

**Financial Oversight of Sponsored Projects  
Principal Investigator and Department Administrator  
Responsibilities**



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

**March 2004**

## **Introduction**

This guide is intended to assist principal investigators and department administrators in understanding their fiscal management obligations on sponsored projects. While 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 nonfederal 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. A key element to successful management concerns compliance with sponsors policies and regulations that not only govern what types of costs may be paid with sponsor funds, but also require an appropriate distribution of costs among the various sources which fund the investigator's work. It is important to keep in mind that our sponsors expect adequate financial responsibility in exchange for the resources they provide.

The University encourages the use of administrative staff to the maximum extent possible to assist principal investigators with their administrative responsibilities in the management of sponsored projects. The work conducted under sponsored projects is tightly linked to the allocation and management of costs and funds. The principal investigator, therefore, has oversight responsibilities and is the best, and often the only, source of instructions on how to distribute costs among the various sources of funds.

The Principal Investigator's Handbook published by the Office for Sponsored Programs (<http://www.bc.edu/research/osp/meta-elements/PDF/PIHandbook.pdf>), provides guidance on the management of projects funded by external entities. It is written to cover the administrative aspects of all sponsored projects irrespective of funding source. This Handbook addresses an important aspect of sponsored project management, but principal investigators and administrators are strongly encouraged to review and be familiar with the entire scope of the Principal Investigator's Handbook.

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If questions cannot be answered within your department, please do not hesitate to contact the Office for Sponsored Programs (2-3344).

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### **Reasons for Principal Investigator Oversight**

While 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 responsible for the financial management of sponsored projects because:

1. Sponsor requirements concerning the allowability and allocation of expenses must be followed.
2. The relationship between the work conducted on a project and the expenditure of financial resources is established at the outset either by the principal investigator or with his or her approval.
3. The principal investigator conducts and controls the funded project and knows what costs are necessary for successfully completing the project.
4. The principal investigator's work is often funded by more than one source of funds requiring him or her to decide how to reasonably allocate costs that best meet the needs of funded projects.
5. The principal investigator needs to know the financial status of the project in order to ensure the adequacy of resources needed to complete the project.

## **Sponsor and University Policies**

### **What Every Principal Investigator and Department Administrator Should Know**

#### *General Considerations:*

1. Only expenditures related to the conduct of sponsored project work may be charged to the project account. Expenses unrelated to project work may not be charged to the account, even if only temporarily.
2. Expenditures charged to sponsored projects must be reasonable. The federal government, for instance, requires that grantees and contractors make decisions based on what a “prudent person” would do in a given situation. This is not terribly definitive, but without this standard we would be confronted with a burdensome set of strict regulations which would serve to micro-manage projects.
3. Expenditures specifically related to more than one sponsored project should be allocated between or among the projects based on a proportional benefit, when such proportionality can be determined. Costs should not be allocated to projects on the basis of which project has the most funding available.
4. If proportional benefit cannot be determined readily, expenditures may be allocated on any reasonable basis appropriate to the circumstances and nature of the cost (e.g. estimated usage, effort allocation). Documenting the basis of the decision as it will support the decision in case of audit.
5. Assignment of charges to sponsored projects may not be based simply because funds are available, that the award is expiring, on other criteria unrelated to the conduct of the project work.

6. Charges to a sponsored project may not exceed the funds awarded to the project.
7. On most sponsored projects, expenditures within any year of a multi-year project may exceed the budget of that year in order to meet project needs. Accelerated spending should, however, be limited to 115% of amount awarded to a given budget period (or such other percentage as may be limited by sponsor rules) in order to ensure the availability of adequate resources for the remainder of the project period. Principal investigators should discuss any acceleration of spending with the Office for Sponsored Programs staff. Acceleration of spending may indicate a change in the scope of work, which always requires the approval of the sponsor.
8. 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 principal investigator's department is responsible for an alternative funding source whether through University-wide or departmental funds. Pre-award cost authorization requests must be sent to the Office for Sponsored Programs prior to expenditures being incurred.
9. Unexpended funds on sponsored project accounts usually 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. For instance, sponsors generally will disallow expenditures for equipment incurred in the last month of a project. Should this situation arise, the Office for Sponsored Programs should be contacted as soon as it becomes clear that funds will remain unspent at the end of the project. Waiting until the end of a project will make it unlikely, and most often impossible to make changes or obtain approvals that would be acceptable to the sponsor or and satisfy audit requirements.

***Unallowable Costs:***

1. Federal regulations prohibit certain costs from being charged directly to federally sponsored projects. The most common unallowable costs are:
  - Entertainment
  - Alcoholic beverages
  - Air fare in excess of the lowest fare available
  - General office supplies
  - Most clerical and administrative costs
  
2. Unallowable costs on one project may be incurred and charged to other sources of sponsored accounts as long as the costs conform with university policy and the sponsors' policies and regulations.

***Rebudgeting:***

1. Most sponsors and awards permit rebudgeting without their approval. There may be limitations on the amount of rebudgeting that can be done without approval, and that will be known at the time the award is received.
  
2. Budgets should be used as a guideline for expenditures. There are, however, some general rules that need to be remembered:
  - Funds awarded for tuition on training as well as alterations and renovations on other types of awards generally may not be rebudgeted without sponsor approval. Similarly, sponsors generally want to 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 University's Office



of Space Management as far in advance as possible of proceeding with any phase of alterations and renovations to building space.

- Funds awarded for equipment, subawards, or other cost categories exempt from F&A costs may be rebudgeted 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.
- As a general rule, rebudgeting of 25% or more of the funds in each budget period, or a significant amount of key personnel time raises the issues of whether the scope of work has been changed. The principal investigator should discuss this situation with the Office for Sponsored Programs staff as soon as it is evident that budget or key personnel time will vary more than these amounts.
- When funds are rebudgeted from direct cost categories subject to F&A (e.g., personnel, travel, supplies) to direct cost categories which are exempt from F&A calculations, the associated F&A costs related to the rebudgeting may be further rebudgeted to direct costs. When this occurs, it is important to remember to make allowance for F&A costs associated with the newly rebudgeted direct costs.
- If the terms and conditions of the award or sponsor policy require sponsor approval of certain budget changes, the principal investigator should work with the Office for Sponsored Programs to obtain written consent for the rebudgeting.

***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. Cost transfers should be exceptional, rather routine, matters. Costs should be assigned to the proper project or projects when incurred, and generally they should not need to be transferred.
2. Cost transfers to and from sponsored projects must be done on a timely basis (generally within 30 days of the appearance of the charge on the account, but not more than 90 days).
3. 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.
4. Costs transferred to a sponsored project account must have been incurred during the award or budget period of that project.
6. Expenditures determined to be incorrectly charged to a sponsored project must always be removed from that project without regard to the date of discovery.
7. Costs transfers need to be certified by the principal investigator or project director and supported by documentation which adequately explains why the cost transfers were made.

***Cost-Sharing:***

Primary Guidance on cost-sharing may be found in the university's Policy and Procedures on Cost-Sharing Under Sponsored Projects. Some of the basic considerations for principal investigator and administrators are:

1. 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 we have 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 nonfederal projects, but not from other federal funds.
3. All other cost-sharing must be identifiable in the University's records. Departments are responsible for maintaining these records and reporting the cost-sharing on an annual basis to the Office for Sponsored Programs.
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 Associate Vice President for Research even if departmental funds are used for excess cost-sharing.

***Salary and Effort Reporting:***

1. The Principal Investigator is responsible for making determinations about the level of effort committed by individuals working on sponsored projects.
2. Salary charged to a sponsored project must be commensurate with the effort committed. Federal rules recognize that precise allocation of effort between and among various projects and activities is not always feasible, and therefore, in such cases reasonable estimates are acceptable.
3. Salary charges are initially based on estimated levels of effort and must be modified when necessary to reflect actual circumstances.

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. Effort monitoring reports depicting the current distribution of salaries are distributed monthly to assist in soliciting any necessary salary redistributions.
6. Federal regulations require that reports be prepared no less frequently than every six months of effort for all faculty members and staff charged to sponsored projects and others activities. The certification report is sent to each academic department for review, amendment, and signature.
7. As previously indicated in the section on Unallowable Costs, clerical and administrative salaries are not allowable on federal projects unless there were approved in the award or subsequently by in writing by the sponsor.

***Travel and Business Expenses:***

1. When traveling on sponsored project business, travel fares charged to the sponsored project may not exceed the lowest available commercial fare. Personal automobile mileage is reimbursed according to the federally approved rate.
2. U.S. carriers must always be used for domestic travel charged to sponsored projects. For international travel on federal projects, U.S. carriers must be used unless there is a six-hour delay in making connecting flights, or if there is a twenty-four hour delay between the availability of a foreign carrier vs. a U.S. carrier at the origination point of the travel. US carriers must be used to the maximum extent possible and shall not be influenced by factors of cost, convenience, or personal travel preference.

3. Entertainment costs are never allowable on sponsored projects. When incurred while conducting university business in accordance with university policy, these costs must be charged to non-sponsored project budgets.
4. Please refer to the University's Travel Policy for other issues related to travel costs.

***Facilities and Administrative (F&A) Costs:***

1. 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.
2. 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. It is important to remember that the application of the F&A rate to sponsored projects actually represents a recovery of costs already incurred in the previous year by the University.
3. F&A costs include support costs related to facilities operations (utilities, maintenance, security, etc.), university and department libraries, departmental administration, and general administration.
4. The University recovers F&A costs by applying a percentage rate to modified total direct cost expenditures charged to sponsored projects. As noted previously, most direct costs are subject to the application of this rate, but there are some that are exempt. Sometimes, due to sponsor requirements, the F&A rate is applied to all direct costs without exception (this is normally done, for example, on NIH Training grants). Also, some federal sponsors place a cap on the rate that may be charged either to all of its awards or certain types.
5. The University has negotiated distinct rates for projects that are conducted on-campus and off-campus. These rates are based upon where the preponderance of the work is conducted.

While most often linked, the preponderance of the work may not be consistent with where most of the costs are incurred.

6. 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 nonfederal awards that use the federal F&A rate.
7. The University attempts to obtain full recovery of F&A costs on all sponsored projects where specific written sponsor policy does not preclude it. It does so in order to recover as much of the costs it has already expended. When a sponsor's formal policy stipulates a lower F&A rate, the University will abide by the restriction.
8. Waivers of the federal F&A rate or a nonfederal sponsor's stated rate, or requests for reductions from either of the foregoing, must be approved by the Associate Vice President for Research.

***Monthly Reports:***

1. The University provides several monthly expenditure reports for each project account. They are:
  - ACR (Accounted Comparison Report): This report summarizes the budget, expenditures, commitments, and unexpended balance of the project at the end of each month.
  - TDR (Transaction Detail Report): This report shows individual non-salary transactions and summary salary 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 in order that:
  - Unallowable or unauthorized expenditures are not charged to the project;
  - Salaries and other significant expenses which should appear are included;
  - Charges to the project are consistent with the principal investigator's understanding and expectations;
  - 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);
  - Significant variances from the budget are identified and, when necessary discussed with the Office for Sponsored Programs.

***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 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 between the Office for Sponsored Programs and the principal investigator and departmental 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 departmental administrators.
4. The Office for Sponsored Programs prepares, usually on an annual basis, a draft financial report on each sponsored project. In order to ensure that the reported expenditures include

all appropriate charges and exclude inappropriate charges, a reconciliation report is sent to the department which reflect the expenditures recorded on the University's accounting system, and provides space for the reviewer to indicate corrections and modifications. If the reconciliation is done by department administrators, the principal investigator should review it to ensure his or her concurrence. Once the reconciliation is returned to the Office for Sponsored Programs, the financial report is prepared and submitted to the sponsor.

*Indicators That Problems Exist:*

The following are some of the warning signs indicative that financial oversight needs to be reviewed and improved:

- Unauthorized or inappropriate costs have been charged to a sponsored project;
- Unallowable costs have been charged to a sponsored project;
- Charges have not been properly allocated between multiple funding sources;
- Costs incurred on the project are being incurred at a rate that will not permit the project to be completed;
- Costs are charged to a project based on funds availability, project expiration, or other inappropriate reasons;
- There are frequent and/or late cost transfers on a project account;
- Equipment is charged to the project close to its termination date.

If any of these problems arise, contact the Office for Sponsored Programs. If it appears or is clear that any of these problems have arisen from improper or illegal actions, contact the Office for Sponsored Programs or the Office for Research Compliance and Intellectual Property Management for assistance.



***Summary Key Points:***

While day to day sponsored project management is performed by department administrators and others in central administration offices, the principal investigator has oversight responsibility for the sponsored funding of his or her projects

1. If sponsored project accounts are managed by departmental 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 periodically with departmental 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 investigators should review the final reconciliation of the project account to ensure his or her concurrence with the financial report to submitted to the sponsor.
7. The principal investigator and departmental administrators should contact the Office for Sponsored Programs if they have any questions about the financial management of sponsored projects.