East Stroudsburg University

Unallowable Expense Procedure for Sponsored Activities

Purpose

The purpose of this procedure is to ensure East Stroudsburg University does not charge unallowable, direct or indirect, expenses to sponsored projects in accordance with all regulations/guidelines from the sponsor and 2 CFR 200 Uniform Administrative Requirements when federally funded. This procedure applies to all faculty and other employees who perform research, educational services, or other activities under a grant, contract, or other sponsored agreement.

Definitions

Principal Investigator (PI) – In the context of funding from sponsored agencies, the principal investigator is the person who has the appropriate level of authority and responsibility to direct the project or program supported by the grant. Not all agencies may use the term "principal investigator" but may use the term "project director," which has the same definition as described above.

Procedure

The University allows PI's to purchase items charged to sponsored projects using any of the following methods. The PI can:
1. Enter a purchase requisition through the University's accounting system (SAP/ARIBA);
2. Direct Payment with a vendor for goods or services (services without terms and conditions) of less than $5,000.
3. Use a university purchasing card.

Purchase Requisitions:

An expenditure request entered into ARIBA/SAP will only be accepted by the system if budgeted and there are funds available. ARIBA/SAP availability control precludes incurring obligations in excess of the budget and total funds available. Additionally, there are release procedures built into SAP which are maintained by the University's Controller which dictate workflow and approval authority over designated budgets. In the case of requisitions charged to grants, once entered in the system, they are routed to the Grant and Compliance Accountant, who reviews the expenditure to determine whether it is within budget and if the cost is allowable prior to releasing it for processing (approving). If the expense is unallowable, the Grant and Compliance Accountant will reject the requisition. The PI can then re-submit the charge using an alternate fund, or not place the order. If a portion is unallowable, the PI must re-submit the requisition charging only the allowable cost to the grant, and the unallowable cost to an alternate fund or removed from the order. If the PO exceeds $5,000, it is electronically routed to the Fixed Asset Accountant for review to determine whether the purchase must be capitalized. Additionally, if the expense is $5,000 or higher, workflow will route the requisition to the Controller who must also release the requisition. If the expense is $25,000 or higher, workflow

will move the requisition to the CFO who must release the requisition before it will be routed to the Office of Procurement and Contracting for processing.

Once the purchase requisition has been fully released by the applicable approvers, the system electronically moves the requisition to the Office of Procurement and Contracting to continue the purchasing process (As needed: Quotes, Bids, Legal Review, as required by procurement regulations) and to create a Service Purchase Contract (SPC) for services, or a Purchase Order (PO) for goods to be ordered.

Direct Order:

For purchases of services of less than $5,000, or goods of less than $5,000, the PI may place an order directly with a vendor if there are no vendor terms and conditions. Invoices for such small purchases must be reviewed and approved by the PI and Grant and Compliance Accountant prior to payment. If an expense is determined to be unallowable through this review process, it must be charged to an alternate cost center (e.g., a departmental account, unrestricted fund account, or college-specific account), if allowable under university policy. If also unallowable under university policy, the PI must return the item and/or personally pay the vendor for the costs associated with the purchase.

Purchasing Card (PCard):

Pcards may be used to make purchases on a sponsored project. As purchases are made, the cardholder is responsible for reconciling expenses and uploading receipts to the Bank of America Works system. Purchaser must provide the appropriate budget coding for the charges and forwarding all receipts to the PI for their approval (if the PI is not the cardholder). Once the Purchaser has uploaded the receipt and signed off on the transaction, the purchaser's supervisor must also review and approve the transaction within Bank of America Works. The General Accountant prepares the journal entry to record the monthly PCard expenses. When the journal entry is prepared for entry into SAP, if there are charges to be posted against a grant, the General Accountant will forward those entries to the Grant and Compliance Accountant for review and approval. If an expense is determined to be unallowable through the review process, the expense must be charged to an alternate cost center (e.g., a departmental account, unrestricted fund account, or college-specific account), if allowable under university policy. If also unallowable by university policy the PI must return the item and/or reimburse the University for the costs associated with the purchase.

Indirect Costs:

To ensure that unallowable costs are not indirectly charged to a sponsored project, ESU follows the Simplified Method described in Section D. of Appendix III to part 200 of 2 CFR. This process includes reclassifying the data in the financial statements into classifications for computing the indirect cost rate under the Simplified Method, as well as removing unallowable costs. This is done by running and analyzing reports based on Functional Area, Cost Center, and General Ledger Account.