

Introduction

This guide is intended to assist Principal Investigators (PI) and Departmental Administrators (DA) in understanding their fiscal management obligations on sponsored research 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, state, and many nongovernmental research 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 PI's work. It is important to keep in mind that our sponsors expect financial responsibility and accountability in exchange for the resources they provide.

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

This handout addresses an important aspect of sponsored program management—the responsibilities of PIs and Department Administrators in the daily monitoring and management of both internally and externally funded sponsored programs. The University's Manual of Policies and Procedures for Research and Sponsored Program <http://orsp.rutgers.edu/Policies/default.asp> summarizes institution wide policies, practices, and procedures which are likely to be of interest to our faculty with respect to internally and externally sponsored research and creative activities. The Manual provides both summaries and references to University Regulations, policy memoranda, the Faculty

Handbook and other documents which should be consulted for a definitive treatment of sponsored program topics.

If questions cannot be answered within your department, please do not hesitate to contact Guy Narine and the Newark Grants Office (NGO) at 973-353-1335 if you have any questions about the information provided here.

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Reasons for Principal Investigator Oversight

While day to day management of sponsored research projects may be performed by department administrators, the Principal Investigators must oversee and be responsible for the financial management of sponsored projects because:

1. 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.
2. The Principal Investigator conducts and controls the funded project and knows what costs are necessary for successfully completing the project.
3. The Principal Investigator's work is often funded by more than one source of funds requiring the PI to decide how to reasonably allocate costs that best meet the needs of funded projects.
4. The PI needs to know the financial status of the project in order to ensure the adequacy of resources needed to complete the project.
5. Sponsor requirements concerning the allowability and allocation of expenses must be followed.

Sponsor and University Policies

What Every Principal Investigator (PI) and Department Administrator Should Know

General Considerations

1. Only expenditures related to the conduct of the sponsored project work may be charged to the project account. Expenses unrelated to the project work may not be charged to the account.
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.
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). PIs should be prepared to document the basis of the decision as it will support the decision is important 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 actually budgeted 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 the 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. Acceleration of spending may indicate a change in the scope of work, which generally requires prior approval of the sponsor. PI should discuss any acceleration of spending with the Newark Grants Office staff.
8. Some federal agencies allow the University to approve pre-award costs incurred up to 90 days prior to the start 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 funding source whether through University-wide or departmental funds. **Pre-award spending request** (called the Institutional Prior Approval System (IPAS) Request Form available at <http://ngo.newark.rutgers.edu>) must be completed by the PI or Project Director and approved by the PI's Chair or Director and submitted to the Newark Grants Office. This form should also be used to request a "**Hold Account**" which enables a PI to begin spending money on an award that has been agreed to in principal but the official award from the sponsor has not yet been received. Remember, spending can only occur during the official award period. In addition this form can be used to request **Continuation** (No cost extension—EC) a sponsor has granted continuation but the official notice indicating the continuation has not yet been received.

9. Generally, unexpended funds on sponsored project accounts 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 in the last month of a project. Proactively, the Newark Grants Office sends the PI, and copies the Department Administrator and the Dean/Chair of the department, 90 and 60 day notification letter prior to a project ending date with the current balance on the award. The purposes of these early notifications are two fold:
 - To inform the PI of the financial status of his/her award 90 days prior to the end date of the award so all necessary adjustments and correcting entries can be made on a timely basis.
 - To ensure that the PI, Department Administrator, and the Newark Grants Office have the same financial information which will enable NGO to submit the required financial reports within the stipulated time in the agreement.

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 and/or satisfy audit requirements.

Unallowable Costs

1. Federal regulations prohibit certain costs from being charged directly to federally and state 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 or sponsored accounts as long as the costs conform with generally accepted University policy available at <http://postaward.rutgers.edu> and the sponsor's policies.

Re-budgeting

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 approval, and that will be known at the time the award is received. Please review the agreement and consult with the [Accountant](#) assigned to your account in the Newark Grants Office to discuss this.
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 re-budgeted 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 the Newark Grants Office for direction as far in advance as possible of proceeding with any phase of alterations and renovations to building space.
 - ❖ Funds awarded for equipment, sub-wards, or other cost categories exempt from F&A costs may be re-budgeted to 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, re-budgeting 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 PI should discuss this situation with the Newark Grants Office staff as soon as it is evident that budget or key personnel time will vary more than those amounts. Keep in mind that many sponsors have internal mechanisms to ensure proper fund management as well. So apparent approvals by sponsor's program officers, in any times also require a further approval from the sponsor's fiscal officer.
 - ❖ 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 calculations, the associated F&A costs related to the re-

budgeting may be further re-budgeted to direct costs. When this occurs, it is important to remember to make allowance for F&A costs associated with the newly re-budgeted direct costs.

- ❖ If the terms of the award or sponsor policy require sponsor approval of certain budget changes, the Principal Investigator should work with the Newark Grants Office to obtain written consent for the re-budgeting.

Cost Transfers

Cost transfers are occasionally needed to correct book-keeping and/or clerical errors and decisions in original charges. Complete the Institutional Prior Approval System ([IPAS](#)) Request Form to resolve all issues related to pre-award spending, establishing “hold account”, continuation and no cost extension spending. Cost transfers are permissible subject to the following conditions:

1. Cost transfers should be exceptional rather than a routine matter. 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. Some sponsors will allow PIs to re-budget under certain guidelines, which provide for a certain degree of flexibility in spending. This flexibility is limited to the extent that cost transfers resulting from re-budgeting need to be properly accounted for within 30 days because the Newark Grants Office has to submit the final financial reports to some sponsors 30 days after the end of a project.
3. Costs related to sponsored projects should not be temporarily assigned to another sponsored project amount and subsequently transferred to the proper project. Questions that may arise in this area should be addressed to the Newark Grants Office 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.
5. Expenditures determined to be incorrectly charged to a sponsored project must always be removed from that project without regard to the date of discovery.
6. Cost transfers have to be certified by the PI or Project Director and supported by documentation which adequately explains why the cost transfers were made.

Cost Sharing

Some grant programs require that sponsor funds be matched with non-sponsor funds or that Rutgers University in some way participate in sharing the costs of a project. Costs which are incurred in carrying out a project but which are not charged to the sponsored project account are defined as cost-sharing. This is sometimes also known as matching. 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). It is not recommended that we cost share when it is not mandatory. All forms of cost sharing or matching must meet these criteria:

- ❖ Allowable under OMB Circular A-21 "Cost Principles for Educational Institutions";
- ❖ Necessary and reasonable for proper and efficient completion of the project;
- ❖ A federal source cannot be used to match a federal project;
- ❖ Not already included as match to other federal or state funded projects;
- ❖ Included in the approved sponsor budget;
- ❖ Verifiable in Rutgers University records.

Any match or cost sharing agreement with a sponsor must be approved in advance by the Newark Research Office. Sources of match or cost sharing must be identified and meet the above criteria before approval will be made.

Cost Sharing Sources

Potential sources of cost sharing:

- ❖ State cost sharing: using funds from state funded accounts;
- ❖ Non-state cost sharing: using funds from non state funded sources;
- ❖ In-kind support: non-monetary like student support, equipment funds or the use of unique and highly specialized equipment.
- ❖ Third-party cost sharing: using funds from external sponsors, e.g. foundations, corporation etc.

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. [Memo](#) dated 7/1/04 establishes the Newark campus policy for Time Report System ([TRS](#)) Effort Certification Report submissions on line for all wages and salary payments charged to grants and contracts. Please note that it is very important to keep this record accurately and timely since it may be audited both internally and externally without prior notice.
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.
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

General Considerations:

1. 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 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.
2. Entertainment costs are never allowable on sponsored federal and state projects. When incurred while conducting university business in accordance with university policy, these costs must be charged to non-sponsored project budgets.

3. If travel is charged to sponsored project but the project is silent on travel specifics then the University policies apply. Please refer to <http://www.ruttravel.rutgers.edu> for current information and forms on travel.

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. In a memo dated January 19, 2005 from Stephen DiPaolo, it was announced that the University and the U.S. Department of Health and Human Services recently executed a new OMB Circular A-21 Negotiated Agreement which establishes facilities and administrative cost rates for fiscal years 2005, 2006, 2007 and 2008. The new rates, which become effective on July 1 of each of the respective fiscal years, are posted to the DGCA website at <http://postaward.rutgers.edu/news.html>.

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.
7. 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.

8. 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.
9. Waivers of the federal F&A rate or a non federal sponsor's stated rate, or requests for reduction from either the foregoing, must be requested by the PI, approved by the Dean/Director of department then submitted to the Director of the Research Office in Newark, adriennw@andromeda.rutgers.edu who in turn will forward it to Associate VP for Research and Sponsored Programs.

Systems and Monthly Reports

1. The main financial accounting system at Rutgers University is the Online Financial Information System (OFIS). This is the official record of the financial status of all your grants and contracts. It is the General Ledger of the University. It is very important to first gain [access](#) to this system and then be familiar with how to read the screens. Access to OFIS has to be approved by the Business Manager in your unit who is the budget responsibility custodian. It is then forwarded to the Director of Business Services. The Director approves access request based on the Business Manager's approval then forwards it to the Controller's Office. It is after this final approval that access is finally granted.
2. In financially managing grants and contract accounts, be sure to review both the income account (0-2XXXX) and the expenditure account (4-2XXXX). The income account actually shows the available funds based on the depositing of the funds received from the sponsor. The 4-2 account shows the line item cost approved by the sponsor as a guide to monitor expenses. The 4-2 account should not be used to reflect project income. When requesting access, ensure that request incorporates access to General, Sub Ledger, subsidiary Ledger, General Ledger, Budgetary Control, Database Attributes/Definitions and Payroll Data.
3. Review the Grant Budget Report (GBR) monthly. Reconcile your figures (including everything that you have done but has not hit OFIS) to the GBR. [Close](#) out any open commitments that you know are not valid.
4. Both the PI and the Department Administrator should have access to this report, be familiar with its 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.
- ❖ Any significant variances from the budget are identified and discussed with staff from the Newark Grants Office.

Financial Reporting to Sponsors

1. The Newark Grants Office is responsible for all financial reporting to sponsors.
2. All financial reporting to sponsors is based upon expenditures reflected on OFIS, the 4-2XXX account. While most sponsor financial reporting requirements can be satisfied by reporting forms or electronically, it may, on occasion, be necessary to obtain supplemental information for some projects. These requirements necessitate close collaboration between the Newark Grants Office and the PI and the departmental administrator.
3. Monthly or quarterly invoicing required by sponsors to obtain reimbursement or cash advances is done by the Newark Grants Office generally. PIs should discuss any special requirements with the Newark Grants Office.

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 Newark Grants Office. If it appears or is clear that any of these problems have arisen from improper or illegal actions, contact the Newark Grants Office.

Summary Key Points

While day to day sponsored project management is performed by departmental administrators and others by the Newark Grants Office, the PI has oversight responsibility for the sponsored funding of his or her projects.

1. If sponsored project accounts are managed by DA, the PI should give his/her clear instructions on the allocation of costs. The PI should review the financial status of sponsored project accounts periodically.
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 PI should review the final reconciliation of the project account to ensure his/her concurrence with the financial report to be submitted to the sponsor.
7. The PI and DA should contact the Newark Grants Office if they have any questions about the financial management of sponsored projects.