UWG PROCEDURE NUMBER: 4.2.3a, Unallowable Direct and Indirect Costs
Authority: UWG POLICY 4.2 (Research Grants, and Sponsored Projects)

The consistent treatment of unallowable direct costs and indirect costs on a sponsored project directly affects the indirect cost rate proposal calculation prepared for or by the University. Documented guidance is essential for the accounting treatment of project-related costs. In order to ensure consistent treatment of direct and indirect costs incurred by sponsored projects, each sponsored project administered by the Office of Research and Sponsored Projects (ORSP) shall adhere to these procedures.

This procedure applies to all individuals submitting a University of West Georgia sponsored grant or project.

The Associate Vice President of Academic Affairs, pursuant to the authority of UWG Policy 4.2, establishes the following procedures for compliance with UWG Policy 4.2 on Research, Grants, and Sponsored Projects:

A. **Definitions**

1. *Principal Investigator (PI)* – In the context of sponsored projects, the principal investigator is the person who takes responsibility for completion of a funded project. Some agencies use the term Project Director (PD), which has the same definition as described above.
2. *Budget Contact* – Typically, the administrative assistant within the PI's department responsible for preparing financial documents requested by the PI for submission and approval by the ORSP.
3. *Post Award Specialist* – Grants accountant or financial point of contact within the ORSP.
4. *Direct Costs* – Expenses that are a direct result of a research project and can be allocated without doubt to that project.
5. *Indirect Costs* – Costs to the University that cannot be readily identified or associated with a single sponsored project or activity.

B. **Accounting Procedures**

1. Expenditure Request.   Expenditure requests are entered into the PeopleSoft system by the Budget Contact. PeopleSoft will not accept expenditures in excess of the sponsor approved budget.

2. Verification by Post Award Specialist. Once a requisition is entered into the system, it is electronically routed to the Post Award Specialist for review of availability of funds. During this review the Post Award Specialist is also verifying that the requisition is allowable by the sponsor. If the expenditure in whole or in part is unallowable, the requisition will be denied. An alternate funding source for the unallowable expenditure must then be entered into the PeopleSoft system by the Budget Contact before the

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transaction will be processed. Frequently, this alternate funding source is a state funded departmental account.

3. Approval by VPAA. Upon approval of the allowable expense by the Post Award Specialist requisitions are routed to the Vice President for Academic Affairs for approval.

4. Requisition Routed to Controller. The project PI must submit the final requisition approval prior to the document being processed by the Office of the Controller.

5. Alternate Funding. If an unallowable direct cost is identified by the PI or Post Award Specialist during the quarterly review and account reconciliation, an Expenditure Transfer Form/General Ledger Entry is prepared by the Budget Contact or the Post Award Specialist on behalf of the PI. This General Ledger entry moves the unallowable expense out of the grant account and into an alternate funding source.

6. Guidelines for Expenditure Transfer Forms.
    a. Documentation – sufficient to prove the transaction was necessary.
    b. Errors must be corrected promptly upon discovery.
    c. Personnel expense errors should be corrected immediately