

Cost Accounting Compliance

Federal Regulations

Cost accounting and financial compliance for sponsored projects in entity 05 accounts at the University of Pittsburgh is dictated by various Office of Management and Budget Circulars and agency regulations. Ensuring compliance with the financial terms and conditions of the sponsored award including compliance with federal and agency regulations and requirements is the responsibility of both the Principal Investigator and the Department Administrator. The following is a brief explanation of the major bodies of federal and agency regulations that address financial compliance related to sponsored projects:

Office of Management and Budget Circular A-21

OMB Circular A-21, Cost Principles for Educational Institutions, provides cost principle requirements for determining costs applicable to research and development, training and other sponsored projects performed by colleges and universities under grants, contracts and other sponsored agreements with the federal government. OMB Circular A-21 can be referenced at http://www.whitehouse.gov/omb/circulars_a021_2004/.

Cost Accounting Standards

In 1996, the OMB issued revisions to Circular A-21, that included the institution of Cost Accounting Standards (CAS) applicable to educational institutions. Cost Accounting Standards are formal statements issued by the CAS Board and incorporated into A-21 that provide principles to be followed, practices to be applied or criteria to be followed in estimating, accumulating and reporting costs of grants and contracts subject to OMB Circular A-21. The objectives of CAS are to increase the uniformity and consistency of cost accounting practices, in like circumstances, among colleges and universities. The University is subject to a total of four different CAS standards outlined in OMB Circular A-21 and further detailed in Appendix A of Circular A-21. CAS standards can be referenced at http://www.whitehouse.gov/omb/circulars_a021_2004/#appa.

Cost Accounting Standards Disclosure Statement

A Cost Accounting Standards Disclosure Statement is a standard federal form (form DS-2) that documents or discloses an organization's cost accounting practices in a variety of financial areas. A cost accounting practice is any accounting method or technique which is used for measurement of cost, assignment of cost to cost accounting periods or allocation of costs to cost objectives. An educational institution is required to file a CAS Disclosure Statement with its cognizant federal administrative agency if it receives federally sponsored agreements totaling \$25 million or more in a fiscal year.

Administrative responsibility for the Cost Accounting Standards Disclosure Statement at the University resides with Cost Accounting. Questions regarding the University's Cost Accounting Standards Disclosure Statement can be directed to Cost Accounting.

Office of Management and Budget Circular A-110

Office of Management and Budget Circular A-110, Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, establishes uniform and consistent administrative requirements for federal grants and agreements awarded to institutions of higher education, hospitals, and other non-profit

University of Pittsburgh

Cost Accounting

organizations. OMB Circular A-21 can be referenced at http://www.whitehouse.gov/omb/circulars_a110.

Office of Management and Budget Circular A-133

Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, governs the auditing requirements of federal awards made to non-federal entities. OMB Circular A-133 can be referenced at http://www.whitehouse.gov/sites/default/files/omb/assets/a133/a133_revised_2007.pdf.

NIH Grants Policy Statement

The National Institutes of Health (NIH) Grants Policy Statement (GPS) provides the policy requirements that serve as the terms and conditions governing NIH grant awards. The GPS incorporates the cost principles contained in OMB Circular A-21 by reference. The GPS also requires grantees to have systems, policies and procedures in place that ensure proper control and compliance with respect to grant activities and funds they manage. The NIH Grants Policy Statement can be referenced at <http://grants1.nih.gov/grants/policy/nihgps>.

NSF Award and Administration Guide

The National Science Foundation (NSF) Award and Administration Guide (AAG) sets forth NSF policies regarding the award and administration of grants and cooperative agreements and implements Office of Management and Budget (OMB) Circular A-110. The AAG also incorporates the cost principles contained in OMB Circular A-21 by reference. The AAG also requires grantees to have systems policies and procedures in place that ensure proper control and compliance with respect to grant activities and funds they manage. The Guide does not apply to contracts. The NSF Award and Administration Guide can be referenced at http://www.nsf.gov/pubs/policydocs/pappguide/nsf13001/aag_index.jsp.

HHS Grants Policy Statement

The Health and Human Services Grants Policy Statement (HHS GPS) provides the policy requirements that provide guidance related to the administration of HHS grant awards. The HHS GPS incorporates the cost principles contained in OMB Circular A-21 by reference. The GPS also requires grantees to have systems policies and procedures in place that ensure proper control and compliance with respect to grant activities and funds they manage. The HHS Grants Policy Statement can be referenced at <http://www.hhs.gov/asfr/ogapa/aboutog/hhsgps107.pdf>.

External and Internal Compliance Reviews

Educational institutions that expend \$500,000 or more in a fiscal year in federal awards are subject to a program-specific audit of those awards in accordance with OMB Circular A-133. The University's annual A-133 audit is conducted by our external public accountants. The purpose of the A-133 audit is to ensure consistency, uniformity, internal control and compliance with federal regulations of expenditures on federal awards.

In addition, the University's sponsored projects are subject to program or grant specific audits by federal, state and local awarding agencies and their associated audit functions.

Finally, the University's Internal Audit Department regularly performs financial and operational audits of schools, programs and grants and contracts for internal control and compliance with federal regulations.

University of Pittsburgh

Cost Accounting

University Policies

The Financial Compliance for Research department enforces the following University policies to ensure that the University meets federal financial compliance requirements for sponsored programs.

Rights, Roles and Responsibilities of Sponsored Research Investigators

This policy establishes the roles, rights, and responsibilities of faculty investigators in the management of sponsored research projects, the protection of the academic and research integrity of such projects, and the resolution of conflicts with colleagues and administrative supervisors. <http://www.cfo.pitt.edu/policies/policy/11/11-01-02.html>

Effort Reporting and Certification

To establish responsibility for effective effort reporting and certification in compliance with federal Office of Management and Budget (OMB) Circular A-21. Compliance with this policy will ensure that effort certifications completed in connection with the University's federal sponsored projects are performed timely, accurately reflect the level of effort expended on each sponsored project, and comply with federal requirements. <http://www.cfo.pitt.edu/policies/policy/11/11-01-07.html>

University Financial Guidelines

Cost Accounting issued the following financial guidelines, available on the University's general web site, that address various aspects of cost accounting for sponsored awards. The intent of the financial guidelines is to assist in incorporating the requirements of OMB Circular A-21 and other federal regulations into the accounting and administration of sponsored awards at the University. A brief description of each financial guideline follows.

Accounting For Sponsored Projects vs. Gifts

A proper system of internal accounting control dictates that the University must distinguish between sponsored projects and gifts to facilitate the proper accounting for both sponsored projects and gifts in the University's accounting records. This guideline establishes the requirements for determining whether an award qualifies as a sponsored projects or a gift in accordance with accepted practices for colleges and universities at: http://www.bc.pitt.edu/policies/guideline/sponsored_projects_vs_gifts.pdf.

Allowability of Costs

OMB Circular A-21 and related Cost Accounting Standards require the University to determine whether costs are allowable on sponsored awards. A discussion of how to distinguish between allowable and unallowable costs is included in this guideline at http://www.bc.pitt.edu/policies/guideline/allowability_of_costs1.pdf.

Cost Centers

OMB Circular A-21 and related Cost Accounting Standards require the University to identify and separately account for cost centers that can be defined as self supporting business enterprise activities that generally charge other University departments and sponsored awards. A discussion of how to identify and account for cost centers is included as part of this web site under Cost Center Models and in this guideline at http://www.bc.pitt.edu/policies/guideline/cost_centers1.pdf.

Cost Sharing

OMB Circular A-21, A-110 and various agency regulations require University cost sharing to be identified, documented and verifiable to the formal or informal accounting records and auditable by the sponsor. A discussion of cost sharing requirements is included in this guideline at http://www.bc.pitt.edu/policies/guideline/cost_sharing1.pdf.

Cost Transfers

OMB Circular A-21, A-110 and various agency regulations require the University to ensure cost transfers are explained, documented, consistent, timely and appropriate under the circumstances. Requirements for recording cost transfers on the financial accounting records of the University are explained at http://www.bc.pitt.edu/policies/guideline/cost_transfers2.pdf.

Direct Charging Practices

OMB Circular A-21 and related Cost Accounting Standards require the University to consistently account for direct and indirect costs across all sponsors. Clarification is sometimes necessary to ensure certain costs are recovered consistently as either direct or indirect costs, but not both. A discussion of how to distinguish between direct vs. indirect costs, and how the University handles various elements of costs is provided in this guideline at http://www.bc.pitt.edu/policies/guideline/direct_charging1.pdf.

Financial Responsibilities

OMB Circular A-21 and various agency regulations require the University to maintain an adequate financial compliance program for the financial administration of grants and contracts, including identifying University officials responsible for overseeing financial compliance and ensuring compliance is incorporated into each level of the grant administration process. Financial responsibilities at the University are outlined in this guideline at http://www.bc.pitt.edu/policies/guideline/financial_responsibilities1.pdf.

Fixed Assets

OMB Circular A-21, A-110 and various agency regulations establishes requirements for the accounting for fixed assets recorded in the University's accounting records. These requirements are discussed at http://www.bc.pitt.edu/guideline/fixed_assets1.pdf.

Residual Funds on Sponsored Projects

A proper system of internal accounting control dictates that the University must comply with the terms and conditions of individual sponsored projects, as well as various governmental agency regulations, with respect to the disposition of residual funds that can result on cost reimbursable and other sponsored projects. This guideline establishes the requirements and responsibilities for the disposition of residual fund on sponsored projects at the University at: http://www.bc.pitt.edu/policies/guideline/residual_funds_on_sponsored_projects.pdf.