



# Washington University in St. Louis

## Financial Compliance Reference Guide for Sponsored Projects

Revised 6/07

The purpose of this document is to provide faculty and staff with a quick reference tool for financial compliance information and resources.

### EXECUTIVE MESSAGE

Each employee of Washington University (WU) who is involved in sponsored projects administration has an obligation to ensure compliance with sponsor and University requirements for managing sponsored funds.

Compliance is Washington University's commitment to conform to all rules and regulations relating to sponsored projects.

This includes:

- Washington University Policies and Procedures
- Sponsor Rules and Regulations

### WHY IS COMPLIANCE IMPORTANT?

- Sponsors have expectation that we will be responsible stewards of the funds we receive
- Non compliance can result in
  - ◊ Financial & Criminal Penalties
  - ◊ Loss of existing and future research funding
- It's the right thing to do

### COMPLIANCE MISSION

Be responsible stewards of funds we receive. WU does this by providing faculty and staff with a solid foundation that:

- Clearly identifying roles and responsibilities.
- Provides resources and training to build a proficient research administration workforce.

### CODE OF CONDUCT

Washington University is committed to the highest ethical and professional standards of conduct as an integral part of its mission, the promotion of learning. To achieve this goal:

- The University relies on each community member's ethical behavior, honesty, integrity, and good judgment.
- Each community member should demonstrate respect for the rights of others.
- Each community member is accountable for his/her actions.

The University and each community member must transact

University business in compliance with all laws, regulations, and University policies related to their positions and areas of responsibility. Managers and supervisors are responsible for teaching and monitoring compliance in their areas. Please refer to <http://codeofconduct.wustl.edu/index.html> for additional information.

### HOW TO RAISE COMPLIANCE QUESTIONS

#### Questions (Non-fraudulent)

As non-fraudulent financial compliance questions arise, each employee has the responsibility to investigate and explore the right thing to do, according to applicable sponsored and WU requirements. Resources available include sponsored and WU regulations, training sessions and the network of informed individuals such as the PI, Department Administrator, Chair or Dean.

**If a question remains unresolved or if you are uncomfortable using the above resources, Sponsored Projects Accounting (SPA) is available to assist. You may contact SPA at 935-9789.**

#### Violations or Fraud

Each community member is expected to report violations or concerns about violations of the Code of Conduct that come to his/her attention. You may report violations or concerns to your immediate supervisor or department head, if appropriate. You may also call the University Compliance Office at the number established for this purpose **314-362-4998**. Reports may be made anonymously to this number, if the caller so desires. The University Compliance Office telephone line has no caller identification or number recognition.

### ROLES & RESPONSIBILITIES SUMMARY

A comprehensive list of Roles & Responsibilities is available at <http://roles.wustl.edu/>.

#### PRINCIPAL INVESTIGATOR

- The Principal Investigator (PI) or Program Director (PD) is responsible for the direction and oversight of compliance, financial, personnel, and other related aspects of the research program in accordance with sponsor and WU policies and procedures.
- Oversees the administration of project funds.
- Coordinates with school, department and central administration personnel to determine whether project charges are reasonable, allowable and allocable to the project.
- Assure that all key personnel involved in financial management have met training requirements in accordance with WU and sponsor regulations.
- Supports and endorses cooperation with University compliance and monitoring efforts related to financial management.
- Complies with technical, progress and compliance reporting requirements.
- Discloses all significant financial conflicts of interest to the appropriate Disclosure Review Committee and complies with recommend management strategies.

#### DEPARTMENT ADMINISTRATOR

The term Department Administrator (DA) encompasses Grant Managers, Business Managers and Financial Designees.

- Assist PI and department head in the administration and oversight of sponsored research and related activities.

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- Assists the PI to verify authenticity and accuracy of expended funds.
- Processes financial (FIS/on-line) transactions and reviews and analyzes financial reports/data to verify that costs are in accordance with WU and sponsor guidelines.
- Provides data and assistance to PI so that transactions related to cost sharing, cost transfers, effort reporting and financial close-out are completed in an accurate and timely manner.
- Cooperates with University compliance and monitoring efforts related to financial management and reports instances of noncompliance to the appropriate compliance office.
- Assist PI to assure that all key personnel involved in financial management have met training requirements in accordance with WU and sponsor regulations.

#### DEPARTMENT HEAD/CHAIR

- Responsible for establishing and promoting a culture of compliance within the department.
- Provides direction, resources, and oversight to help ensure that project funds are managed in accordance with WU and sponsor regulations.
- Supports and endorses cooperation with University compliance and monitoring efforts related to financial management and reports instances of noncompliance to the appropriate compliance office.
- Requires that the PI comply with technical, progress and compliance reporting requirements in accordance with sponsor and WU policies and procedures.
- Complies with and directs department faculty and staff to comply applicable School, University, and sponsor agency conflict of interest policies and procedures.

#### DEAN

- Responsible for the ethical conduct of research and for establishing and maintaining a culture of compliance and integrity among faculty, staff and students.
- Provides direction, resources and oversight to help ensure that project funds are managed in accordance with WU and sponsor regulations.
- Provides school oversight for federal costing regulations by identifying direct and F&A costs.
- Supports and endorses cooperation with University compliance and monitoring efforts related to financial management and reports instances of noncompliance to the appropriate compliance office..

#### GRANTS & CONTRACTS / RESEARCH OFFICE

- Reviews and provides institutional signature on proposals, awards, contracts and subagreements.
- Functions as liaison between sponsors and PI's in matters of policy, procedures, and regulations.
- Provides communication, education, and training on proposals and awards to the WU research community.
- Reviews and validates account actions as required by award/agreement terms and conditions.

#### SPONSORED PROJECTS ACCTG.

- Serve as financial intermediaries between sponsors and PI's.

- Provide the institutional signature for financial reports.
- Interpret and communicate sponsor and WU regulations governing incurring, reimbursing, and reporting costs under sponsored agreements.
- Provide communication, education, and training on the financial administration of sponsored projects.
- Reviews and approves FIS/on-line transactions in compliance with WU and sponsor guidelines.

### KEY GUIDELINES

The complete text of WU and sponsor financial guidelines regarding sponsored projects can be obtained from <http://www.spa.wustl.edu/>.

### COST ACCOUNTING STANDARDS

Washington University and other educational institutions receiving federal funds are required to comply with the Cost Accounting Standards (CAS) set forth in the Office of Management and Budget (OMB) Circular A-21.

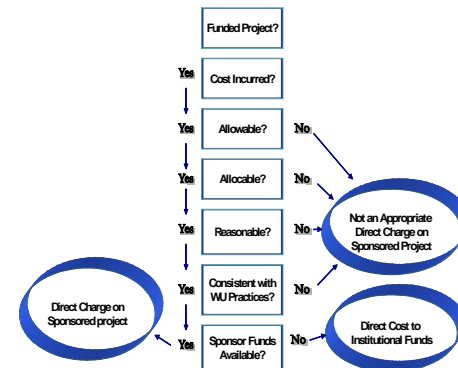
This includes

- CASB DS-2 - The Cost Accounting Standards Board (CASB) disclosure statement (DS-2) is a comprehensive description of an organization's cost accounting practices.
- 501 - Consistency in Budgeting, Coding and Reporting Costs
- 502 - Consistency in allocating costs
- 505 - Exclude Unallowable Costs
- 506 - Consistency in using the same accounting period (Fiscal Year)

### DIRECT COSTS

Costs that can be identified specifically with a particular sponsored project or that can be directly assigned to such activity relatively easily with a high degree of accuracy.

### Direct Costs Guidelines



- Must be specifically identified with a particular project – Charge it where you used it!
- Must be **allowable** (i.e., certain costs, such as entertainment, may not be charged to a Federal sponsored project under any circumstances).
- Must be **allocable** (i.e., costs must be charged in proportion to their benefit to a particular project).

- Must be **reasonable** (i.e., charging costs to a particular project must be conservative and reflect the actions of a prudent person).
- Costs must be charged to a sponsored project in a **consistent** manner (e.g., costs normally included in the WU's research F&A cost rate CANNOT be directly charged to a sponsored project, such as administrative

### UNALLOWABLE COSTS

- Certain types of costs cannot be charged (directly or indirectly) to federally funded sponsored agreements. This includes:
  - ◊ Alcohol and food
  - ◊ Entertainment
  - ◊ Fines and penalties
  - ◊ Personal use items
  - ◊ Losses on sponsored agreement (deficits)
  - ◊ Charitable donations
- These items should be **excluded** from budget data contained in proposals submitted to Federal agencies.
- Some sponsors have restrictions on other items such as: foreign travel, equipment purchases and consultant fees.

### FACILITIES & ADMINISTRATIVE

- The negotiated F&A rate is used to recover the costs WU incurs for administering research. Examples include:
  - ◊ Operating and maintaining buildings and grounds
  - ◊ Building and equipment depreciation
  - ◊ Administrative & clerical services
  - ◊ Accounting, payroll and procurement services
- The PI must utilize the applicable F&A rates in all competitive and non-competitive proposals submitted.
- Normally, the F&A rate should not be applied to the following direct cost items:
  - ◊ Equipment
  - ◊ Patient care
  - ◊ Tuition remission
  - ◊ Rental costs of off-site facilities
  - ◊ The portion of each subagreement in excess of \$25,000

### COST SHARING

The portion of project costs that are not supported by the sponsoring agency but instead paid for by:

- Department/division or school funds
- Other non-federal sponsored projects
- Third Party (In-kind) contributions

Cost sharing includes the following expense categories:

- Personnel (salaries and fringe benefits)
- Non-personnel (equipment, supplies, other...)
- Facilities & Administrative (F&A) costs

A commitment for cost sharing or contributed effort may not be made without the concurrence and approval of the appropriate department/division/school official.

### COST TRANSFERS

The transfer of an expense between two accounts/funds, one of which must be a sponsored fund (38XXX, 4XXXX-

65999). Transfers are a means of correcting errors, NOT managing project funds.

The correction of erroneous charges must be:

- Documented and signed/approved by the PI or his/her designee.
- Supported by documentation which provides sufficient information to allow for a clear audit trail. This includes why the transfer was necessary and a detailed explanation - Not just what was done but why the transfer was necessary.
- Processed within 90 days of when the error was discovered.

### EFFORT REPORTING (PARs)

WU faculty and staff are required to certify, via a Personnel Activity Report (PAR), that the salaries charged to sponsored projects are reasonable in relation to the work performed. The PAR is:

- A measure of the total effort for which an employee is compensated by WU, regardless of the hours worked.
- Generated and distributed on a schedule based upon an individual's academic status and campus location.
- A legal document in which the individual attests to the accuracy of the effort charged to sponsored projects.
- A document that must be signed/certified by the individual that expended the effort or a supervisor that has first hand knowledge of the total compensated effort of that individual.
- Additional data is available at the Effort Reporting at WUSTL site, see <http://researched.wustl.edu/Effort%20Reporting/Main.htm>.

### ADMINISTRATIVE COSTS

- Administrative costs are generally prohibited from being directly charged to federal grants and contracts. These costs are normally treated as indirect costs and would include:
  - ◊ Salaries of administrative/clerical staff
  - ◊ Office supplies
  - ◊ Postage
  - ◊ Local telephone, fax and data line costs
  - ◊ Pagers and cellular phones
  - ◊ Memberships and professional dues
- The PI should normally exclude administrative costs from proposals submitted to federal agencies.
- The federal guidelines stipulate that administrative costs can be direct charged to a project when exceptional (special/unlike) circumstances exist.

### NIH SALARY CAP

The NIH (plus AHRQ and SAMHSA) restricts the amount of direct salary charged to their grants.

- Direct salary is exclusive of fringe benefits and facilities and administrative (F&A) expenses.
- Compensation for individuals on NIH grants cannot exceed a stipulated rate of pay per year or per academic appointment.
- WU is authorized to use Executive Level I of the Federal Executive Pay Scale as our salary cap.
- Actual salary amounts that exceed the NIH Cap are automatically charged to mandatory cost sharing accounts.
- Refer to [http://www.spa.wustl.edu/adminpol/salcap\\_0307\\_2.pdf](http://www.spa.wustl.edu/adminpol/salcap_0307_2.pdf)

### TRAVEL

- Reimbursement of travel costs is based on the actual expenses incurred.
- Expenses are reimbursed via a Travel Report form filed within 15 days after completion of the trip.
- The individual traveler must sign the Travel Report.
- Original receipts must be submitted for **all** travel expenses that are \$30 or more.
- Itemization of meals is required when the total daily meal expense is greater than \$50. A daily food per diem is not allowed.
- U.S.-flag air carriers should be utilized for foreign travel on federal grants and contracts.

### EQUIPMENT

- Defined as a non-expendable item having a useful life of more than two years and an acquisition cost of \$5,000 or more.
- The PI and/or the custodial department must maintain the physical security, safety and storage of equipment items.
- The custodial department is responsible for the input and maintenance of asset information to the Asset System.
- An Equipment Screening Certificate must be completed for equipment purchases that are:
  - ◊ \$100,000 or more and charged to a FDP award.
  - ◊ \$25,000 or more and charged to a non-FDP award.

### PROCUREMENT CONFLICT OF INTEREST

- WU employees will conduct business ethically and objectively, in compliance with all applicable laws.
- Employees must not accept gifts, entertainment, meals or travel that might directly or indirectly influence the employees' business judgments or decisions, or that might give the appearance of impropriety.
- The purchase of goods or services from a business in which an employee or his family has a financial interest, or may directly benefit from such purchase, is a potential conflict of interest. Such situations should be disclosed to the University's executive director for Resource Management for review prior to the purchase
- Employees may not accept any sum from any supplier attempting to "reward" the employees for the decision to do business with the supplier.

### OTHER FINANCIAL COMPLIANCE GUIDELINES

Additional compliance guidelines for the topics not below are available on the SPA website, see <http://www.spa.wustl.edu/>:

- Check Requests
- Consultant Policy
- Direct Charging Guidelines
- Federal Agency Reporting Requirements Guide
- Federal F&A Rate Agreement
- Financial Closeout Guidelines
- Off-campus Policy
- PI Salary Authorization
- Procurement Card
- Program Income
- Subrecipient Monitoring

### ADDITIONAL RESOURCES

**Internal:**  
Research at WUSTL  
<http://research.wustl.edu/>

University Compliance Office  
<http://complianceoffice.wustl.edu/>

Administrative Information Systems (FIS Help)  
<http://fishelp.wustl.edu/>

**External:**  
OMB Circular A-21 and A-110  
[http://www.whitehouse.gov/omb/grants/grants\\_circulars.html](http://www.whitehouse.gov/omb/grants/grants_circulars.html)

NIH Grants Policy Statement  
[http://grants.nih.gov/grants/policy/nihgps\\_2003/index.htm](http://grants.nih.gov/grants/policy/nihgps_2003/index.htm)

NSF Grants Policy Manual  
[http://www.nsf.gov/publications/pub\\_summ.jsp?ods\\_key=papp](http://www.nsf.gov/publications/pub_summ.jsp?ods_key=papp)

FDP General Terms and Conditions  
[http://www.nsf.gov/home/grants/grants\\_fdp.htm](http://www.nsf.gov/home/grants/grants_fdp.htm)

### CONTACTS

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### COMPLIANCE CHECK:

#### Questions to Consider:

- Have I met my responsibilities through diligent administration of my sponsored project?
- How would this transaction be perceived if it were reported publicly?