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2101 ADMINISTRATION OF SPONSORED PROJECTS

Effective: December 1986
Last Reviewed: May, 2017
Last Revision: May, 2017
Resp. Office: Research Services
Approval: Research Services

PURPOSE:

To ensure that funds provided from external sources to support research and other projects are administered in accordance with University policies as well as those of the sponsor. External sources include both governmental and private organizations.

POLICY:

1. All externally sponsored projects for research or other purposes will be administered through Research Services, The Penn Center for Innovation, and the Office of Clinical Research in accordance with established University policies and procedures.
2. Any project, which meets any of the following criteria, is considered to be a "sponsored project" and will be administered accordingly:
 - a. The project commits the University to a specific line of scholarly or scientific inquiry, typically documented by a statement of work;
 - b. A specific commitment is made regarding the level of personnel effort, deliverables, or milestones;
 - c. Project activities are budgeted, and the award includes conditions for specific, detailed or formal fiscal reports, and/or invoicing;
 - d. The project requires that unexpended funds be returned to the sponsor at the end of the project period;
 - e. The agreement provides for the disposition of either tangible property (e.g., equipment, records, technical reports, theses or dissertations) or intangible property (e.g., inventions, copyrights, or rights in data) which may result from the project;
 - f. The sponsor identifies a period of performance as a term and condition of the award.

3. All externally sponsored research and teaching activities that involve human subjects, laboratory animals, use of radioactive materials, or biohazard activities must be reviewed by the appropriate University committees for compliance with University policies and governmental regulations.
4. Agreements to support continuing medical education are to be administered by the Office of Continuing Medical Education.
5. Questions regarding whether a particular award is a sponsored project should be directed to the Office of Research Services.

RELATED INFORMATION:

2227 Gift Policy

ROLES AND RESPONSIBILITIES:

PRINCIPAL INVESTIGATOR

- Appropriately route the project for internal review and approval

BUSINESS ADMINISTRATOR

- Appropriately route the project for review and approval

CORPORATE AND FOUNDATION RELATIONS

- Provide guidance to Business Administrators and PIs on the interpretation of this policy
- Consult with Office of Research Services on interpretation and application of this policy when necessary

PENN CENTER FOR INNOVATION

- Provide guidance to Business Administrators and PIs on the interpretation of this policy
- Consult with Office of Research Services on interpretation and application of this policy when necessary

OFFICE OF CLINICAL RESEARCH

- Provide guidance to Business Administrators and PIs on the interpretation of this policy
- Consult with Office of Research Services on interpretation and application of this policy when necessary

OFFICE OF RESEARCH SERVICES

- Provide guidance to Business Administrators and PIs on the interpretation of this policy
- Consult with Corporate and Foundation Relations on interpretation and application of this policy when necessary

2102 APPROVAL OF PROPOSALS

EFFECTIVE: DEC. 1986
REVISED: APRIL 2016
REVIEWED: MAY 2017
RESPONSIBLE OFFICE: RESEARCH SERVICES
APPROVAL: RESEARCH SERVICES

PURPOSE

To ensure that proposals submitted for external support of research and other sponsored projects comply with University financial and other policies.

POLICY

1. All proposal submissions seeking external support for research and other sponsored projects, regardless of mode of submission to the sponsor, must be submitted to the responsible office for review and approval prior to submission to an external sponsor. A completed Principal Investigator Certification form and Proposal Transmittal and Approval Form, signed/certified by the Principal Investigator/Project Director and the Business Administrator or other individual responsible for proposal preparation and project administration must accompany the proposal. All new and/or competing submissions must have a completed PennERA Proposal Development record containing a completed electronic "Certification by Principal Investigator" form electronically signed/certified by the Principal Investigator/Project Director and an electronic "Proposal Transmittal Form" completed by the Business Administrator or other individual administratively responsible for proposal preparation and sponsored project administration. Preliminary discussions of projects, including research plans, budgets and other terms may occur in advance of approval by the responsible office so long as no binding commitments are made.
2. All proposals must be approved by the responsible department chairperson, and the appropriate dean/resource center director. When a project involves members of more than one department or school/center, the approval of all responsible chairpersons and deans/directors is required.
3. The Principal Investigator accepts responsibility for the scientific and technical conduct of the project and for provision of required technical reports if a grant or contract is awarded as a result of the application. The Principal Investigator attests that (a) all related significant financial interests have been disclosed, and (b) Participation Agreements have been signed by all personnel proposed to work on the project.
4. The Business Administrator attests to the completeness and accuracy of the budgetary and administrative information contain in the application.

5. The department chairperson attests to the academic purposes of the proposed project, its departmental compatibility, and its appropriateness in terms of budget, space and equipment.
6. The dean/resource center director attests to (a) the appropriateness and availability of personnel, including salary levels, (b) the adequacy of space and other facilities needed for the project, and (c) the budget and Facilities and Administrative (F&A) cost recovery. A dean/resource center director may approve less than full recovery of F&A costs in accordance with Sponsored Projects Policy No. 2116, Facilities and Administrative (F&A) Costs.
7. Research Services, the Penn Center for Innovation and the Office of Clinical Research ensure that proposals comply with University and sponsor policies, that proposals are complete and that all signatures/certifications and approvals, including those of appropriate regulatory offices, have been obtained. Research Services, the Penn Center for Innovation and the Office of Clinical Research are solely authorized to sign proposals on behalf of the Trustees of the University of Pennsylvania.
8. Proposals, that raise policy issues, may be referred to the Vice Provost for Research for review and approval prior to submission to the sponsor. Proposed projects which do not appear to conform to the Guidelines for the Conduct of Sponsored Research (see Sponsored Programs Handbook) may be referred to the Vice Provost for Research for review and approval prior to making any commitments, either formal or informal.
9. Proposals, which raise intellectual property issues, may be referred to the Penn Center for Innovation for review.
10. The University reserves the right to withdraw any proposal that does not comply with this policy.

RELATED INFORMATION:

SPP 2116 Facilities and Administrative Costs

ROLES AND RESPONSIBILITIES:

PRINCIPAL INVESTIGATOR

- Appropriately route the project for internal review and approval
- Accepts responsibility for content of proposals and administering any resulting award

BUSINESS ADMINISTRATOR

- Appropriately route the project for review and approval
- Accepts responsibility for the completeness and accuracy of the budget

DEAN

- Agrees the proposed project and the corresponding budget is acceptable to the School

PENN CENTER FOR INNOVATION

- Authorizes the submission of the proposal for corporate sponsored research on behalf of the Trustees of the University of Pennsylvania
- Ensures that the proposal complies with University and Sponsor policies

OFFICE OF CLINICAL RESEARCH

- Authorizes the submission of the proposal for an industry sponsored clinical trial or industry sponsored research involving the participation of human subjects on behalf of the Trustees of the University of Pennsylvania
- Ensures that the proposal complies with University and Sponsor policies

OFFICE OF RESEARCH SERVICES

- Authorizes the submission of the proposal for federally funded or nonprofit foundation funded research on behalf of the Trustees of the University of Pennsylvania
- Ensures that the proposal complies with University and Sponsor policies

The source of this document is Research Services.

2103 ADMINISTRATION OF CLINICAL TRIALS

Subject: SPONSORED PROJECTS
Effective: August, 1998
Last Reviewed: May, 2017
Last Revision: May, 2017
Resp. Office: Research Services
Approval: Research Services

PURPOSE:

To ensure that funds received for the clinical testing of pharmaceuticals and medical devices (“clinical trials”) are administered in accordance with University policies, sponsor requirements and federal regulations.

POLICY:

1. All externally funded clinical trials must be approved in accordance with Sponsored Projects Policy No. 2102, as well as by the University’s Institutional Review Board, and performed under the terms of a formal clinical trial agreement or grant which has been executed or accepted on behalf of the University by Research Services or Office of Clinical Research.
2. All externally funded clinical trials will be accounted for in a sponsored project fund established by Research Services.
3. The Principal Investigator is responsible for managing the clinical trial in accordance with the terms of the clinical trial agreement or grant and protocol, University policies, and applicable Federal laws and regulations. It is also the Principal Investigator’s responsibility to submit required reports and other appropriate information to the sponsor and to enable his or her Business Administrator to invoice the sponsor as required to ensure timely payment.
4. If not restricted by the terms of the clinical trial agreement, funds remaining at the end of a clinical trial, after all appropriate expenses have been charged to the clinical trial account, may be transferred to a non-sponsored project account for use by the Principal Investigator or his/her department or school for research and/or educational purposes only.

ROLES AND RESPONSIBILITIES:

PRINCIPAL INVESTIGATOR

- Manage clinical trial
- Submit reports and invoices, as required by the contract

OFFICE OF CLINICAL RESEARCH

- **Negotiate and execute clinical trial contracts with industry sponsors**

OFFICE OF RESEARCH SERVICES

- **Negotiate and execute/accept clinical trial contracts or grants with public sector or not-for-profit sponsors.**
- **Establish a sponsored project fund**
- **Deposit cash as received**

PENN CENTER FOR INNOVATION

- **Advise as needed regarding intellectual property issues**

The source of this document is Research Services.

2104 NEGOTIATION OF AWARDS

Effective: Dec. 1986
Reviewed: May 2017
Revised: May 2017
Responsible Office: Research Services
Approval: Research Services

PURPOSE

To ensure that the terms and conditions of agreements for sponsored projects comply with established University policies and to establish authority for negotiations.

POLICY

1. Sponsored project agreements for awards funded by government sponsors and nonprofit foundations are negotiated by the Office of Research Services. Industry sponsored research agreements other than clinical trial agreements are negotiated by the Penn Center for Innovation. Industry sponsored clinical trial agreements are negotiated by the Office of Clinical Research.
2. Negotiation of the terms and conditions of sponsored project agreements is the joint responsibility of the negotiating office and the principal investigator(s) of the project:
 - a. The Principal Investigator(s) is (are) responsible for the scientific or academic content of the project and must ensure that the agreement reflects his/her understanding of what is proposed to be accomplished. Likewise, any technical or progress reports or other similar deliverables must be acceptable to the principal investigator(s). The budget is negotiated by the principal investigator and business administrator and must be acceptable to the principal investigator, his/her department chairperson and dean/resource center director;
 - b. Research Services, the Penn Center for Innovation and the Office of Clinical Research are responsible for ensuring that the agreement is in compliance with University policies and that from a business perspective it is an equitable arrangement and that the budget is acceptable.
3. If the sponsored research agreement involves the licensing of existing intellectual property, Penn Center for Innovation will assume primary responsibility for negotiation of the license associated with the sponsored research agreement.
4. Research Services, the Penn Center for Innovation, and the Office of Clinical Research shall consult with the Office of the Vice President and General Counsel on agreements which raise novel legal

issues, e.g., by deviating substantially from standard terms and conditions or previously approved agreements.

ROLES AND RESPONSIBILITIES:

PENN CENTER FOR INNOVATION

- Ensuring that the agreement is in compliance with University policies, that from a business perspective it is an equitable arrangement and that the final budget is acceptable to Penn
- Consultation with OGC in cases of novel legal issues and other relevant offices on other significant issues as appropriate
- Consultation with other relevant areas, including the Vice Provost for Research, as warranted (e.g., on important or novel subjects)
- Negotiation of terms and conditions of sponsored research agreements involving the license of Penn-owned technology
- Provision of advice and any necessary authority regarding intellectual property issues

OFFICE OF CLINICAL RESEARCH

- Ensuring that the agreement is in compliance with University policies, that from a business perspective it is an equitable arrangement and that the final budget is acceptable to Penn
- Consultation with Penn Center for Innovation in cases presenting substantial issues under the patent policy
- Consultation with OGC in cases of novel legal issues and other relevant offices on other significant issues as appropriate

RESEARCH SERVICES:

- Ensuring that the agreement is in compliance with University policies, that from a business perspective it is an equitable arrangement and that the final budget is acceptable
- Consultation with Penn Center for Innovation in cases presenting substantial issues under the patent policy
- Consultation with OGC in cases of novel legal issues and other relevant offices on other significant issues as appropriate
- Consultation with other relevant areas, including the Vice Provost for Research, as warranted (e.g., on important or novel subjects)

PRINCIPAL INVESTIGATOR:

- Negotiation of terms and conditions of sponsored research projects (shared with negotiating offices as described in (1) s; Principal Investigator primarily responsible for negotiation of the scientific or academic content, deliverables and budget

OFFICE OF GENERAL COUNSEL:

- Provision of advice regarding novel legal issues;

VICE PROVOST FOR RESEARCH:

- **Provision of guidance as warranted (e.g., on important or novel subjects)**

2105 ACCEPTANCE OF AWARDS

EFFECTIVE: DEC. 1986
REVIEWED: MAY 2017
REVISED: MAY 2017
RESPONSIBLE OFFICE: RESEARCH SERVICES
APPROVAL: RESEARCH SERVICES

PURPOSE

To ensure that grants, contracts, and other agreements whether monetary or not, supporting sponsored projects are in compliance with University policies.

POLICY

It is the policy of the University that, prior to any commitments, either formal or informal, agreements for sponsored projects shall be reviewed and approved by the Office of Research Services, the Office of Clinical Research, or the Penn Center for Innovation and, when appropriate, the Office of the Vice President and General Counsel.

1. Authority to execute such agreements on behalf of The Trustees of the University of Pennsylvania has been delegated to the Vice Provost for Research and the Office of Research Services, the Office of Clinical Research, and the Penn Center for Innovation. Principal Investigators, Department Chairs and School Deans are not authorized to execute sponsored projects agreements on behalf of the University.
2. Agreements that may conflict with University policies may be referred to the Vice Provost for Research, the Office of General Counsel, or other appropriate University offices for review and approval prior to acceptance.
3. The Vice Provost for Research may refer such documents to University advisory committees for a final recommendation on their acceptance.

ROLES AND RESPONSIBILITIES:

OFFICE OF CLINICAL RESEARCH

- Ensuring that the agreement is in compliance with University policies;
- Execute agreement and;
- Consult with OGC, Penn Center for Innovation, the Vice Provost for Research and other appropriate University offices, as warranted

OFFICE OF RESEARCH SERVICES

- Ensuring that the agreement is in compliance with University policies;
- Execute agreement and;
- Consult with OGC, Penn Center for Innovation, and the Vice Provost for Research, and other appropriate University offices, as warranted.

PENN CENTER FOR INNOVATION

- Ensuring that the agreement is in compliance with University policies;
- Execute agreement and; Consult with OGC, the Vice Provost for Research, and other University offices, as warranted;
- Provision of advice and any necessary authority regarding intellectual property issues.

PRINCIPAL INVESTIGATORS

- Comply with terms and conditions of sponsored research projects (i.e.: deliverables)

VICE PROVOST FOR RESEARCH:

- Provision of guidance as warranted (e.g., on important or novel subjects)

NOTE: Principal Investigators, Department Chairs and School Deans are not authorized to execute sponsored projects agreements on behalf of the University.

The source of this document is Research Services.

2106 FINANCIAL RESPONSIBILITY

Effective: December 1986

Reviewed: May 2017

Revised: April 2016

Responsible Office: Research Services

Approval: Research Services

PURPOSE:

To establish responsibility for the financial administration of sponsored projects.

POLICY:

1. Agreements for sponsored projects are entered into in the name of The Trustees of the University of Pennsylvania by the Office of Research Services, the Office of Clinical Research, and the Penn Center for Innovation.
2. The principal investigator is directly responsible for the management and administration of the sponsored project within the administrative constraints imposed by the sponsor and in accordance with University policy. In this capacity, the principal investigator authorizes all direct cost expenditures of project funds and is responsible for reviewing and approving all project related expenditures and cost transfers.
3. Changes to project budgets or expenditures which require institutional or sponsor prior approval, must be reviewed and approved by Research Services.
4. The Responsible Business Offices within the School or Center will generate and provide monthly statements of project expenditures to the responsible principal investigator. It is the responsibility of the principal investigator and his/her business administrator to review each monthly statement for accuracy and completeness and to initiate corrections, when appropriate, no later than 90 days from month end.
5. Expenditure corrections including changes to payroll distribution done after the time of effort certification is subject to the 90 day limitation and must be approved by the senior financial officer of the department or by the next higher level as appropriate and by ORS.
6. The principal investigator and/or department business administrator, in consultation with his/her department chairperson and dean/resource center director, shall advise Research Services and the Comptroller as to the desired disposition of a deficit or disallowance in a sponsored project account. In no case shall the disposition be to another grant, contract or similarly restricted account. In the absence of such advice, the revenue representing the direct costs of the over- expenditure or disallowance will be transferred from an appropriate unrestricted account of the cognizant responsibility center to the fund account to cover the deficit or disallowance.

ROLES AND RESPONSIBILITIES:

PRINCIPAL INVESTIGATOR

- Authorizes all direct cost expenditures on sponsored projects
- Reviews and approves all cost transfers
- Reviews financial statements with Business Administrator
- Advise ORS of disposition of any deficit on a sponsored project
- Ensures technical and progress reports are submitted on time

BUSINESS ADMINISTRATOR

- Generates and provides monthly financial statements to the responsible PI
- Reviews financial statements with Principal Investigator monthly
- Performs correcting entries no later than 90 days from original month end of original transaction date
- Maintains approvals and documentation supporting expenditures for each sponsored project
- Routes requests for sponsor mandated approvals to ORS for review and approval
- Provides documentation, as necessary to ORS regarding sponsor approvals, etc.
- Communicates with ORS regarding reporting and closeout issues

OFFICE OF RESEARCH SERVICES

- Performs desk review of expenditures for allowability, allocability and compliance with sponsor terms upon invoicing and reporting on sponsored projects
- Communicates with Business Administrator regarding invoicing & reporting issues
- Provides guidance, as necessary, regarding allowability and compliance
- Communicates with Sponsors regarding issues concerning rate of expenditure and justification of carryover
- Reviews and approves sponsor mandated requests for approvals
- Monitors deficits and disallowances on sponsored projects
- Performs charge back entries as necessary
- Prepares invoices for sponsored projects
- Prepares financial status reports for all sponsored projects (except clinical trials)
- Approves cost transfers greater than 90 days after the month end of original transaction date
- Monitors sponsored projects receivables, payments and collections

The source of this document is Research Services.

2107 ACCOUNTING AUTHORITY & RESPONSIBILITY

Effective: December 1986
Last Revision: May 2017
Last Reviewed: May 2017
Resp. Office: Research Services
Approval: Research Services

PURPOSE

To assign authority and responsibility for the accounting for sponsored projects.

POLICY:

1. Research Services, in consultation with the Office of the Comptroller is responsible for:
 - a. Establishing and maintaining funds for sponsored projects;
 - b. Enforcing all sponsor rules and regulations and University policies governing the financial administration of sponsored projects;
 - c. Establishing policies and procedures to ensure compliance with sponsored project agreements, regulations, or other requirements relative to the funding of expenditures and financial reporting; and
 - d. Establishing and maintaining procedures regarding the collection of funds from the sponsoring agency.
2. Research Services will establish unique fund values for sponsored projects, within the University's general ledger system, as follows:
 - a. A single fund will be established for each new sponsored project upon receipt of the Notice of Award or fully signed contract;
 - b. Multiple funds will be established for sponsored projects when the activity is conducted at both an on-campus and off-campus location and the negotiated on and off-campus F&A rates are applied, accordingly;
 - c. Multiple funds will be established for a sponsored project when the project comprises multiple tasks or activities and the F&A rate awarded, or authorized and applied to each task or activity is at a different percentage;
 - d. Multiple funds will be established if components of the project must be separately accounted for per the terms of the award.

An advance account may be established prior to the actual receipt of the award when the principal investigator needs to initiate the project and, as a result, incur expense (salary or other

direct cost) and is reasonably assured that the award will be made. However, the fund will only be established upon approval by the department chairperson and dean/resource center director or their designees. An advance account may not be established if there exists a pending Conflict of Interest disclosure.

3. In the event that an advance account has been established in advance of formal award notification, the school/center accepts financial responsibility for any non-reimbursed costs. (See Sponsored Projects Policy No. 2106, Financial Responsibility.)
4. Comingling of sponsored projects funds from sponsors or other sources is not allowable.
5. Sub-accounts may be authorized to facilitate the accounting of project related expenses with the approval of Research Services.

ROLES AND RESPONSIBILITIES:

PRINCIPAL INVESTIGATOR

- Authorizes and accepts responsibility for expenditures in advance of formal award
- Reviews and approves all direct cost expenditures
- Reviews monthly financial statements with Business Administrator

BUSINESS ADMINISTRATOR

- Reviews monthly financial statements with Principal Investigator
- Performs adjusting entries within 90 days from month end of original transaction date
- Maintains PI approval and documentation to support expense
- Monitors advance account status
- Communicates with ORS regarding status of funding
- Performs charge-back or adjusting entries for non-reimbursable costs

OFFICE OF RESEARCH SERVICES

- Authorizes and establishes funds for sponsored projects
- Establishes policies and procedures for sponsored projects
- Establishes advance accounts when appropriate
- Monitors advance account status
- Communicates with Business Administrator regarding status of funding
- Performs charge-back entries, as necessary
- Reconciles and disables fund, as required

PRE-AWARD STAFF MEMBER

- Review Award documents to ensure accuracy
- Setup/Update accounts as indicated by Notice of Award

POST AWARD DESK ACCOUNTANT

- Invoicing and Reporting based on sponsor requested formats
- Account Closeout

The source of this document is Research Services.

2108 COST ACCOUNTING STANDARDS (CAS)

Effective: August 1998
Last Revision: May 2017
Last Reviewed: May 2017
Resp. Office: Research Services
Approval: Research Services

PURPOSE:

To ensure compliance with the Federal Cost Accounting Standards applicable to educational institutions, as follows:

1. CAS 501: Consistency in Estimating, Accumulating and Reporting Costs.
2. CAS 502: Consistency in Allocating Costs Incurred for the Same Purpose.
3. CAS 505: Accounting for Unallowable Costs.
4. CAS 506: Cost Accounting Period.

POLICY:

1. Principal Investigators must ensure compliance with CAS 501 by maintaining consistency in the manner in which budgets are prepared for proposal submission and funds are budgeted and expenses accounted for after awards are received.
2. Costs incurred for the same purpose, in like circumstances, must be given consistent treatment in the accounting system in order to comply with CAS 502. That is, each type of cost must be charged consistently as either a direct cost or as part of the F&A rate costs (unrestricted fund).
3. Unallowable costs must be identified and excluded from any billing, claim, or proposal submitted to the Federal government
4. Rates (e.g., service center, F&A) used for estimating, accumulating, and reporting costs must be based on the costs incurred during the University fiscal year.
5. Research Services is responsible for determining the appropriate treatment of costs and for the maintenance of the CAS Disclosure Statement.

ROLES AND RESPONSIBILITIES:

PRINCIPAL INVESTIGATOR

- Ensures compliance when budgets are prepared and expenditures are incurred
- Reviews sponsored project financial statements with Business Administrators

BUSINESS ADMINISTRATORS

- **Reviews sponsored project financial statements monthly with Principal Investigator**
- **Ensures that unallowable costs are excluded from billing, claim or proposal submitted to federal government**
- **Prepares correcting entries, as necessary to properly account for unallowable costs, including appropriate documentation of the corrections**

RESEARCH SERVICES

- **Provides guidance in determining the appropriate treatment of costs**
- **Maintains Disclosure Statement**
- **Prepares rate agreements**
- **Provides guidance on allowability of costs**
- **Performs desk review of unallowable costs on sponsored projects**
- **Communicates with business administrators to resolve unallowable costs**

The source of this document is Research Services.

2109 BUDGETS

Subject: SPONSORED PROJECTS

Effective: December 1986

Last Revision: April 2016

Last Reviewed: May 2017

Resp. Office: Research Services

Approval: Research Services

PURPOSE:

To establish responsibility for preparation and submission of sponsored project budgets

POLICY:

1. The principal investigator is responsible for preparing a budget within the amount of the award as indicated in the award notice and in accordance with any budgetary constraints imposed by the sponsor.
2. The budget is entered into the financial accounting system and maintained by the responsible department business administrator.
 - a. Except for advance accounts, project funds may not be obligated until the budget has been entered into the financial accounting system.
 - b. Budgets must be revised upon any monetary adjustment of an award.
 - c. Changes to project budgets which require sponsor or institutional approval must be reviewed and approved by ORS.

ROLES AND RESPONSIBILITIES:

PRINCIPAL INVESTIGATOR

- Works with Business Administrator to prepare and submit budgets
- Reviews, approves and documents deviations in budgets
- Ensures sponsor & institutional approvals are sought
- Initiates & countersigns requests for approvals, as necessary

BUSINESS ADMINISTRATOR

- Reviews budget to ensure accuracy & compliance with sponsor and university policy
- Maintains approvals and documentation in departmental records
- Routes sponsor mandated request for changes in budget to ORS

- Ensures that budgets are monitored and updated when awards are adjusted

OFFICE OF RESEARCH SERVICES

- Reviews and sends to sponsor mandated request for changes in budgets
- Countersigns request for changes, as required
- Reviews sponsor terms and conditions to ensure compliance with budget policies & procedures
- Reviews general ledger expenditures to ensure compliance with budget terms & conditions
- Communicates with Business administrators regarding the need for approvals
- Maintains approvals in ORS records
- Works with Business Administrator to resolve issues related to budgeting approvals

The source of this document is Research Services.

2110 FEDERAL DIRECT COST EXPENDITURES

Effective: December 1986
Last Revision: April 2016
Last Reviewed: May 2017
Resp. Office: Research Services
Approval: Research Services

PURPOSE:

To establish guidelines for the charging and approval of direct cost expenditures on federal awards.

DEFINITION:

The cost of a sponsored project is comprised of both direct costs incident to its performance plus a portion of the Facility and Administrative (F&A) costs of the University. Direct costs are those costs that can be specifically identified with a particular sponsored project, an instructional activity, or any other institutional activity relatively easily and with a high degree of accuracy. Typical costs charged directly to a sponsored project include but are not limited to: the compensation of employees working on the project; employee benefits; the cost of supplies and equipment used in the performance of the project; travel; subawards costs; service center charges; human subject fees and long distance telephone costs.

POLICY:

1. The principal investigator is responsible for the management and administration of his/her award within the constraints imposed by the sponsor and in accordance with University policies. The principal investigator must authorize all expenditures of project funds.
2. In some cases, the terms and conditions of the award may require that the sponsor give specific approval for certain direct costs either as part of the specific grant or contract, or subsequent to the initiation of the project
3. For grants, many federal agencies have delegated most of these required direct cost prior approvals to the University under the "expanded authorities" or "waiver of authorities" set forth in 2 C.F.R. Chapter I and Chapter II. The University has further delegated this authority to the Principal Investigator, subject to his/her providing and /or maintaining documentation of the appropriateness of the expense in conjunction with the project, and having applied the factors of allowability, allocability, and reasonableness regarding the cost prior to processing the expenditure

4. For federal **contracts**, prior approvals are often required for certain direct cost expenditures, and it is the principal investigator's responsibility to ensure that such approvals are obtained, in writing, through Research Services from the agency before funds are expended.
5. In order for a direct cost to be an allowable cost on a sponsored project, the cost must be:
 - a. Reasonable. The cost must be necessary for the performance of the award and reflect the action that a prudent person would have taken.
 - b. Allocable. The cost can easily be identified with the project and assigned to the project in accordance with benefits received.
 - c. Consistently Applied. The cost must be accounted for consistently as either a direct cost or as an F&A cost.
 - d. The fact that a proposed cost is awarded as requested by an applicant does not in itself indicate a determination of allowability.
6. Sponsor limitations on specific items of direct cost expenditures are included in, or referred to on the Account Information Sheet (AIS) or the Notice of Award.
7. The principal investigator or the departmental business administrator must maintain adequate supporting documentation to relate expenditures to the purpose of the award.
8. Certain costs may not be charged to sponsored projects either as direct costs or as part of the F&A rate. See Policy No. 2111 for a description of unallowable costs.
9. The salaries of Administrative and clerical staff should normally be treated as indirect (F&A) costs. Direct charging of these costs to federally sponsored project awards may be appropriate only if ALL of the following conditions are met (2 C.F.R. §200.413):
 - a. Administrative or clerical services are integral to a project or activity;
 - b. Individuals involved can be specifically identified with the project or activity (Individuals performing administrative or clerical activities can accomplish this through certified effort reports)
 - c. Such costs are explicitly included in the budget or have prior written approval of the Federal awarding agency; and
 - d. The costs are not also recovered as indirect costs.
10. Other costs not normally charged directly include postage, telephone line and equipment costs, membership costs, office equipment and electronic devices including copiers, laptops, desktop computers, personal handheld computers, fax machines, scanners, flashdrives, that is used for general office purposes (rather than justified as a specific research purpose) as set forth in (2 C.F.R. §200.439). In order to charge these costs directly to Federal projects, the costs must be clearly identified in the University approved proposal budget with a detailed explanation provided which justifies the necessity for the costs. In such cases where detailed budgets are not provided to the sponsor and therefore such costs are not evident, specific prior approval of Research Services is required. If such costs are

determined to be necessary after the award is received and not included in the proposal a determination of allowability must be made by Research Services as well as determining sponsor prior approval requirements.

NOTE: For some sponsors, the fact that a proposal cost is awarded as requested by an applicant does not in itself indicate a determination of allowability;

NOTE: Computing devices are now treated as Materials and Supplies and may be charged directly if the cost is essential and allocable to the performance of the award per CFR 200.453.

ROLES AND RESPONSIBILITIES:

PRINCIPAL INVESTIGATOR

- All expenditures charged to Sponsored Projects and authorization of all expenditures
- Review and approval of all direct costs on sponsored projects
- Ensure all expenditures are allowable, allocable and reasonable
- Ensures sponsor approvals are sought and maintained in the sponsored project file

BUSINESS ADMINISTRATOR

- Assist Principal Investigator in determining the allowability, allocability, and reasonableness of direct costs on sponsored projects
- Ensure proper documentation to support expenditures is maintained
- Ensure terms and conditions of the sponsoring agency are being met

OFFICE OF RESEARCH SERVICES

- Provides guidance on allowability of costs issues
- Performs desk review of all costs for allowability during invoicing, interim & final financial reporting
- Prepares financial status report according to direct costs recorded in the General Ledger

The source of this document is Research Services.

2111 UNALLOWABLE COSTS

Effective: August 1998
Last Revision: April 2016
Last Reviewed: May 2017
Resp. Office: Research Services
Approval: Research Services

PURPOSE:

To establish policy for the accounting of costs which are unallowable charges against federally sponsored projects.

POLICY:

1. The following costs are unallowable charges to sponsored projects as either direct costs or as part of the F& A rate. They must be identified by the general ledger object code designated for those expenses.
 - a. Advertising, other than for help wanted or for the procurement of goods or services necessary for the performance of the award (e.g. human subjects)
 - b. Alcoholic beverages
 - c. Bad Debt Expense
 - d. Entertainment, unless specifically provided for in the award
 - e. Fines and Penalties
 - f. First class travel
 - g. Goods and Services for personal use, such as automobiles
 - h. Housing and personal living expenses for officers
 - i. Internal interest expense
 - j. Memberships in social, dining or country clubs

2. In addition to the specific costs listed above, costs associated with the following activities are unallowable direct charges to sponsored projects. They must be identified and accounted for in funds specified for their purpose:
 - a. Alumni activities
 - b. Commencement and convocation costs
 - c. Executive and Legislative lobbying
 - d. Fund raising costs
 - e. Investment management costs
 - f. Losses on sponsored agreements
 - g. General Public Relations costs
 - h. Costs for prosecuting claims against the Federal government
 - i. Restricted fund overdrafts

ROLES AND RESPONSIBILITIES:

PRINCIPAL INVESTIGATOR

- **Reviews and approves all expenditures charged to sponsored projects**
- **Reviews expenditures to determine allowability**
- **Ensures unallowable expenditures are not recorded on sponsored projects**

BUSINESS ADMINISTRATOR

- **Reviews expenditures with the Principal Investigator to determine allowability**
- **Ensures adjusting entries are performed to remove unallowable costs**

OFFICE OF RESEARCH SERVICES

- **Provides guidance to Business Administrators and Principal Investigators on determining allowability**
- **Communicates with Business Administrators regarding allowability of costs upon invoicing and reporting on sponsored projects**
- **Prepares charge-back entries as necessary, to offset unallowable costs**

The source of this document is Research Services.

2112 PROCUREMENT OF GOODS AND SERVICES AND NEGOTIATION OF SUBAWARDS

Effective: December 1986
Last Reviewed: May 2017
Last Revised: May 2017
Responsible Office: Research Services
Approval: Research Services

PURPOSE

To establish responsibility for the procurement of goods and services and the establishment of subaward agreements with sponsored project funds.

POLICY

1. Research Services, the Office of Clinical Research, and Penn Center for Innovation, in consultation with other University Offices as appropriate, are responsible for the negotiation, preparation and administration of subawards where a material portion of the scope of work or supported activity is to be accomplished by another institution or organization.
2. The University of Pennsylvania elects to utilize the grace period for compliance with the procurement standards under OMB Uniform Guidance Part 200.320.
3. Goods and services funded by sponsored projects shall be acquired in accordance with established University policy as set forth in Section 2300 of the Financial Policy Manual, the Sponsored Projects Handbook, and any additional restrictions imposed by the sponsor. Agreements for purchasing of standard products and services may be referred to Penn Purchasing for handling.
4. Effective July 1, 2018 (FY2019), procurement of goods and services on Federal awards must be made in compliance with the OMB Uniform Guidance Part 200.320. In order to comply with this requirement, goods and services valued between \$3500 and \$5000 should be procured from a contracted Penn Marketplace supplier. If a non-contract vendor is chosen for the procurement, then documentation of at least two vendor prices for the goods or services must be retained.

ROLES AND RESPONSIBILITIES

OFFICE OF CLINICAL RESEARCH:

- Negotiates and prepares subawards for clinical trials funded by industry sponsors where a material portion of the scope of work or supported activity is to be accomplished at another institution or organization

CENTER FOR TECHNOLOGY TRANSFER:

- **Negotiates and prepares subawards for Industry Sponsored Research activities other than clinical trials where a material portion of the scope of work or supported activity is to be accomplished at another institution or organization**

OFFICE OF RESEARCH SERVICES:

- **Negotiates and prepares subawards for Government and nonprofit foundation funded research activities where a material portion of the scope of work or supported activity is to be accomplished at another institution or organization.**

2113 COST TRANSFERS AND PAYROLL REALLOCATIONS

Effective: July 2017
Last Reviewed: July 2017
Last Revised: July 2017
Responsible Office: Research Services
Approval: Research Services

PURPOSE

To ensure sponsored project related regulatory requirements are met when costs charged to sponsored projects were initially charged to other accounts

CONSIDERATIONS

Cost Transfers

- Costs should be initially charged to sponsored projects unless there are documented business reasons for initially charging costs to other accounts.
- Care must be exercised when any charges are made during the pre-award period, during the three months prior to the termination of the project and after the termination date of a project and/or the reporting period of a project (i.e., annual and final financial reports).

When allowable sponsored project costs are initially charged to other accounts they may be considered “Cost Transfers” by regulatory agencies and may be subject to additional regulatory timing and documentation requirements. The additional regulatory timing and documentation requirements may vary by sponsor and any specific sponsor requirements need to be followed.

- For example: Per the US Department of Health and Human Services (DHHS) excluding the National Institutes of Health (NIH): “Permissible cost transfers should be made promptly after the error occurs but no later than 90 days following occurrence unless a longer period is approved in advance by the GMO.”

This includes, but is not limited to the following HHS agencies:

- Administration for Children and Families
- Agency for Health Care Policy and Research (AHRQ)
- Centers for Disease Control and Prevention (CDC)
- Substance Abuse and Mental Health Services Administration (SAMSA)
- Health Resources and Services Administration (HRSA)
- Food and Drug Administration (FDA)

Under this policy, unapproved costs that are charged to awards from these HHS agencies more than 90 days after the occurrence will be considered unallowable.

POLICY

Regulatory agencies have specified the following transactions in their guidance as “Cost Transfers” requiring compliance with the Uniform Guidance Cost Principles and additional documentation within specified timeframes:

- Corrections of amounts initially charged to a sponsored project account (*Corrected Costs*)
- Amounts charged to a sponsored project account from another sponsored project account (*Grant to Grant Costs*)
- Amounts charged to sponsored project accounts over 90 days after the end of the month of the original transaction date (*Over 90 Day Costs*)

1. Responsibility

The Principal Investigator and his/her delegates, including business administrators, are responsible for ensuring the timeliness, accuracy and allowability of costs charged to sponsored projects and preparing and maintaining the associated supporting documentation.

2. Controls/ Documentation

Training

Authorized administrators/delegates are required to complete cost transfer training prior to gaining access to perform cost transfers on sponsored project accounts. Upon completion of the required training, delegates with the authorization and ability to record costs to sponsored projects will use the University’s financial accounting system Sponsored Project Journal Entry Responsibility and the appropriate categories. Journal entries must include a reference to the original transaction entered in the accounting system.

Controls

The **primary control** to ensure proper charging of costs to sponsored projects requires the journals for the costs initially charged to other accounts and or corrections be prepared by authorized administrators or delegates with the authority and ability to ensure the allowability of the costs.

Secondary controls to further ensure the accuracy and timeliness of journal entries charging costs to sponsored projects will be deployed as follows:

- **Transactions less than \$1000, within 90 Days**
 - Allowability and accuracy confirmed by PI and his/her delegates during periodic reviews of effort and other costs charged to individual grants
- **Transactions \$1000 or greater, within 90 Days**
 - Allowability and accuracy confirmed by PI and his/her delegates during periodic reviews of effort and other costs charged to individual grants
 - Categorized and tracked in “control reports” used by PI delegates to ensure additional documentation requirements have been met
- **Transactions regardless of amount, Over 90 Days**

- Allowability and accuracy verified by PI and his/her delegates during periodic reviews of effort and other costs charged to individual grants,
- Categorized and tracked in “control reports” used by PI delegates to ensure additional documentation requirements have been met,
- Subject to central review and approval by the Office of Research Services
- **Project Closeout**
 - During project closeout, the Office of Research Services reserves the right to move untimely, undocumented and/or unallowable cost transfers to the department’s discretionary account.
- **Payroll Reallocations**
 - Since salary distributions are initially made based on estimated effort over an extended period of time, changes to these distributions when actual effort is determined to be different are not subject to categorization including the 90 day limitation for open certification periods.
 - For awards that expire in the middle of an effort reporting period, departments are responsible for ensuring the accuracy of the salary charges before ORS issues a final expenditure report. Changes to salary distributions may not be made after a final financial report is issued. The Office of Research Services must be contacted if errors are discovered after the issuance of the final report. Payroll reallocations processed in order to avoid overdrafts or to fully expend projects at termination are unallowable charges.

The journal entry categories used in the “control reports” are as follows:

- **Category 14**- This category should be used for all journal entries for transactions of less than \$1000. It is also used for other journal entries for any cost charged to a sponsored project that for business reasons were initially charged to other accounts. The business reasons must be documented in writing. This documentation must be maintained in departmental records and be available to support the individual transactions recorded under Category 14. As the journals are prepared by delegates with the authority and ability to ensure allowability and accuracy and are subject to the control report reviews, no additional approvals or documentation is required.
- Examples of Category 14 cost transactions include but are not limited to the following:
 - Routine allocation of shared services or service center charges from the default account to the sponsored project account
 - Reassignment of expenses from the current project fund to the subsequent year fund of the same project
 - Reassignment of suspense charges from the intended fund to the subsequent year fund of the same project
 - Reassignment of expenses from a prime to subaccount fund for the same sponsored project
 - Corrections to BEN CNAC,ORG, OBJECT CODE, Program or CREF account code combinations within the same sponsored project fund account
 - Charges from a sponsored project fund to a non-sponsored project fund
 - Obvious Fund Transposition errors (Eg. 564758 instead of 564578)
 - Initial PCARD allocations from the default fund to the sponsored project fund
 - Graduate Student medical coverage resulting from reassignment of a graduate student to a sponsored project
- **Category 15**- This category is used for journal entries for any cost charged to a sponsored project that is a Corrected Cost or a Sponsored Project to Sponsored Project Cost transfer. Corrected costs

include costs initially charged to other accounts *without* documented business reasons. Sponsored Project to Sponsored Project Cost charges cannot be made merely to manage cash flow, resolve a deficit, or resolve an allowability issue. The supporting documentation for Category “15” costs must be maintained in departmental records in accordance with the record retention policy.

Over 90 Day Costs

- **Category 16**- This category is used for all journal entries for any cost charged to a sponsored project that exceeds 90 days from the month end of the original transaction date except reassignment of costs to the same project. The supporting documentation for Over 90 Day Costs and any required agency prior approvals, must be routed to ORS Post Award for review prior to or at the time the journal is prepared. Upon approving Over 90 Day Costs, ORS will post the transactions to the general ledger. The documentation to support the Over 90 Day Costs must be maintained in accordance with the University’s record retention policy. Over 90 Day Cost requests that are not approved must be deleted promptly.

Additional Documentation Requirements:

- Category 15 and 16 costs must be individually supported with additional documentation. The additional documentation should explain the reason for the Corrected Costs (Category 15), the Sponsored Project to Sponsored Project Costs (Category 15), or the Over 90 DAY Costs (Category 16). It must also demonstrate the appropriateness of the charge to the project. Explanations such as “to correct an error” or “to transfer to correct project” are not considered acceptable by regulatory agencies. The explanations for the transfer must be recorded in the BEN journal entry lines at the time the costs are charged using the drop down list below. As required, attachments must also be provided at the time the journal is completed.
 - Incorrect project identified at time of purchase
 - Correct usage/allocation of good and services
 - Source documentation contained an error at time of purchase (award, project, amount)
 - Record Pre-award expenses
 - Sponsored Project account not established at time expense incurred
 - PI identified correction during periodic reviews
 - Other (explanation required)

3. **Measuring, Monitoring, and Audit**

ORS will develop, lead, and maintain a Shared Research Governance Process with representatives from the schools/centers to measure and monitor the control process described above and ensure it is operating as intended. This includes but is not limited to:

- The development, maintenance and monitoring of the proper use of the aforementioned “control reports”
- The development, maintenance and monitoring of the related external audit process and any other related external audits or reviews
- The development, maintenance and monitoring of the annual Uniform Guidance audit timelines and related process which ensure timely meeting of requirements specified by the auditors

The “control reports” will be utilized, at least quarterly, by formally assigned school/center representatives to ensure the following:

- Preparers of journal entries and additional documentation are properly trained,

authorized and have the ability to properly charge costs to special projects such that any required adjustments are minimized

- Costs have been properly categorized in Category 14, 15, and 16
- Additional documentation requirements have been met
- Adjustments including documentation revisions are made prior to the start of the Uniform Guidance annual audit process

RELATED INFORMATION

SPP 2114 Effort Reporting

ROLES AND RESPONSIBILITIES

Principal Investigator

- Responsible for timely charging of allowable, allocable, reasonable costs, to assigned sponsored projects
- Responsible for ensuring that all costs charged to assigned sponsored projects are reviewed and approved by someone with appropriate authority and ability to ensure allowability and proper documentation
- Confirms accuracy and allowability of costs during periodic reviews of effort and other costs charged to assigned individual grants

Business Administrators or Other Delegates

- Ensure timely charging of allowable, allocable, reasonable costs, to assigned sponsored projects
- Ensure that all costs charged to assigned sponsored projects are reviewed and approved by someone properly trained and with appropriate authority and ability to ensure allowability and proper documentation
- Prepare cost journals, as assigned, in the general ledger using appropriate BEN responsibility and journal categories
- Ensure that additional documentation requirements are met for assigned sponsored projects
- Maintain supporting documentation for costs charged to sponsored projects in departmental records
- Periodically reviews effort and other costs charged to assigned individual grants to confirm accuracy and allowability of costs
- Perform assigned “control report” reviews and implement any required corrective actions required at least quarterly as specified above and/or as guided by ORS through the Shared Research Governance Process
- Provide documentation, as needed, to ORS, School representative and auditors for review and monitoring

School and Center Audit Representatives

- Perform or coordinate monitoring activities utilizing “control reports” for assigned departments and provide evidence of reviews to ORS at least quarterly
- Meet with ORS quarterly to review “control reports” and discuss compliance

Office of Research Services

- **Develop, lead and maintain the Shared Research Governance Process**
- **Review requests for Over 90 Day Costs and related documentation and post approved costs to the general ledger**
 - **Promptly inform departments if costs are denied and delete the journal**
 - **Coordinate the “control report” process and meet with Schools and Centers quarterly to discuss compliance**

2114 EFFORT REPORTING

Subject: SPONSORED PROJECTS
Effective: December 1986
Last Revision: December 2014
Last Reviewed: April 2017
Resp. Office: Research Services
Approval: Research Services

PURPOSE:

To comply with the federal Office of Management and Budget's Uniform Administrative Requirements, C.F.R. 200 § 430 and other sponsor requirements for certifying that effort expended on a project is at least commensurate with the salary charged against the sponsored project

POLICY:

1. The University utilizes an after-the-fact on-line web based effort reporting system (ERS) to account for the effort of the following categories of University employees:
 - a. Faculty in schools other than the School of Medicine, graduate students, and all administrative and professional employees paid on sponsored projects;
 - b. All Faculty affiliated with the School of Medicine whether or not any portion of their salary is paid from a sponsored project; and
 - c. Non-exempt permanent weekly paid support staff.
2. Individual effort forms are required to be completed for employees identified in 1.a above for each semester in which a portion of their salary is charged to a sponsored project. This includes the Fall (July 1 to December 31), Spring (January 1 to June 30), and Summer (June 1 to August 31) semesters. Summer semester effort reporting is required only for a faculty member whose appointment is for the academic year (i.e., 9 months) and also conducts summer research.
3. Individual effort forms for all employees in 1.b above are required for the Fall and Spring semesters. These effort report forms are used to identify, in addition to University compensated effort, activities supporting direct patient care, house staff education, and UPHS administration.
4. An effort form for employees in 1.c above, who have all or a portion of their salary charged to a sponsored project is required to be completed on a quarterly basis as of September 30, December 31, March 31, and June 30.
5. The standardized payroll form for weekly paid temporary employees, signed by the employee and their supervisor who uses a suitable means of verification that the work was performed, is the document of

record to substantiate salary charges to sponsored projects. This form includes a certification of effort and fulfills the requirements of 200 CFR §430. Weekly paid temporary employees are not included in ERS.

6. The effort form must represent, in percentages totaling 100%, a reasonable estimate of an employee's University compensated effort for the period. Faculty must certify their own individual effort report form. Effort reports for other employees in 1.a and 1.c must be completed and certified either by the employee, the principal investigator (PI), or a responsible official (business administrator or chairperson) using a suitable means of verification that the reported effort was expended. Consonant with Sponsored Projects Policy 2134, a suitable means of verification must be in the form of a signed and dated fax, memo, letter or email from the PI attesting, after-the-fact, to the amount of effort expended by the individual. Documentation, electronic or other, must be available and accessible at all times for audit purposes. If an approval is obtained via email, a printed copy must be retained.
7. Effort and payroll distributions are not the same thing. The effort reporting process is a method for certifying charges made to sponsored awards and for certifying that the effort expended is at least equal to the salary paid. Payroll distributions are used initially as a proxy for effort distributions and serve as a convenient reminder about activities on which the individual worked. Therefore, the payroll-based effort report form should be adjusted to report effort distributions that are less than the shown payroll distributions. Appropriate salary reallocations must be made in concert with the changed effort report form.
8. The effort form must account for all effort for which the University compensates the individual. Even where the number of hours of effort the individual expends each week substantially exceeds the "normal" workweek of 35, 37.5, or 40 hours, effort percentages must be based on total effort, not hours.
9. University compensated effort includes all research, teaching, administration, clinical activity, and any other activity for which an individual received compensation from the University and/or CPUP. Excluded from effort reporting is any bonus pay, clinical faculty variable pay (CVP), overload compensation (see 200.430 (h)(4), compensation received from sources other than the University, such as compensation from the VA, CHOP, or outside consulting work permitted by the University.
10. Effort distributions should be reasonable estimates of activities, recognizing that research, instruction, and clinical activity are often inextricably intertwined and estimates will be necessary in most cases.
11. Certain sponsors impose a limit or "cap" on the annual rate of salary reimbursement. Nevertheless, investigators must still devote the full committed effort as proposed and awarded without regard to the salary reimbursement limitation. Effort report forms for individuals earning in excess of the capped amount must be completed in accordance with the specific guidelines developed and published by Research Services for calculating and reporting that effort. ERS highlights most awards that have a salary cap, including all primary and sub awards where NIH is the awarding agency
12. Mandatory or voluntary committed cost sharing must be reported. Where some or all effort an individual expends on a specific sponsored research project is not funded by the project sponsor but is mandated by the sponsor or where the individual has clearly committed to uncompensated effort to the project in the application, that effort must be reported in a separate cost sharing account on the effort form. If an effort report form is not generated in ERS due to the lack of any payroll activity, the effort form template available on the ORS web site must be completed and certified.
13. Research Services is responsible for the initiation of the effort report forms in ERS, and the monitoring of all effort reporting activity. Individually reported data will be made available by Research Services only to

authorized auditors. Any other use of this information will be in accordance with advice and consent of appropriate faculty members with due regard for individual confidentiality.

14. Department responsible officials and/or principal investigators are required to complete appropriately certified effort report forms within 45 business days of availability of the forms.
15. Department Chairs are responsible and accountable for the timely completion of effort reports by their faculty and staff.
16. Cost disallowances on sponsored projects resulting from a department's failure to complete effort report forms or the certification of inaccurate effort report forms to Research Services will be charged to the department's unrestricted budget.

The source of this document is Research Services.

2115 UNIVERSITY SERVICE CENTERS

Subject: SPONSORED PROJECTS
Effective: December 1986
Last Revision: December 2014
Last Reviewed: April 2017
Resp. Office: Research Services
Approval: Research Services

PURPOSE:

To ensure compliance with Federal regulations for accurately developing and costing service center charges to federally sponsored projects.

DEFINITION:

A service center is defined as a department, or functional unit within a department, which performs specific technical or administrative services for a fee. Examples of service centers are cell sorting facilities, magnetic resonance imaging facilities, or animal care facilities.

POLICY:

1. Services provided are charged directly to all users, including sponsored agreements, based on actual use of the services, through a schedule of cost rates that do not discriminate against federally supported projects of the institution. Charges for services provided to sponsored projects must be made monthly, to accommodate accurate accounting and facilitate timely financial reporting of sponsored projects.
2. Charges for services rendered are to be structured to recover not more than the aggregate cost of the services. It is not necessary that the rates charged for services are equal to the cost of providing those services during any one fiscal year, as long as the rates are reviewed periodically and adjusted, at least annually, with the intent to balance revenue with expenses over a period normally no greater than three years.
3. Research Services is responsible for the review and approval of all service center budgets and charge rates. Each service center must be separately budgeted each fiscal year. A copy of the annual budget and the proposed fees for services must be submitted to Research Services at the beginning of each fiscal year. Specialized service facilities, those with annual budgets exceeding \$1 million and that charge 50% or more of their costs to sponsored projects, must also identify the location of the facility, building, floor, and room. Research Services is responsible for ensuring that indirect costs associated with these facilities are not included in the research F&A rate calculation.
4. Consolidation of various types of services into one budget is not permissible, except under special circumstances. In those instances, Research Services must approve the consolidation, in writing, prior to budget submission.

5. Variances (surplus or deficit) between annual costs and recovery can be carried forward into the next fiscal year. However, these variances must be incorporated into the calculation of the rates to be charged during the succeeding fiscal year. In certain circumstances, with Research Services approval, variances may be spread over longer periods.
6. Departments that experience deficits in any type of service center that exceed 15% of the budgeted expenditures, or \$25,000, whichever is less, may be required to write off the deficit at the discretion of Research Services, in conjunction with the Office of the Comptroller and in consultation with the responsible center. Deficits that need to be written off will be charged to the applicable school/center.

The source of this document is Research Services.

2116 RECOVERY OF FACILITIES AND ADMINISTRATIVE (F&A) COSTS

Subject: SPONSORED PROJECTS
Effective: January 1989
Last Revision: December 2014
Last Reviewed: May 2017
Resp. Office: Research Services
Approval: Research Services

PURPOSE:

To establish policy regarding the charging of Facilities and Administrative (F&A) Costs to Sponsored Projects

DEFINITION:

The total costs of a sponsored project include (a) those directly attributable to its performance, e.g., salaries of project personnel, supplies, materials, equipment, and travel, and (b) F&A costs, e.g., depreciation of buildings and equipment, utilities, administration and libraries. These latter costs are recovered through the application of an F&A cost rate, calculated in accordance with the cost principles set forth in 200 CFR Subpart E (Cost Principles).

POLICY:

1. It is the policy of the University to charge all sponsored projects F&A costs at the appropriate federally approved rate. The only exceptions to this policy are as follows:
 - a. Awards from not for profit sponsors which have a stated policy of awarding funds with an F&A cost at other than the negotiated rate, e.g. foundations and charitable organizations; and
 - b. Clinical trials of drugs and devices;
2. Under exceptional circumstances, requests for waivers of F&A cost recovery or acceptance of a reduced rate on sponsored projects can be made at the time the proposal is submitted. Requests must include the proposed F&A rate and dollar value of the waiver and justification for the request. The cognizant dean/or resource center director is authorized to waive all or a portion of the F&A cost recovery
3. The University negotiates with the Federal Government F&A cost rates for the following categories:
 - a. Research (on/off campus)
 - b. Instruction
 - c. Other Sponsored Projects
 - d. DOD Contracts

Current F&A cost rates are available at the following

URL: <http://www.upenn.edu/researchservices/penndata.html>

ROLES AND RESPONSIBILITIES:

PRINCIPAL INVESTIGATOR

- Request appropriate F&A rate in all sponsored program budgets

BUSINESS ADMINISTRATOR

- Request appropriate F&A rate in all sponsored program budgets

COGNIZANT DEAN OR RESOURCE CENTER DIRECTOR

- Ensure proper application of the appropriate F&A rate
- Review and approve waiver of F&A as appropriate
- Consult with Office of Research Services on interpretation and application of this policy when necessary

OFFICE OF RESEARCH SERVICES

- Provide guidance to Business Administrators and PIs, and Cognizant Deans or Resource Center Directors on the interpretation of this policy

The source of this document is Research Services.

2117 FACILITIES AND ADMINISTRATIVE (F&A) COST RATE PROPOSAL PREPARATION

Subject: SPONSORED PROJECTS
Effective: December 1986
Last Reviewed: December 2014
Last Revision: April 2017
Resp. Office: Research Services
Approval: Research Services

PURPOSE:

To provide policy regarding the preparation of the sponsored project Federal F&A cost rate proposal submitted to and negotiated with the Department of Health and Human Services (DHHS).

POLICY:

1. Research Services is responsible for the preparation of the periodic F&A cost rate proposal submitted to the University's cognizant Federal agency, DHHS.
2. The proposal will be based on expenses incurred during the base fiscal year identified in the approved Negotiation Agreement with DHHS, with adjustments for the projected research volume and F&A costs in the fiscal years for which an F&A cost rate is to be negotiated and applied. The proposal will be prepared using the guidelines contained in 2 C.F.R. 200 Appendix III and the Long Form Guide issued by DHHS.
3. The proposal will be reviewed and approved by the Vice President for Finance and Treasurer, in consultation with the Associate Vice President / Associate Vice Provost of the Office of Research Services, prior to being submitted to the DHHS.

The source of this document is Research Services.

2118 NEGOTIATION OF FACILITIES AND ADMINISTRATIVE (F &A) COST AND EMPLOYEE BENEFIT RATES

Subject: SPONSORED PROJECTS
Effective: December 1986
Last Revision: June 2015
Last Reviewed: May 2017
Resp. Office: Research Services
Approval: Research Services

PURPOSE:

To designate responsibility for negotiation of F&A cost and employee benefit rates with the Federal government for expenses incurred in the performance of federally sponsored agreements

POLICY:

- 1. The Vice President for Finance and Treasurer or his/her designee has final authority over the negotiation of and is the University official responsible for signing the formal F&A cost agreement with the federal government.**
- 2. The Director of Cost Analysis in Research Services is responsible for:**
 - a. initiating the negotiation process,**
 - b. providing access to the detailed supporting documents required by the Federal negotiator, and**
 - c. responding to the negotiator's questions.**
- 3. Other University managers, as designated by the Vice President for Finance and Treasurer, may assist in the negotiation process.**

The source of this document is Research Services.

2119 COST SHARING/MATCHING

Effective: December 1986
Last Revision: April 2016
Last Reviewed: May 2017
Resp. Office: Research Services
Approval: Research Services

PURPOSE:

To establish policy for the identification, funding, accounting, and reporting of cost sharing or matching requirements in conjunction with a sponsored project

DEFINITION:

Cost Sharing or matching means the specific portion of the project or program costs that is not funded by the sponsor.

TYPES OF COST SHARING:

1. **Mandatory:** Refers to those costs which are either required by the terms of the award or by federal statute that the University must contribute toward the project in order for an award to be made.
2. **Voluntary Committed:** Any cost associated with a project, which has been identified in the proposal, but for which funding has not been requested from the sponsor. Some common examples include:
 - a. A percentage of effort for faculty or senior researchers included in a proposal budget or stated in the text of the proposal for which compensation is not requested; and
 - b. The purchase of equipment for the project, identified in the proposal, for which funds have not been requested.
3. **Voluntary Uncommitted:** Any cost associated with a project and not funded by the sponsor, which has not been identified in the proposal, or in any other communication to the sponsor as a commitment of the University. This includes effort of faculty or senior researchers that is over and above that which is committed and budgeted for in a sponsored agreement. Examples include:
 - a. Donated faculty effort on a project over and above that which was proposed for the project;
or
 - b. Academic year effort on a project for which only summer salary was proposed if such effort were not listed either on the budget page, or in the body of the proposal.

4. **In-kind/Matching:** Refers to the requirement of some sponsored projects that grant funds be matched in some proportion with non-sponsored project funds, or that the grantee participate to some extent in the cost of the project. Matching requirements may be in the form of an actual cash expenditure of funds, or may be an “in-kind” match, which is the value of non-cash contributions to the project.

Importantly, all federally funded research programs must have some level of committed faculty (or senior researcher) effort, paid or unpaid by the Federal government. The exceptions to this requirement are training grants, dissertation support, limited purpose awards, e.g., travel grants, conference support, or when salary support is provided by another funding source such as career awards. In addition, all non-federally funded sponsored programs (including clinical trials) must have some level of committed faculty (or senior researcher) effort, paid or unpaid by the sponsor.

Uniform Guidance Subpart D Part 200.306 requirements for cost sharing on Federal awards to be acceptable:

All contributions, including cash and third party in-kind shall be accepted as part of the recipient's cost sharing or matching when such contributions meet all of the following criteria:

- The costs are allowable in accordance with the Uniform Guidance Subpart E Part 200.403;
- Are verifiable from the recipients records;
- Are not included as contributions for any other federally-assisted project or program;
- Are necessary and reasonable for proper and efficient accomplishment of project objectives;
- Are not paid by the federal government under another award, except where authorized by federal statute to be used for cost sharing or matching; and
- Are provided in the approved budget when required by the federal awarding agency.

Additional Considerations:

1. University policy is to provide only the minimum amount of cost sharing necessary to meet sponsors' requirements. Voluntary committed cost sharing is discouraged.
2. Compliance with Federal regulations and cost accounting standards requires that all cost shared expenses be treated in a consistent and uniform manner in proposal preparation and in the financial accounting and reporting of these expenses to sponsors.
3. Mandatory or voluntary committed cost sharing or required in-kind matching must be clearly indicated on the Proposal Transmittal and Approval Form.
4. A separate form must be attached to the proposal detailing the proposed cost sharing, and list the source of funding for the cost shared expense. (*See Procedures for Cost Sharing and In-Kind or matching Requirements for Sponsored Projects.*)
5. The principal investigator is responsible for maintaining records of all project related costs, which represent cost sharing through the use of a separate “5” fund in the general ledger which will be established by ORS.
6. The responsible department must account for all mandatory and voluntary committed cost sharing and provide this information to Research Services for financial reporting purposes in cases where a separate “5” fund is not appropriate, i.e., sabbatical leave.

7. Funds used to meet matching requirements may be used only once.

NOTE:

Effort devoted to a project over and above the effort charged to the project, (or formally cost shared) need not be identified and reported if there is no reduction to other teaching or research and/or any other duties.

ROLES AND RESPONSIBILITIES:

PRINCIPAL INVESTIGATOR

- Provides cost sharing/matching certification during the proposal, set up and reporting of cost sharing and matching funds as necessary
- Authorizes and reviews all expenditures on sponsored project funds
- Reviews cost sharing/matching expenditures for allowability
- Ensures proper accounting and recording for all Mandatory and/or Voluntary Committed Cost Share in accordance with Penn and sponsor policies and procedures
- Communicates with ORS and sponsor regarding issues concerning not meeting the proposed mandatory or voluntary commitments
- Ensures proper reporting of cost sharing and matching funds

BUSINESS ADMINISTRATOR

- Assist the Principal Investigator with the tracking and recording of all Mandatory and/or Voluntary Committed cost share
- Ensures that a “5” is used to record and account for cost sharing/matching funds
- Provides documentation to support cost sharing/matching as necessary for invoicing, reporting and audits
- Communicates with Research Services regarding invoicing, reporting and closeout of cost sharing and matching fund accounts
- Performs cost sharing revenue entries as required to offset expenditures on “5” fund
- Maintains documentation to support cost sharing/matching expenditures & revenue

OFFICE OF RESEARCH SERVICES

- Provides guidance to Business Administrators and Principal Investigators on university and sponsor policies and procedures for accounting & reporting of Cost Share/matching
- Performs desk review of cost sharing/matching expenditures for allowability and compliance with sponsor and university policies and procedures upon invoicing and reporting
- Communicates with Business Administrator regarding cost sharing/matching reporting and closeout issues
- Requests cost sharing/matching certification and supporting documentation for reporting & closeout
- Prepares financial report of Cost Share/matching to the sponsor, as required
- Performs closeout entries for cost sharing/matching fund

2120 ACCOUNTING FOR MATCHING GIFTS

Effective: December 1986
Last Revision: May 2017
Last Reviewed: May 2017
Resp. Office: Research Services
Approval: Research Services

PURPOSE:

To ensure compliance with financial reporting and audit requirements under individual sponsored project agreements which stipulate matching gift requirements.

POLICY:

1. Gifts intended to be used as part of a sponsored project matching gift requirement must be processed through the Office the Treasurer.
2. The Office of the Treasurer will create a temporarily restricted gift fund to record and deposit the matching gift.
3. The Office of the Comptroller, in consultation with Research Services, will create a separate sponsored project fund for project related expenditures funded by the gift and will establish the accounting mechanism or procedure to affect the transfer of funding from the temporarily restricted current gift fund to the project fund.

ROLES AND RESPONSIBILITIES:

PRINCIPAL INVESTIGATOR:

- Reviews agreement and confirms use of matching gifts is appropriate
- Ensures costs are appropriate and proper funds are established

BUSINESS ADMINISTRATOR:

- Review charges with the Principal Investigator
- Ensure expenditures are captured correctly and transfer of funding is processed
- Reconciles expenditures and coordinates with ORS for reporting, if necessary

OFFICE OF RESEARCH SERVICES:

- Establishes the sponsored project fund
- Provides guidance to departments and PIs regarding above policy.
- Ensures compliance with terms & conditions of award
- Prepare financial reporting as necessary

The source of this document is Research Services.

2121 ACCOUNTING FOR PROGRAM INCOME

Effective: December 1986
Last Reviewed: April 2016
Last Revised: May 2017
Responsible Office: Research Services
Approval: Research Services

PURPOSE:

To establish accounting policy for program income earned on sponsored projects. Certain sponsored projects generate income which, depending on sponsor regulations or the terms of the award, either is required to be remitted to the sponsor, or may be used as additional project support.

DEFINITION:

Program income is gross income earned that is directly generated by a sponsored activity or earned as a result of the sponsored activity. Federal regulations (Uniform Guidance Subpart D Part 200.307) provide three alternatives for accounting for program income:

1. Additive method whereby the income is added to the funds committed to the project to further the objectives of the award;
2. Matching, used to finance the non-federal share of the project; or
3. Deductive method whereby the funds are used to reduce the federal share of the project.

Program income earned on non-federal awards must be accounted for according to the terms and conditions of the award.

POLICY:

1. Research Services will establish a separate fund to account for program income when the additive method is required to be used, unless the amount of program income is nominal, i.e., less than \$5,000. The fund will have the same F&A rate as the sponsored project fund.
2. When the matching or deductive method is required, the program income must be deposited and accounted for in the fund established for the sponsored project.
3. The deductive method will necessitate that the billable amount in Ben Financials be reduced by the amount of program income since the income is required to off-set the sponsor share of the project cost.
4. Types of program income include, but are not limited to:

- a. Income from fees or service performed from external entities;
- b. Revenue from fees or services performed within the University;
- c. Rental fees; or
- d. Proceeds from the sale of tangible property or items fabricated under an Award.

Note: Income earned from license fees and royalties on patents and copyrighted material is not considered program income for federal awards unless agency regulations or the terms and conditions of the award provide otherwise. Refer also to the terms and conditions of non-federal awards for the requirements related to patent and copyright income.

5. Program income received from external entities must be deposited by the recipient into object code 4620 in order to preclude the commingling of such funds with regular project payments received from the sponsor.
6. Revenue earned by a university department for fees or selling goods or services to another university department is considered internal revenue. Internal revenue between university departments must be recorded via object code 5500.
7. A Program Income fund is to be set-up to account separately for the costs of collecting and spending the Program Income Awards in which Gross Program income may be off-set by the costs of collecting the income to enable reporting Net Program Income.
8. Research Services has the responsibility to report program income earned, and, when applicable, to either remit such income to the sponsor or to apply the income as funding for related project expenses in accordance with sponsor requirements.

The source of this document is Research Services.

2122 SPONSORED PROJECT PAYMENTS

Subject: SPONSORED PROJECTS
Effective: December 1986
Last Reviewed: May 2017
Last Revision: May 2017
Resp. Office: Research Services
Approval: Research Services

PURPOSE:

To establish the authority and responsibility for the deposit of payments for sponsored projects.

Types of Payments:

- ACH/Wire Transfers
- Lockbox Payments
- Checks

POLICY:

1. Research Services has the sole authority and responsibility for the deposit of cash received as payment for sponsored projects, and for the identification and posting of those payments to the appropriate sponsored project fund.
2. Checks and accompanying correspondence received representing payment on sponsored projects must be forwarded to Research Services immediately upon receipt.

ROLES AND RESPONSIBILITIES:

RESEARCH OPERATIONS CASH MANAGEMENT GROUP ORS:

- Record the receipt of a payment, identify the proper FUND to post the payment, process journal entry to post payment to proper FUND and scan and index payment documentation to the ORS document imaging system.
- Payments posted to ORS suspense account are reviewed and cleared daily.

BUSINESS ADMINISTRATOR:

- Invoices created by the responsible department to initiate payment from sponsoring organization should reference the ORS banking information and/or address in the remit to section of the invoice.
- Notification of the invoice should be sent to ORS
- Payments should not be sent directly to the responsible department address and forwarded to ORS

The source of this document is Research Services.

2123 FUNDING UNDER LETTER OF CREDIT AGREEMENTS

Subject: SPONSORED PROJECTS
Effective: December 1986
Last Revision: December 2014
Last Reviewed: May 2017
Resp. Office: Research Services
Approval: Research Services

PURPOSE:

To establish authority and responsibility for the request and maintenance of letter of credit agreements funding sponsored programs.

POLICY:

1. Research Services, in consultation with the Office of the Comptroller is responsible for:
 - a. Establishing letter of credit funding agreements between the University and federal sponsors when applicable;
 - b. Establishing and maintaining processes and systems to ensure compliance with cash request and financial reporting requirements; and
 - c. Determining periodic cash requirements and initiating payment requests.
2. Research Services will ensure that cash receipts under letter of credit agreements are timed as closely as possible to cash disbursements. Any interest due on Federal cash will be calculated and paid to the appropriate sponsor by Research Services in accordance with applicable Federal regulations.

ROLES AND RESPONSIBILITIES:

RESEARCH OPERATIONS CASH MANAGEMENT GROUP ORS:

- Monitor GRANTREV activity on for each letter of credit cash holding account
- Process daily draw down request for cash based on actual GRANTREV activity
- Reconcile cash receipts with GRANTREV activity monthly
- Prepare quarterly Financial Cash Transaction Reports (FCTR) or Federal Financial Report (FFR)

The source of this document is Research Services.

2124 DIRECT BILLING

Subject: SPONSORED PROJECTS

Effective: December 1986

Last Revision: May 2017

Last Reviewed: May 2017

Resp. Office: Research Services

Approval: Research Services

PURPOSE:

To establish responsibility for the direct billing of sponsored project expenses.

POLICY:

1. Research Services is responsible for issuing requests for advance payment, payment by schedule, invoices, vouchers and any other financial instrument required to effect funding under sponsored project agreements. Exceptions to this responsibility must receive the prior approval of Research Services.
2. Research Services is authorized to issue a payment request, if necessary, to legally execute an agreement between the University and a sponsor.
3. The financial accounting system represents the official record supporting any invoice or voucher issued.
4. Research Services is authorized to conduct reviews to ensure that expenditures billed to a sponsor are authorized and allowable under terms and conditions of awards and are in accordance with University and sponsor policy.

ROLES AND RESPONSIBILITIES:

OFFICE OF RESEARCH SERVICES

- Reviews Monthly Invoicing Report to determine FUNDS that require an invoice to be generated for the billing cycle
- Generates invoices in ORS billing system (BBR), reconciles expense with the general Ledger (BEN)
- Reviews and approves invoices
- Coordinates with Business Administrator to provide supporting documentation for invoices

BUSINESS ADMINISTRATOR

- Generates invoices for clinical trial projects
- Generates invoices for projects with unusual billing terms
- Provides copies of invoices to the Office of Research Services. Copies of invoice should be emailed to GCINVOICING-L@lists.upenn.edu). Such invoices include the following:

- Any invoice generated by department Business Administrator / Grants Manager / Clinical Coordinator (including but not limited to clinical trial agreements and sponsored research agreement)
- Completion of a milestone(s) associated with a 5-FUND that will result in payment.
- Any technical reports that have been submitted that will result in payment being sent to the University.
 - o Note: The use of the GCINVOICING-L@lists.upenn.edu e-mail address does not replace the interaction between department BA/grants managers with the ORS Post Award group related to invoicing. If the department BA/grants manager is supplying information to an ORS desk accountant to facilitate the submission of an invoice to a sponsor by ORS then that should continue. This e-mail address should only be used to forward an invoice or other documents to ORS when the department BA /grants manager responsible for a 5 FUND is submitting documents or information directly to a sponsor that will result in payment.
- Coordinates with Office of Research Services to provide supporting documentation for invoices

The source of this document is Research Services.

2125 DELINQUENT PAYMENT/NONPAYMENT OF PROJECT COSTS BY SPONSORS

Subject: SPONSORED PROJECTS

Effective: December 1986

Last Revision: December 2014

Last Reviewed: May 2017

Resp. Office: Research Services

Approval: Research Services

PURPOSE:

To establish responsibility for the resolution of delinquent payment and/or nonpayment of project costs by sponsors.

POLICY:

1. Unless otherwise noted in the agreement, the Office of Research Services is responsible for creation and submission of invoices to sponsoring organizations (excludes Clinical Trial Agreements). The Office of Research Services and the Office of Research Support Services (for the School of Medicine) are responsible for sending collection notices on unduly delinquent invoices as defined in #2 below (this does not include Clinical Trial Agreements). ORS or ORSS will notify the principal investigator and appropriate school/center administrators in the event that collection on invoices submitted to sponsors or scheduled payments due from sponsors are unduly delinquent or in question. Schools and departments should monitor the invoices, payments and collection efforts and should discuss the reasons for nonpayment with the principal investigator/sponsor. If any party learns that the sponsor disputes any invoices or indicates it has issues effecting payment, the information should be relayed to all other concerned parties including ORS, the principal investigator, and appropriate school/center administrators. Departments are responsible for billing clinical trials, and as a result they are responsible for monitoring trial collections and communicating collection issues to ORS/ORSS for assistance.
2. Research Services in consultation with the principal investigator and/or the school/department will be responsible for ascertaining the reasons for nonpayment. Collection efforts should begin once an invoice is identified as being unduly delinquent (i.e. outstanding for 75 days, 60 days if the unpaid balance for an account is greater than \$100,000.00 and 30 days past due if the sponsor is identified as a "High Risk")
3. In the event that it is determined that payment for costs incurred is not forthcoming, Research Services, in conjunction with the principal investigator, the senior school business official, and the Office of the Vice President and General Counsel may seek legal remedy, if warranted.
 - a. General Counsel can issue a request for payment letter to the sponsor
 - b. If the request of payment is unsuccessful and the department elects to use an outside legal firm to file a legal complaint, all legal costs will be charged to the responsible department.

4. Should all prudent collection efforts fail and unless compelling circumstances dictate otherwise as determined by the Associate Vice President and Associate Vice Provost, Research Services, uncollectible claims will be written-off to the appropriate department or responsibility center. Uncollected balances will be written off to the responsible department or center even if a legal complaint is filed for the outstanding receivable balance. If payment is subsequently received, the write off will be reversed for the amount of the payment received.

The source of this document is Research Services.

2126 INTERIM & FINAL FINANCIAL REPORTS

Effective: Dec. 1986
Last Revision: December 2014
Last Reviewed: May 2017
Responsible Office: Research Services
Approval: Research Services

PURPOSE

To ensure compliance with Office of Management and Budget Uniform Guidance (2 C.F.R. , Part 200) as codified by the federal grant making agencies and other sponsors' policies regarding the timely submission of financial reports of expenditures.

POLICY

1. Research Services is responsible for the preparation and submission of interim and final financial reports required under sponsored project agreements. They are also responsible for maintaining procedures required to ensure full compliance with the financial reporting of all such agreements.
2. Interim and final financial reports must be submitted by the due date prescribed by the terms of the award. These reports will be retained in accordance with the sponsor's and the University's record retention policy
3. The general ledger system represents the official record supporting all required financial statements.
4. Research Services is responsible for conducting desk reviews to ensure that reported expenditures are authorized and allowable under terms and conditions of awards and are in accordance with University and sponsor policy.
5. Research Services has the authority to request documentation in support of any questioned charge, as well as the authority to exclude from any financial billing or reporting all costs deemed questionable and/or unsupported.

ROLES AND RESPONSIBILITIES:

PRINCIPAL INVESTIGATOR

- **Reviews and approval all expenditures**
- **Ensures that direct costs are allowable, reasonable and in accordance with the sponsor's requirements**
- **Certifies expenditures on financial reports by the financial report due date**

BUSINESS ADMINISTRATOR

- **Reviews general ledger to ensure that costs are properly recorded and provide proper documentation for questionable expenditures, as necessary**
- **Provides ORS with any requested documentation to support questioned charges**
- **Prepares interim/final report and submit to ORS for approval and submission to sponsor if required information is unavailable to the Desk Accountant**

OFFICE OF RESEARCH SERVICES

- **Performs desk review of expenditures to ensure compliance**
- **Prepares and submits financial reports and invoices**
- **Remits unspent funds back to sponsor, as required**

2127 SPONSORED PROJECTS CLOSE-OUT

Effective: Dec. 1986
Revised: December 2014
Last Reviewed: May 2017
Responsible Office: Research Services
Approval: Research Services

PURPOSE

To establish responsibility for the accurate and timely close-out of completed sponsored projects in compliance with the sponsor's terms and conditions.

POLICY

1. The principal investigator is responsible for the preparation and timely submission of all required progress, programmatic, or technical reports.
2. Department Business Administrators are responsible for reviewing final expenditures to be reported and providing documentation as necessary.
3. Research Services is responsible for the preparation and submission of final financial reports and invoices, and/or final invoices or final vouchers.
4. Reports of sponsor-owned equipment normally are to be prepared and submitted by Research Services in cooperation with the principal investigator and his/her department.
5. When required, invention reports are to be prepared by the principal investigator. All such reports must be forwarded to Research Services to be signed on behalf of the University by Research Services after verification from the Penn Center for Innovation.

ROLES AND RESPONSIBILITIES

PRINCIPAL INVESTIGATOR

- Reviews and finalizes total expenditures to be reported.
- Submits progress, programmatic and technical reports, in accordance with agreement

BUSINESS ADMINISTRATORS

- Reviews and finalizes total expenditures to be reported and disposition of unobligated balances, as required
- Communicates with ORS regarding final expenditures and any outstanding closeout issues
- Maintains documentation to support expenditures reported to the sponsoring agency in departmental files for the project

OFFICE OF RESEARCH SERVICES

- Initiates communication to departmental business administrators regarding closeout.
- Prepares and submits final financial reports and invoices.
- Remits unspent funds back to sponsor, as required.
- Performs closeout adjustments to disable fund accounts.
- Resolves accounts receivables issues associated with noncompliance with sponsor requirements for timely submission of required programmatic, technical or financial or other reports required for compliance with terms and conditions of the award.
- Maintains copies of financial reports and supporting documentation on file.

The source of this document is Research Services.

2128 ACCOUNT CLOSE-OUT

Effective: Dec. 1986
Revised: May 2017
Last Reviewed: May 2017
Responsible Office: Research Services
Approval: Research Services

PURPOSE

To establish authority and responsibility for the close-out of sponsored project accounts.

POLICY

1. Research Services is responsible for establishing and implementing policies and procedures to ensure sponsored project funds are closed out according to sponsor and University requirements. Research Services will issue financial reports based upon the general ledger activity at the close of an interim and/or final budget period, consistent with established financial reporting and account close-out procedures. The principal investigator and/or designee must ensure that, prior to financial reporting, all expenses are allowable and allocable to the project and that any required adjustments to expenses are posted in compliance with accounting, reporting and close-out policies and procedures.
2. Funds may not be obligated after the termination date of the sponsored agreement. Any purchase orders for equipment, supplies, or other materials or services must be executed prior to the close of business on the final day of the award performance period (budget period) and they must be authorized, allowable, and necessary for the completion of the project.

ROLES AND RESPONSIBILITIES:

PRINCIPAL INVESTIGATOR

- Reviews and approves all expenditures
- Verifies that all expenses charged are allowable, allocable and reasonable
- Approves all cost transfers and ensure compliance with sponsor and university policy

BUSINESS ADMINISTRATOR

- Reviews expenditures for final reporting with Principal Investigator

- Ensures that expenditures have been reconciled
- Ensures that prior approvals are maintained and provided to ORS as required
- Provides confirmation of total expenses to be reported and disposition of unobligated balance, if any

OFFICE OF RESEARCH SERVICES

- Performs review of expenditures on sponsored project funds
- Performs reconciliation of employee benefits, F&A costs and accounts receivables
- Performs review for allowability of costs
- Prepares and submits final financial reports/invoices
- Remits unspent funds back to sponsor, if required
- Prepares the sponsored project fund for disabling

The source of this document is Research Services

2129 CHARGE BACK OF OVERDRAFTS AND DISALLOWANCES

Effective: December 1989
Revised: December 2014
Last Reviewed: May 2017
Responsible Office: Research Services
Approval: Research Services

PURPOSE:

To establish responsibility regarding unresolved sponsored project overdrafts and disallowances.

DEFINITIONS:

Overdrafts are comprised of salary and/or other direct cost expenditures which exceed the authorized total award amount. In certain instances, the overdraft may consist of the amount of the expenditure which exceeds an approved, but restricted, individual line item award amount. Disallowances are salary or other costs charged to a project fund that is deemed to be unallowable by either:

1. Federal regulations, i.e. Uniform Guidance provisions; terms of Federal and private contracts or agreements, or
2. Costs incurred and submitted to the project sponsor for reimbursement but directly denied as reimbursable by that sponsor, or
3. Costs that are disallowed as the result of an audit

POLICY:

1. Cost overdrafts must be transferred via a journal utilizing Object Code 7 to a funding source other than a sponsored program. If the overdraft is intended to fulfill cost sharing or matching requirements, these costs should be accounted for as specified in Policy No. 2119.
2. Disallowances that are specifically deemed not reimbursable by the sponsor, or specifically deemed to be unallowable by the provisions of OMB Uniform Guidance, shall not be charged to a sponsored program fund.
3. Overdrafts and/or disallowances must be resolved before the submission of the final report to the sponsor. Failure to resolve direct cost overdrafts and/or disallowances by this time will result in an entry by Research Services to transfer the revenue from the unrestricted operating budget of the responsible center to the fund account.

ROLES AND RESPONSIBILITIES:

PRINCIPAL INVESTIGATOR:

- **Reviews and approves all expenditures**
- **Ensures that unallowable expenditures are not charged to sponsored projects**
- **Ensures that overdrafts and disallowances are resolved timely**

BUSINESS ADMINISTRATOR

- **Reviews all expenditures with Principal Investigator**
- **Ensures overages and disallowances are journaled to a departmental fund timely**
- **Communicates with ORS regarding the status of overages and disallowances**

OFFICE OF RESEARCH SERVICES

- **Reviews sponsored project funds to ensure overages are addressed**
- **Communicates with Business Administrators regarding the status of overages & disallowances**
- **Performs charge-back entry as necessary to relieve the overdraft**

The source of this document is Research Services

2130 EXTERNAL AUDITS, REVIEWS, INQUIRIES, AND INVESTIGATIONS

Effective: December 1986
Last Revision: May 2017
Last Reviewed: May 2017
Resp. Office: Research Services
Approval: Research Services

PURPOSE:

To establish responsibility for the coordination of external audits, reviews, inquiries, and investigations of sponsored projects.

POLICY:

1. Requests from an outside agency to conduct a financial or programmatic audit, review, inquiry, or investigation (“review”) of a sponsored project must be directed, in writing, to Research Services.
2. Research Services will notify the Office of Audit and Compliance and the responsible department and/or school business administrator of any pending “review.”
3. An entrance and exit conference will be a required part of the “review” process.
4. During the “review,” every effort must be made by the responsible business administrator and Research Services to provide sufficient documentation and/or an adequate explanation to written requests for information, in order to preclude cost disallowances or other deficiency findings
5. On visits to any other administrative areas of the University, auditors/investigators must be accompanied by Research Services personnel at all times.
6. Cost disallowances cited in an audit/review report which cannot be refuted must be transferred immediately from the sponsored project account to the unrestricted operating account or other appropriate non-sponsored project account of the school or center.

ROLES AND RESPONSIBILITIES:

PRINCIPAL INVESTIGATOR

- Directs requests for an external review, inquiry, audit or investigation of sponsored projects to ORS
- Provides explanation or documentation for any request made by auditors

BUSINESS ADMINISTRATOR

- Directs request for an external audit of sponsored projects to ORS
- Provides explanation or documentation for any request made by auditors
- Attends interview meetings with auditors, as required

OFFICE OF RESEARCH SERVICES

- Notifies PI, BA, and OACP if a review, inquiry, audit or an investigation is scheduled
- Schedules meetings with auditors including entrance, exit and interview meetings
- Provides space, as necessary during the site visit
- Provides documentation, reports and approvals to auditors as necessary
- Coordinates responses to audit findings and recommendations with responsible department, PI, OACP, the Office of General Counsel and the Comptroller's Office, as necessary
- Accompanies auditors when visiting other administrative offices
- Maintains copies of all documentation requests, communication, approvals findings, management responses and recommendations
- Ensures that cost disallowances are resolved accordingly
- Prepares revised financial reports, as required
- Prepares charge-back entries, as necessary, for disallowances
- Maintains copies of the audit files in accordance with the record retention policy

The source of this document is Research Services

2131 COMPLIANCE WITH SUBRECIPIENT STANDARDS OF OMB UNIFORM GUIDANCE

Effective: July 1993
Revised: May 2017
Reviewed: May 2017
Responsible Office: Research Services
Approval: Research Services

PURPOSE:

To establish responsibility for compliance with the Office of Management and Uniform Guidance 2 C.F.R. Part 200.330-337(as it relates to the University's responsibilities in making awards to subrecipients).

POLICY:

1. Prior to submitting a University proposal to a Federal sponsor that includes subrecipients subject to Parts 200.330-337, the Office of Research Services will ensure that the subrecipient has supplied the University with a letter of intent signed by an authorized institutional official or, in the case of proposals to federal sponsors that utilize the Grants.gov portal for submission, a completed and signed SF424 cover page, scope of work, budget, and F&A Cost Rate Agreement if applicable. If no F&A Cost Rate Agreement exists, a de minimus rate of 10% will be used for the budget.
2. The Office of Research Services is responsible for administering Federal funds granted to subrecipients. The award package or subaward will include the following information:
 - Subrecipient Name and DUNS Number
 - Federal Award identification Number (FAIN)
 - Federal Award Date
 - Subaward Period of Performance Start and End Date
 - Amount of Federal Funds Obligated by this action
 - Total Amount of Federal Funds obligated to the subrecipient
 - Total Amount of the Federal Award
 - Federal award project description as required to be responsive to FFATA
 - Name of Federal awarding agency, pass-through entity, and contact information for awarding official
 - CFDA Number and Name
 - Identification of whether the award is R & D
 - Indirect cost for the award.
 - Scope of Work and budget
 - Confirmation of compliant PHS FCOI Policy.

If all of this information is not available, Research Services will provide the best information available to describe the Federal award.

3. The Office of Research Services will advise subrecipients of requirements imposed on them by Federal laws, regulations and the provisions of contracts, grant or collaborative agreements as well as any supplemental requirements imposed by the University
4. If the subrecipient has an approved federally negotiated indirect cost rate, the University will use that rate for the subrecipient work unless the federal agency issuing the Prime Award has imposed a lower indirect cost for the Award, in which case the University will use that imposed rate for the subaward. In the event that a subrecipient does not have an approved federally negotiated indirect cost rate, the University will use a de minimus cost rate as defined in the Uniform Guidance Part 200.414 (currently 10%).
5. The principal investigator is responsible for monitoring the activities of subrecipients, as necessary, to ensure that Federal awards are being used for their authorized purpose and that performance goals are achieved. In doing so, the principal investigator is required to review and approve all technical and financial reports (including invoices). Principal investigator concerns regarding the contents of any required report(s) must be brought to the immediate attention of the Office of Research Services.
6. Principal Investigators and Business Administrators must utilize the Office of Research Services subaward request module, found at the Research Inventory System: <https://medley.isc-seo.upenn.edu/researchInventory/jsp/fast2.do> to request both an initial subaward agreement and all subsequent modifications to that agreement. The Principal Investigator is required to sign all subaward and subaward modification requests, verifying that the information on the request form is accurate and that a current subrecipient is performing according to the provisions of the subaward agreement
7. Each Federal subaward is to include a clause incorporating the requirements of OMB Uniform Guidance Subpart F where applicable that call for the subrecipient to have an audit conducted in accordance with the Circular and to submit a copy of its most recent OMB Uniform Guidance Part 200.512 reporting package to the University annually in all instances where the audit discloses findings related to the Federal award(s) provided by the University. In the event that no findings are reported, the subrecipient will provide written notification that an audit was conducted in accordance with the provisions of the Uniform Guidance, the schedule of findings and questioned costs disclosed no audit findings relating to Federal awards provided by the University, and the summary schedule of prior audit findings did not report on the status of any audit findings relating to the Federal award(s) provided by the University.
8. The Office of Research Services will generate a list of subrecipients once each year and will request each subrecipient to submit the appropriate correspondence as detailed in Item 7 above. If a subrecipient fails to submit its correspondence in a timely fashion, the Office of Research Services will take such action as necessary to obtain the report, including withholding of payment to the subrecipient. The Office of Research Services is responsible for reviewing submissions from subrecipients to identify those with findings related to Federal awards provided by the University.
9. For new subawards where the University has no current Uniform Guidance Audit information for the potential subrecipient, the University will request such information as per 7 above and will determine if the subaward document requires any supplemental University terms and conditions be included in response to subrecipient audit findings related to the Federal award to be provided by the University. The University will review the subrecipient's Audit reporting package and render its decision on any specific University terms and conditions within six (6) months of the Audit report submission to the Federal Clearing House.

10. For ongoing subawards, in those instances where audit findings relate to and impact the University, the Office of Research Services shall discuss the findings with the Principal Investigator and the responsible Business Administrator to determine an appropriate plan of action which may include adjustment of the University's records, demand for repayment from the subrecipient, or other remedial action.
11. For subrecipients without a current Uniform Guidance Audit report refer to SP 2135.
12. The Office of Research Services will ensure that subawards contain language permitting the University and/or its auditor's access to the subrecipient's records and financial statements as necessary for the University to comply with OMB Uniform Guidance.

ROLES AND RESPONSIBILITIES:

OFFICE OF RESEARCH SERVICES

- Ensures appropriate documentation from subrecipient organization is received
- Evaluates subrecipient's OMB audit report to determine suitability for proper stewardship of federal funds
- Generate subaward agreement containing information as required for subcontracts under federal awards
- Checks for debarment/suspension
- Prepares and assembles subcontract package
- Sends subcontract to subrecipient
- For PHS FCOI non-compliant subrecipients work with subrecipients and RIO on covering subrecipient under Penn's policy if applicable
- Notifies Business Administrator when subaward is fully executed

PRINCIPAL INVESTIGATORS

- Initiates the subcontracting process
- Monitors the activities of subrecipients;
- Reviews and approves invoices submitted by subrecipients
- Determines additional funding based on progress
- Requests reports as needed

BUSINESS ADMINISTRATOR

- Collects institutional approvals from subawardee including a signed statement of intent
- Submits Subaward request to ORS
- Documents PI approvals of invoices prior to authorizing payment
- Reviews invoices prior to requesting additional funds
- Confirms that subrecipient has PHS compliant FCOI policy if applicable
- Provides list of subrecipient Investigators for PHS FCOI purposes as applicable

Footnotes: Fixed Price Subawards generally require Federal Agency prior approval.
The source of this document is Research Services.

2132 RECORD RETENTION

Subject: SPONSORED PROJECTS
 Effective: August 1998
 Last Revision: May 2017
 Last Reviewed: May 2017
 Resp. Office: Research Services
 Approval: Research Services

PURPOSE:

To establish responsibility for the retention of records, including documentation supporting project expenditures, in accordance with the sponsors' requirements. Since its implementation in 2007 these records are stored electronically via document imaging system.

POLICY:

1. All records which support sponsored project activities must be retained as follows:

RECORD CATEGORY	RETENTION SCHEDULE
Administrative Records	Up to 7* years after completion of research **, as specified by individual agency <i>requirements</i> (please take a moment to read the explanations of the asterisks set forth below; these apply to all uses of "up to 7" and "completion of research" found on this page)
Financial Records	Up to 7 years after completion of research
Scientific Records	Up to 7 years after completion of research
Protocols and related documents (including consents and indemnification) on grants and contracts covering the use of human subjects and animals in research	Permanent.
Sponsored research	Up to 7 years unless a longer period is required by sponsor contract
Research involving investigational drugs	Up to 7 years after completion of research of possibly longer (see requirements of 21CFR312.62 http://www.access.gpo.gov/nara/cfr/cfr-retrieve.html#page1)
IRB records; minutes, agendas, other records	Up to 7 years after completion of research
Research involving medical devices	Up to 7 years after completion of research

*This retention period is a maximum retention period. Lesser retention periods are dictated by applicable agency(s) requirements.

**"Completion of Research" refers to the period after the final close out of the grant and after all final documents have been submitted. These submitted documents include Financial Status Reports, Progress Reports, Invention Reports and Property Reports.

A. Federal Sponsors:

Grants – In general, records must be retained for a period of three years from the date of submission of the final Financial Status Report to the sponsor.

Contracts – In general, records must be retained for a period of three years from the date of payment of the final invoice by the sponsor.

B. Non-Federal Sponsors:

Records should be retained following the same guidelines required by Federal sponsors, unless the terms of the agreement specify otherwise.

2. If a department or school is uncertain as to whether or not the record retention requirements have been satisfied, the records should not be destroyed without the advice and consent of Research Services

The source of this document is Research Services

2133 ADVANCES OF CASH FROM EXTERNAL SPONSORS

Effective: January 2003
Last Revision: April 2016
Last Reviewed: May 2017
Resp. Office: Research Services
Approval: Research Services

PURPOSE:

Some federal agencies and some non-federal sponsors provide cash in advance of the work to be performed under a sponsored project. This policy establishes the appropriate accounting treatment of these cash advances.

1. OMB Uniform Guidance 2 C.F.R. Part 200.305 (a) 8-9 requires that cash advances be deposited into an interest bearing account, and that interest earned on those advances be remitted annually to the Department of Health and Human Services (DHHS), Payment Management System.
2. Non-federal sponsors that provide cash advances and require that the cash be deposited into interest bearing accounts, may require that the interest earned be returned to the sponsor, or used to further the objectives of the award, depending on the terms of the award.

POLICY:

1. Sponsored projects awarded to the University as described above must be credited with Temporary Investment Fund (TIF) interest income on positive cash balances.
2. Research Services will ensure that all such Sponsored Projects will be identified and designated as funds to earn TIF income.
3. The Division of Finance will post the amount of any TIF interest earned on the funds identified by Research Services on a monthly basis, calculated according to their written procedures
4. The amount of interest earned will be based on the monthly TIF interest rate calculated by the Treasurer's Office.
5. Interest earned on all federally supported projects will be reported to the sponsor as required at termination, and then transferred to a designated holding account
6. Within 90 days of the close of each fiscal year (close of ADJ period), the total amount of interest income earned on federal funds within the fiscal year will be remitted to DHHS, less the administrative allowance allowed. The amount of the allowance is currently \$250.

7. Interest earned on non-federal awards will be accounted for in accordance with the terms of the specific award.
8. This policy does not apply to awards funded under a letter of credit.

ROLES AND RESPONSIBILITIES:

PRINCIPAL INVESTIGATORS

- Reviews awards with business administrator to understand which accounts are advance payment and require interest to be earned
- Reviews awards at final close with business administrator to determine any remaining balances as to whether it should be retained or remitted

BUSINESS DEPARTMENTS

- Reviews awards with Principal Investigators to determine which accounts are advance payment and require interest to be earned
- Reviews awards to determine how much money has been received and how much interest has been earned.
- Reviews awards at final close with principal investigators to determine any remaining balances as to whether it should be retained or remitted, communicates determination to Research Services.

RESEARCH SERVICES:

- Identifies awards as advance payment in PennERA and G/L , identifies if those awards should be earning interest and set them up to earn interest as required
- Coordinates with Business Administrators for closeout and identifying amounts that need to be retained or remitted.
- Reports the amounts of cash earned and interest earned on reports as required
- Processes journals and/or C-Forms to retain or remit interest earned during the funding period per the terms of the award

The source of this document is Research Services.

2134 EXPENSE APPROVAL AND DOCUMENTATION REQUIREMENTS

Effective: October 2004
Revised: May 2017
Last Reviewed: May 2017
Resp. Office: Research Services
Approval: Research Services

PURPOSE:

To provide an understanding of required documentation indicating approval for expenses charged to sponsored projects

POLICY:

1. No charge may be made against a fund without the approval of the principal investigator (PI) as required by Sponsored Projects Policy No. 2110.
2. All expenses charged to a sponsored program must be necessary, reasonable, and allowable for the conduct of the project.
3. All expenses charged to a sponsored program must be supported by dated original documentation identifying the fund charged and approval of the PI.
4. Approval documentation may be in the form of a signed and dated fax, memo, letter, or log by the PI or email directly from the PI to the individual executing any financial transaction including but not limited to cost transfers, salary allocations, purchase orders, or journal entries.
5. For purposes of effort certification, non-PI certifiers (e.g. a responsible official certifying on behalf of the individual whose effort report has been generated) must have a suitable means of verification after-the-fact that the effort was expended. Documentation can consist of any of the above, dated after the reported effort
6. Documentation, electronic or other, must be available and accessible at all times for audit purposes. If an approval is obtained via email it must be retained in departmental records per Penn's record retention policy
7. All documentation must be retained in accordance with Sponsored Projects Policy No. 2132.

ROLES AND RESPONSIBILITIES:

PRINCIPAL INVESTIGATOR:

- **Authorizes and approves all expenditures on sponsored projects**
- **Reviews expenditures for allowability, allocability, and reasonableness**
- **Ensures that approvals are documented and retained in departmental sponsored project files**
- **Ensures University and sponsor mandated approvals are reviewed and or countersigned by ORS, as required**

BUSINESS ADMINISTRATOR

- **Reviews expenditures with Principal Investigator for allowability, allocability, and reasonableness**
- **Ensures documentation supporting expenditures and approvals are obtained**
- **Ensures approval documentation is maintained in departmental sponsored project files**
- **Provides documentation to ORS during the reporting, closeout, or audit of a sponsored project**

OFFICE OF RESEARCH SERVICES

- **Reviews expenditures for allowability and compliance with applicable circulars and terms and conditions of the sponsored project award**
- **Communicates with Business Administrator regarding approval requirements**
- **Requests documentation from Business Administrator for expenditures for reporting and audits**
- **Communicates with Sponsor regarding approvals**
- **Countersign approval requests, as necessary**

2135 MONITORING SUBRECIPIENTS NOT SUBJECT TO UNIFORM GUIDANCE AUDIT

Effective: Nov. 2003
Revised: May 2017
Reviewed: May 2017
Responsible Office: Research Services
Approval: Research Services

PURPOSE:

To establish responsibility for monitoring subrecipients receiving federal funds but not subject to the Office of Management and Budget's (OMB) Uniform Guidance single audit or program-specific audit (2 C.F.R. Part 200.501)

DEFINITION:

Subrecipients not subject to OMB Uniform Guidance Audit are defined as for-profit and those non-profit organizations not meeting the federal expenditure threshold of \$750,000 per annum, as well as all foreign institutions or organizations

POLICY:

1. Prior to submitting a University proposal to a Federal sponsor that includes the above defined subrecipient, the Office of Research Services will ensure that the subrecipient has supplied the University with a letter of intent signed by an authorized institutional official or, in the case of proposals to Federal sponsors that utilize the Grants.gov portal for submission, a completed and signed SF424 cover page, scope of work, budget, and F&A Cost Rate Agreement if applicable. If no F & A Cost Rate Agreement exists, a de minimus rate of 10% will be used for the budget.
2. The Office of Research Services, when in receipt of a completed subaward request package, at the time of issuing the subaward, will request and review audited financial statements or the equivalent as determined by the ORS Director of Post-Award and/or in the case of an NIH prime subaward, consult the HHS OIG Corporate Integrity Agreements and Settlement Agreement with Integrity Provisions list.
3. The Office of Research Services is responsible for administering Federal funds granted to subrecipients. The subaward package will include the following information:
 - Subrecipient Name and DUNS Number
 - Federal Award Identification Number (FAIN)
 - Federal Award Date
 - Subaward Period of Performance Start and End Date
 - Amount of Federal Funds Obligated by this action
 - Total Amount of Federal Funds obligated to the subrecipient
 - Total Amount of the Federal Award

- Federal award project description as required to be responsive to FFATA
 - Name and contact information for Federal awarding agency, pass-through entity and awarding official
 - CFDA Number and Name
 - Identification of whether the award is R & D
 - Indirect cost for the award
 - Confirmation of compliant PHS FCOI Policy
4. The Office of Research Services will advise the subrecipient of requirements imposed on them by Federal laws, regulations, and the provisions of contracts, grants and cooperative agreements, as well as any supplemental requirements imposed by the University. The following supplemental requirements will typically be imposed irrespective of the amount of the subaward:
- a certification indicating that the subrecipient is not debarred or suspended from receiving federal funds and notification of the University if its status should change;
 - a certification indicating that the subrecipient will notify the University if it becomes subject to OMB Uniform Guidance Audit requirements;
 - a certification of compliance with federal regulations governing financial conflicts of interest (FCOI) related to PHS-funded research;
 - submission of audited financial reports;
 - review of subrecipient financial and prior performance reports;
 - findings in any audit which impact the fiduciary management of the subaward must be submitted to the University;
 - non-compliance with the terms and the conditions of the subaward may result in the withholding of payment and/or immediate termination and;
 - require access to conduct a financial audit of the subrecipient to be performed by an external, University, and/or federal auditor.
5. In cases where prior experience with the subrecipient or the nature of the organization indicates additional risk, the following conditions may be imposed:
- perform financial audits of subrecipient;
 - perform site visits to subrecipient to review financial and programmatic records and observe operations;
 - additional documentation will be required with requests for reimbursement;
 - payments will be made on a cost-reimbursable or milestone basis
 - Factors such as the size of the subaward, the complexity of the compliance requirements, and risk of subrecipient non-compliance as assessed by the University may influence the nature and extent of monitoring procedures.
6. The Principal Investigator is responsible for monitoring the activities of subrecipients, as necessary, to ensure that Federal awards are being used for their authorized purpose and that performance goals are achieved. In doing so, the principal investigator is required to review and approve all technical and financial reports. Principal Investigator concerns regarding the contents of any required report(s) must be brought to the immediate attention of the Office of Research Services.

7. Principal Investigators must utilize the Office of Research Services Research Inventory System subaward request module found at: <https://medley.isc-seo.upenn.edu/researchInventory/jsp/fast2.do> to request both an initial subaward agreement and all subsequent modifications to that agreement. The Principal Investigator is required to certify on all subaward and subaward modification requests, that the information on the request form is accurate and that the subrecipient is performing according to the provisions of the subaward agreement.
8. The Office of Research Services will monitor the subrecipient according to the conditions selected for the subrecipient in Items 4 and 5 above.
9. If Office of Research Services determines that an audit report includes findings or material non-compliance with federal laws and regulations, they shall notify the Comptroller, and together, they will discuss the findings with the principal investigator and the responsible business administrator to determine an appropriate plan of action which may include adjustment of the University's records, demand for repayment from the subrecipient, or other remedial action.

ROLES AND RESPONSIBILITIES:

OFFICE OF RESEARCH SERVICES

- Ensures appropriate documentation from subrecipient organization is received
- Evaluates subrecipient's financial statements or completed financial questionnaire to determine suitability for proper stewardship of federal funds
- Generates subaward agreement containing all information as required for federal awards information as required for subawards under federal awards
- Checks for Debarment and suspension
- Prepares, assembles, and sends subaward to subrecipient
- For PHS FCOI non-compliant subrecipients work with subrecipients and RIO on covering subrecipient under Penn's policy

PRINCIPAL INVESTIGATORS

- Initiates the subcontracting process by signing and submitting to ORS a complete subrecipient request form;
- Monitors the activities of subrecipients
- Reviews and approve invoices submitted by subrecipients
- Determines the need for additional funding based on progress
- Requests reports as needed

BUSINESS ADMINISTRATOR

- Sends Subaward request form to ORS
- Documents PI approval of invoices prior to authorizing payment
- Reviews invoices prior to requesting additional funds
- Collects institutional approvals from subawardee including a signed statement of intent
- Confirms the subrecipient has a PHS compliant FCOI Policy
- Certifies list of Investigators at subrecipient site for FCOI purposes

Footnotes: Fixed price sub awards exceeding \$150,000 require federal awarding agency approval

The source of this document is Research Services.

2136 PRINCIPAL INVESTIGATOR ELIGIBILITY

Subject: Sponsored Projects
Effective: April 2004
Last Revised: December 2014
Last Reviewed: May 2017
Responsible Office: Research Services
Approval: VP for Research

PURPOSE:

To establish the criteria permitting individuals to fulfill the role of principal investigator or co-principal investigator on a sponsored project

DEFINITION:

A principal investigator or co-principal investigator is an individual designated by the University and approved by the sponsor to direct a project funded by an external sponsor. S/he is responsible and accountable to the University and sponsor for the proper programmatic, scientific, or technical conduct of the project and its financial management.

POLICY:

All proposals submitted to sponsors for external support must carry as principal or co-investigator at least one person in a professorial track holding the academic rank of professor, associate professor, assistant professor, or be appointed as a clinician educator. The principal investigator must be an employee of the University or hold an adjunct or emeritus appointment.

Individuals who are trainees, whether or not they are also employees (such as postdoctoral fellows/associates, students, interns or residents), may apply for external sponsorship only with the approval of a faculty sponsor or mentor.

All applications for external sponsorship must indicate the approval of the appropriate department chair and dean, indicating the availability of resources necessary to carry out the project.

Individuals not meeting the above criteria may petition the Associate Vice Provost for Research for approval to submit an application to an external sponsor as a principal or co-investigator. Such approval will usually require the agreement of the Vice Provost for Research.

The source of this document is Research Services.

2137 REVISED FINAL FINANCIAL REPORTS

Effective: November 2003
Last Revised: December 2014
Last Reviewed: May 2017
Resp. Office: Research Services
Approval: Research Services

PURPOSE:

To ensure that the revised final financial reports are submitted so as to mitigate any financial loss to the University or return of funds with interest to the sponsor.

POLICY:

1. Submission of revised final financial reports is generally discouraged but may be necessary in cases that benefit the sponsor or to report unavoidable additional expenditures.
2. Submission of revised final financial reports indicating additional expenses may require sponsor prior approval. Research Services must be contacted to determine the appropriate action.
3. Requests to submit a revised final financial report showing increased expenditure amounts must be approved by the principal investigator and senior business officer (or designee), and sent to the ORS Post Award Director. It is the responsibility of the Director to:
 - a. Review the request;
 - b. Assess the requirements of the sponsor;
 - c. Notify the principal investigator and senior business officer of the approval/denial of the request; and
 - d. If approved, the ORS Post Award Director will request the necessary financial documentation supporting the revised expenditures and a corrective plan outlining future action to avoid unwarranted submissions of revised final financial reports.
4. Preparation of the revised final financial report will be completed and submitted to the sponsor by Research Services. Additional expenditures included in the revised final financial report are subject to the terms and conditions of the award i.e., rebudgeting restrictions, allowability, allocability, reasonableness, etc., and University policies.
5. A revised final financial report is required when the University discovers actual expenditures less than were originally reported, regardless of time since the original report and requires the approvals in Item 3.

ROLES AND RESPONSIBILITIES:

PRINCIPAL INVESTIGATOR

- **Reviews previously submitted final financial report to determine if a revised report is required.**
- **Identifies in review with business administrator which expenses are to be adjusted**

BUSINESS ADMINISTRATOR

- **Reviews previous reports with Principal Investigator**
- **Identifies charges to be added/removed and inform Research Services**
- **Contacts sponsor if revising upward to determine if it is possible**
- **Provides explanation for why the revision is necessary**

OFFICE OF RESEARCH SERVICES

- **Reviews request for revised financial reports**
- **Coordinates with business department on expenses to be adjusted**
- **Prepares and submits revised reports**
- **Prepares adjusting closeout entries**
- **Resolves balances**
- **Prepares funds for disabling**

The source of this document is Research Services.

2138 DIRECT COST EXPENDITURES FOR NON-FEDERAL ORGANIZATIONS

Effective: November 2003
Last Revised: December 2014
Last Reviewed: May 2017
Resp. Office: Res. Services
Approval: Research Services

PURPOSE:

To establish guidelines for the charging and approval of expenditures on awards from non-federal sponsors which do not reimburse the University at the approved Facility and Administrative cost rate.

DEFINITION:

The cost of a sponsored project is comprised of both direct costs incident to its performance plus a portion of the Facility and Administrative (F&A) costs of the University. Direct costs are those costs that can be specifically identified with a particular sponsored project, an instructional activity, or any other institutional activity relatively easily and with a high degree of accuracy. Typical costs charged directly to a sponsored project include but are not limited to: the compensation of employees working on the project; employee benefits; the cost of supplies and equipment used solely in the performance of the project; travel; sub-awards costs; service center charges; human subject fees and long distance telephone costs.

POLICY:

1. In order for the university to recover costs that are typically included in our Facility and Administrative rate from sponsors that do not reimburse the university at the full approved rate, schools and centers are encouraged to include the costs identified below in proposals to these sponsors for grant and contract awards. The items of cost that may be requested for reimbursement are:
 - Administrative and Clerical Salaries
 - Telephone line charges
 - Ethernet Connections
 - Spouse and Dependent Tuition benefits
 - Space costs
 - Office Supplies
 - Protocol Design Fees for Clinical Trials requested by sponsor
 - Pharmacy Fees for Clinical Trials
 - IRB and IACUC review fees
 - Environmental Health and Radiation Safety fees for waste disposal and radiation safety tests

Sponsor approval must be granted in the terms and conditions of the award prior to charging these costs to any project.

2. As with federally sponsored projects, the principal investigator is responsible for the management and administration of his/her award within the constraints imposed by the sponsor and in accordance with University policy. The principal investigator must authorize all expenditures of project funds.
3. Documentation of the appropriateness of these expenses in relation to the project must be maintained by the department. Appropriateness of the cost must also be considered prior to processing the expenditure. The factors for assessing appropriateness are allowability, allocability, and reasonableness as explained below:
 - Allowability. The expense must be permitted by the sponsor and in accordance with University policy.
 - Allocability. The cost can easily be identified with the project and assigned to the project in accordance with benefits received.
 - Reasonableness. The cost must be necessary for the performance of the award and reflect the action that a prudent person would have taken.
4. Sponsor limitations on specific items of direct cost expenditures are included in, or referred to, the Account Information Sheet (AIS) or the Notice of Award.
5. Certain costs may not be charged to sponsored projects either as direct costs or as part of the F&A rate. See Policy No. 2111 for a description of unallowable costs.

ROLES AND RESPONSIBILITIES:

PRINCIPAL INVESTIGATOR

- Authorizes and approves the budget and all expenditures
- Identifies the expenditures needed to conduct the project as proposed and awarded
- Ensures requests and approvals have been submitted and obtained to/from sponsoring agency
- Maintains source documentation for all costs associated with these types of costs

BUSINESS ADMINISTRATOR

- Assists PI with the request and approval process in order to allow appropriate costs to be charged
- Ensures documentation is maintained on file for all costs
- Provides documentation to ORS as requested

OFFICE OF RESEARCH SERVICES

- Provides guidance to departmental BA and PI for compliance issues
- Reviews sponsored project funds for compliance with terms of award
- Ensure that expenditures have been charged according to the approved budget
- Communicates with Business Administrator regarding any close-out or reporting issues
- Prepares final financial reporting as required

The source of this document is Research Services.

2139 FACULTY SUMMER EFFORT & SALARY

Subject: SPONSORED PROJECTS

Effective: January 2005

Last Revised: December 2014

Last Reviewed: May 2017

Resp. Office: Research Services

Approval: Research Services

PURPOSE:

To define the requirements for faculty having appointments less than 12 (twelve) months who choose to work and receive compensation from a sponsored project during the months of June, July and/or August.

POLICY:

1. Effort devoted and corresponding salary received must be in accordance with sponsor and University policy.
2. Faculty receiving full summer salary (3/9) from external sponsors for all University uncompensated summer months:
 - a. Are ineligible for time off during that period for which they are being compensated; and
 - b. Must submit a letter in advance to the chair of the department or Dean indicating that they will not take time off during the summer months. Letters must contain at a minimum the following language, "I will not be taking vacation during the summer months for which I am supported by sponsored projects funding." (Certification after the fact on the effort report will be an attestation to that full effort.)
3. Departments are required to maintain copies of the above letter in the faculty member's personnel file and/or appropriate sponsored projects file. The letter must be readily available for audit purposes
4. Due to the effort commitment to the sponsored project, payment of full summer salary as described in 2 above means that the faculty member cannot engage in other activities, i.e., administrative or academic activities not compensated by the University.
5. If a faculty member has formal summer academic or administrative responsibilities, summer compensation and the corresponding effort must be adjusted proportionately.
6. Changes reducing effort for the summer months must be reported immediately to the department's BA. A payroll distribution adjustment must be made prior to the month end in which the change in effort occurred since the University is not obligated to pay the faculty member for time not worked on the sponsored project(s).
7. If a sponsor has a salary cap and if the faculty member commits to full effort during a summer month, notwithstanding that the sponsor will not pay a full salary because of the cap limitation, the faculty member must still devote their full effort to the project during the month paid.

8. Faculty having academic year appointments and receiving summer salary from sponsored projects will be limited to any restrictions on summer salary imposed by the sponsor
9. It is expected that faculty receiving summer salary from a sponsored project will perform such work in their normal place of business unless the work being conducted is off site as a requirement of the project. Any exception will require the approval of the chair, Dean, ORS, and may require approval of the sponsor.

ROLES AND RESPONSIBILITIES:

PRINCIPAL INVESTIGATOR

- Understand terms and conditions of any Sponsored project which may limit salary support
- Submit a certification if requesting 3/9 salary

BUSINESS ADMINISTRATOR

- Provide guidance to PIs on the interpretation of this policy

OFFICE OF RESEARCH SERVICES

- Provide guidance to Business Administrators and PIs on the interpretation of this policy

The source of this document is Research Services

2140 SPONSORED PROJECTS COMPLIANCE CERTIFICATION PROGRAM

Subject: Sponsored Projects
Effective: October 2005
Last Reviewed: April 2016
Last Revision: December 2014
Resp. Office: Research Services
Approval: Research Services

PURPOSE:

To establish the requirement for individuals who carryout functions related to sponsored projects administration and identifies the responsible individual who will determine these individuals.

POLICY:

Individuals who have any of the following administrative responsibilities related to sponsored projects either at the department, school, or central level are required to participate in the Sponsored Projects Certification Program (SPCCP):

- assist faculty with the preparation of proposals requiring the individual to make determinations of allowability, allocability, and reasonableness in accordance with sponsor guidelines, federal regulations, and University and School/Center policies/procedures and regulatory requirements;
- review and approve expenditures at the central level;
- provide counsel and advice to faculty regarding proposal preparation, budget preparation;
- provide counsel and advice to department/school regarding proposal preparation, budget preparation;
- review and approve proposals at the central level;
- provide counsel and advice to faculty regarding cost transfers, effort reporting or overall award management;
- provide counsel and advice to department/school personnel regarding cost transfers, effort reporting or overall award management;
- have financial audit responsibility;
- are responsible for the monitoring of awards, reviewing financial reports for accuracy and compliance and assuring that charges are allowable, properly allocated and reasonable;
- are responsible for the submission of financial reports/invoices to sponsor; and
- assist and/or participate in the monitoring of sponsor requirements regarding the timely submission of required non-financial reports.

The senior business officer (or his/her designee) of each school or the divisional Vice President (or his/her designee) is responsible for:

- identifying those individuals in their operations who fulfill any of the above roles and/or functions;
- ensuring that the identified individuals successfully complete the SPCCP; and
- ensuring that all new hires (including internal transfers) to a department fulfilling the above roles and/or functions complete the SPCCP.

2141 REVIEW OF AGREEMENTS FOR POTENTIAL TAX CONSEQUENCES

Effective: January 2012
Last Revision: June 2015
Last Reviewed: May 2017
Responsible Office: Research Services
Approval: Research Services

PURPOSE:

To ensure that agreements for research and other sponsored projects are reviewed for potential tax consequences.

POLICY:

1. It is the policy of the University that sponsored agreements and related funding will be in compliance with applicable requirements of the Internal Revenue Service Rev. Proc. 2007-47 and other tax regulations.
2. Under certain circumstances the IRS may view certain arrangements between the University and a for-profit entity as inappropriate private business use if the activities are housed in facilities or using assets financed with tax exempt bonds.
3. Agreements for which Penn Center for Innovation and Office of Clinical Research are responsible and designated by the Tax Office with funding from corporate (for-profit) entities will be reviewed to determine if the activity meets the conditions set forth by the IRS such that the IRS will not deem the conduct to be inappropriate private use. The Penn Center for Innovation and Office of Clinical Research will forward designated agreements to the University Tax office for review and further action.

RELATED POLICY:

2004 Unrelated Business Taxable Income

ROLES AND RESPONSIBILITIES:

PRINCIPAL INVESTIGATOR & BUSINESS ADMINISTRATOR

- Provides additional information for Tax Office review, as requested

CENTER FOR INNOVATION

- Reviews designated agreements for corporate (for profit) funding of research or other sponsored projects to identify those requiring Tax Office review; forwards copy of any designated agreement to the Tax Office.
- Ensures that Tax Office review has occurred for agreements within its scope of responsibility

OFFICE OF CLINICAL RESEARCH

- Reviews designated agreements for corporate (for profit) funding of clinical trial activities to identify those requiring Tax Office review; forwards copy of any designated agreement to the Tax Office
- Ensures that Tax Office review has occurred for agreements within its scope of responsibility

TAX OFFICE

- Reviews agreements forwarded by OCR and PCI;
- Provides advice to Faculty, Business Administrator and other School staff.
- Records agreements for review by PWC and Treasurer's Office.
- Reviews for Unrelated Business Taxable Income.

The source of this document is Research Services

2142: THE UNIVERSITY OF PENNSYLVANIA'S NOTICE REGARDING U.S. GOVERNMENT POLICY AGAINST HUMAN TRAFFICKING AND FORCED LABOR

The U.S. government has adopted a policy prohibiting human trafficking, sex trafficking, forced labor, and trafficking-related activities. As a recipient of federal funds from grants, cooperative agreements, and contracts (collectively, "awards"), the University of Pennsylvania is obligated to inform its employees, agents, independent contractors and subrecipients performing awards, regarding the U.S. government's policy. The University of Pennsylvania opposes human trafficking, sex trafficking, and forced labor, which are inherently harmful and contrary to the University's core values, and which may violate applicable foreign, U.S., state, and/or local laws.

What is Human Trafficking?

Human trafficking (or "trafficking in persons" as used in the U.S. government policy) includes the recruitment, harboring, transportation, provision, or obtaining of persons through the use of force, fraud, or coercion, for the purpose of subjection to involuntary servitude, peonage, debt bondage, or slavery. It also includes sex trafficking, and inducing a commercial sex act by force, fraud, or coercion, or in which the person induced to perform a commercial sex act is under 18 years old. (Definitions of other relevant terms used in the policy are set forth in the U.S. government's regulations implementing its policy, available at 2 C.F.R. § 175.15 for grants and cooperative agreements and 48 C.F.R. § 52.222-50 for federally-funded contracts.)

What is Prohibited?

The University, its employees, agents, and independent contractors, and its subrecipients of federal funds (and their respective employees), are prohibited from the following:

- Engaging in human trafficking or sex trafficking, or procuring commercial sex acts, during the award period;
- Using forced labor to perform the award;
- Destroying, concealing, confiscating, or otherwise denying access to an individual's identity or immigration documents;
- Using misleading or fraudulent practices about the recruitment process for work on a project outside the U.S., such as failing to disclose, in a format and language accessible to the potential worker, key terms and conditions of the engagement, such as wages and fringe benefits, work location, living conditions, housing costs, and any hazardous nature of the work;
- Using recruiters that do not comply with local labor laws in the countries in which recruiting takes place;
- Charging recruitment fees to the individuals recruited to work on the award;

- Providing or arranging housing that fails to meet host country housing and safety standards;
- If required by law or contract, failing to provide an employment contract, recruitment agreement, or similar work paper in writing in the employee's native language prior to the employee departing from his or her country of origin to work on the contract in another country; and
- Under certain circumstances, failing to supply return transportation, or payment for return transportation, at the conclusion of the work, if the worker is not a national of the country in which the work occurs and was brought into the country to work on the federal award.

Responsibilities of the Principal Investigator or Project Director ("PI")

It is primarily the responsibility of the PI who receives the award to ensure compliance with the U.S. government policy and to take the actions outlined below. Specifically, the PI and his/her Business Administrator shall:

- Notify individuals working on the project of:
 - The U.S. Government's policy regarding trafficking in persons;
 - The actions that may be taken against individuals for violations of the policy, which may include, without limitation, removal from the award or other disciplinary action, up to and including termination of employment; and
 - The requirement to notify the University's Associate Vice President & Associate Vice Provost for Research Services or the University Institutional Compliance Officer immediately of any information received from any source (including host country law enforcement) that alleges an employee, agent, independent contractor, or subrecipient (or employee of such subrecipient) has engaged in, or may have engaged in, conduct that violates the policy.

In addition, if the federal award is a contract (i.e., not a grant or cooperative agreement), the PI and his/her Business Administrator also shall:

- Prior to engaging any non-U.S. citizen to work on the project outside the United States, contact Penn Global Support Services ("GSS"), your Human Resources contact person, and the University's Office of Research Services ("ORS") to ensure that recruitment, wages, and housing procedures are in accordance with the U.S. government's policy.

Compliance Plans

Federal law requires that an anti-trafficking compliance plan be in place for any federal contract and subcontract where supplies are acquired outside the United States, or services will be performed outside the United States, and the estimated value of the supplies and/or services outside of the United States exceeds \$500,000. For such contracts and subcontracts, the PI, with assistance from his/her Business Administrator and the University's Office of Research Services, is responsible for creating a compliance plan specific to the project and local circumstances that complies with the federal requirements. In

addition, the PI will be required to make annual certifications to research administration for the duration of the project, certifying that to the best of the PI's knowledge and belief, none of the employees, agents, independent contractors, or subcontractors has been engaged in human trafficking, sex trafficking, forced labor, or other trafficking-related activities prohibited by the U.S. government policy, and that the PI has reported any known purported activities within the University. The University's Office of Research Services maintains a template Compliance Plan to assist PIs and Business Administrators develop any required plan tailored to the performance of the specific federal contract. The PI and his/her Business Administrator are responsible for sending the final, compliant Compliance Plan to the University Office of Research Services, and publicly posting the plan, if required by law or the award.

Reporting Resources

Always contact 911 or local law enforcement if you or someone else is in immediate danger. In addition, all University employees, agents and independent contractors must notify one of the following, if they become aware of any credible information alleging human trafficking, sex trafficking, forced labor, or other violations of the policy:

1-215-P-COMPLY (1-215-726-6759) or www.upenn.edu/215pcomply (the University's Reporting and Help Line)
University Associate Vice President & Associate Vice Provost for Research Services
Executive Director of Penn Global Support Services

The University prohibits retaliation against an individual who makes a good faith report of suspected wrongful conduct pursuant to this policy and notice.

For More Information

Individuals may contact the Global Human Trafficking Hotline at 1-844-888-FREE or help@befree.org. To read more about the U.S. government policy applicable to individuals working on grants and cooperative agreements, please review 22 U.S.C. §7104(g) and 2 CFR §175.15. To read more about the U.S. government policy applicable to individuals working on a federal contract, please review 48 CFR 52.222-50.