Part II - Module 3.0
Research Administration
Start to Finish
(GC1000)
Complete Course
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Cost Transfers

The transfer of a cost incurred initially on one program or project and subsequently transferred to a sponsored project. This does not include transfers handled in a timely manner (less than 60 days from original posting).

• There are restrictions on the allowability of transferring costs to or between sponsored projects. To avoid making cost transfers, make sure that expenses are placed on the proper project or program initially.

• It is not acceptable to charge a cost to one sponsored project with the intent of moving the expense to another sponsored project when an award is received.

  – According to OMB Circular A-21, Principles for Determining Costs Applicable to Grants, Contracts, and Other Agreements with Educational Institutions, “…any costs allocable to a particular sponsored agreement…may not be shifted to other sponsored agreements in order to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience.” OMB Circular A-21 goes on to state that “…any costs allocable to activities sponsored by industry, foreign governments or other sponsors may not be shifted to federally-sponsored agreements.”

Cost transfers may be necessary to correct bookkeeping or clerical errors in the original charges or for closely related work supported by more than one funding source.

Even So...

Cost transfers should not be common practice.
Reasons for Cost Transfers

- Correction of Errors
- Closely Related Work
- Transfer for Convenience
Reasons for Cost Transfers

Correction of Errors

- Used to correct clerical or other bookkeeping errors.
- Must be made promptly after the error is discovered.
- Transfers must be well supported with good documentation and explanation.
Reasons for Cost Transfers

Closely Related Work can occur if:

• The cost is a *proper and allowable* charge to the project

• The transfer is *supported by documentation* which contains a full explanation and justification for the transfer and a certification of the propriety of the transfer by the PI or responsible administrator of the requesting department

• The *sponsor(s) has/have approved* the relatedness of the projects

• And the transfer is *reviewed and approved by OGC.*
Reasons for Cost Transfers

Transfer for Convenience
Any cost transfer request involving a program/project that is in a **deficit** status or has unexpended funds at the end of the project raises serious concern when reviewed by an auditor.

The department must provide evidence that the transfer is not for reasons of budgetary convenience. Cost transfers often are **subject to scrutiny**. Stay away from transfers to deal with projects in deficit status or for convenience.
Types of Cost Transfers

Transfer of Non-Salary Expenditures
A request to transfer non-salary costs is handled using the "Sponsored Projects Cost Transfer Authorization Form".

Transfer of Salary Expenditures
- A request to transfer salary costs is handled electronically via the PeopleSoft Human Resources system using a Payroll Expense Transfer (PET).
- Timeliness of Cost Transfers

For instructions see the policy on Cost Transfers on Sponsored Projects
Cost Transfer Policy

A cost transfer should be requested immediately on discovery of an error or as soon as possible, but not more than 90 days after the discovery of the error.

Departments are cautioned

Transfers made long after the original charge raise serious questions concerning the propriety of the transfers.

In general, it is good to limit the occurrence of cost transfers being requested after the expenditure was made.
Cost Transfer Policy

It is the PI's responsibility to assure that any errors involving allocation of an expense are corrected in a timely manner.

- Each UCD department is responsible for complying with and enforcing the cost transfer policy.
  - Any penalties, disallowances, or losses of funding caused by non-compliance with this policy will be assessed against the department in violation of the policy.
  - Transfers are reviewed and approved/disapproved according to UCD policy and sponsoring agency guidelines by supervisory personnel within OGC.

See, UCD Cost Transfers on Sponsored Projects policy.
Deficits

OGC refers to a deficit when the expenditures have exceeded the revenues and/or the budget, creating a negative cash balance.

• A PeopleSoft project or program is **considered to be in deficit regardless of the cause.** if there is a negative cash balance, regardless of the cause.

• If a project’s expenditures exceed the sponsor’s award and/or payment received upon completion of project, the **PI will be asked to identify another funding source(s)** (normally from unrestricted, auxiliary, gift funding, etc.) to cover the cost overrun or uncollected amounts due.

To avoid this, plan ahead at the proposal stage to ensure adequate funding is provided by the sponsor to cover all the costs of the work that would be performed if awarded.
Document Retention

Accounting and financial records are to be retained by UCD (including departments, administration and PI's) in accordance with the fiscal policy on records retention.

See Administrative Policy Statement, Retention of University Records

Documents in this policy include:

• Procurement forms
• Travel forms
• Finance forms
• OGC forms

Accounting and financial records will be made available for verification during the course of an audit or other review made by, or on behalf of, a sponsoring agency.
Management of Property

Most sponsors require property purchased with their funds to be used only for the purpose for which it was intended during the project period.

- Many sponsors will allow title to be held by UCD
- Some sponsors will require that title to any capital equipment should not be integrated with other UCD property if it will lose its identity.

_Sponsor-owned property must be managed with strict control._
The Space and Asset Management (SOM) Group within the CU Finance Office provides guidance for the disposal of inoperable or unwanted capital equipment or property.

See: Equipment Disposal Form and Instructions
or contact SOM at SAM.Disposal@ucdenver.edu

In some cases, prior approval from the sponsor may be necessary.

Never trade, cannibalize, or dispose of property purchased with sponsored funds without first obtaining approval from Space and Asset Management.
It is not uncommon for a project’s research plan to be modified throughout the term of the award to ensure proper completion.

Changes may require prior approvals from either OGC or the sponsor.

- The ability to modify the project is **determined by the terms of the award**.
- Make sure that financial and administrative requests made in writing to a sponsor are **signed by the PI and an institutional endorsement** from OGC is provided.
Prior Approvals

The PI is responsible for

- Identifying any changes in scope or other requirements
- Work with OGC to obtain approvals for significant rebudgeting, equipment, travel, no-cost extensions, or other items that may require sponsor approval (which includes, but is not limited to, writing a letter of request to the sponsor)

OGC is responsible for

- Assisting the PI in obtaining approvals for significant rebudgeting, equipment, travel, no-cost extensions, or other items that may require sponsor approval which may include
  - Identifying the sponsor contact and authorized signatory
  - Reviewing expenditure activities to date
  - Confirming any financial data.
Rebudgeting

The process by which funds that are available for spending are reallocated between budget categories to allow for the best use of funds in order to accomplish project goals.

Rebudgeting constitutes a change made to the sponsors awarded budget, and **may require prior approval by the sponsor**.

**Sponsors differ in their policies on rebudgeting.** The award document and any terms referenced should be reviewed prior to any change in financial activities to help you determine whether the award agreement from the sponsor permits reallocation among budget categories.
Impact of Rebudgeting on Direct Costs and F&A

Rebudgeting of awarded direct costs from a cost category that is excluded from F&A (such as capital equipment) to one that is not excluded will result in those costs being assessed the F&A rate applicable to the award.

For example, capital equipment funds rebudgeted to cover the costs of supplies, will result in F&A being assessed against the cost of supplies.

Fiscal Policy 4-4, Facilities and Administrative Costs and Distribution of Recovery
Fiscal Policy 4-2, Expenditure Contracts and/or Sub-agreements Under Sponsored Awards.

✓ Your OGC PostAward Administrator can help you interpret award documents if you want that assistance.

✓ A written request to the sponsor, counter-signed by OGC, may be required.

✓ Any rebudgeting request must detail the rationale for why the rebudgeting will be beneficial in accomplishing project design and goals.
A no-cost extension provides for an additional period of performance without additional funding to accomplish project goals.
Approval

Approval may be handled internally in certain circumstances

Or sought externally from the sponsor via a modification.
If it is necessary to extend the project period (without requesting additional funds) in order to complete the project, the written request must occur prior to the agreement’s end date.

- Different procedures for requesting a no-cost extension are used depending on the type of award and sponsor.
  - If the award in question is a federal grant under expanded authority and the PI has not previously received a no-cost extension, the request may be processed internally through OGC.
  - If a no-cost extension is needed and cannot be granted internally, OGC will work with the PI to request approval from the sponsor.

- The PI will be required to submit a letter to OGC that requests the extension, details the rationale for why the extension is needed, how much time is needed, and how the remaining funds will be spent. Additional information may be necessary depending on sponsor requirements.

- Extension requests should be sent at least 60 days prior to the scheduled termination (this time period may vary depending on the sponsor’s requirements).
Changes in Key Personnel

Key personnel are all the individuals who contribute in a substantive way to the scientific development or execution of the project, whether or not salaries are requested.

- **Typically, key personnel have a terminal degree** (e.g. M.D., Ph.D., DDS), but may also include the master’s or baccalaureate level, provided they contribute in a substantive way to the research.

- **Changes in the amount of effort** (the % of time spent working on a project) the PI and/or other key personnel are putting into a project from what was originally proposed and agreed to in the award, should not occur without first finding out if the sponsor needs to approve the change.

Failure to obtain required approval may result in the premature termination of the project or the disallowance of expenditures already incurred.
Examples of Required Approvals

Prior written approval may be needed from NIH when there is a “change in scope”. A change in scope can be detected when one or more of the following occur:

✓ Consortium/Contractual arrangements are made

✓ Re-budgeting

“Significant rebudgeting occurs when expenditures in a single direct cost budget category deviate (increase or decrease) from the categorical commitment level established for the budget period by more than 25 percent of the total costs awarded.”

*NIH Grants Policy Statement, October 1, 2011 8.1.2.5 Change in Scope*

✓ A change in status of the PI and/or other key personnel
  • Reduction of 25% or more effort from level originally proposed (e.g., 40 to 30% requires approval).
  • Absence of three months or more from the project.
Transferring substantive programmatic work to a third party requires prior approval from NIH.

When a grant is under “expanded authority”, it only requires prior approval when the activity constitutes:

- A change in scope
- Results in the transfer of substantive programmatic work to a foreign entity
UCD has an established policy to manage the transfer of assets owned by the UCD to another organization or the transfer of assets from another organization to the UCD.

An example would be when a faculty member transfers to another school and wishes to take his or her funding and equipment to the new organization/institution.

See applicable UCD policies:

- Transfer of Assets To or From Other Organizations
- Transfer of Sponsored Project Financial Commitments Not Involving Assets to Other Organizations.

For this and more information on NIH requirements for grant awards under expanded authority, see the Prior Approvals – Required by NIH Guide.
The term discovery or discoveries, include any inventive idea and/or its reduction to practice which relates to:

- New processes and methods of producing a new and useful industrial result
- Machines
- Any produced article which is useful in trade
- Any composition of matter, including chemical compounds and mechanical mixtures
- Any new plant
- Any new design in connection with the production or manufacture of an article
- Any new computer hardware and/or software programs
- Any improvement upon existing systems or processes
UCD is subject to the University of Colorado intellectual property policies, including the Administrative Policy Statement “Intellectual Property Policy on Discoveries and Patents for Their Protection and Commercialization”.

For any potentially patentable or marketable invention or discovery, contact the Technology Transfer Office [http://www.cusys.edu/techtransfer](http://www.cusys.edu/techtransfer).

As defined in A Guide to Managing Federal Grants for Colleges and Universities, page 1800:21 Intellectual Property includes “New creations, regardless of whether they are written compositions, new processes, computer software or chips, new chemical compounds, music, or even new forms of plants or animals”.
Why is this Important?

Protecting intellectual property is important because:

• It **encourages** the faculty, fellows, and staff employees of the University to make all discoveries **available for public use and benefit** as efficiently and quickly as possible.

• It **protects the University's primary roles of teaching and research** by regulating the involvement of the University, its faculty, fellows, staff employees, and all collaborators in the development of discoveries.

• It **protects the potential equities** of the University, its faculty, fellows, and staff employees **in discoveries**.

• It **serves to advance and encourage research** within the University by providing a method of using royalty income from discoveries for research purposes.

Special Note

• If federal funding is used toward an effort that leads to intellectual property (whether directly or indirectly) federal rules and regulations apply.

• Normally, the Bayh-Dole Act specifies what rights the institution and the federal agency retain.
Recommendations

• **Inventors should keep detailed, dated records** during the course of research.

• It is advisable to **obtain the signature of a witness on dated research notes periodically to assure validity.**

• If at any time during the course of a sponsored project it is determined that there may be a **potentially patentable invention or discovery, it is important to contact the Technology Transfer Office.**

• Because many sponsored project agreements require submission of an invention disclosure report within a relatively short, defined time frame, as well as a patent and inventions report either on an annual basis or at the end of the project or both.
The PI is responsible for:

- Working with OGC, UCD State/Federal Reporting and Property Accounting, Technology Transfer as necessary to complete financial, invention, and/or property reports when specifically requested by sponsors.

- Disclosing to Technology Transfer any invention or intellectual property as required under the Regents policy on Patents and Inventions and assist in making necessary disclosures to sponsors.
Cost sharing is that cost portion of a sponsored project that is not supported by the sponsor.

- Cost sharing is usually provided through contributed effort by PIs or their staff and paid from unrestricted fund, auxiliary and self-funded activity fund and/or gift programs.

For example, effort is put towards a project but no salary support is received from the sponsor to pay for the effort.

- There are three types of cost sharing:
  - Mandatory
  - Obligatory
  - Voluntary
Mandatory Cost Sharing

An obligation of the University that is contractually required by the sponsor.

It is required by a sponsor as a condition of the award and usually refers to an overall percentage of total costs to be contributed to the project.

The most common example of mandatory cost sharing is the commitment of time and effort by UCD faculty or staff that is required by the sponsor as a condition of getting the award.
Obligatory (or committed) cost share is when a UCD representative offers to perform services as a part of the proposal although it is not required as a condition of the award.
Voluntary cost share occurs when services are provided in excess of obligatory or mandatory cost sharing requirements.

It is a commitment of time or other spending over and above that required by the award or agreed to in order to obtain the award.
Cost Sharing

- The PI and Department are responsible for ensuring that all cost sharing obligations are identified and documented according to UCD policy and the requirements of the award. See UCD Fiscal Policy, Cost Sharing.

- OGC is responsible for reporting cost share as required by the sponsor.

- Tracking, reporting and certification of cost sharing is subject to audit by internal and external auditors, federal agencies and the sponsoring agency itself.
If a cost sharing commitment exists, the expenses used for this purpose must be:

- **Verifiable from UCD records** (e.g. ePER records, financial system program/project reports, third party verification to departments, etc.)
- Generally used as cost sharing for **only one sponsored program/project**
- **Allowable and allocable** to sponsored programs/projects
- **Necessary and directly related** to the program/project objectives
- Provided for in the **approved budget** when required by the awarding agency
- **Not paid by the Federal government under another award**, except where authorized by Federal statute to be used for cost sharing
- Incurred during the **applicable award period** of the grant or contract
- **Recorded in a separate program/project** if there is a specific mandatory dollar amount of cost sharing or non-payroll obligatory cost sharing
Approvals

Cost sharing is a commitment of departmental resources.

- As a result, all mandatory and obligatory cost sharing needs to be acknowledged and approved as part of the proposal routing process by the PI, Department Chairperson or designee and by the School Dean or designee.
- Disclosure and approval of cost sharing is required on the Approval of Application for Grant or Contract form.

For this and more detailed information see the Cost Share Guide.
Program Income

Program income includes, but is not limited to:

- Income from fees for **services performed**
- The use or **rental of real or personal property acquired** under a Federally sponsored agreement
- The **sale of commodities or items fabricated** under an award
- License fees and **royalties on patents and copyrights**; and
- Interest on **loans made with award funds**.
Program income is earned as a result of a sponsor-funded activity.

*If federally funded, program income should be used in a manner consistent with the projects intended purpose and as prescribed by the award. All program income derived from federally funded activities is to be expended in accordance with OMB Circular A-21 and A-110 (or the equivalent agency regulations referenced in the award document).*

- It is important when evaluating program income to consider the exclusions given in A-110 to better understand what is truly considered program income and the alternative methods available for using program income.
- All program income generated must be recorded appropriately in a separate FOPs (fund, org., project) set up specifically for that purpose.
- Fiscal Policy 4-11, *Program Income*, provides more detailed information on this topic.