Definitions
OSP: Office of Sponsored Program
PIs: Principal Investigators
OMB: Office of Management & Budget

External Funding
This is a general term for money that comes from outside the University that is used to support a program or project. It may come from Federal, or other governments, business, private foundations, or individuals.

Contract
In this context, a contract is generally an agreement to provide a product or service which is of direct benefit to the awarding agency. Contracts provide for payments to the University which cover allowable project costs or payment of a fixed price for satisfactory completion of the project.

Grant
A grant is an agreement whereby a grantor provides funds to a grantee to accomplish something for the public good in exchange for money, property or services. Most federal agencies use a grant document for research awards to universities.

Cooperative Agreement
A cooperative agreement is like a grant except that the federal government will be closely involved in the activity that is being funded, perhaps bringing government personnel to campus to work on the project.

Fixed-Price Contract
Payment for this type of contract is based on satisfactory performance. Payment is set and cannot be adjusted because of how much it costs to meet the terms of the agreement, whether more or less than the contracted amount.

Cost-Reimbursement Contracts and Grants
the sponsor will reimburse the University for any Actual, Approved Project Costs, within whatever variances the funding agency allows.

Budget
A budget identifies the types of costs and the estimated amounts needed to complete the project. The budget must be approved by the funding agency and the University. This budget will be the basis for authorizing any expenditure on the project and the basis for seeking payment from the funding agency.
Generally, funding agencies recognize that there may be differences between the estimated and the actual expenditures for different elements of a project. The degree to which these variances are allowed may depend on federal regulations or on the specific terms of an agreement.

**Direct Costs**
These costs that can be specifically identified with a particular project with a high degree of accuracy. If, for example, a person spent 50% of her time on a project, 50% of her salary and benefits would be direct costs to that project. Travel, equipment, supplies or services used specifically for a project are examples of direct costs.

**Indirect Costs**
These are general costs that cannot be clearly identified with a specific project, but are nonetheless necessary to the project. For example, costs of maintaining a building, administrative expenses, or library expenses are types of indirect costs. Indirect costs, based on rates approved by the federal government, should be included in the approved project budget. These are then charged to specific contract/grant accounts in accordance with the terms of the agreement.

**Cost Sharing**
This refers to costs that the funding agency doesn't pay. It may be Cash Cost Sharing, In-Kind Cost Sharing, Third-Party Cost Sharing or Indirect Costs. These costs are generally borne by the University. In some cases, a third party may provide cost sharing support.

**Total Project Costs**
Direct costs plus indirect costs. This includes the granting agency's share, the University's share, and, in some cases, it may include a third party's share.

**Program Income**
This is income earned by the University that is directly generated by a supported activity or earned as a result of the contract or grant. Examples are registration fees for sponsored workshops or conferences and the sale of items fabricated under an award.

**Duration**
Every agreement should have specified beginning and ending dates. All expenditures must be incurred or encumbered during this period. If expenditures fall outside this period, they cannot be reimbursed or used as cost sharing. In some cases, pre-award costs may be approved.
Purpose

Contracts and grants are important to the American University in Cairo. Much of the research that AUC faculty undertakes is funded through contracts and grants. Money provided to support sponsored projects is a significant financial resource for the University and for individual departments.

Although the paperwork associated with contracts and grants often seems complex, all reports and other accounting documents need to be handled promptly and properly. These records are crucial to the University, to the agency providing the contract or grant, and to all people involved in administering the agreement. Accountability, making sure that money is spent correctly and on time, is an essential element of contract and grant management.

All contracts and grants must be carried out within budgetary and other guidelines that the funding agency and the University have approved. That is especially important since any non-reimbursed expenditure will have to be borne by the University and charged to the department.

Research and Development Terms

Research and Development do not include training of scientific personnel, mapping and surveys, routine product testing, quality control, experimental production, and collection of general-purpose statistics that aren't part of a specific research and development project.

Research

Systematic study that is undertaken in order to gain a fuller scientific knowledge or understanding of a subject.

Basic Research

Research for the purpose of gaining a fuller knowledge or understanding of a subject without seeking specific ways to put that knowledge to work in new processes or products.

Applied Research

Research that seeks knowledge or understanding so that recognized and specific needs might be met.

Developmental Research

Putting information gained from research to use to create new products or processes.
The American University in Cairo
Financial Policies and Procedures

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unrestricted budget. Expenditures need to be closely monitored and well documented. The OSP regularly offers workshops on managing contracts and grants. The Contracts and Grants accounting staff are also ready to answer questions you might have, and also serves as financial consulting service to PIs. So please call the Contracts and Grants Accounting Office (5410) when you need assistance. This policy intends to support the grants’ business process and provide helpful links to essential elements that promote efficient grants administration.

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**Policy Statement**  
Research represents an important commitment of the American University in Cairo. The University provides in its graduate and undergraduate programs for equipping students with the attitudes, skills, and knowledge needed to undertake independent scholarly investigation, and to explore research topics in depth. Faculty research is encouraged and is recognized by the university as an important factor in promotion and tenure decisions.

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**Policy Guidelines**

**Financial Management**

**Responsibilities of the Principal Investigator**

The PI has primary responsibility for carrying out the project according to the rules and policies of the funding agency and the University. Because of the personal responsibility involved, it is wise for the PI to become generally familiar with all the financial policies and procedures for managing contracts and grants.
Section 1 - Getting Started on the Project

1. Follow the awarding agency's requirements, including rules on budgets and expenditures.
2. If there is a University cost sharing account, make sure that appropriate costs are charged to it. See the section on cost sharing for more information.
3. Ensure that salary distribution information is given to the proper administrative personnel at the appropriate time for any employees or students who are to be paid from the contract/grant or cost sharing accounts.
4. Process forms for non-work stipends.
5. Follow guidelines for processing supplementary compensation for University faculty and staff.
6. Process consultant fees and honoraria for all non-University employees according to Travel Regulations.
7. If Program Income will be received in connection with the sponsored project, see the Policies and Procedures on Program Income.

Section 2 - During the Project

1. Schedule expenditures to match the time frame of the program.
2. Ensure that funds are available for labor, travel and other items which do not require purchase orders.
3. Pay all bills promptly.
4. Check grants account statements online. Report any errors to Grants Accounting before month end. If you have questions about these statements, please call the Grants Accounting office (5410).
5. Some fixed-priced contracts require invoicing by the PI or the department. For these contracts the PI should coordinate with the Grant Accounting Services and OSP before sending out such invoice. Checks received by the PI’s department must be
promptly sent to the OSP. Be sure to type the General Ledger account number on the form.

6. When the Grants Accounting office does the invoicing, any checks received by the research department should be sent to the Grants Accounting office through OSP, along with a note that says which University account should receive the deposit.

7. If there are changes in personnel during the project, be sure to notify the proper administrative personnel in the research department.

**Section 3 - Finishing Up the Project**

1. Make sure that all purchase orders are paid before the deadline for the University's final billing and financial reporting.

2. Before the end of the program, advise the proper administrative personnel to end all salary payments from the contract or grant account on or before the expiration date.

3. In grants and contracts involving scholarship or fellowship, ensure that the Student Accounting Office completed the right billing to the students covered by such agreement. Also, coordinate with the Office of Students Financial Affairs.

4. Inform Grants accounting when all project costs have been processed so that a final invoice or financial report can be submitted.

5. If a Fixed-Price Contract is being completed, see the section on Fixed-Price Contracts.

Financial Management Responsibilities of the Dean, Director, or Department Head

Because of the personal responsibility involved, it is wise for Deans, Directors, and Department Heads to become generally familiar with the financial policies and procedures for managing contracts and grants.
1. Approve proposals and agreements for sponsored projects before they are submitted to the appropriate Vice President.

2. Make sure that cost sharing commitments are clearly defined in the written agreement and that authorized University contributions are made available to the Project Director.

3. Ensure that the program is carried out through an authorized unit of the University.

4. Ensure that the budget for the program is adequate for the work required.

5. Designate a contact person within the unit to handle the Grants Accounting office's inquiries.

6. Review and approve the following documents: Purchase Orders, Journal Vouchers, Manual Warrants, etc.

7. Send to Grants Accounting original copy of any paperwork that records the expenditure of funds from the account. This includes records such as vendor vouchers, travel vouchers, internal transaction vouchers (along with copies of bills and receipts) and direct charge forms. Do not send duplicate copies.

8. Ensure that the PI or other designated personnel are monitoring the project so that expenditures are charged to the correct accounts and that salaries and wages are promptly allocated when employees start or stop working on a contract or grant.

9. Ensure that University policies and procedures are followed for all Fixed-Price Contracts.

10. Ensure that University policies and procedures are followed for all Program Income.

11. Generally oversee and control expenditures for external programs.

12. Provide funds to cover any expenses charged to contract/grant accounts that are not paid by the awarding agency/sponsor.
Financial Management
Responsibilities of Grants
Accounting Office

Section 1 - Account Creation and Maintenance

1. Review budgets and other financial information in proposals and in pending agreements as requested by the Office of Sponsored Programs.
2. Create or modify contract or grant accounts and cost sharing accounts as authorized by the Provost and in accordance with regulations, policies, and procedures.
3. Provide new account number notification through E-mail to deans, departments, and the Office of Sponsored Programs. Deans and departments are to provide names and E-mail addresses to Grants Accounting for receipt of the new account numbers. Information other than the new account numbers is available on the University financial system.

Section 2 - Indirect Costs

1. Maintain tables for actual indirect cost earned annually.
2. Initiate journal vouchers to book indirect cost on grants and contracts.
3. Distribute monthly indirect cost reports to deans.
4. Inform Budget Services on amounts to be budgeted to Indirect Cost Recovery Expenditure accounts each quarter.

Section 3 - Billing, Financial Reporting and Other Services during a Project

1. Following the terms of the agreement, Prepare draft financial reports for review and approval by the PI and OSP.
2. Prepare periodic billing according to agreement.
3. Obtain any necessary information from the PI that may be required to complete these reports.

**Note:** In cases where billing is based on factors other than expenditures incurred by the University, billing and reporting might be processed by OSP.

4. Receive and process checks from granting agencies thru OSP. Process direct deposits to bank.

5. Verify completeness and accuracy of request for payments submitted thru MW according to the University’s Policy on Disbursements – General Requirements.

6. Issue checks in settlement of authorized and verified MW.

7. Review salary distribution changes for monthly employees with regard to beginning and ending dates of contract/grant accounts and salary and wage transfers. Distribute Personnel Activity Reports (PAR). Review and maintain records for compliance with the effort reporting requirements of OMB Circular A-21.

8. Consult with University personnel involved in contracts and grants on the financial management of contracts and grants.

**Section 4 - Audits**

The Contracts and Grants Accounting Office will serve as liaison between the University and all auditors for post-award financial audits.

**Note:** Refer all auditors of contract/grant accounts to the Manager of Grants Accounting Services before beginning a financial audit.

**Cost Sharing**

Granting agencies may require the University to bear some of the costs of a sponsored project. Support which is not provided by the primary granting agency is called "cost sharing."
Any cost sharing commitment must be approved by the department head, dean or director, and the appropriate vice president.

Generally, funds from the granting agency and cost sharing funds should be spent according to the agreement to provide even support by both parties throughout the project and prevents some problems at the end of the project.

Granting agencies may accept several methods for cost sharing. It is important that both the method and the amount of cost sharing are clearly stated in the written agreement.

Methods of Cost Sharing

1. **Cash Cost Sharing** is a cash expenditure on a specific sponsored project. These expenditures are separately budgeted and accounted for in a cost sharing account. Cash cost sharing is the preferred method of cost sharing when University funds are used. Grants accounting will prepare cost sharing reports from the accounting records.

2. **In-Kind Cost Sharing** is identified by OMB Circular A-110 as non-cash contributions. These may come from the University and/or third parties.

In-kind cost sharing will be approved by the University only in rare circumstances.

Cash outlays that are not charged to a cost sharing account must be specifically identified. Any non-cash cost sharing must be clearly identified and totaled separately.

The department which is responsible for the project should keep detailed, auditable records for in-kind cost sharing throughout the project. The completed form should be sent to Grants Accounting at the end of the
The written agreement should include information on any third-party non-cash contributions. Complete information (such as names, dates, hours worked) on such contributions should be submitted to Grants Accounting at the end of the project or in the intervals required in the agreement.

4. **Indirect Costs**

If indirect costs are the approved method for University cost sharing, the indirect costs are forfeited, meaning that the University gives up the right to be paid by the sponsoring agency for these indirect costs.

No special account or certification is needed for this method of cost sharing. If a cost sharing report is required, Grants Accounting will compute the forfeited indirect costs and prepare the report.

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**Fixed-Price Contracts**

Payment for a fixed-price contract is based on successfully providing the goods or services agreed to in the contract. A fixed-price contract is not adjusted when it actually costs more or costs less to complete the project than the price initially agreed upon. One of the greatest benefits of fixed-price contracts is the reduced amount of administrative burden for the University and the funding agency.

It is very important that all fixed-price contracts be clearly identified as such in the written agreement.

All projects costs, including indirect costs, are to be charged to the contract/grant account. Indirect costs, at
Federally-approved rates or grant-specific rate, should be included in the proposal or contract budget and subsequently charged to the account.

In some cases, money may remain in an account after a fixed-price project has been completed, all bills have been paid, and all payments have been received from the sponsor. If the University's policies regarding project costs and indirect cost recovery have been met, the University may allow the administering department to use the remaining funds.

In order to do this, a request for extension of the contract/grant account should be sent to the Office of Sponsored Programs. This request should state that the project has been completed.

Contracts and Grants Accounting are responsible for the preparation and submission of invoices and financial reports to the agencies that provide funding for sponsored projects thru OSP. These financial documents are prepared based on information in the University's accounting records and on special requirements of the sponsors. After the expiration date of a sponsored project, the University has a specified number of days to submit the final invoice or final financial report. A late submission could result in a loss of money to the University. The deadline for final reporting on Federal grants normally is 90 days from expiration. For contracts (Federal or non-Federal) the specific deadline for final financial reporting is given in the agreement; common deadlines are 30 days, 45 days, 60 days, or 90 days from expiration. The deadlines for cost share accounts are the same as for the sponsored accounts.
All project costs must be processed through the accounting system no later than 30 days after expiration date.

However, if the final financial reporting **deadline is 30 days after expiration**, all project costs must be processed through the accounting system within 2 weeks after expiration.

In order to comply with sponsors' financial reporting deadlines in an orderly and efficient manner, recipient departments should pay all bills promptly, particularly near the end of the project. Every PI should be aware of the expiration dates and deadlines for each sponsored project and should make any needed adjustments in a timely manner. If any orders are placed near the end of the project, the PI should notify Purchasing of the deadlines involved to ensure delivery of the products and receipt of the invoice within the time available. (Normally, all products should be delivered while the sponsored project is still in process; otherwise, the costs could be disallowed since they were not received in time to benefit the project.) If salaries and wages are being charged to the contract/grant account, the departments should ensure that steps are taken to reassign employee salaries and wages to other accounts, as appropriate, when the project is over.

Under this policy, Grants Accounting is authorized to submit final invoices and financial reports based on the deadlines noted above for processing projects costs through the accounting system. It is, therefore, critical that the recipient departments pay all project costs within these deadlines to ensure that the University is reimbursed for all allowable project costs. Please note that non-reimbursed project costs must be covered by the school/department involved.