report, so that a no-cost extension may be requested,
• Financial Information including:
  o Date final financial report is due to sponsor,
  o Balance remaining on FRS ninety days before the end date,
  o Date all expenditures and adjustments must be completed and processed through the system and date on which the account will be frozen,
  o Amount of cost share requirement, if any, and
  o Name of accounting technician to contact about the financial issues on the project

• Technical Information including:
  o Information on technical report(s),
  o Name of Research Administrator to contact for assistance, and
  o Request for copy of transmittal letter of the final technical report

A review of project status at the time the notice is received should allow adequate time to plan an orderly completion, with a timely submission of all required reports

**Project Closeout**

As a general rule, federal projects should be reviewed for close out requirements approximately 60 days after the project end date or as may be required by the terms and conditions of the agreement. Each sponsor has its own detailed close out requirements which must be followed. At a minimum most federal sponsors require submission of final financial and technical reports within 90 days of the end date. Patent and equipment reports may also be required.

If Sponsored Programs has not received notification from the Principal Investigator that the final technical report has been submitted, a letter is sent to the PI requesting documentation that the final report has been submitted along with any other documentation required for the close out (e.g. patent reports). Property Accounting is notified if equipment reports are required. If there has been no response from the Principal Investigator within 30 days, a second letter is sent to the PI, the department head and the Research Associate Dean of the college. Should there be no response in another 60 days, depending on the circumstances, the Associate Vice President for Research may be notified.

When all information and final payment have been received and entered into the data base, the project is closed and retained as required under the terms and conditions of the award.

**Records Retention**

Federal regulations require that all financial records, supporting documents, statistical records, and all other records pertinent to a federally funded agreement be retained throughout the period of performance and for a minimum period of three years after the end of the project. For some projects the retention period may be longer. Failure to retain required documentation may result in certain disallowances in the event of an audit.

In the event that any litigation, claim, or audit is started before the end of the specified retention period, the documentation must be retained until all issues have been resolved.
The University's policy on retention of documents can be found in Section J-7 of the Financial Policy and Procedure Manual. This policy states the general retention period for various University documents, e.g., journal entries, purchase requisitions and DPO's. As indicated in this policy, the University's period for retaining original documentation in support of expenditures on sponsored agreements may be less than required for the period of a sponsored agreement plus the subsequent three-year retention period. For example, a purchase requisition issued at the start of a three-year project, plus the three-year retention period, would need to be retained for a six-year period for audit purposes, while the University's retention period for that document could be only five years from date of issue.

By University policy, **departments and/or principal investigators are responsible for retaining pertinent documentation on individual sponsored projects.** Such documentation would include not only financial transactions and time and effort certifications, but statistical data, such as lab books, data tapes, graphs, case studies, field notes, original samples in unanalyzed form, and reports as well. In some situations, it may be possible to substitute microfiche copies in lieu of original records. On some agreements, particularly contracts, a sponsor may request transfer of certain records to its custody; in that situation, the three-year retention period does not apply. Contact your Sponsored Programs Research Administrator for information related to specific projects.

Sponsored Programs is responsible for retaining (1) the official contract files, including the original award and any amendments, required sponsor approvals, and subcontracts; and (2) the official accounting records, including financial transaction reports and invoices. When the required retention period has expired, and there are no unresolved issues, these records are destroyed.

Federal record retention provisions allow the Federal Government access to records even after the required retention period has expired if such records exist. It is, therefore, advisable to have a schedule for purging the financial records once the required retention period has passed. Careful consideration should be given to maintaining the scientific records.

**Project Audits**

Auditors are assured of full cooperation in arranging contacts with university employees who can facilitate their audit. Auditors are expected to inform the University in advance of proposed audits and to arrange all contacts through the University Audit Liaison Officer in the Business and Financial Services office. Relationship of the University and External Auditors explains the interactions which will take place in the event of an audit. Refer to Section J-6 of the Financial Policy and Procedure Manual.

If any university employee is contacted by an auditor without prior notification from the Audit Liaison Officer, the employee should notify their Sponsored Programs Senior Research Administrator, who will then contact the University Audit Liaison Officer.

**Disallowances**
One unfortunate outcome of an audit may be a recommendation for disallowance of costs. Common findings, which result in disallowances, include the following:

- Failure to follow federal or contractual requirements,
- Failure to obtain required prior approvals,
- Failure to provide adequate backup documentation for charges,
- Failure to meet the cost principle test of "necessary, allowable, and allocable", and
- Excessive transfers of costs among projects, especially at project termination.

A disallowance requires repayment by the University for previously reimbursed costs. Alternate funding will need to be provided by the responsible departmental unit. **Disallowed costs may not be transferred to another sponsored agreement.**