Financial Oversight of Sponsored Projects

Principal Investigator and Department Administrator Responsibilities

Boston College
Office for Sponsored Programs
Office for Research Compliance and Intellectual Property

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Introduction

This guide is intended to assist Principal Investigators (PI) and Department Administrators (DA) in understanding their fiscal management obligations on sponsored projects. Although it is not possible to cover every situation or every sponsor’s particular policies and regulations, information contained in this guide is generally applicable to federal and non-federal sponsored projects.

In accepting external financial support for research, training, and other activities, the University agrees to ensure the sound financial management of the resources provided. The Office for Sponsored Programs (OSP) is the oversight body of Sponsored Activity at Boston College. As the PI of an award, you are accepting responsibility for scientific, administrative and financial oversight of the project. Successful management begins with compliance. Familiarity with Boston College’s and sponsors’ policies and regulations is essential to ensure that only reasonable, allowable, and allocable costs are charged to sponsor funds, and that there is appropriate distribution of costs among the various sources that fund the investigator’s work. It is important to keep in mind that our sponsors expect sound financial management and oversight as conditions for providing financial resources.

The University encourages the use of Department Administrators to the maximum extent possible to assist the Principal Investigators with their administrative responsibilities in the management of sponsored projects. Grant management expertise at the administrative level in the schools helps to ensure that the PI has the necessary resources to carry out administrative responsibilities for the award. OSP will always be available as a resource to Department Administrators in interpreting terms and conditions of awards, and providing training on both BC’s and sponsors’ policies. The work conducted under sponsored projects is tightly linked to the allocation of costs and management of funds. The Principal Investigator, therefore, has ultimate responsibility for how costs are allocated to projects, and is often the best and only source of instruction in distributing costs among various sources of funds. Consequently, the PI should work closely with their DA to ensure that expenses, budgets, reports, etc. are ready for final review in OSP since they are responsible for determining allowed expenses.

The Principal Investigator’s Handbook published by the Office for Sponsored Programs (http://www.bc.edu/content/dam/files/research_sites/osp/pdf/PIHandbook.pdf) provides guidance on financial and administrative compliance. It is written to cover administrative aspects of all sponsored projects irrespective of funding source. This handbook addresses important aspects of sponsored project...
management, and, as such, Principal Investigators and Department Administrators are expected to review it and be familiar with its entire scope.

This document is intended to be a summary reference tool, and does not replace the Handbook or any of OSP’s more detailed policies and procedures, which Principal Investigators and Department Administrators are expected to review and be familiar with as well. If questions cannot be answered within your department, each department has been assigned an OSP team consisting of a pre-award and post-award representative. If you are not familiar with your team, please feel free to contact the Office for Sponsored Programs at (2-3344).

**Reasons for Principal Investigator Oversight**

Although day-to-day sponsored project management may be performed by Department Administrators and others in central administration offices, the Principal Investigator must oversee and be at the forefront of the financial management of sponsored projects because:

1. Sponsor requirements concerning the allowability and allocation of expenses must be followed and the proper allocation of allowable expenses must be verified by the Principal Investigator.
2. The relationship between the work conducted on a project and the expenditure of financial resources is established at the outset either by the PI or subsequently with his or her approval.
3. The PI conducts and controls the funded project and knows what costs are necessary for successfully completing the project.
4. The PI’s work is often funded by more than one source of funds requiring him or her to decide how to reasonably and equitably allocate costs among various sources in order to comply with sponsor requirements and applicable regulations.
5. The PI needs to monitor the financial status of the project to know the spending rate and ensure that the project is operating within the budget, costs are being allocated properly, and adequate progress is being made.
Sponsor and University Policies: What Every Principal Investigator and Department Administrator Should Know

General Considerations

1. Costs charged to a sponsored project award must be reasonable, allocable, allowable, and accounted for consistently. Costs that do not meet these criteria may not be charged to a sponsored project, even if only temporarily.

   • **Reasonableness:** The nature of the good or service and the amount involved must reflect the judgment of a prudent person.

   • **Allocability:** In general, the test of allocability is relatedness. A cost is allocable to a sponsored project if:
     - The charge was incurred solely to benefit a single sponsored project;
     - The charge benefits two or more projects and the proportional benefit to each may be reasonably approximated without undue cost or effort (e.g. the cost of lab supplies can be reasonably allocated based on the quantities actually used on each project); or
     - If the proportional benefit cannot be reasonably approximated because of inter-relatedness, the charge may be allocated among projects on the basis of any reasonable method.

   • **Allowability:** A cost is allowable if it is not expressly made unallowable by relevant cost principles (e.g. entertainment, lobbying, fundraising) or the award terms and conditions.

   • **Consistency:** Similar charges are, from an accounting perspective, treated the same regardless of what the funding source may be; and costs incurred for the same purpose in like circumstances must consistently be treated as either direct or indirect charges.

2. When applying the special allocation rule noted above for inter-related work, the following are some examples of commonly used allocation methodologies:
   a. Allocation based on the Modified Total Direct Costs (excluding sub-awards) Budget (MTDC) of benefiting sponsored projects.
   b. Allocation based upon FTEs.
      • The cost of equipment allocated based upon the number of FTEs using the equipment.
   c. Allocation based upon number of experiments.
      • The cost of syringes allocated based upon the number of experiments performed on each project.

For more information please see OMB Circular A-21 section C4.

The methodology used by a PI must be approved by OSP and documented and maintained by the DA for audit purposes.

Please visit the OSP website under frequently asked questions for additional guidance: [http://www.bc.edu/content/bc/research/osp/faqs.html](http://www.bc.edu/content/bc/research/osp/faqs.html)
3. Assignment of charges to sponsored projects may not be based solely on the availability of funds, because an award is expiring, or based on criteria unrelated to the conduct of the project work.

4. Charges to a sponsored project may not exceed the funds awarded to the project.

5. Some federal agencies allow the University to approve pre-award costs incurred up to 90 days prior to the commencement of a new project or competitive renewal. Pre-award costs are incurred at the University’s risk, and, if funding is not awarded, the PI’s department is responsible for an alternative department funding source. Pre-award cost authorization requests must be sent to the Office for Sponsored Programs prior to expenditures being incurred using the Advance Account request form, which requires a departmental chart-string.

6. Unexpected funds on sponsored project accounts typically must be returned to the sponsor. If it is anticipated that funds will be left over at the end of a project, it is not permissible to spend those funds on costs not related to the project, or on items for which it is clear there is not sufficient time to benefit the project. For instance, sponsors generally will disallow expenditures for equipment incurred in the last month of a project. The Office for Sponsored Programs should be contacted as soon as it becomes clear, at least 30 days prior to the end date, that funds will remain unspent at the end of the project to explore the possibility of a no cost extension. Waiting until the end of a project will make it unlikely, if not impossible, to make changes or obtain approvals that would be acceptable to the sponsor or satisfy audit requirements.

Unallowable Costs

1. Federal regulations prohibit certain costs from being charged (directly or indirectly) to federally sponsored projects. The most common unallowable costs are:

   a) Entertainment  
   b) Alcoholic beverages  
   c) Airfare in excess of the lowest fare available  
   d) Airfare on non-U.S. carriers  
   e) General office supplies  
   f) Most clerical and administrative costs (unless included in the University’s approved F&A rate).  
   g) General use computers  
   h) Any expenses that are not allowable per Boston College’s Travel and Business Expense Policy. [Link](http://www.bc.edu/content/dam/files/offices/travel/pdf/5-200-050.pdf).

2. Costs that are unallowable to charge as direct costs per sponsor terms and conditions are also not allowable as cost share for the project.

Some of the unallowable costs listed above may, under special circumstances, be charged to a sponsored project, with documented approval from the sponsor. These expenditures would have to be fully justified and conform to sponsor and University policy.
Re-Budgeting

The budget plan is the financial expression of the project or program as approved during the award process. All re-budgeting requests are processed by OSP/Post Award, and should be based on a projection of the project needs through the rest of the grant budget period. OSP has developed a Budget Transfer Checklist for guidance when processing budget transfers.

1. Most sponsors and awards permit re-budgeting without their approval. There may be limitations on the amount of re-budgeting that can be done without prior approval, and that will be detailed in the award notice or sponsor guidelines.

2. Budgets should be used as a guideline for expenditures. There are, however, some general rules that need to be remembered:
   a. As funds awarded for tuition, participant support costs, alterations and renovations typically are restricted and may not be re-budgeted without prior sponsor approval. Similarly, sponsors generally want to pre-approve unbudgeted alterations and renovations that may be needed after an award has been made. In the latter case, the Principal Investigator and Dean/Department Chair should contact the University’s Office of Space Planning as far in advance as possible of proceeding with any phase of alterations and renovations to building space.
   b. Funds awarded for equipment, sub-awards, or other cost categories exempt from F&A costs may be re-budgeted to cost categories which are subject to F&A costs, but the re-budgeted funds must be allocated between both direct and F&A costs.
   c. As a general rule, significant re-budgeting (subject to sponsor guidelines) of the funds in each budget period raises the issue of whether the scope of work has been changed. The PI should discuss this situation with their DA and OSP staff as soon as it is evident that any proposed rebudgeting may exceed sponsor guidelines.
   d. When funds are re-budgeted from direct cost categories subject to F&A (e.g., personnel, travel, supplies) to direct cost categories which are exempt from F&A, the associated F&A costs related to the re-budgeting may be further re-budgeted to direct costs. When making changes between budgetary categories, it is important to remember to make allowance for budgeting fringe benefit and F&A costs associated with newly re-budgeted direct costs.
   e. If the terms and conditions of the award or sponsor policy require sponsor pre-approval of certain budgetary changes, the PI should work with the OSP to obtain written consent for the re-budgeting.

Please visit the OSP website to access the Budget Transfer Checklist:
http://www.bc.edu/content/dam/files/research/osp/Budget%20Transfer%20Checklist.pdf
Cost Transfers

Cost transfers are occasionally needed to correct book-keeping and/or clerical errors and decisions in original charges. Such cost transfers are permissible subject to the following conditions:

1. All cost transfers must be submitted on the BC cost transfer form and approved by OSP post award team.

2. Cost transfers must be approved by the Principal Investigator and supported by documentation which adequately explains why the cost transfers were made.

3. Cost transfers should be exceptional, rather than routine, matters. Costs should be assigned to the proper project or projects when incurred, and generally costs should not need to be transferred.

4. Cost transfers to and from sponsored projects should be done on a timely basis (best practice is 90 days of the original charge).

5. Costs related to sponsored projects may not be temporarily assigned to another sponsored project account and subsequently transferred to the proper project. Questions that may arise in this area should be addressed to the Office for Sponsored Programs for advice and assistance.

6. Costs transferred to a sponsored project account must have been incurred during the corresponding time period and be within the budget of the award.

7. Expenditures determined to be incorrectly charged to a sponsored project must always be removed from that project without regard to the date of discovery. Cost transfer requests initiated more than 90 days after the original charge must include a description of steps that have been taken to ensure that future transfers of this type will be made in a timely manner, in addition to an explanation of how the error occurred. In most cases if the incurred cost has exceeded the 90 day limit, the incorrect charge must be moved onto a departmental account.

Please visit the OSP website to access the BC Cost Transfer form:
http://www.bc.edu/content/dam/files/research/pdf/CostTransferFormNov2.pdf
Cost-Sharing

Primary Guidance on cost-sharing may be found in the University’s Policy and Procedures on Cost-Sharing under Sponsored Projects. A failure to meet cost-sharing obligations can result in cost disallowances. Some of the basic considerations for Principal Investigators and Department Administrators are:

1. Direct costs which are incurred in carrying out a project, but which are not charged to the sponsored project account, are defined as cost-sharing. Cost-sharing may be either mandatory (i.e., required by sponsor policy) or voluntary (i.e., offered by the University even though there may be no requirement in the sponsor’s policies). Once the department has volunteered cost-sharing in a proposal and the proposal is incorporated into the award, such voluntary cost-sharing becomes mandatory for record-keeping purposes.

2. Cost-sharing requirements on federal projects may be satisfied from non-federal projects, but not from other federal funds.

3. At the time of proposal submission, the cost-sharing chart string must be provided by the department and is identified on the Proposal Transmittal form. Once an award is made, OSP will verify the funding is available to cover the committed cost-share prior to the creation of a fund 120 to capture the cost-share expenses.

4. Cost-sharing should not exceed the amount required by written sponsor policy. Cost-sharing in excess of sponsor policy must be approved by the Vice Provost for Research even if departmental funds are used for excess cost-sharing.

5. Costs that are unallowable to charge as direct costs per sponsor terms and conditions are also not allowable as cost share for the project.

Please visit the OSP website to review the Policy and Procedures on Cost-Sharing:
http://www.bc.edu/content/dam/files/research/pdf/FinalCostSharePolicy.pdf

Salary and Effort Reporting

1. The Principal Investigator is responsible for accurately reporting the level of effort of individuals whose efforts are being funded by a sponsored project.

2. Salary charged to a sponsored project must be commensurate with the effort committed. While Federal rules recognize that precise allocation of effort between and among various projects and activities are not always feasible, the Principal Investigator must ensure that any estimates reasonably reflect the effort expended. In no event may the same time be charged to more than one activity or sponsored project.

3. Salary charges are initially based on estimated levels of effort and must be modified when necessary to reflect actual percent of effort expended on the project.
4. Short-term fluctuations in effort on sponsored projects do not require redistribution of salaries as long as the overall effort devoted to the project is consistent with the salary charged.

5. Time and effort certification reports depicting the current distribution of salaries are distributed quarterly. The certification report is sent to each academic department for review, amendment (if necessary), and signature by the PI, or individual, as identified by the PI, with first-hand knowledge of the individuals performing the work.

Please visit the OSP website for BC’s policy on effort reporting: http://www.bc.edu/content/dam/files/research/pdf/EffortReportingPolicy.pdf

Travel and Business Expenses

1. When traveling on sponsored project business, always consult sponsor guidelines in addition to the BC policy (http://www.bc.edu/content/dam/files/offices/policies/pdf/policies/V/5-200-050.PDF) prior to making any travel arrangements. Personal automobile mileage is reimbursed according to the federally approved rate. All travel and business expenses must adhere to the University’s travel and business expense policy.

2. U.S. carriers must always be used for domestic travel charged to sponsored projects funded by government sources. For international travel on federal projects, U.S. carriers should be used to the maximum extent possible and shall not be influenced by factors of cost convenience or personal travel preference. OSP should be consulted in advance of booking any international travel on a non-U.S. carrier to determine if use of a non-U.S. carrier is permitted under Federal law.

3. Entertainment costs are not allowable on federally sponsored projects. All other entertainment costs incurred while conducting University business in accordance with University policy must be charged to departmental budgets.

4. Expenses for individuals whose travel is not supported by the project, (e.g. paying for a meal for a colleague while discussing a mutual research project), would be considered entertainment and therefore unallowable.

Travel expenses should not conflict with effort certification (See FAQ’s): http://www.bc.edu/content/bc/research/osp/faqs.html
Facilities and Administrative (F&A) Costs

1. All sponsored project awards must be routed through the Office for Sponsored Programs for review prior to requesting signature on behalf of the University. Full F&A is expected on all grants with the exception of those where specific written sponsor policy precludes it and the University accepts a lower reimbursement rate.

2. F&A costs, formerly known as indirect costs and/or overhead, are costs which are necessary to support research and other sponsored projects, but which cannot be readily assigned to individual projects such as utilities, maintenance, security, university and department libraries, departmental administration, and general administration.

3. The University’s F&A rate is calculated in accordance with federal cost principles and is negotiated periodically with the Department of Health and Human Services. The University has negotiated distinct rates for projects that are conducted on-campus and off-campus. Application of these rates is determined based on where the preponderance of the work is conducted.

4. Under federal regulations, the F&A rate(s) in effect at the time of each competitive segment of an award remains in effect for that competitive segment, even if the F&A rate subsequently changes. The University also applies this rule to non-federal awards that use the federal F&A rate.

5. Waivers of the federal F&A rate or a non-federal sponsor’s stated rate, or requests for reductions from either of the foregoing, must be approved by the Vice Provost for Research.

Monthly Reports

1. The University provides several monthly expenditure reports for each project account. They are:

   a) ACR (Accounted Comparison Report): This report summarizes the budget, expenditures, commitments, and unexpended balance of the project at the end of each month.
   b) TDR (Transaction Detail Report): This report shows individual transactions charged to the project during the preceding month.

2. The Principal Investigator should have access to these reports, be familiar with their contents, and ensure they are reviewed monthly, but no less than quarterly in order that:

   a) Unallowable or unauthorized expenditures are not charged to the project.
   b) Salaries and other significant expenses which should appear are included.
   c) Charges to the project are consistent with the principal investigator’s understanding and expectations.
   d) The principal investigator knows the financial status of the project (i.e., how much has been spent and how much remains available, and the rate at which funds are being spent).
   e) Significant variances from the budget are identified, and, when necessary, discussed with the Office for Sponsored Programs.
   f) These reports are currently available through Vista.
Financial Reporting to Sponsors

1. The Office for Sponsored Programs is responsible for all financial reporting to sponsors.

2. All financial reporting to sponsors is based upon expenditures charged to the project according to the University’s accounting system. While most sponsor financial reporting requirements can be satisfied by reporting forms alone, it may, on occasion, be necessary to obtain supplemental information for some projects. These requirements necessitate close collaboration among the Office for Sponsored Programs, the Principal Investigator, and Department Administrators.

3. Monthly or quarterly invoicing required by sponsors to obtain reimbursement or cash advances is done by the Office for Sponsored Programs generally without communication with the Principal Investigator or Department Administrators.

4. The Office for Sponsored Programs prepares all required financial reports, and final invoices. In order to ensure that the reported expenditures include all appropriate charges and exclude inappropriate charges, OSP will be in communication with the DA and PI prior to submitting the final report.

When To Contact Your OSP Team

Upon becoming aware of any problems or concerns regarding any sponsored activity, the PI and DA should contact OSP for assistance. The following “red flags” are examples of issues which should be reported to OSP promptly so they can be properly addressed:

- a) Unauthorized, inappropriate, or unallowable costs have been charged to a sponsored project.
- b) Charges have not been properly allocated among multiple funding sources.
- c) Costs incurred on the project are being incurred at a rate that will not permit the project to be completed.
- d) Costs are charged to a project based on fund availability, project expiration, or other inappropriate reasons.
- e) There are frequent and/or late cost transfers on a project account.
- f) Equipment is charged to the project close to its termination date.
- g) Frequent requests to carry forward large sums of funding at the end of consecutive budget periods.
Summary Key Points

While day-to-day sponsored project management is performed by Department Administrators and others in OSP, the primary manager of all sponsored projects is the Principal Investigator.

1. If sponsored project accounts are managed by Department Administrators, the Principal Investigator should give the administrator(s) clear instructions on the allocation of costs. The Principal Investigator should review the status of sponsored project accounts no less than quarterly with Department Administrators.

2. Allocation decisions should be based on the relationship of the costs to the work performed.

3. Costs should not be allocated based on fund availability or project expiration.

4. Expenses should not be temporarily assigned to sponsored project accounts. Costs should be charged to sponsored projects only when they satisfy all relevant criteria.

5. Discrepancies in accounts should be resolved promptly.

6. The Principal Investigator should be involved in the final reconciliation of the project account to ensure his or her concurrence with the financial report to be submitted to the sponsor.

7. The Principal Investigator and/or Department Administrator should contact the Office for Sponsored Programs if either or both have any questions about the financial management of sponsored projects.

Please visit the OSP Website for additional guidance and FAQ’s:
http://www.bc.edu/content/bc/research/osp/faqs.html