SECTION 5:
DURING THE LIFE OF THE PROJECT

1. FINANCIAL REPORTS

Financial Reports should be reviewed every month. Reviewing Financial Reports on a monthly basis will ensure that unallowable/incorrect expenses are removed on a timely basis (refer *to GAP 200.150 - Cost Transfers on Sponsored Projects*). For more information refer *to GAP 200.011 Financial Statements* and *GAP 200.012 - Reconciliation of Financial Transactions*. Following are some suggestions:

a) Review the Financial Report for obvious errors and problems such as:
   1) incorrect or unallowable G/L Accounts
   2) purchase orders or work orders completed but still listed as open
   3) budget category or bottom-line is in an overdraft status

b) Salary Charges - The salary charges are consistent with the personnel working on the sponsored projects. Cost-sharing of salaries is correctly indicated.

c) Compare supporting documents on hand - invoices, work order bills, telephone bills, material issuance reports, journal entries - to the Financial Report for agreement.

a. R/3 EXPENSE REPORT WITH AWARD AMOUNT

1) General Information

Classes on how to execute and read R/3 Reports are offered by various University groups. The Office of Sponsored Programs (OSP) strongly suggests, if you have not done so already, that you attend these classes. This Section is provided for your ready reference and does not include all the information covered in the classes. Information regarding what and when classes are offered can be obtained by reviewing the internet site http://www.r3.duke.edu.

An expense report is available in R/3 that provides financial information from the beginning of a sponsored project for projects with an "**Award amount**". The report provides amount awarded (ITD PLAN), expenses incurred during the current fiscal month (CURR MO ACTUAL), expenses incurred during the current fiscal year (YTD ACTUAL), expenses incurred from the beginning of the project (ITD ACTUAL), and the balance (BALANCE) computed as Award minus Expenses (ITD PLAN minus ITD ACTUAL). A positive number means you have a good balance (not an overdraft).

Using the Cost Element Group **SPAWEXP**, it is organized by G/L Accounts and subtotaled by broad budget categories. By double clicking a specific expense amount in the R/3 Report, the detailed transactions that make up that total expense amount are displayed. Double clicking the specific transaction displays the transaction document. Please note that this report does NOT include any outstanding commitments. To access the R/3 Expense Report, follow the instructions below:

- In R/3, to the right of the green check mark, enter in the white box ZFR1, click on the green check
- Click to the left of each of the following: UNIVERSITY DETAIL REPORTING
- Double click on Project/Work Breakdown Structure: Inception to Date (with Plan)
- Enter the following data:

    Project: (enter 7 digit Cost Object, e.g., 3031234)

    Fiscal Year: (enter fiscal year, e.g., 2002)

    Period: (enter fiscal period you want the report to provide expenses through, e.g. September = 03)
- Cost Element Group: **SPAWEXP**
- Execute the Expense Report
- To print the report, on the Menu bar click on Report, Print, green check mark, Print Icon

2) Headings on R/3 Expense Report with Award

Project/WBS Element: Indicates the 7 digit Cost Object with no hyphens. For 30X – 34X Cost Objects the award number is indicated, and for 35X – 39X Cost Objects the Sponsor's name is indicated.

Person Responsible: This is the name of the Principal Investigator, as indicated in the award document.

Project Period: Indicates the start and end date of the project as indicated in the award document. For projects that ended prior to 06/30/98 the end date may be a generic end date of 06/30/24. The end date of 06/30/24 or 06/30/25 may also be used for projects with no end date.

Period: Financial information is displayed through the fiscal month indicated.

Fiscal Year: Financial information is displayed through the fiscal year indicated.

Cost Elements: Indicates G/L Accounts used from the beginning of the project for either the award amounts or expenses incurred. The G/L Accounts are grouped and subtotaled in broad budget categories in accordance with Cost Element Group SPAWEXP. Appendix 9 – Grouping of Cost Elements on R/3 Expense Report provides a list of G/L Accounts used for each broad budget category.

IDT Plan: Inception to Date Plan indicates amounts awarded for each budget category. These amounts are obtained from the approved budget. If the obligated amount is less than the awarded amount, the obligated amount is indicated (refer to Section 2 GETTING STARTED, part 4 Reviewing the Award Document). For projects that ended prior to 06/30/98, the ITD Plan field may be blank even though a budget existed. This is because the Award field in the CUFS legacy system had already been deleted when the data was uploaded to R/3.

CURR MO ACTUAL: Indicates expenses that have been incurred during the current fiscal month.

YTD ACTUAL: Indicates expenses that have been incurred during the current fiscal year.

ITD Actual: Indicates expenses that have been incurred from the beginning of the project.

BALANCE: Indicates the balance available on the Sponsored Project. The balance is computed as follows: ITD Plan minus ITD ACTUAL. A positive number means you have a good balance (not an overdraft).

b. R/3 REPORT FOR PROJECTS WITH NO AWARD AMOUNT

1) General Information

For projects effective **prior** to 07/01/98, the Project System in R/3 provides the fund balance as of 06/30/98, revenue received and expenses incurred from 07/01/98, and available balance. For projects **effective as of 07/01/98**, the **Project System** in R/3 provides financial information from the **beginning of the project.** The report provides expenses incurred during the current fiscal month (CM), expenses incurred from the beginning of the project for prior fiscal years (Prior Year), expenses incurred during the current fiscal year (YTD Actual), and the balance (Ending Bal). The ending balance for each cost element group is computed by adding the Prior Year and YTD Actual columns. The Cost Object balance is indicated at the bottom of the Ending Bal column under the heading Project Total. The Cost Object balance is computed as Revenue minus Expenses. A negative sign means you have a good balance (not an overdraft).

Using the Cost Element Group **SPREVEXP**, it is organized by G/L Accounts and subtotaled by broad budget categories. By double clicking a specific expense amount in the R/3 Report, the detailed transactions that make up that total expense amount are displayed. Double clicking the specific transaction displays the transaction document. Please note that this report does NOT include any outstanding commitments. To access the R/3 Report follow the instructions below:

- In R/3, to the right of the green check mark, enter in the white box ZFR1, click on the green check
- Click to the left of each of the following: UNIVERSITY DETAIL REPORTING
- Double click on Project/Work Breakdown Structure: Inception to Date (without Plan)
- Enter the following data:

  Project: (enter 7 digit Cost Object, e.g., 3911234)

  Fiscal Year: (enter fiscal year, e.g., 2002)

  Period: (enter fiscal period you want the report to provide expenses through, e.g. September = 03)

- Cost Element Group: **SPREVEXP**
- Execute the Expense Report
- To print the report, on the Menu bar click on Report, Print, green check mark, Print Icon

2) Headings on R/3 Financial Report

Project/WBS Element: Indicates the 7 digit Cost Object with no hyphens. For 30X – 34X Cost Objects the award number is indicated, and for 35X – 39X Cost Objects the Sponsor's name is indicated.

Person Responsible: This is the name of the Principal Investigator, as indicated in the award document.

Project Period: Indicates the start and end date of the project as indicated in the award document. For projects that ended prior to 06/30/98 the end date may be a generic end date of 06/30/24. The end date of 06/30/24 or 06/30/25 may also be used for projects with no end date.

Period: Financial information is displayed through the fiscal month indicated.

Fiscal Year: Financial information is displayed through the fiscal year indicated.

CM: Indicates expenses that have been incurred during the current fiscal month.

Project: Indicates G/L Accounts used from the beginning of the project. The G/L Accounts are grouped and subtotaled in broad budget categories in accordance with Cost Element Group SPREVEXP. Appendix 9 – Grouping of Cost Elements on R/3 Expense Report provides a list of G/L Accounts used for each broad budget category.

Prior Year: Indicates expenses incurred from the beginning of the project for prior fiscal years.

YTD ACTUAL: Indicates expenses incurred during the current fiscal year.

Ending Bal: Indicates the ending balance for each cost element group computed by adding the Prior Year and YTD Actual columns. The Cost Object balance is indicated at the bottom of the Ending Bal column under the heading Project Total. The Cost Object balance is computed as Revenue minus Expenses. A negative sign means you have a good balance (not an overdraft).

APPENDIX 9: GROUPING OF G/L ACCOUNTS ON R/3 FINANCIAL REPORT

Revenue (Only SPREVEXP)
300000 - 399999

Obligations/Restrictions
99700 - 99900

Salaries and Wages
600000 - 600299
600500 - 603299
603500 - 609999

Salaries Cost-Shared
600300 - 600499
603300 - 603499

Fringe Benefits
610000 - 619999

Salaries Cost-Sharing Contribution
808000 - 808099

Professional Services and Other Payments
620000 - 621499
621600 - 629999

Supplies and Materials
640000 - 649999

Equipment
170000 - 179999 (commitments)
660000 - 669999
808100 - 808199

Travel
698600 - 698799

Alterations and Renovations
680300 - 680399
680900 - 680999
681100 - 681100
681300 - 681399
681600 - 681699
682100 - 682199
682300 - 682399
682500 - 682599
682700 - 682799
682900 - 682999
683100 - 683199

Contractual Costs
691600 - 691699
697100 - 697199

Patient Care
694200 - 694299
696400 - 696499

Other Costs
650000 - 659999
670000 - 680299
680499 - 680899
681000 - 681099
681200 - 681299
681400 - 681599
681700 - 682099
682200 - 682299
682400 - 682499
682600 - 682699
682800 - 682899
683000 - 683099
683200 - 691599
691700 - 694199
694300 - 694599
694700 - 694899
695000 - 696399
696500 - 696699
696900 - 697099
697200 - 698599
698800 - 698899
699000 - 752799
753000 - 753099
753300 - 807999
808300 - 999600
S00000 - S99999

Other Cost-Sharing Contribution
808200 - 808299

Trainee Expenses
621500 - 621599
630000 - 639999
694900 - 694999
698900 - 698999

Cost-Sharing Contribution
696700 - 696899

TOTAL DIRECT COSTS

Indirect costs
694600 - 694699
752800 - 752999
753100 - 753299

TOTAL INDIRECT COSTS

TOTAL PROJECT COSTS

Reported Costs
999700 - 999999

c. FUND STATEMENTS (CUFS – Legacy System)

1) General Information

As of July 1, 2003, CUFS (College and University Financial System) became the legacy system for financial records prior to March, 1999. Two types of CUFS Fund Statements are available for Restricted Fund Codes: **Statement of Restricted Funds-Modified** and **Statement of Restricted/Allocated Fund**. Appendix 10 provides a comparison of these two Fund Statements. Fund Statements were automatically sent by Accounting Services to the Principal Investigator, unless requested otherwise. If you need a copy of an old Fund Statement and you are authorized to receive the Fund Statement, contact Accounting Services. Unless otherwise requested, the Statement of Restricted Funds-Modified was provided for 30X through 38X Cost Objects. The Statement of Restricted/Allocated Fund was provided for 39X Cost Objects.

2) Headings on CUFS Fund Statement (partial listing)

COMP: Indicates the primary Component of the Principal Investigator shown in the Employee Master List. The pre-award office can, however, specify the component associated with the project. This can occur when the project is associated with a specific Center at Duke.

FUND DATES: Indicates the starting and ending date of the project as shown in the award document.

FUND: For 30X-34X fund codes, the grant/contract number as listed in the award document is indicated. If none is provided, the project title is listed. For 35X-39X fund codes, the name of the Sponsor, grant/contract number, and project title is listed.

P.I.: Principal Investigator as determined by the award document and pre-award Office.

FORMAT: **(MODIFIED Fund Statements only)** The Format Code is assigned by OSP and dictates how object codes are grouped together into budget categories for the Statement of Restricted Funds - **Modified** fund statements. Format 001 is assigned to research projects (3X3 fund codes) with a specific award amount ; Format 002 is assigned to training projects (3X2 fund codes) with a specific award amount; and, Format 60X is assigned to all projects that do not have a specific award amount (most 39X fund codes). Appendix 10 provides a detailed listing of each format and the grouping of object codes. The format also determines whether the unencumbered balance column is calculated by subtracting the expenditures from the Award Amount (Format 001 and 002) or from the Surplus/Revenue (Format 60X).

TABLE ID: (Statement of Restricted/Allocated Funds only)

FSWA = Fund Statement With Award (30X through 35X fund codes)

FSNA = Fund Statement Without Award (36X through 39X fund codes)

AWARD AMOUNT COLUMN: Indicates amount awarded for each budget category. If the obligated amount is less than the awarded amount, refer to Section 2 GETTING STARTED, Part 4 Reviewing the Award Document.

UNENCUMBERED BALANCE COLUMN:

Format 001, or 002, and FSWA (Fund Statement With Award**):**

Award amount – Encumbrances - Expenditures = Unencumbered Balance

Format 60X, and FSNA (Fund Statement Without Award**):**

Surplus/Revenue – Encumbrances - Expenditures = Unencumbered Balance

MEMO: Displays information such as Overdraft, batch number for Imprest Cash payment, or SAP encumbrance.

APPENDIX 10: COMPARISON OF CUFS RESTRICTED FUND STATEMENTS

STATEMENT OF RESTRICTED FUNDS - MODIFIED	STATEMENT OF RESTRICTED/ALLOCATED FUND
Broad budget categories	**Numerical order by object code**
Current Restricted Fund- Grants and Contracts	
Award Statement	
Award - Encumbrance - Expense = Unencumbered Balance	
FORMAT - 001 Research, or 002 Training	FSWA - Fund Statement With Award
All Fund Codes with the above Format	30X-XXXX through 35X-XXXX fund codes
Shows cumulative award amount and cumulative expenses for the period of the project	
Unencumbered Balance/Overdraft is true for each budget category and Grand Total	Unencumbered Balance/Overdraft is true only for Grand Total
Revenue received does not show on statement	Revenue received during Current FY & prior FY Surplus Balance Forward is listed as a Memo item at end of statement
Current Restricted Fund - Non-Award	**Current Restricted Fund - Non-Award/Allocated**
Revenue Statement	
Revenue - Encumbrance - Expense = Unencumbered Balance	
FORMAT - 60X Other	FSNA - Fund Statement Without Award
All Fund codes with the above Format	36X-XXXX through 39X-XXXX fund codes
Shows Surplus Prior Year, Current Fiscal Year Revenue, and current fiscal year expenses	
Unencumbered Balance/Overdraft is true only for Grand Total	

APPENDIX 11: GROUPING OF OBJECT CODES BY FORMAT

CATEGORY NAME	FORMAT 001, 002 and 60X
Surplus-Prior Year	2926
Current Year Revenue	3XXX (except 3437 and 3438)
Intra Fund Transfer	3437, 3438
Restricted Award	0998
Restricted Award-Offset	0999
Obligated Award	0997
Salaries & Wages	60XX (except 6003, 6004, 6033, 6034)
Cost-Shared S & W	6003, 6004, 6033, 6034
Cost-Sharing Contrib	8080
Fringe Benefits	61XX
Consultant Costs	62XX
Equipment	66XX
Equipment-Xfered or Sold	7508, 7509
Supplies	64XX
Travel-Domestic	6986
Travel-Foreign	6987
Patient Care Outpatient	6964
Patient Care	6942
Alterations & Renov Inpatient	6809, 6811, 6813, 6816, 6821, 6823, 6825, 6827, 6829, 6831
Contractual Costs	6916, 6971
Other	65XX, 67XX, 68XX, 69XX, 7XXX, 90XX (except 6809, 6811, 6813, 6816, 6821, 6823, 6825, 6827, 6829, 6831, 6916, 6942, 6946, 6964, 6967, 6968, 6971, 6975, 6986, 6987, 6989, 7508, 7509, 751X, 7528, 75297531, 7532); FORMAT 002 add except 6949
Expense Credit	751X
Cost-Sharing Contrib	6967, 6968, 6975, 8081, 8082
Interfund Transfers	8XXX (except 8080, 8081, 8082)
Stipends	6305, 6315, 6325, 6335, 6345, 6355, 6365, 6375, 6385, 6395
Tuition & Fees	6304, 6314, 6324, 6334, 6344, 6354, 6364, 6374, 6384, 6394
Other Financial Aid	63XX (except 6304, 6305, 6314, 6315, 6324, 6334, 6325, 6335, 6344, 6345, 6354, 6355, 6364, 6365, 6374, 6375, 6384, 6385, 6394, 6395)
Trainee Insurance	(ONLY FORMAT 002) 6949
Trainee Travel	6989
Indirect Cost-Full	6946
Indirect Cost Contrib.	7528, 7529, 7531, 7532

2. FACILITIES & ADMINISTRATIVE COSTS/INDIRECT COSTS (F&A/IC)

a. General

The Federal Government has changed the name of Indirect Costs to Facilities and Administrative (F&A) Costs. F&A costs rates are negotiated with the Department of Health and Human Services (DHHS). The negotiated rates are required to be used on applications/proposals unless the Sponsor stipulates otherwise. The latest Rate Agreement is available on the internet address http://www.finsvc.duke.edu/finsvc/CostReim/osp/index.html and click on F&A /Indirect Cost Rates. For more information regarding F&A costs, refer to *GAP 200.330 Facilities and Administrative (Indirect) Costs on Sponsored Projects*. If you have any questions regarding F&A costs, contact OSP.

b. Calculation of F&A Costs

The required data to properly calculate F&A costs is obtained from the award documents and/or approved budget and is entered to the Master Data in R/3 by OSP when the Cost Object is established. Since the F&A rate and base to which the rate is applied can vary from project to project, the F&A rate information for each project is stored in the Master Data of R/3 in such a way that the System can access the data unique to each project. The amount of F&A costs to be charged to the project is calculated at the end of every fiscal month as part of the process for closing the fiscal month. The System calculates the F&A costs on current month activity.

For all 3X2 and 3X3 Cost Objects the F&A costs are computed at the negotiated rate (Theoretical) and will appear on the General Ledger as an expense to G/L Account 694600. For all other Cost Objects, the F&A costs (G/L Account 694600) are computed using the rate authorized by the Sponsor.

F&A costs charged to a project can exceed the budgeted/awarded amount. This occurs when direct cost expenses included in the MTDC base exceed their budgeted/awarded amount as follows:

CATEGORY	AWARDED AMOUNT	ACTUAL EXPENSE
Supplies	$ 1,000	$1,100
Equipment	$10,000	$9,900
F&A @ 35% of MTDC	$ 350	$ 385

c. Modified Total Direct Costs

MTDC is an acronym for Modified Total Direct Costs. The MTDC is the **base that is used to compute the F&A costs**. According to the F&A Rate Agreement, certain expenses are excluded from the base used to compute the F&A Costs. Occasionally, a Sponsor may exclude other direct costs from the base that are not excluded by the Negotiated Rate Agreement. When this occurs OSP modifies the Master Data so that the additional excluded direct costs are not considered when the F&A costs are computed by the System.

To determine what MTDC base is used to calculate the F&A costs on your sponsored project, take the following steps:

- In R/3, to the right of the green check mark, enter in the white box ZFR1, click on the green check
- Click to the left of each of the following: Master Data Display ➔Project/Work Breakdown Structure
- Enter the following data:
  Project def.: (enter 7 digit Cost Object, e.g., 3911234)
- Click on Project Definition ICON
- In Menu Bar click on Details➔Cust. fields proj def.
- The Cost Element Grouping indicated under the labels “Theoretical Cost Element Group” or “Allowable CE Group” is used to obtain the MTDC used to compute the F& A costs

For 3x2 and 3x3 WBSE, the **Theoretical** Cost Element field provides the Cost Element Group (series of G/L Accounts) that are used to determine the Modified Total Direct Costs used to compute the F&A costs allowed by the **Negotiated Rate**. The **Allowable** CE Group field provides the Cost Element Group (series of G/L Accounts) that are used to determine the Modified Total Direct Costs used to compute the F&A costs allowed by the **Sponsor**.

Once you have found the Cost Element Group (e.g., SPIDC02) used to compute the Modified Total Direct Costs, an expense report can be executed in R/3 using SPIDC02 in the Cost Element Group field of the expense report. The result of this report will provide you with the Modified Total Direct Costs (G/L Accounts and amounts) used to calculate the F&A costs charged to the project. The Modified Total Direct Costs multiplied by the Theoretical Indirect Cost Percentage listed in the Master Data, provides the amount charged to G/L Account 694600 of the General Ledger.

d. Cost-Sharing F&A Costs

When F&A costs are to be cost-shared, the cost-shared portion of F&A costs is indicated on the General Ledger using the following G/L Accounts:

752800	Non-Government Research Cost Objects
752900	Non-Government Non-Research Cost Objects
753100	Government Research Cost Objects
753200	Government Non-Research Cost Objects

Even though the approved budget does not require cost-sharing of F&A costs, F&A costs may, nevertheless, be cost-shared. This occurs when Duke's negotiated F&A rate (**Theoretical**) is higher than the Sponsor's awarded F&A rate (**Allowable**). For more detailed information refer to Part 5 f. Cost-Sharing F&A Costs in this Section.

e. Internal Distribution of F&A Cost Recovery

F&A costs expensed to a sponsored project are indicated in the General Ledger on G/L Account 694600. If Cost-sharing of F&A costs are computed, the cost-shared portion is indicated as a credit in the General Ledger on G/L Accounts 752800, 752900, 753100 and 753200. The actual charge to the sponsored project is the net of the expense minus the cost-shared credit. The net amount charged to the project is the **F&A Recovery** for Duke University. The F&A Recovery is distributed to various accounts within the University. Appendix 12 is the Distribution Table for F&A Cost Recoveries. The F&A Recovery is distributed first to the top account at the indicated full rate, then, to the next account at the indicated full rate, and so on until all of the rate is used up. For example, if a Federal Sponsor only allowed an F&A rate of 50% and the project was associated with Arts and Sciences (see first column of Appendix 12), the General Fund would receive 41.2 points of the F&A Recovery, Tech Transfer would receive .5 points of the F&A Recovery, Deferred Maintenance would receive 7.8 points of the F&A Recovery, and Instructional/Shared Resources would receive only .5 points of F&A Recovery—for a total of the 50% rate allowed by the Sponsor. The Dept. Discretionary account would receive none of the F&A Recovery since it has all been distributed to the upper accounts.

APPENDIX 12: DISTRIBUTION TABLE FOR F&A COST RECOVERIES

DISTRIBUTION TABLE FOR F&A COST RECOVERIES

DISTRIBUTION ACCOUNTS	ARTS & SCIENCES, LAW ENGINEERING (NON-GOV'T) DIVINITY, ADMINISTRATION			PHYSICS FELL	ENGR.	SCHOOL OF MEDICINE NURSING			FUQUA	MARINE LAB		OTS
	10 GOV'T	60 NON GOV'T	90 LSRC	80	12 GOV'T	2	22 DCRI	23 DCRI 1%	5	4 GOV'T	7 NON GOV'T	9
GENERAL FUND	41.2	27.7	54.0	54.0	43.2	44.7	3.0	0.5	53.5	45.7	42.7	10.0
TECH TRANSFER	0.5	0.5	0.0	0.0	0.5	0.5			0.5	0.5	0.5	
DEFERRED MAINTENANCE	7.8	10.8	0.0	0.0	7.8	8.0				7.8	10.8	
INSTR./SHARED RESOURCES	2.5	15.0	0.0	0.0	2.5	0.8	15.0					
DEPT. DISCRETIONARY	2.0	0.0	0.0	0.0	0.0		4.0	0.5				16.0
TOTAL RATE	**54.0**	**54.0**	**54.0**	**54.0**	**54.0**	**54.0**	**22.0**	**1.0**	**54.0**	**54.0**	**54.0**	**26.0**

3. COST-SHARING

a. General

Cost-sharing amounts and sources are determined at the proposal stage and must be approved by the Pre-Award Office. Sponsors require that cost-shared expenses indicated on a proposed budget be treated in the same fashion as the Sponsor's funds. Therefore, they must be properly accounted for and reported. Most of the information provided in this Section is from the OMB Circular A-110 "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and other Non-Profit Organizations". Unless the non-federal Sponsor specifically states otherwise, OSP also uses the federal guidelines for non-federal sponsored projects. Cost-sharing can be mandatory or voluntary. Voluntary cost-sharing can be committed or uncommitted. Cost-sharing is important as it may have an impact on the negotiated F&A rate. *GAP 200.140 Cost-Sharing on Sponsored Projects* provides additional information regarding this subject.

b. Definitions:

Project Costs: Project costs are all allowable costs (as set forth in the applicable Sponsor cost principles) incurred by a recipient (Duke) and the value of the in-kind contributions made by the recipient or third parties in accomplishing the objectives of the sponsored project during the project period. Please refer to Part 9 Allowability of Costs, Section 2 GETTING STARTED for a more detailed explanation on allowability of costs.

Cost-Sharing and Matching: In general, cost-sharing and matching represent that portion of project costs not borne by the Sponsor. A Sponsor may require that a certain percentage (e.g., 40%) of the total project costs be paid by Duke. When this occurs, the Sponsor will pay only their corresponding percentage (e.g., 60%) of the total expenses incurred by the project. In 1999, the Department of Health and Human Services defined "Matching" as generally used to refer to a statutory requirement to share in the costs of the project. "Cost-Sharing" was defined as when an institution shares in the costs of the project voluntarily. **For the purpose of the Manual, both Cost-Sharing and Matching will be used interchangeably.**

Mandatory Cost-Sharing: Cost-sharing specifically required by the Sponsor in order to fund the project. Mandatory cost-sharing is indicated in the proposed budget.

Voluntary, Committed Cost-Sharing: Cost-Sharing that is not required by the Sponsor in order to fund the project. However, this type of cost-sharing could be required due to an imposed limitation by the Sponsor, such as the NIH salary cap. When cost-sharing is not required by the Sponsor, listing a Principal Investigator's effort in the proposed budget with no funds requested from the Sponsor is also an example of Voluntary, Committed cost sharing.

Voluntary, Uncommitted Cost-Sharing: Cost-sharing not indicated in the proposed budget or imposed by Sponsor's limitations. Allowable expenses incurred above the award amount (usually removed from the project by using G/L Accounts 696700 or 696800) are an example of Voluntary, Uncommitted Cost-Sharing.

Cash Contributions: Cash contributions represent the recipient's (Duke's) cash outlay, including the outlay of money contributed to the recipient by non-Sponsor third parties. These are costs that can be verified by Duke's General Ledger.

In-Kind Contributions: In-kind contributions represent the value of **noncash** contributions provided by the recipient (Duke) and non-Sponsor third parties. In-kind contributions may be in the form of charges for real property and non-expendable personal property, and the value of goods and services directly benefiting and specifically identifiable to the project or program. These costs cannot be verified by Duke's General Ledger.

c. General Guidelines:

1) Cost-sharing charges incurred by the recipient (Duke) as project costs may consist of project costs financed with cash or represented by services and real and personal property, or use thereof, contributed or donated by non-Sponsor agencies, institutions, private organizations, individuals, or Duke.
2) All contributions, both cash and in-kind, shall be accepted as cost-sharing when such contributions meet **all** of the following criteria:
    a) Are verifiable from the recipient's (Duke's) records;
    b) Are not included as contributions for any other sponsored project;
    c) Are types of charges that would be allowable under the applicable cost principles;
    d) Are not paid by the Sponsor under another sponsored project;
    e) Are provided for in the approved budget when required by the Sponsor.
3) Volunteer services must be documented and, to the extent feasible, supported by the same methods used by the recipient (Duke) for its employees (e.g., time record, certification of effort).
4) Cost-shared expenses should be purchased (paid) from the sponsored project's Cost Object using the appropriate 6XXXXX G/L Account. The cost-shared expenses should then be credited to the sponsored project's Cost Object and charged to the Cost Object that will actually pay for the cost-shared item by using G/L Accounts 808000, 808100, or 808200.

d. Cost-Sharing of Salaries

The amount and/or percent of cost-shared salary is decided at the proposal stage of a project. Regardless of whether the Sponsor requires Cost-sharing or not, if the proposed budget indicates a percent effort with no salary, the cost-shared salary must be documented through the payroll system. In addition, some Sponsors, like NIH, impose a salary cap that has the result of requiring cost-shared salary for the amount of salary exceeding the NIH salary cap. For assistance in computing the cost-shared salary exceeding the NIH salary cap, contact the Office of Sponsored Programs. Government funded projects cannot be used to cost-share effort on any other sponsored project**. The source of cost-sharing can only be from a non-governmental source.**

In order to properly account for, and therefore properly report the cost-shared amount and effort, a Cost Distribution Form must be processed indicating the cost-shared portion. For the cost-shared effort and amount, indicate on the Cost Distribution Form the sponsored project's Cost Object (3XXXXXX) using either G/L Account **600300** - Cost-Sharing - Training, **603300** - Cost-Sharing - Training - Tenure/Tenure Track Faculty, **600400** - Cost-Sharing - Research, or **603400** - Cost-Sharing - Research - Tenure/Tenure Track Faculty. When dealing with cost-shared salaries, G/L Accounts 600300, 603300, 600400, or 603400 must be used because the Duke system is set up so that whenever these G/L Accounts are used, entries are also made to remove the charge (but not the accountability) from the sponsored project and charge the Duke Cost Object (e.g., 45XXXXX) for the cost-shared salary. In addition, it is critical that you indicate in the Cost Distribution Form the Duke Cost-Sharing Cost Object (e.g. 45XXXXX) that will actually pay for the cost-shared salary. Appendix 13 provides a detailed example of cost-sharing salaries from the proposal stage to the Effort Certification.

If you have any questions on how to properly submit a cost-sharing Cost Distribution Form, please call OSP and we will be glad to discuss each individual case with you.

e. Cost-Sharing Equipment

A Purchase Requisition using G/L Account 66XXXX is processed using the sponsored project's Cost Object. When the equipment charge appears on the sponsored project's financial report (invoice has been paid), a Journal Voucher using G/L Account 808100 must be processed by the department crediting the sponsored project and debiting the Cost Object that will actually pay for the equipment item.

Purchase Requisition:	34X-XXXX-66XXXX-XXXX	$1,500.00
Journal Voucher:	34X-XXXX-808100-XXXX	($1,500.00)Credit
	4XX-XXXX-808100-XXXX	$1,500.00 Debit

f. Cost-Sharing Other Direct Costs

The proper transaction form (e.g., Travel Voucher) is processed using the sponsored project's Cost Object. When the charge (e.g., Travel) appears on the sponsored project's financial report, a Journal Voucher must be processed by the department crediting the sponsored project and debiting the Cost Object that will actually pay for the travel expense.

Travel Expense:	34X-XXXX-698600-XXXX	$1,000.00
Journal Voucher:	34X-XXXX-808200-XXXX	($1,000.00)Credit
	4XX-XXXX-808200-XXXX	$1,000.00 Debit

g. Cost-Sharing of F&A Costs

For all 3X2 and 3X3 Cost Objects the F&A costs are computed at the negotiated rate (Theoretical) and will appear on the General Ledger as an expense to G/L Account 694600. For all other Cost Objects the F&A costs expensed as G/L Account 694600 are computed using the rate authorized by the Sponsor. The following G/L Accounts will indicate the amount of F&A costs cost-shared by the project:

752800	Non-Government Research Cost Objects
752900	Non-Government Non-Research Cost Objects
753100	Government Research Cost Objects
753200	Government Non-Research Cost Objects

EXAMPLE
COST-SHARING OF F&A COSTS

Sponsored Project Cost Object	3X3-XXXX
Negotiated F&A Rate:	54%
Percent F&A Rate Cost-Shared:	10%

MTDC expensed for April, 20XX	=	$10,000.00
Negotiated F&A Rate		x .54
Amount Charged to 694600	=	$ 5,400.00
Amount Cost-Shared to 75XXXX	=	($1,000.00)
Net Amount Charged to Project	=	$4,400.00

APPENDIX 13: COST-SHARING OF SALARIES

Dr. J. Doe is a faculty member in the History Department. Dr. Doe has just been awarded a Grant by the National Endowment for the Humanities that requires Dr. Doe to cost-share 25% of his salary for the period September 1, 20XX through May 31, 20XX. Dr. Doe's base rate per month is $6,250.00.

PROPOSED BUDGET

	DUKE	NEH
SALARIES		
DR. J. DOE, PRINCIPAL INVESTIGATOR		
25% EFFORT, 09/01/XX - 05/31/XX	$14,063.00	
$6,250 X 9MOS X 25%		
FRINGE BENEFITS		
$14,063 X 21.4%	$ 3,010.00	
SUBTOTAL PERSONNEL COSTS	$17,073.00	
SUPPLIES		$ 5,000.00
EQUIPMENT		$ 1,000.00
TRAVEL		$ 2,000.00
TOTAL DIRECT COSTS	$17,073.00	$ 8,000.00
F&A COSTS @ 54% OF MTDC		$ 4,320.00
TOTAL COSTS	$17,073.00	$12,320.00

FINANCIAL REPORT

DESCRIPTION	G/L ACCOUNT	ITD PLAN
Salaries & Wages Cost-Sharing	603400	14,063
Fringe Benefits	610000	3,010
Cost-Shared Salaries & Fringe	808000	(17,073)
Supplies	645000	5,000
Equipment	665000	1,000
Travel	698600	2,000
Indirect Costs	694600	4,320
	TOTAL AWARD	$12,320

Cost Distribution Form

Duke University/Health System

COST DISTRIBUTION

(Please Use F1 HELP Key for explanations in ANY field below)

DUKE UNIQUE ID #: 12345678 | ☐ **Nonexempt (Biweekly-UB)** ☒ **Exempt (Monthly-UM)**

PERSONAL DATA *(Printed or Typed Only)*

Last Name: **DOE** *(Family Name)*	First Name: **J.** *(Given Name)*	MI:	U.S. SSN: **000 11 2222** *(required)*

COST DISTRIBUTION CHANGE (Cost Center or Service Type/Category Change)

PRESENT				NEW			
COST OBJECT	**ST**	**SC**	**% or Amount**	**COST OBJECT**	**ST**	**SC**	**% or Amount**
1500010	**60**	**13**	1.000	**3430000**	**60**	**34**	0.250
	60			**1500010**	**60**	**13**	0.750
	60				**60**		
	60				**60**		
	60				**60**		
	60				**60**		
	60				**60**		
	60				**60**		
	60				**60**		
	60				**60**		
	60				**60**		
	60				**60**		
	60				**60**		
	60				**60**		
	60				**60**		

Dates of Change ***(Required)*** **:From** **To** **Cost-Sharing Cost Object: 1500010**

Remarks or Explanations:

Cost Distribution Form must be routed to the HRIC

Authorized Departmental Signature: **BUSINESS MANAGER** *(Print Authorized Name and Obtain Signature)*	Date: **08/01/2003**	Tel: (**919**) **123 4567** *(Required Information)*
Authorized Budgetary Signature: *(Print Authorized Name and Obtain Signature)*	Date:	Tel: ( ) *(Required Information)*
Authorized Other Signature: *(Print Authorized Name and Obtain Signature if needed)*	Date:	Tel: ( ) *(Required Information)*
Prepared By: **PAYROLL CLERK** *(Print Name and Obtain Signature)*	Date: **08/01/2003**	Tel: (**919**) **890 1234** *(Required Information)*

APPENDIX 13: COST-SHARING OF SALARIES

(PAGE 3 of 4)

NEH GRANT

EXPENSE REPORT

COST OBJECT: **343-0000**

P.I.: DR. J. DOE

DATE	**DESCRIPTION**	**G/L ACCOUNT**	**EXPENDITURES**	
09/25/XX	F/S DOE,J SEPT.	603400	1,562.50	debit
09/25/XX	F/S Fringe	610000	334.38	debit
09/25/XX	Cost-Shared S & FB	808000	1,896.88--	credit

HISTORY DEPARTMENT

FINANCIAL REPORT

COST OBJECT: **150-0010**

DATE	DESCRIPTION	G/L ACCOUNT	EXPENDITURES	
09/25/XX	F/S DOE,J	601300	4,687.50	debit
09/25/XX	F/S Fringe	610000	1,003.13	debit
09/25/XX	Cost-Shared S & FB	808000	1,896.88	debit

APPENDIX 13: COST SHARING OF SALARIES

DUKE UNIVERSITY EFFORT CERTIFICATION REPORT
BASE SALARY 07/01/XX TO 06/30/XX

(EXCLUDES ANY PAYMENTS MADE ON PERSONAL SERVICE REQUISITIONS

NAME: J. DOE PRIMARY Org Unit: 6064102800
SOCIAL SECURITY NO.: 001-00-0001

ACTIVITIES BY CATEGORIES

FUND CODE TITLE	ACCOUNT CODE	BASE SALARY	WEIGHTED AVG EFFORT CHARGED	CERTIFIED ANNUAL EFFORT (1)
** SPONSORED RESEARCH **				
** COST SHARING - SPONSORED RESEARCH **				
NEH GRANT	343-0000-603400	14,062.50	25.0%	25.0%
** OTHER FEDERAL SPONSORED PROGRAMS **				
** COST SHARING - TRAINING **				
** INSTRUCTION, TRAINING AND DEPART. RESEARCH **				
HISTORY DEPARTMENT	150-0010-601300	42,187.50	75.0%	75.0%
** EFFORT SUPPORTING DUKE HOSPITAL ** (2A) **				
** ADMINISTRATIVE EFFORT SUPPORTING GENERAL DEPARTMENTAL OPERATIONS ** (2B) **				
** ALL OTHER EFFORT **				
***** TOTAL ****		56,250.00	100.0%	100.0%

NOTES: (1) COMPLETE ONLY IF ACTUAL ANNUAL EFFORT PERCENTAGES ARE DIFFERENT THAN THOSE SHOWN IN COLUMN HEADED "WEIGHTED AVG.EFFORT CHARGED." IF CHANGES ARE REQUIRED, THIS COLUMN MUST BE COMPLETED BY ACCOUNT CODE RATHER THAN BY CATEGORY.

(2) IF EFFORT IS REPORTED IN THIS CATEGORY, YOU MUST COMPLETE THE
(A) DETAIL OF EFFORT SUPPORTING DUKE HOSPITAL FORM AND/OR
(B) DEPARTMENTAL ADMINISTRATIVE CHECKLIST FORM, AS APPROPRIATE.

********CERTIFICATION********

I CERTIFY THAT THIS REPORT REPRESENTS A REASONABLE ESTIMATE OF MY ACTUAL EFFORT EXPENDED FOR MY BASE SALARY DURING THE PERIOD REPORTED.
FACULTY/STAFF MEMBER'S SIGNATURE______________________________ DATE______

I CERTIFY THAT I HAVE FIRST HAND KNOWLEDGE OF ALL WORK PERFORMED FOR THE BASE SALARY AND THE ABOVE REPRESENTS A REASONABLE ESTIMATE OF THE EFFORT EXPENDED DURING THE PERIOD REPORTED.
ALTERNATE APPROVAL SIGNATURE ____ DATE___________

DEPARTMENTAL REVIEW AND APPROVAL SIGNATURE _______________________________________ DATE__________

4. REBUDGETING OF FUNDS

a. General

After a project gets underway, a Principal Investigator (P.I.) may determine that funds need to be rebudgeted in order to meet project objectives. Some Sponsors give universities the authority to approve rebudgeting of funds in-house as long as there is no change in scope to the project. *GAP 200.160 Rebudgeting Funds on Grants and Contracts* provides additional information regarding this subject.

The Public Health Service has defined a "Significant Rebudgeting" action that may be determined as a change in scope to the project as follows:

> Significant rebudgeting occurs when expenditures in a single direct cost category deviate (increase or decrease) from the categorical commitment level established for the budget period by more than 25 percent of the total costs awarded (excluding carry over amounts).

b. Internal Approval

Prior Sponsor approval is required for all changes in scope to a project. Duke's internal procedures for the rebudgeting of funds have been established to indicate to both auditors and Sponsor that a conscious decision has been made to determine whether a rebudgeting action will cause a change in scope to the project. If it is determined that the rebudgeting action could be viewed as a change in scope, the rebudgeting request must be approved by the Sponsor. If a change in scope will not occur, and the Sponsor so allows, the request for rebudgeting can be approved internally. If you are not sure as to whether a rebudgeting request can be approved internally, contact either the pre-award office or OSP.

The P.I. or Departmental Administrator may rebudget funds internally by submitting to the pre-award office a "Request for Prior Approval of Rebudgeting of Grant Funds" form. A copy of this form is found in *GAP 200.160 Rebudgeting Funds on Grants and Contracts.* If internal approval can be given for the rebudgeting request, the pre-award office will sign the request and forward it to OSP. OSP reviews the form and compares the "Original Amount per Award" column to the approved award document. The "Current Category Balance" column is compared to the most recent Statement of Restricted Funds-Modified (R/3 Expense Report). The award document is again reviewed for allowability and appropriateness of the rebudgeting of funds. If the request is appropriate and allowable, OSP signs the request form. The revised category amounts are entered in R/3 ITD Plan by OSP. The original form is filed by OSP in the project folder. A copy of the approved form is sent to the pre-award office and the Departmental Administrator.

c. Sponsor Approval

Rebudgeting requests that require the Sponsor's prior approval are made in a letter form. The request should provide such information as reason why the funds are needed, reason why the funds are available, and the anticipated dollar amounts. Various Sponsors require that the request be cosigned by the Principal Investigator and a University Official (pre-award office). If you have any questions regarding the contents of the letter, contact the pre-award office. The request should be forwarded to the pre-award office for review and transmittal to the Sponsor. Once the Sponsor has approved the request, the pre-award office forwards a copy of the approval to OSP and the revised award categories are entered by OSP to the award amount (R/3 PDT Plan).

d. Calculations for Rebudgeting of Funds

Most Sponsors do not restrict the rebudgeting of funds to and from indirect costs, therefore care should be taken to consider the impact on F&A Costs when rebudgeting funds.

EXAMPLE 1 Equipment Funds needed: $1,000

You need an additional $1,000 in the equipment category and the funds are available in the Supplies category. Since F&A Costs are not computed on Equipment but are computed on Supplies, the calculation is as follows:

(Amt. needed) / (1 + I/C rate)		
$1,000/1.54	=	$649.35 Amount from Supplies
(Amt. from Supplies) x (I/C rate)		
$649.35 x .54	=	350.65 Amount from F&A Costs
Amt. from Supplies + Amt. from Indirect Cost	=	$1,000.00 Amount to Equipment

Example 2 Supplies Funds needed: $1,000

You need $1,000 in Supplies and the funds are available in Equipment. Since F&A Costs are computed on Supplies but not on Equipment, you will need to rebudget enough funds to cover both your Supply needs and the F&A Costs associated with those Supplies. The computation is as follows:

(Amount of Supplies needed) x (I/C rate)		
$1,000 x .54	=	$540.00 I/C needed
Amount of Supplies + Associated I/C		
$1,000 + $540	=	$1,540 Amount Rebudgeted from Equipment

5. OVERDRAFTS

Overdrafts on sponsored projects are caused by expenses exceeding either the amount awarded or the revenue received (39X Cost Objects). Every month, using the Sponsored projects One Line Summary Report ZF109 (instructions on how to execute this report are found in Section 6 CLOSE OF PROJECT, Part 1 General), OSP reviews unencumbered balances for all 3XX Cost Objects and notifies departmental administrators and appropriate Duke officers of restricted fund expenditures in excess of available funds. The number of times the overdraft notification is issued is indicated on each notice. Every possible effort should be made by the Departmental Administrator to clear up overdrafts as soon as possible. Failure to do so may indicate untimely review of expenses incurred on a sponsored project. If after the third notification the unfunded expenditure is not removed from the sponsored project and an appropriate funding source is not identified, OSP writes off the project overdraft. The write-off is made first to the department's current allocated fund (45X). If insufficient funds are available in the 45X account, the department's current General Fund operating account (15X) is used. Either G/L Account 696700 - Other or 696800 - Research is used when removing lump-sum overdrafts. This procedure recognizes over-commitments on Restricted Funds to the General Fund operating budget as quickly as possible and enables Duke officers to make informed decisions concerning available funding in the General Fund operating budget. If extenuating circumstances regarding an overdraft exist, contact the appropriate OSP staff member to discuss the situation. *GAP 200.185 Unfunded Expenditures on Sponsored Projects* provides more information regarding this subject.

Please be aware that for 39X (except 393) Cost Objects, interest is charged by the Endowment/Investment Office on overdrafts of $100 or more. If the overdraft was due to an error, a request to have the interest reversed by the Endowment/Investment Office can be made to OSP.

6. SUBCONTRACTS

a. General

A Subcontract document is required when an Institution awards to a third party a portion of the funds it has received for a sponsored project. Proposals for Subcontracts are incorporated in the main proposal as a mini proposal. Most Sponsors require that prior written approval be obtained when a subcontract is not stipulated in the initial proposal/application. However, some Sponsors require prior written approval even if the subcontract is stipulated in the approved budget. Review of the award's terms and conditions should indicate when prior written approval is required.

The subcontract document is negotiated by the pre-award office and usually contains the same restrictions as the prime award. When the subcontract document has been signed by both parties, the pre-award office forwards a copy of it to OSP.

b. Subcontracts Awarded To Duke

In a subcontract relationship, the Sponsor is the entity making the award to Duke, regardless of the source of funds. For example, when NIH makes an award to Z Company that requires a Subcontract to Duke, NIH is the “Prime Sponsor” and Z Company is “The Sponsor”. The Cost Object is issued in the series associated with “The Sponsor” - Z Company (e.g., 38X) and not the Prime Sponsor - NIH (30X). The Subcontract should be reviewed carefully as some Prime Sponsors require that terms and conditions contained in the Prime Award be “flowed-down” to the Subcontractor. Consequently, the Subcontract may include a brief statement indicating that the Subcontractor (Duke) must comply with all terms and conditions included in the Prime Award.

Proposals/applications that will result in a Subcontract award to Duke must be submitted through the pre-award office and treated in the same manner as if they were being submitted directly to the Prime Sponsor.

c. Subcontracts Awarded By Duke

The pre-award office composes and negotiates Subcontracts awarded by Duke. OSP is responsible for paying the Subcontractor for expenses incurred on Duke’s sponsored project. OSP reviews the Subcontractor's invoice for accuracy by comparing it to the approved budget included in the Subcontract document. If a budget category is exceeded, regardless of amount, the Subcontract and Prime Sponsor's guidelines are reviewed for any restrictions on rebudgeting. When a budget category is substantially exceeded, which could signify a change in scope, OSP requests the Subcontractor to submit a formal request to rebudget funds between categories. In order to safeguard project funds, OSP defines “substantial” as follows:

- Increase or decrease in any budget category (except equipment) that exceeds 25% of Total Costs awarded.
- Increase or decrease in equipment category exceeding $10,000 **or** establishing a new equipment category.

In order to comply with OMB Circular A-133 "Audits of Institutions of Higher Education and Other Non-Profit Institutions", OSP is required to maintain and review a Subcontractor’s audit report if the Subcontractor has spent $300,000 or more in federal funds in a fiscal year. If the Subcontractor's audit report indicates a finding that may affect the Subcontract, OSP is required to follow up on the action taken by the Subcontractor to correct the finding. For more information refer to *GAP 200.280 Monitoring Subrecipient Audit Results - Federal Funds*. A Subcontractor’s prolonged failure to comply with the OMB Circular A-133 requirements may jeopardize future subcontracting relationships with Duke and will prevent payment of invoices until compliance is met.

7. UNALLOWABLE COSTS

a. General

Unallowable costs are those costs that may not be charged to a sponsored project due to Sponsor and/or Duke regulations or restrictions. Different Sponsors have different regulations and restrictions. In some cases, the same Sponsor could also have different regulations or restrictions depending on their source of funds, type of award (grant, contract, agreement), and purpose of the funds (research, training, conference travel, etc.). Therefore, only through a close review of the documentation provided by the Sponsor (or referenced in the award document) can one determine if the costs are considered allowable or unallowable.

In addition, when a Sponsor awards funds to an institution (Duke), they require the institution to establish internal controls that will safeguard the Sponsor's funds. Below are some special internal controls established by Duke to assist the Departmental Administrator in meeting this requirement:

b. Local Service Telephone Charges

Local service telephone charges (pagers, modem lines and fax lines) are part of Duke's negotiated F&A rate. Therefore, charges for these expenses should not be made to any Federal Governmental (30X-34X) or Research (3X3) Cost Object (except 393). There may, however, be some instances when these costs may be charged to these Cost Objects. Exceptions must be approved by the pre-award office and by OSP using a "Request for Local Service Charges" form (Appendix 14). A form is required for each Cost Object for which an exception is requested.

Through reports generated in R/3, OSP reviews all Local Service Telephone charges made to federally funded sponsored projects and all research projects (except 393). If an approved Request for Local Service Charges form has not been received by OSP, the department is notified that the expenses are unallowable and must be removed. Failure to comply by the deadline, causes OSP to move the unallowable expenses to the department's discretionary account.

APPENDIX 14: REQUEST FOR LOCAL SERVICE CHARGES

REQUEST FOR LOCAL SERVICE CHARGES
TO 30X - 34X OR 3X3 FUNDS (except 393)
(PAGERS, MODEM LINES, FAX LINES)

I. COST OBJECT: ________________ ORG UNIT: __________________

BEGINNING DATE: ________________ ENDING DATE:__________________

PRINCIPAL INVESTIGATOR'S NAME: ____

TITLE OF PROJECT: ____

____

____

II. PURPOSE OF LOCAL SERVICE BEING REQUESTED
(Please be as detailed as possible)

DEPARTMENTAL BUSINESS
OFFICIAL SIGNATURE: ____

APPROVAL SIGNATURE: ____
OFFICE OF GRANTS & CONTRACTS

APPROVAL SIGNATURE ____
OFFICE OF RESEARCH SUPPORT

SPONSORED PROGRAMS APPROVAL: ____
OFFICE OF SPONSORED PROGRAMS

PLEASE RETURN COMPLETED FORM TO THE OFFICE OF SPONSORED PROGRAMS, 705 BROAD STREET, ROOM 01, BOX 90491

c. Administrative and Clerical Salaries

OMB Circular A-21, "Cost Principles for Educational Institutions", section F.6.b, states in part:

> ...the salaries of administrative and clerical staff should normally be treated as F&A costs. Direct charging of these costs may be appropriate where a major project or activity explicitly budgets for administrative or clerical services and individuals involved can be specifically identified with the project or activity. "Major project" is defined as a project that requires an extensive amount of administrative or clerical support, which is significantly greater than the routine level of such services provided by academic department…Items such as office supplies, postage, local telephone costs, and memberships shall normally be treated as F&A costs.

Therefore, administrative and clerical salaries paid from federal funds are unallowable unless an extensive, clear, detailed, and convincing budget justification is provided. The National Institutes of Health (NIH) has provided examples of circumstances where direct charging of administrative and clerical salaries might be appropriate (NIH Guide, Vol. 23, No. 34). They are as follows:

- Large, complex programs, such as primate centers, program projects, engineering research centers, and other grants and contracts that entail assembling and managing teams of investigators from a number of institutions.
- Projects that involve extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, searching literature, and reporting, such as epidemiological studies, clinical trials and retrospective clinical records studies.
- Projects that require making travel and meeting arrangements for large number of participants, such as conferences and seminars.
- Projects where the principal focus is the preparation of manuals and large reports, books and monographs (excluding routine progress and technical reports).
- Projects that are geographically inaccessible to normal departmental administrative services, such as seagoing research vessels, radio astronomy projects, and other research field sites that are remote from the campus.
- Individual projects requiring significant amounts of project-specific database management, individualized graphics or manuscript preparation, animal or human protocol, IRB preparations and/or other project-specific regulatory protocols, and multiple project-related investigator coordination and communications.

Since this listing of examples is not all inclusive, both pre-award offices closely review costs for administrative and clerical salaries included in proposed budgets submitted to Federal Sponsors. In addition, if a funded project does not include costs for administrative and clerical salaries, any administrative and clerical salaries charged to the project are unallowable unless a formal rebudgeting request is approved by the pre-award office and OSP.

To assist the Departmental Administrator in monitoring for these unallowable expenses, OSP reviews salary and wage expenses made to Federal Cost Objects (30X - 34X) using G/L Accounts 600000, 600100, and 607100. The Departmental Administrator is notified by OSP of the unallowable expenses and requested to submit a formal rebudgeting request through the pre-award office or remove the unallowable expenses from the Federal project. If a timely response is not received, OSP will write-off the unallowable expenses (salaries & wages, fringe benefits, and F&A Costs) to the department's discretionary code. If you are not sure if administrative and clerical salaries are allowable, the pre-award office or OSP will be glad to assist you.

d. Entertainment

Federal Sponsors and most non-Federal Sponsors do not allow entertainment expenses to be charged to a sponsored project. Duke's policy stipulates that any activity that involves alcoholic beverages is considered entertainment. In addition, any costs associated with an activity that could be viewed as a social function are also classified as entertainment. **Care should be taken to classify an expense according to its intended purpose.** For example, if a professional fee (normally G/L Account 622000) was paid to a Piano Player to entertain during a function, the correct G/L Account to use id 693200 – Public Relations and Social Expenses. Or, if supplies (normally G/L Account 64XXXX) were purchased to decorate for a party, the correct G/L Account to use is 693200 – Public Relations and Social Expenses.

To assist the Departmental Administrator in monitoring for unallowable entertainment expenses, OSP reviews G/L Account 693200 charged to Federally Sponsored projects. The Departmental Administrator is notified of the unallowable expense and requested to remove the expense or correct the G/L Account (proper justification must be attached to Journal Voucher correcting the G/L Account). If a reply is not received by the date specified on the letter, the unallowable expense is written off to the department's discretionary code.

e. Questionable G/L Accounts

Using financial reports generated in R/3, OSP reviews G/L Accounts that may be considered "questionable" or unallowable on a sponsored project. Appendix 15 provides a list of questionable G/L Accounts. The list is updated every time the R/3 report indicates new "questionable" G/L Accounts used on a sponsored project.

To assist the Departmental Administrator in monitoring for questionable expenses charged to sponsored projects, OSP reviews the questionable expense to determine if it may be allowable on the sponsored project. If it is considered unallowable, the Departmental Administrator is notified of the unallowable expense and requested to remove the expense or correct the G/L Account in accordance with GAP 200.150 Cost Transfers on Sponsored Projects. Unallowable expenses must be removed using the G/L Account of the initial entry and not the cost sharing G/L Accounts (696700 or 696800). If a reply is not received by the deadline specified, the unallowable expense is written off to the department's discretionary code.

APPENDIX 15: QUESTIONABLE G/L ACCOUNTS

GL Account	DESCRIPTIION
651100	DAIRY PRODUCTS
651200	FRESH FRUIT/VEGE
651300	GROCERIES
651400	MEAT
651500	OTHER FOOD ITEMS
652000	Cost of Goods Sold-Journals-Composition
652100	Cost of Goods Sold-Journals-Printing and Binding
653500	POSTAGE
690300	ADMINISTRATIVE SERVICES - BLDG FACILITIES
690400	AUDIT FEES
690500	RESERVE ADJUSTMENTS
690700	ATTORNEY COLLECTIONS FEES
690800	LEGAL FEES
690900	BAD DEBTS - FEDERAL GOV'T
691000	BAD DEBT ACCRUED EXPENSE
691100	BAD EXPENSE - CONTRA
691200	BOND REDEMPTION
691500	COLLECTION AGENCY FEES
691800	CONTRIBUTIONS AND PRIZES
691900	CABLE T.V. BULK CHARGE
692000	CABLE T.V. CHARGE
692400	DEPRECIATION - BUILDING
692500	DEPRECIATION - EQUIPMENT
693100	DIRECT MAIL MARKETING EXPENSES
693200	PUBLIC RELATIONS & SOCIAL EXPENSE
693300	RADIOLOGY FLOAT
693800	GAS FUEL OIL AND HEAT
694000	GROUNDSKEEPING
694300	Reserve for Minor Acquisition Betterments
694400	HOUSEKEEPING
6948XX	INSURANCE
695000	INTEREST EXPENSE - EXTERNAL
695100	INTEREST EXPENSE - INTERNAL
695200	LAUNDRY
695400	LIGHT & POWER
695600	LOSSES, DAMAGES & OTHER WRITE OFF'S
695700	MAINTENANCE-NON BILLABLE PAYROLL COSTS
696000	MEETINGS - BUSINESS RELATED
696600	RADIO REPEATER SERVICE
696900	PARSONAGE ALLOWANCE
697000	ROYALTIES
697400	STUDEN DAMAGE-UNIV
697600	TAXES AND LICENSES
698100	TELEPHONE TRUNK LINE CHARGE
698200	MONTHLY SERVICE CHARGES
698300	TELEPHONE PAGING SERVICE CHARGES
698800	UNIVERSITY SUBSIDES
699000	TRAVEL & LIVING EXPENSES - DOMESTIC
699100	TRAVEL & LIVING EXPENSES - FOREIGN
699200	VISITING TEAM SHARE
699400	WATER
699600	EXTERNAL MANAGEMENT FEES
699800	COST ACCOUNTING DIST BUD ADJ
8XXXXX	APPROPRIATIONS AND TRANSFERS (except 8080, 8081, 8082)

8. INTERIM REPORTING REQUIREMENTS

a. General

One of the main functions of OSP is to prepare and submit, in a timely manner and in accordance with Sponsor specific requirements, sponsored project financial and non-technical reports. In order to accomplish this tremendous task, OSP has a database that includes all Cost Objects that require financial and non-technical reports to be submitted by OSP. Each month, the Billing sections print a "Reports Due Listing" that indicates which Cost Objects require reports to be submitted for that month. OSP's goal is to mail all reports on this list before the next month's list is printed. However, this goal can seldom be met without the Departmental Administrator's cooperation.

b. Interim Financial Report

Sponsor requirements vary as to the timing and format required for the submittal of financial reports. The timing ranges from monthly submittal to requiring only a final financial report. The format also encompasses a wide range. A Sponsor may require a financial report that indicates only a one line total for expenses incurred for a year. On the other hand, a Sponsor may require a very detailed report/billing that lists every expense down to the last paper clip purchased on the project. Copies of all invoices, imprest cash, travel voucher, etc., may also be required to be attached to the billing or report. In addition to the Sponsor's reporting requirements, OSP also reviews the project requirements and restrictions in order to determine if unallowable expenses have been charged to the project.

All financial reports/billings are reviewed by OSP for unallowable or questionable expenses. F&A Costs charged to the project and/or cost-shared are also verified. Both current and cumulative reported expenses are reconciled to the General Ledger. In addition, the cash status of the Cost Object is reconciled to the revenue received and/or outstanding invoices. Sponsors are also sent letters requesting the status of any delinquent payments.

Some Sponsors have very strict requirements for reporting expenses. When a Sponsor requires that costs be grouped in a way that cannot be accommodated by Duke's financial system, a form is sent by OSP to the Departmental Administrator requesting assistance in grouping the expenses in accordance with the Sponsor's requirements. A delay in submitting the proper paperwork (Payroll forms, JV, prior approvals, etc.) to clear up any unallowable or questionable expenses can, and very often does, delay the submittal of the report/billing. A Sponsor may also require an explanation of excessive unobligated balances. **Therefore, your prompt assistance in submitting any paperwork requested by the Billing sections is crucial in meeting a Sponsor's deadline**.

Occasionally a Sponsor may contact the Principal Investigator or Departmental Administrator and request financial information. We recommend that you consult with OSP staff before providing the financial information. The financial reports submitted by OSP are normally based solely on the expenses indicated on the General Ledger. Confusion can occur if the figures provided by the P.I. or Departmental Administrator include costs that are not yet reflected on the General Ledger.

If you are contacted by a Sponsor regarding a late financial report, please call OSP. Our past experience has shown that in the majority of cases, the financial report/billing was mailed on time. Confusion on a late financial report is usually caused either because the Sponsor did not receive the report, even though it was mailed, or the person inquiring is not the person listed on the award documents as the direct recipient of the report.

c. Interim Property Report

Property reports required by Sponsors are submitted by OSP. As required by OMB Circular A-110 "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations", Plant Accounting performs physical equipment inventories on a two-year cycle. Through R/3, OSP can access Plant Accounting's property records. All procured property reports are reconciled to the General Ledger and Plant Accounting's records. Equipment purchases are also reviewed for proper authorization and ownership. Sponsor-owned equipment must be properly classified and tagged. The proper use of G/L Accounts 664700 and 664800 on the Purchase Requisition is a flag to OSP and Plant Accounting that title to the item being purchased vests with the Sponsor. For more information regarding this subject refer to Section 4 EQUIPMENT.

In addition, some Sponsors require that an annual physical inventory of Sponsor-owned equipment be conducted and reported, even if it is negative. In some instances, an equipment report is also required to be submitted within 30 days of the date of the purchase of the equipment. Sponsor-owned equipment that is no longer being used must also be reported to the Sponsor on a timely basis. **Your assistance is crucial in identifying and notifying OSP of any unused, obsolete, stolen, missing, or unrepairable equipment.** For more information regarding lost, damaged, or destroyed Sponsor-owned equipment, please refer to SECTION 4 EQUIPMENT, Part 6 Sponsor-Owned Equipment. Duke/Department is held accountable for Sponsor-owned equipment until relieved of its accountability in writing by the Sponsor.

d. Interim Patent Report

Certain Sponsors require that annual invention or patent reports be submitted. OSP is responsible for submitting these reports. OSP contacts the Departmental Administrator or the Principal Investigator before submitting the report to the Sponsor. Regardless of whether there is a new invention or discovery, OSP forwards the patent report to the Office of Science and Technology (OST) for their review and approval.

Care should be taken by the Departmental Administrator when reviewing the award document for invention reporting requirements. Some Sponsors require that an invention be disclosed within a specified period of time or rights to the invention may be lost. For Federal Sponsors, Duke has a legal obligation to disclose/report all inventions. In event of a new invention or discovery, the pre-award office and the Office of Science and Technology (681-6497) should be contacted immediately.

e. Interim Technical Report

OSP is not responsible for the monitoring or submittal of required technical reports. The only time OSP becomes involved with technical reports is when a Sponsor holds a payment pending receipt of a delinquent technical report. When this is the case, OSP notifies the Departmental Administrator of the withheld payment and requests a copy of the letter transmitting the technical report to the Sponsor. When the copy of the letter is received, OSP resubmits the Invoice/Billing with a copy of the letter that transmitted the technical report. Past experience has shown that in most cases the technical report has, in fact, been submitted. However, copies were not sent to all the required people and/or offices. The Departmental Administrator should closely review the award document for guidance on the distribution of technical reports.

f. Small and Small Disadvantaged Business Subcontracting Program

The Small and Small Disadvantaged Business Subcontracting Program is administered by the Small Business Administration. It is designed to increase the level of supplier diversity in accordance with P.L. 95-507 in all Federal contracts having a total value of $500,000 or greater. Duke must make a “good faith” effort to insure that a viable Subcontracting Plan utilizing small and small disadvantaged business, women-owned small businesses, and Historically Underutilized Business Zones businesses is prepared and submitted to the Government. The Subcontracting Plan is prepared at the proposal stage by Procurement Services and the Principal Investigator (or his/her representative). When the proposal is funded, the contract document requires that reports be submitting every six months that indicate how the goals indicated in the Subcontracting Plan were met. The reports are prepared and submitted by Procurement Services. To meet the reporting requirements, OSP provides Procurement Services with financial information regarding Airfare paid through Travel Vouchers.

9. NO-COST EXTENSIONS

Due to unanticipated circumstances, a Principal Investigator may need additional time to complete the project. A request for a no-cost extension must be submitted to the pre-award office and should provide such information as cause of delay, objectives to be accomplished, and period of extension. Requesting an extension simply to allow sufficient time to spend the available balance is not acceptable. For assistance regarding the specific contents of the request or the lead time required to process the request on time, contact the pre-award office.

Some Sponsors, such as the National Institutes of Health (NIH-grants under "Expanded Authority") and the National Science Foundation (NSF) authorize Duke to extend a project as long as the Sponsor is notified in advance. After the pre-award office approves the request for a no-cost extension, they notify the Sponsor of the internal approval to extend the project and send a copy of the internal approval to OSP. The termination date in the R/3 is then changed by OSP. NSF and NIH (in most cases) do not send revised award notices indicating the extended date. Duke is not authorized to extend projects that have been previously extended. Additional requests for no-cost extensions of projects previously extended by Duke require the Sponsor’s written approval.

For projects that require the Sponsor's written approval for a no-cost extension, OSP cannot extend the termination date until the written approval from the Sponsor is received.