



## Post-Award Financial Management

**Policy Type:** Administrative

**Responsible Office:** Office of Grants and Contracts Accounting and Effort Reporting, University  
Controller's Office

**Initial Policy Approved:** 11/27/2017

**Current Revision Approved:** 11/27/2017

### Policy Statement and Purpose

---

The Office of Grants and Contracts Accounting (G&C) and Effort Reporting oversees post-award financial administration of externally sponsored programs. G&C provides financial reports to sponsors, interprets rules and regulations for the research community, serves as a depositor of federal and non-federal funds and operates the university's effort reporting system. In furtherance of these objectives, this document sets forth Virginia Commonwealth University's policy and procedures for the post-award financial management for externally sponsored programs at VCU. The policy applies to all sponsored programs, federal and non-federal, and outlines the appropriate procedure.

Noncompliance with this policy may result in disciplinary action up to and including termination. VCU supports an environment free from retaliation. Retaliation against any employee who brings forth a good faith concern, asks a clarifying question, or participates in an investigation is prohibited.

### Table of Contents

---

Who Should Know This Policy.....	2
Definitions.....	2
Contacts.....	5
Policy Specifics and Procedures.....	5
Forms.....	15
Related Documents.....	15
Revision History.....	17
FAQ.....	17

## Who Should Know This Policy

---

All individuals involved in administering the financial components of sponsored programs are responsible for knowing this policy and familiarizing themselves with its contents and provisions.

## Definitions

---

### **Banner**

The university-wide enterprise system (financial accounting, student, human resources, payroll, etc.)

### **Certifier**

An individual who has first-hand knowledge of work performed on specific projects, or of clinical activity, and who certifies the effort attesting to the fact that the work was performed.

### **Certified Effort**

That effort shown on an effort report which has been certified by the employee or by a person with first-hand knowledge of the work performed.

### **Clinical Effort**

Refers to Virginia Commonwealth University Health System (VCUHS) Effort Reporting Categories and Definitions below.

- **Clinical Practice and Administration** - Patient care activities including inpatient services, outpatient services, other types of clinical activities, any of which generate a professional fee is charged including services provided under a clinical contract.
- **Supervision of Interns and Residents** - Effort expended by faculty physicians in the supervision and training of residents and interns including resident recruitment and resident training program administration. Do not include time related to any billed clinical services (regardless of location) or supervision of residents at the McGuire VA Hospital.
- **VCU Medical Center Administration** - All time expended by faculty in supervising hospital personnel, providing medical direction, participating in hospital committee activities, participating in hospital managerial or administrative activities.
- **Other Educational and Administrative Activities** - Time expended by faculty in educational activities related to the education of medical students (pre interns and residents) and education of fellows and post-doctoral (post intern and residents) or non-department, non-hospital, and non-institutional activities.

### **Committed Effort**

The quantified workload of an individual at VCU that is specified in a sponsored program proposal and represented as the effort or time to be devoted to the sponsored program activities. The committed effort can be represented in terms of a quantity of time or a percentage of an individual's workload.

### **Cost overrun**

An excess of cost over budget. A cost overrun necessitates the removal of costs in the amount by which the actual cost exceeds the budget.

**Cost Sharing**

Cost sharing represents the portion of costs that are not borne by the sponsor but by the university or other third-party sources. Cost sharing commitments are made at the time of the proposal.

**Cost Transfer**

A transfer of expenditure from one index to another index.

**Direct Costs**

Per 2 CFR 200.413, direct costs are those costs that can be identified specifically with a particular sponsored program, an instructional activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

**Disclosure Statement**

A comprehensive description of an organization's accounting practices.

**Effort**

The proportion of time spent on any professional activity and expressed as a percentage of total time. Total effort for an employee always equals 100%, even if the appointment is less than full time. Effort is divided into three categories, sponsored, non-sponsored and clinical activities (if applicable-See "Clinical Effort" definition). Sponsored activity includes conducting or administratively supporting programs for research, instruction, or other purposes (such as training or public service) that is funded by an external entity, and other external programs such as those funded by state agencies or private organizations. Non-sponsored activities include university-funded research as well as activities like instruction, departmental research, public service, and administration.

**Effort Certification and Reporting Technology (ECRT)**

Effort certification and reporting technology is a web-based technology that intuitively guides certifiers and administrators through the various facets of the effort reporting and certification process on a periodic basis.

**Effort Reporting**

Effort reporting is the method used to confirm to sponsors that the effort spent on a sponsored program reasonably reflects the salary and wages charged to that sponsored program. Effort reporting is accomplished by the employee certifying an "after the fact" reporting of all activities for which the employee was compensated by the institution.

**Facilities and Administrative ("F&A") Costs**

Facilities and Administrative costs, also referred to as indirect costs, are those costs incurred in support of many activities and that cannot be identified with a single sponsored program. The cost of operating and maintaining buildings, use of equipment, general and departmental administrative expenses, sponsored programs' administration, and library costs are usually considered F&A costs. These costs are essential in the support of sponsored program activities. In accordance with regulations and principles promulgated by the Federal Office of Management and Budget ("OMB"), institutions of higher education are permitted to

recover F&A costs associated with supporting sponsored programs. See [Facilities and Administrative Cost Recovery](#) policy.

### **Index**

VCU customized the Banner accounting system by adding an element called the index. The index is the same six digit code as the organization code. It was created to serve as a short cut that would eliminate users having to enter all of the FOAPAL codes to retrieve Banner forms.

### **In-Kind**

Refer to [Cost Sharing](#) policy

### **Institutional Base Salary (IBS)**

Also referred to as “Institutional Salary”, IBS is the annual compensation rate, as determined by university administrative procedures, for an employee’s university-related activities. See <http://www.controller.vcu.edu/pdf/ECRTbasesalarycategories.pdf> for the IBS compensation codes currently included in the ECRT. IBS includes both compensation for university-related effort, and compensation from the MCV Physicians (MCVP) Practice Plan for clinical effort. However, some specific types of compensation are not considered part of IBS and thus are not included for the purposes of effort reporting. These types include bonuses and reward/recognition compensation. This is consistent with 2 CFR 200.430(h)(2) which defines IBS as the annual compensation paid by an IHE for an individual’s appointment, whether that individual’s time is spent on research, instruction, administration, or other activities. (Also refer to “Institutional Salary” in the [Faculty Salary Administration Guidelines](#) policy)

### **Mandatory Cost Sharing**

Refer to [Cost Sharing](#) policy

### **Program Income**

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Title 2, Section 200.80 defines “program income” as: “Gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award during the period of performance.”

### **Salary Cap Cost Sharing**

Refer to [Cost Sharing](#) policy

### **Sponsored Program**

A grant, contract, or other agreement awarded to accomplish a specific goal or project.

### **Unallowable costs**

Costs that cannot be included in the direct costs of sponsored programs or in the university's indirect cost rate according to 2CFR 200 Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards.

## Voluntary Committed Cost Sharing

Refer to [Cost Sharing](#) policy

## Voluntary Uncommitted Cost Sharing

Refer to [Cost Sharing](#) policy

## Contacts

---

G&C Accounting officially interprets this policy. G&C is responsible for obtaining approval for any revisions as required by the policy *Creating and Maintaining Policies and Procedures* through the appropriate governance structures. Please direct policy questions to [gcavcu@vcu.edu](mailto:gcavcu@vcu.edu).

## Policy Specifics and Procedures

---

The procedures below are designed to help ensure that VCU meets its financial management obligations for sponsored programs. The procedures assign responsibilities and expectations of those involved in the financial management of such awards.

### 1. Activation and Termination Notices for Trainees and Research Fellows

- **Trainee Appointment Award/Trainee Termination Notice**

The principal investigator (PI) must send G&C Accounting a copy of the **Statement of Appointment of Trainee**. This notice is required before a **Trainee Termination Notice** may be submitted to the sponsor.

- **Research Fellowship Information/Termination Notice**

Research fellows (e.g., PHS, "Post Doctoral Fellowships") must have the **Research Fellowship Activation Notice** signed by the VCU Office of Sponsored Programs.

The PI must send G&C Accounting the **Trainee/Research Fellowship Termination Notice** after it has been prepared and signed by the fellow or trainee and the program director. G&C Accounting verifies the stipend payments on the Statement of Appointment of Trainee with Banner.

### 2. Invoicing and Collection

Virginia Commonwealth University has designated G&C Accounting as the only office authorized to submit to sponsors official invoices for sponsored programs and activities.

- The only exception is the invoicing for the following contract types: industry clinical trial, contingency payment, and sample testing, which may be invoiced by the particular department conducting the study/activity.

#### A. When and How to Invoice Contracts:

- Interim (monthly, quarterly or annual) invoices requesting reimbursement for contract expenditures must be prepared in G&C Accounting by the assigned accountant. The invoices must reflect periodic expenditures per the Banner report. Corrections to the amount invoiced, if needed, must be reflected on the next invoice submitted to the agency.
- Where industry clinical trial contracts require invoices based on a "fixed unit," or "per subject" basis, the PI, fiscal administrator or study coordinator must provide G&C Accounting with a copy of the invoice submitted.
- If costs are disallowed on an interim invoice, the department will be contacted to provide the agency adequate documentation to substantiate the invoiced amount, or to remove the charges from the invoice and Banner.
- In the event costs become uncollectible for any of the following reasons, the department must be prepared to cover the costs:
  - There is a termination of business by the sponsor
  - The department performing the work fails to meet the obligations of the agreement
  - The department began the work prior to receiving the award, and then the award was not made

**B. How to Make Deposits:**

See [Cash Receipting policy](#)

- All grant and contract funds should be mailed directly to G&C from the sponsors. If a sponsor inadvertently sends a check to a department, the check and any sponsor's correspondence must be delivered to G&C on the same day. The department must keep a copy of the check and correspondence. G&C Accounting and Cashiering Operations are expected to encourage sponsors to deposit funds electronically.
- If a check is received by the PI prior to Banner index creation, the check and a copy of any sponsor or vendor correspondence must be either hand- or special-courier-delivered (on same day as received) to G&C Accounting. G&C Accounting will determine the Banner index to be used for the deposit or deposit the funds to the G&C temporary clearing index (referred to as "suspense index"). Deposits must be made on a daily basis. If the deposit is made to the suspense index, the funds will be transferred to the appropriate Banner index after the Office of Sponsored Programs authorizes the creation of the Banner index. If authorization is not provided, the deposit will remain in suspense until the university receives an award notice for creating an appropriate sponsored program index.
- Deposits from program income must also be deposited daily based upon the program income alternative required by the sponsor.

**C. G&C's Collection Procedures:**

The G&C Accounting must submit all monthly and quarterly billings to the sponsoring agency within 30 days after the close of Banner for the previous month. Final invoices must be submitted by the sponsor's due date. In the event a sponsor fails to make payments, the G&C accountant is responsible for following the billing and collection procedures provided on the following website:

- [http://www.doa.virginia.gov/Financial\\_Reporting/Accounts\\_Receivable/CollectionProcedures.pdf](http://www.doa.virginia.gov/Financial_Reporting/Accounts_Receivable/CollectionProcedures.pdf)

### **3. Federal Cost Accounting Standards (CAS)**

As part of VCU's research mission, the university accepts grants and contracts from the federal government. By accepting these grants and contracts, and for consistency, VCU applies the federal rules governing the use of these funds as well as for grants and contracts from non-federal sponsors. These rules are outlined in 2 CFR 200 Subpart E Cost Principles, formerly the Office of Management and Budget (OMB) Circular A-21, Appendix A (Cost Principles for Educational Institutions) which includes the Cost Accounting Standards. For questions related to 2 CFR 200 Subpart E please contact G&C.

#### **A. Direct and Indirect Costs**

Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs. Where an institution treats a particular type of cost as a direct cost of sponsored programs, all costs incurred for the same purpose in like circumstances must be treated as direct costs of all activities of the institution.

When charging expenses to federally sponsored programs, VCU faculty and staff must be aware of the appropriateness of the charges. These rules are outlined in 2 CFR 200 Subpart E Cost Principles, formerly the Office of Management and Budget (OMB) Circular A-21, Appendix A (Cost Principles for Educational Institutions) which includes the Cost Accounting Standards. Subpart E of 2 CFR 200 provides the criteria for direct charging costs to federally sponsored programs. The basic principle is that costs directly charged to a sponsored program must be allocable, allowable, reasonable and necessary, and treated consistently.

#### **B. Factors affecting allowability of costs. (Per 2 CFR 200.403)**

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under federal awards:

- Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.

- Be adequately documented.

Any expense that does not meet all of these criteria is not permitted to be directly charged to a federally sponsored program. Note that approval of a particular expense as a direct cost by the sponsoring agency does not guarantee that the expense constitutes an allowable cost. The expenditure must also meet the requirements for treating costs consistently as described above.

See additional "How To" details at:

<http://www.controller.vcu.edu/grants/gc-admin/gcadmin2008/G&CDirectandIndirectCosts.htm>

### **C. Unallowable costs**

Costs of any work projects not contractually authorized, whether or not related to performance of a proposed or existing contract, shall be accounted for, to the extent appropriate, in a manner which permits ready separation from the costs or authorized work projects. These costs are unallowable by definition. Unallowable costs must not be charged to the sponsor. If there are any questions concerning the allowability of a cost, please contact G&C.

## **4. Cost Overruns (Deficits)**

It is the responsibility of the department head, administrator, and PI, to ensure that adequate funds are available for expenditure transactions, including payroll disbursements. Exceptions to this policy will be granted only when special arrangements have been made by the PI with the corresponding vice president for the P.I. department in advance. Such arrangements must be in writing and include a specific plan for eliminating the deficit on a permanent basis.

Departmental heads/administrators, and fiscal administrators and PIs, must review and reconcile information in Banner Finance or the research dashboard monthly for accuracy and ensuring that sufficient revenue budget and expenditure budget are available to support the fiscal year activities (see [Reconciliation of Banner Indexes/Orgs](#)). In the event that a Banner index goes in a deficit, the deficit must be resolved as soon as possible, but no later than two months after the index reflects a deficit.

Note: Exceptions to Cost Overruns Procedure

- Indexes with cost overruns that are in the pending award or continuation funding status are allowed to remain in deficit until the awards are received and the budgets loaded to the Index. G&C will send follow-ups to the departments and OSP to inform them that the index is in deficit and inquire on the status of the award.
- Industry clinical trial budgets are loaded to the Index when cash/revenue is received in an equal amount, therefore, the index will remain in deficit. Special treatment of these indexes allows them to remain in deficit for 12 months, or until they are closed, whichever occurs earlier. At that time, cost overruns will be moved to the department's overhead index as in the regular process in closing out an index.

- A. Deficit reports are available for both industry sponsored clinical trial deficits and all other award deficits to fiscal administrators on the VCU Reporting Center daily and updated each month. A summary copy may be printed by PI and major budget unit for each dean or administrative division head. When an index appears in a deficit balance, transactions to clear the index must be processed by the 15th of the month.
- B. Should an index be in a deficit position greater than \$500 for **two** consecutive months, no expenditures, including payroll disbursements, are expected to be processed against the index until the deficit is eliminated, or unless one of the above noted exceptions exist.
- C. Transactions which cannot be processed against a terminated index will be processed against the department or dean's overhead index. The given index will continue to be used until the deficit in the original index is eliminated. In the case of payroll expenditures, the originating department must also initiate the necessary [Personnel Action Form \(PAF\)](#) for each employee to charge funding back to the proper index. For non-payroll related expenditures, the department must initiate the necessary adjustments to transfer all non-payroll expenditures back to the proper index in accordance with the below cost transfer procedures (#5 below).
- D. Any index reflecting a deficit balance for **three** consecutive months without a special arrangement in place will be reported to the dean or administrative division head. They will be requested to provide a non-sponsored index from that office to cover the current over-expended amount, and/or assist the department with a deficit resolution plan for clearing of the deficit as well as any further projected deficit.
- E. Any index reflecting a deficit balance for **four** consecutive months without special arrangements in place will be reported to the corresponding vice president for the P.I. department. The vice president will be requested to approve a transfer to eliminate the deficit, and/or assist the department with a deficit resolution plan for clearing of the deficit as well as any further projected deficit.

## 5. Cost Transfer Procedures

### A. How and when to make cost transfers

Effective February 9, 2003, cost transfers to sponsored program indexes are permitted to be made only within 60 days from the date of the month end Banner report on which the charge first appears. Any erroneous charges identified after 60 days can only be transferred to a non-sponsored program index. In addition, once an index closes and the final financial report has been submitted to the sponsor, no expenses are permitted to be charged to the closed index but must be funded elsewhere.

Federal regulations require additional documentation to support cost transfers to sponsored program indexes. Costs may not be shifted to other sponsored programs, or from one budget period to the next period solely to cover cost overruns. Cost transfers based on funding considerations are prohibited (i.e., cannot transfer costs to use up remaining funds). When determined appropriate, if the index receiving the post 60-day charge is a sponsored program, a special non-compliance review by the Director, G&C (or designee), and approval has to be granted before the transfer can be made.

#### **B. Reasons cost transfers may be necessary**

- A data entry error occurred when entering the index number for the original charge. The documentation must explain in detail how the error occurred. It is the responsibility of the department entering the original erroneous charge to make the correction in a timely manner in the university financial or payroll system based on the nature of the original charge. See links below in section on ways to process costs transfers.
- The service center was not provided the correct index number to charge. See link below in section on ways to process costs transfers-Journal Voucher or Financial Inquiry/Request Form for non-salary charges.
- Charging a non-sponsored program alternative index because the university has not received the official award. Costs incurred prior to the start date of the award are considered "pre-award" costs. An "advance index" must be requested by the PI or designee to G&C to charge allowable pre-award costs, which would eliminate the necessity for cost transfers. Under no circumstances shall [university local funds](#) be used for pre-award costs. These indexes would have organization codes in the 4XXXXX series, which are otherwise unrestricted, or organization codes in the 6XXXXX series which are restricted based on donor requirements. See [Award Acceptance and Establishment](#) policy.

#### **C. Ways to process cost transfers**

- Personnel Action Form (PAF) to transfer salary costs - See <http://www.controller.vcu.edu/handbook/reconciliation.html>
- Journal Voucher or Financial Inquiry/Request Form for non-salary charges - See [http://www.controller.vcu.edu/banner/entering\\_transactions.pdf](http://www.controller.vcu.edu/banner/entering_transactions.pdf) and <http://www.controller.vcu.edu/handbook/reconciliation.html>

#### **D. Required cost transfer documentation**

- The expense must be recorded on a Banner index before it can be removed. Specific identification (PO number, batch number, etc.) of the original charge must be attached to or referenced in the on-line cost transfer.
- The same expense account must be maintained between the two indexes.

- A detailed explanation must be provided, which indicates why the transfer is needed and what caused the error to occur. The explanation "to correct an error" or "to transfer to correct index" is not acceptable.
- In case of a salary transfer, the retroactive PAF must agree with the Effort Certification Report. To exercise effective internal controls with salary cost transfers, once effort statements are certified and processed, they must not be amended without the appropriate review and support documentation maintained by the department Effort Coordinator.

#### **E. Documentation for cost transfers**

Documentation for cost transfers must be maintained by the originator and furnished when requested during an audit. A charge set aside as questionable by auditors, even though it may be a proper charge to a grant or contract, may be disallowed in the absence of clear documentation to substantiate its propriety. The department must fund any disallowed charges.

Federal Agencies and auditors are directing increased attention to cost transfers that occur:

- During the final month of a budget period
- After the budget period has expired
- More than three months after the actual costs were incurred

#### **F. Timeliness of cost transfers**

A cost transfer reimbursing a sponsored program must be processed as soon as the error is discovered, regardless of the date the error occurred. In the event an unspent balance results from this transaction, the residual funds will be returned to the sponsor. Exceptions are certain types of contracts that allow the university to retain any unspent balance (fixed price contracts), and other sponsored programs with carry forward provisions.

PIs must monitor the timeliness of expenditures and cost transfers for their projects on a regular basis. Frequent errors in the recording of costs indicate the need for improvements in record-keeping and/or internal controls. See <http://www.controller.vcu.edu/handbook/reconciliation.html>. Attendance at mandatory training as determined by the Director, G&C will be required by the department administrator/s at a minimum. In addition, frequent errors in the recording of costs may result in the department being responsible to cover any disallowed charges and a written notification to the corresponding vice president for the P.I. department.

## **6. Cost Sharing**

### **Accounting for Cost Sharing**

A cost sharing index is a supplemental index to an existing primary index in another ledger, and in special circumstances it may be a sponsored program index code in the [5XXXXX series](#). For federal reporting purposes, the cost sharing index is a part of the research activity of the university.

For additional policies and procedure, refer to the Cost Sharing Policy located at <https://policy.vcu.edu/sites/default/files/Cost%20Sharing.pdf>

## 7. Effort Reporting Responsibilities

VCU must document the effort expended on each sponsored program in compliance with 2 CFR 200.430(i), Standards for Documentation of Personnel Expenses. In order to comply with these requirements, periodic effort certifications are generated by the Effort Certification and Reporting Technology (ECRT) system, for each individual whose salary is charged to one or more sponsored programs, clinical, and/or other university activities, during the effort reporting period. All individuals who receive an effort certification request are required to indicate the percentages of their total effort expended on sponsored program(s) and other university activities accurately to the best of their ability. To confirm that the distribution of activity represents a reasonable estimate of the work performed, the PI, employee (self-certifier), or responsible official(s) with first-hand knowledge of the employee's time must certify the effort reports.

- **Suitable Means of Verification** - The means of verification must take into consideration and be consistent with other university documentation in existence, such as calendars, travel records, teaching schedules, contemporaneous notes from meetings, logbooks, and timesheets. The suitable means of verification needs to be sufficient to support a reasonable estimate of effort expended. At a minimum, suitable means of verification should be accompanied by some form of written documentation. Oral verification from a principal investigator to an administrator will not be sufficient. The responsible official certifying an effort report using suitable means shall maintain a written description of what was used as the suitable means of verification for future audit purposes.

Refer to <http://www.controller.vcu.edu/grants/ECRThelpfultools.html>, "How to Guides" for specific detailed procedures on how to certify in the ECRT System.

### A. Reporting Schedule

Effort reporting must be completed and certified on a regular basis as VCU's established internal controls to comply with the requirements of in 2 CFR 200. At VCU, effort statements are generated on the schedules located at:

<http://www.controller.vcu.edu/grants/ECRTEffortlinks.html>

### B. Monitoring Uncertified Effort Reports:

VCU is committed to ensuring that effort certifications made in connection with sponsored programs are accurate, timely, reasonably reflect the actual level of effort expended, and comply with all agency requirements. Departments are responsible for following up with their PIs and other certifiers to ensure that any past due effort certifications are certified as quickly as possible. Each department must ensure that a business process has been appropriately established to certify and

process effort certifications on a timely basis. Effort certifications that are outstanding at the appointed deadline may result in salary and related costs being disallowed by the agency. Effort reporting will provide email notifications to PIs, coordinators, chairs, deans and appropriate vice presidents, of effort reports that are out of compliance with federal regulations, and/or university related effort reporting policies.

<b>Timeframe</b>	<b>Recipient</b>
On Effort Certification Period End Date	Coordinators and Certifiers
10 Days after Certification Period End Date	PIs and Certifiers
20 Days after Certification Period End Date	Chairs
30 Days after Certification Period End Date	Deans
60 Days after Certification Period End Date	Vice Presidents

## **8. Program Income**

### **A. Accounting for Program Income**

Principal Investigators and/or grant administrators are required to identify program income on both federal and non-federal sponsored projects. The nature of this income must be appropriately documented and the resulting revenue and expenses properly recorded and accounted for. It is essential to remember that program income is the property of the sponsor and is to be accounted for in accordance with the terms and conditions of each federal or non-federal award.

Program income must be administered through a program income account established by Grants & Contracts Accounting; the program income index will be created with the same budget period of the core index and extended throughout the period of performance.

Program income revenue may be accounted for in one of four ways depending on sponsor policies. Regardless of the accounting method used, program income may be used only for allowable costs in accordance with the applicable cost principles and the terms and conditions of the award.

- **Additive Method**

Program income funds are added to the funds committed to the project by the sponsoring agency and used to further eligible project or program activities. Per 2 CFR 200.307(e), this will be the default treatment of Program Income unless the Federal awarding agency specifies otherwise in its regulations or award terms and conditions. A separate index must be established. The index title must include the phrase "program income for (the underlying award)." A "PROGINC" attribute must be added during the index creation in Banner on FTMFATA to associate the program index organization code with the Banner sponsored project grant code. Program income must be deposited as revenue.

- **Deductive Method**

Program income funds are deducted from the total project or program allowable costs to determine the net allowable costs on which the sponsor's share of costs is based. Program income must be deposited to the core index as revenue. No separate index will exist.

- **Matching Method**

Program income funds are used to finance the non-sponsor share of the project or program (mandatory or committed cost sharing). A separate index must be established. The index title must include the phrase "program income/match for (the underlying award)." Program income must be deposited as revenue.

- **Combination Method**

A portion of the program income is added to the funds committed to the project as specified by the sponsoring agency; any remaining program income funds are deducted from the total funds available for the project. Program income must be deposited as revenue in a separate index until the first \$25,000, or an amount specified in the award terms and conditions, has been received then deposits must be recorded as revenue in the core index.

## **B. Reporting Program Income**

Program income must be reported by G&C Accounting on annual and final financial reports to the sponsor of an underlying award as required by the award terms and conditions.

## **C. Fixed Price Agreement**

Program income may be generated through separate fixed price agreements ancillary to a sponsored program. When these fixed price agreements are closed out, using the "90 Days' Notice Form", the PI is permitted to request that after deducting facilities and administrative costs that the balance be transferred to the program income index associated with the core index.

## **D. Termination of the Underlying Project**

Program income generated during the project and remaining after the project conclusion must be expended according to the deductive, additive, combination, or matching approved alternative above. Program income generated during the project and remaining after the project conclusion must be expended according to the deductive, additive, combination, or matching approved alternative above. Unless sponsoring agency regulations or award terms and conditions specify otherwise, income generated after the underlying award period is not considered program income and there is no obligation to the sponsor (see 2 CFR 200.307(f). A program income pool index (TXXXXX series-excess earnings on fixed price agreements) may be created to deposit funds received for goods and services of more than one project after the award's end.

## E. Transfer of Program Income

Program income funds cannot be transferred to another institution unless expressly directed by the sponsoring agency.

### 9. Purchasing Goods and Services

Purchases made from sponsored program indexes must be in compliance with both the Office of Procurement Services and sponsoring agency regulations, or award terms and conditions. When goods and services are for a grant or contract, a grantee may acquire a variety of commercially available goods or services in connection with a sponsored program. Grantees can use their own procurement procedures that reflect applicable state and local laws and regulations.

For details go <https://procurement.vcu.edu/i-want-to/>

### 10. Financial Reporting

Timely reporting is critical for ensuring by the university to ensure compliance with the sponsoring agency's regulations and proper stewardship of sponsored program funds. G&C is generally typically responsible for submitting financial reports and invoices while the PI is responsible for meeting technical and programmatic reporting requirements. When a unique financial reporting requirement is specified by the sponsoring agency, coordination between G&C, the PI, and the department administrator will be necessary. Any technical reporting completed by the PI that makes reference to financial expenditures should reconcile with the official accounting records of the University. In all cases, amounts to be reported must agree with the University's accounting system, and reflect only charges specified as allowable in the sponsoring agency's regulations or award terms and conditions and approved budget.

## Forms

---

1. ECRT Access Request Form <http://www.controller.vcu.edu/pdf/ECRTAccessRequestForm.pdf>
2. 90 Days Notice <http://www.controller.vcu.edu/grants/gc-admin/G&C90DayNotice.pdf>
3. Personnel Action Form <http://www.hr.vcu.edu/media/hr/docs/forms/PAF.xlsx>
4. Cost Sharing Authorization Form  
<https://controller.vcu.edu/grants/CostAccounting/CostShareAuthorizationForm.pdf>
5. In-Kind Cost Sharing Certification Form (and Third-Party Cost Sharing)-  
<http://www.controller.vcu.edu/grants/gc-admin/G&CInKindCostSharingMemo.pdf>

## Related Documents

---

1. VCU Policy: [Award Acceptance and Establishment](#)

2. Billing and Collection Procedures  
[http://www.doa.virginia.gov/Financial\\_Reporting/Accounts\\_Receivable/CollectionProcedures.pdf](http://www.doa.virginia.gov/Financial_Reporting/Accounts_Receivable/CollectionProcedures.pdf)
3. 2 CFR 200, Uniform Guidance (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards  
[www.ecfr.gov](http://www.ecfr.gov)
4. VCU Policy: [Cost Sharing](#)
5. Notice of Salary Limitation on Grants, Cooperative Agreements, and Contracts  
<http://grants.nih.gov/grants/guide/notice-files/NOT-OD-16-045.html>
6. Institutional Base Salary Compensation Codes  
<http://www.controller.vcu.edu/pdf/ECRTbasesalarycategories.pdf>
7. Effort Reporting Schedule  
<http://www.controller.vcu.edu/grants/ECRTschedule.pdf>
9. Guidelines for Separating Faculty and Staff  
[http://www.hr.vcu.edu/media/hr/documents/Separating\\_Faculty\\_Staff-1.pdf](http://www.hr.vcu.edu/media/hr/documents/Separating_Faculty_Staff-1.pdf)
10. VCU Policy: [Minimum Effort for Key Personnel on Sponsored Programs](#)
11. Faculty Salary Administration Guidelines  
<http://provost.vcu.edu/media/provostdevelopment/media/FACULTYSALARYADMINISTRATIONGUIDELINES-Rev1-6-16.pdf>
12. Reconciliation of Banner Indexes/Orgs  
<http://www.controller.vcu.edu/handbook/reconciliation.html>
13. Office of Procurement Services  
<http://procurement.vcu.edu/>
14. Responsibility of the Office of Sponsored Programs  
<https://policy.vcu.edu/sites/default/files/Office%20of%20Sponsored%20Programs%20Responsibilities.pdf>
15. Disclosure statement  
[http://www.research.vcu.edu/osp/cost\\_accounting\\_standards.pdf](http://www.research.vcu.edu/osp/cost_accounting_standards.pdf)

## Revision History

---

This policy updates, consolidates and supersedes the following archived policies:

No date	<i>Activation and Termination Notices</i>
No date	<i>Billing and Collection</i>
No date	<i>Cost Accounting Standards (CAS)</i>
No date	<i>Cost Overruns (Deficits)</i>
No date	<i>Cost Transfer Procedures</i>
No date	<i>Effort Reporting</i>
No date	<i>Program Income</i>
No date	<i>Purchasing of Goods and Services</i>
No date	<i>Reporting</i>

## FAQ

---

### What are some examples of allowable direct costs?

- **Allocable** - For example, an investigator purchases a piece of equipment in order to conduct a sponsored program. This piece of equipment is allocable to that project and can be charged as a direct cost to the project. The investigator also purchases office supplies for the entire department. These supplies are not directly attributable to the project and are therefore not allocable and cannot be charged as a direct cost to the project.
- **Allowable** - For example, an investigator has three lab technicians working on her project and charges their salary to the project. These are allowable costs to the project and can be charged as direct costs. The investigator takes her three lab technicians out to lunch during the project. This expense is an unallowable cost to the project and cannot be charged as a direct cost.
- **Reasonable and necessary** - For example, an investigator purchases lab supplies in order to complete the work on his project. These supplies are reasonable and necessary to the performance of the project and can be charged as direct costs. The investigator also purchases a new microscope that was on sale at the store where he purchased the lab supplies. The microscope is not needed for his current project but may be needed for an upcoming project. This expense is not reasonable and necessary for the performance of the current project and therefore cannot be charged as a direct cost.

- **Consistently treated** - For example, a business manager purchases stamps for the department. Investigator A uses five stamps for various mailings related to his project and investigator B uses eight stamps for various mailings related to her project. If the cost of the stamps is included as a direct cost to investigator A or B's sponsored project, and similar costs (stamps) incurred in like circumstances (general purpose) are included in the university's F&A rate, the cost are not treated consistently.

### **What are some examples of unallowable direct costs?**

- **Examples of unallowable costs:**
- **Alcoholic beverages**
- **Alumni activities**
- **Institution-furnished automobiles for personal use**
- **Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements**
- **Donations and contributions made by an institution**
- **Entertainment**
- **Executive and legislative lobbying**
- **Insurance against defects**
- **Fines and penalties**
- **Goods and services for the personal use of employees**
- **Housing and personal living expenses of an institution's officers**
- **Memberships in any civic, community or social organization or country club**
- **Selling or marketing of goods or services**
- **Trustees' travel**
- **Advertising expenses except for employee and subject recruitment**
- **Bad debts**
- **Commencement and convocation costs**
- **Contingency provision costs**
- **Interest, fund raising, and investment costs (exceeding third party interest expenses)**
- **Malpractice insurance that does not involve human subjects**
- **Public relations costs**
- **Student activity costs**

### **What are some examples of program income?**

Examples of program income include, but are not limited to

- Fees earned from services performed under the award, such as those resulting from laboratory drug testing

- Rental or usage fees, such as those earned from fees charged for use of computer or laboratory 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 fees charged to participants for a workshop or conference sponsored by a grant award

### **Effort Reporting FAQ-**

**The complete listing of Effort Reporting FAQs is located at:**

<http://www.controller.vcu.edu/grants/ECRTfaq.html>

#### **1. How do I certify my effort in the ECRT system?**

See "ECRT Helpful Tools," <http://www.controller.vcu.edu/grants/ECRThelpfultools.html> for information on how to certify using the ECRT system.

#### **2. How do I get access to the ECRT site?**

ECRT requires users to have an active eID in order to access the ECRT site. Please verify your eID using the eID Manager site: <https://eidmanager.vcu.edu/sspr/private/Login>

If your eID is active, please contact Effort Reporting (<http://www.controller.vcu.edu/grants/effortstaff.htm>)

#### **3. How do I know when a certification period has begun?**

The ECRT schedule, <http://www.controller.vcu.edu/grants/ECRTschedule.pdf>, lists the certification period start and end dates. Certifiers will receive notification emails from ECRT ([effortreport@vcu.edu](mailto:effortreport@vcu.edu)) if they have effort statements that are awaiting their certification.

#### **4. How do I determine which period(s) I need to certify?**

The status line of an effort statement (i.e. ECRT card) determines whether or not certification is needed. Cards with statuses beginning with Not Certified, Not Processed should be certified. Please review the Certify-View My Effort helpful tool for additional information.

#### **5. What does my computed effort percentages represent and how is it calculated on my effort statement (i.e. ECRT card)?**

The Computed Effort percent column of the effort statement (i.e. ECRT card) totals the Payroll and Cost Share salary columns. Your salary charges are uploaded into the ECRT and are grouped based upon the certification periods. The Certification Payroll Report displays the salary charges by org code and by pay periods. The Account View, allows you to view the percentage listed on the effort statement (i.e. ECRT card) along with the total salary charged for the entire ECRT period. The Pay Period View, allows you to view the salary charges by pay period.

**6. I received the error message, “The certification is below/above the valid range of 99” after I entered my certified effort on the effort statement (i.e. ECRT card). Why?**

The certified column must be within the allowable range of 99-101 percent due to rounding.

**7. How do I get ECRT to capture all of my certified percentages at once?**

The “All” option located on the bottom right of the effort statement (i.e. ECRT card) should be clicked prior to selecting the “Certify” button.

See “ECRT Helpful Tools,” [www.controller.vcu.edu/grants/ECRThelpfultools.html](http://www.controller.vcu.edu/grants/ECRThelpfultools.html)

**8. The information on my effort statement (i.e. ECRT card) is incorrect. Who should I contact in order to get my information corrected?**

The information available in ECRT is uploaded from various data sources. Your primary effort coordinator (whose name is located on the top right corner of the Certify Effort page) should be contacted.

**9. I received a system-generated email from [effortreport@vcu.edu](mailto:effortreport@vcu.edu) with the title “Your reminder that the effort certification period has begun”. Why did I receive this email?**

Recipients of this email have time and effort towards either sponsored projects and/or clinical (graduate medical education effort) that need to be captured and validated.

**10. I have certified my effort, yet I am still receiving past due notifications. What should I do?**

Please review your “Statements Awaiting Certification” tab. The “Statements Awaiting Certification” tab will list effort statements with the status of “Cycle Still Active” and statuses beginning with “Not Certified, Not Processed”. In order to access the effort statement, simply click on your name found on the “Statements Awaiting Certification” tab.

**11. Do I still need to charge or cost share effort during every active quarter of an award?**

No, you are no longer required to charge or cost share effort in every active quarter of an award. However, some effort needs to be direct charged or cost shared during each year of the period of performance. This effort can be provided at any time within the year (summer months, academic year, or both). However, salary may not be direct charged if no effort is expended. It is the responsibility of the PI and department to track committed effort during the performance period of the award to ensure the original effort commitment to the sponsor has been met.

**12. Is PI effort required during a no-cost extension period?**

Some federal agencies require some level of effort during a no-cost extension period. When submitting a request for a no-cost extension, state the level of effort for all key personnel for the no-cost extension period. No-cost extension periods are typically granted for a 12 month period or longer. It is important to notify the sponsor if the work is completed before the extended end date to request a revision to the extension period so the award can be closed and to avoid a cost-sharing commitment for the remainder of the original extended period.

**13. I have a nine-month faculty appointment. I wish to donate my time during the summer to my project without compensation from the award or a departmental fund. Am I required to charge the award or cost share effort?**

No. However, some effort needs to be direct charged or cost shared during each year of the period of performance.

**14. Can I charge effort during the academic year to my NSF award?**

NSF clarified their policy on academic year effort in October 2008, stating effort may be charged during the academic year to the award. In general, NSF limits salary compensation for senior project personnel to no more than two months of their regular salary from all NSF sources in any one year. A third month may be allowed on an exception basis when approved by NSF.

**15. How will the summer salary policy be implemented?**

The total compensation for all the overload jobs during the academic year and summer may not exceed 33.33 percent of the faculty member's 9/10-month contractual salary.

<http://provost.vcu.edu/media/provostdevelopment/media/FACULTYSALARYADMINISTRATIONGUIDELINES-Rev1-6-16.pdf>

**16. I have a nine-month appointment. How can I tell if my salary is over the DHHS salary cap?**

Divide your salary by 9 and multiply it by 12 to get your annualized rate of pay. If this amount is greater than the current DHHS salary cap, then you must capture the difference as salary cap cost share. Conversely, you can take the current salary cap amount, divide by 12 and multiply by 9. If your 9 month salary is greater than the result, you must capture the difference as salary cap cost share.