



SUB-TOPIC
SPONSORED PROGRAMS ADMINISTRATION

1. Purpose

This policy establishes The University of Texas at Dallas (UTD) institutional guidelines for Sponsored Programs administration. The policy complies with the requirements of the Office of Management and Budget (OMB) Circular No. A-21, "Principles for Determining Costs Applicable to Grants, Contracts, and Other Agreements with Educational Institutions", OMB Circular No. A-110 "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations" and OMB Circular No. A-133 "Audits of States, Local Governments, and Non-Profit Organizations". The purpose of this document is to describe key aspects of Sponsored Programs administration to be used as guidance for faculty, management and staff in the performance of Sponsored Programs work.

2. Scope

This document includes the policies and procedures governing the financial administration of Sponsored Programs. It is applicable to all UTD departments, divisions and Schools with responsibility for the performance of internally or externally sponsored work and the associated administrative activities, such as: proposal preparation, negotiation of contracts and grants, budgeting and planning, preparation of documents, initiation and approval of Effort expenditures, Subrecipient monitoring, Subcontract document preparation, and the review and approval of Effort reports.

3. Designated Responsible Party

The designated responsible party (DNR) for the implementation of this policy is the VP for Research. The DNR ensures that education programs are developed to assist all faculty, administrators, and staff to fully understand the intent and the implications of this policy. In addition the DNR ensures that an effective monitoring process exists at UTD. The monitoring process is based on a Risk Assessment that identifies the internal controls to be relied upon, the monitoring strategies to be deployed, and how the results will be communicated to executive management. The DNR will work closely with the institutional compliance officer to ensure all specific risks are adequately mitigated and effectively monitored. The DNR shall file a report assessing institutional progress towards full compliance with this policy, to be submitted to the appropriate vice chancellor and the vice chancellor for research and technology transfer within 180 days after July 1, 2006.

4. Definitions

Allowable Costs: Costs are considered allowable if they meet the following tests:

- They must be reasonable,
- They must be allocable to sponsored agreements, that is, they are incurred solely to benefit the sponsored project,
- They must be given consistent treatment,
- They must conform to any limitations or exclusions set forth in the Office of Management and Budget, Circular A-21 and in the sponsored agreement.

Budget of Effort Commitment: A perpetual detailed accounting of an individual's expected Effort commitments for a given fiscal period (usually one year). This may include planned time for research, public service, instruction, administrative duties, and patient care (if applicable). Joint appointments between institutions are to be considered and included in the budget.

Cost Sharing: That portion of the total Project Costs that is not borne by the sponsor. These costs are usually borne by the University or other parties, rather than by the sponsor. Contributed Effort is considered Cost Sharing, as is faculty member's salary above the federal agency salary cap level. The concept of matching is synonymous with Cost Sharing. Cost Sharing can be Mandatory or Voluntary and becomes a binding commitment to UTD upon either formal acceptance of the award document or expenditure of funds if no formal acceptance is required.



SUB-TOPIC
SPONSORED PROGRAMS ADMINISTRATION

Cost Transfers: The transfer to or from a sponsored account of a charge that was previously recorded elsewhere or in the sponsored account. Cost transfers are usually used to correct errors and should be performed on a timely basis, should include proper documentation and should be approved by cognizant and authorized individuals. This policy only addresses Cost Transfers related to Effort commitments.

Committed Effort: The amount of Effort proposed in a grant or other project application that is accepted by a sponsor, regardless of whether salary support is requested for the Effort.

Effort: Effort is the proportion of time spent on work activities (instruction, research, administration, etc.), and is expressed as a percentage of the total institutional activity for which an individual is compensated by the University. It includes the time spent working on a sponsored project in which salary is directly charged or contributed (cost-shared Effort). Effort is not calculated on a 40-hour workweek or by any standard workweek. If an individual works a total of 80 hours in a given week, 80 hours represents 100 % Effort. If an individual only works a total of 20 hours in a week, 20 hours represents 100% Effort.

Effort Reporting/Certification: Effort reporting/certification is the federal mandated method of certifying to the granting agencies that the Effort charged or cost shared to each award has actually been completed. Effort reporting describes the allocation on an individual's Effort.

Effort Reports Coordinator: A designated individual within each UTD School or division that is responsible for the oversight of Effort planning and reporting for that particular School and division.

In-Kind Contributions: Represents the value of non-cash contributions, which may be in the form of charges for real property and nonexpendable personal property, provided by the University and third parties, and the value of goods and services directly benefiting and specifically identifiable to the project or program.

Institution: An established organization, such as another university, corporation, or government agency.

Institutional Base Salary: Institutional Base Salary (IBS) is the total guaranteed annual compensation an Individual receives from UTD. IBS includes compensation for research, teaching, clinicians (applies to Callier Center), patient care, public service, administrative duties, and/or other activities. IBS excludes fringe payments, administrative or reimbursed expenses, income earned outside of duties to UTD. IBS is based on permanent salary rates and does not include temporary payments. Individuals whose salaries are based on a nine-month appointment shall be annualized to twelve months to determine IBS. UTD faculty members are appointed for nine months, but can elect to have their salary paid over twelve months. These faculty salaries should be annualized to twelve months to determine IBS. UTD research scientists are appointed for twelve months and paid over twelve months.

Mandatory Cost Sharing: Cost Sharing contractually required by the sponsoring agency. Any cost share information contained in the proposal becomes a binding commitment to UTD, and is therefore considered mandatory. Mandatory Cost Sharing includes:

- Costs funded by the University from non-sponsored accounts, and certain non-federal sponsored accounts, and not included as Cost Sharing for any other sponsored project,
- Cash and third party cash contributions that are verifiable in the University's accounting system and are not included as contributions for any other federally assisted project or program,
- In-Kind Contributions contribution including volunteer services provided by professional and technical personnel, consultants and other skilled and unskilled labor if the services are an integral and necessary part of an approved project or program and are required by the award,
- Grant related income included in the approved project/program budget.



SUB-TOPIC
SPONSORED PROGRAMS ADMINISTRATION

OSP: Office of Sponsored Projects, a UTD department with responsibility for preaward Sponsored Programs administration.

Pass-through: A portion of federal grant funds with a corresponding scope of work that is awarded by the primary recipient to another State of Texas university or agency.

Payroll Distribution System: The distribution/allocation of an individual's salary. The Effort Certification report uses the Payroll Distribution System records as an initial representation of how Effort is allocated over activities during a particular reporting period.

System: The official UTD payroll system that distributes salary to the various accounts and/or grants. This distribution is based on the assignment of personnel using the Human Resources Personnel Action Form (PAF). The PAF is an official UTD form.

Principal Investigator (PI): The individual responsible for the management of the contract or grant. A designee can be assigned responsibilities by the PI to perform on their behalf, but the accountability can not be delegated and will reside with the PI.

Prime/Primary Institute: The original recipient of federal or state funds. The institution that Subcontracts a portion of their work on to another entity.

Project or Program Costs: All Allowable Costs incurred by the University, both directly and indirectly, in accomplishing the objectives of the grant or other agreement during the project or program period. Project Costs include Mandatory Cost Sharing, which can be direct or indirect costs.

NIH Salary Cap: The amount of salary paid to an individual above which an agency will not reimburse an institution. It is the maximum annual salary amount that can be charged to certain federal contracts or grants for 100% Effort. This salary cap changes annually, and can be found at:

http://grants.nih.gov/grants/policy/salcap_summary.htm

Any salary above the current salary cap is to be considered Cost Sharing.

School: A teaching and research program/division within UTD, which provides the disciplinary foundation of the University. UTD currently has seven Schools: (1) Arts and Humanities, (2) Behavioral and Brain Sciences, (3) Engineering and Computer Science, (4) General Studies, (5) Economics, Political and Policy Sciences, (6) Management, and (7) Natural Sciences and Mathematics.

School Effort Reports Coordinator: A designated individual within each School with the responsibility for Effort Reporting administration for that School or division.

Sponsored Programs: Sponsored Programs involve a specific commitment of time and can be funded either: 1) externally funded in which a formal written agreement, such as a cooperative agreement, contract, or grant is entered into by UTD and the sponsor or; 2) internally funded for which the activities are separately budgeted and accounted for with internal application of institutional funds. The program can be for research, training, and other public service activities. For externally funded programs, the commitment of time can either be paid by the sponsor or in case of Mandatory or Voluntary Cost Sharing the costs are covered with institutional funds. A Sponsored Program may be thought of as a transaction in which there is a specified statement of work with a related, reciprocal transfer of something of value.



SUB-TOPIC
SPONSORED PROGRAMS ADMINISTRATION

Subrecipient: A third party organization performing a portion of UTD research projects or other Sponsored Program. The terms of UTD Subrecipient relationships are documented in Subgrant/Subcontract or consortium agreements.

Risk Assessment: The UTD formal process of assessing risk which includes determining the type and level of exposure and the levels of controls needed. The purpose of Risk Assessment is to identify opportunities for improvement in the various areas of Sponsored Program administration including the health and safety of UTD employees and UTD legal and financial obligations. Contact UTD Internal Audit/Compliance for details.

Total Institutional Activities: Total Institutional Activities are those activities for which an individual is paid by UTD. Common activities include administrative duties, instruction, patient care, public service, and research.

Voluntary Cost Sharing: Cost Sharing provided by the University in excess of Mandatory Cost Sharing requirements, or when Mandatory Cost Sharing is not required. Cost Sharing is voluntary when no documentation with Cost Sharing indicated has been sent to or submitted to the sponsor.

5. Effort Reporting

5.1 Effort Reporting Background

The federal government requires Effort Reporting for all individuals whose salaries are paid by the Sponsored Program funds and by institutional funds in cases where a Mandatory Cost Sharing is part of the sponsor agreement. All faculty members who serve as Principal Investigators on sponsored contracts or grants are responsible for certifying the amount of Effort that they and other employees (professorial, professional and non-professional) spent on sponsored activities. UTD has implemented this process for federal and state contract and grant accounts.

5.2 Risks of Not Complying

The federal government strictly enforces compliance with Effort Reporting standards. Unsupported salary costs charged to the government can result in disallowances, penalties and disruption of research and instruction activities and can predispose the University to negative publicity, and jeopardize its relationship with the government sponsors. Individual employees as well as the University can be impacted by inaccurate or incomplete Effort Reporting. The University will be found liable if:

- The Effort report was certified by an individual other than the Principal Investigator or someone who has "first-hand" knowledge of 100 percent of the employee's distributed Effort,
- The Effort report does not encompass all of the activities performed by the employee,
- The levels of Effort reported do not appear reasonable, given the responsibilities of the employee.

Individual disallowances can result if:

- The Effort report certified by the individual is found to be falsified,
- The levels of Effort reported do not appear reasonable.

Federal audit disallowances can result in serious financial penalties for institutions. In addition, criminal charges may be brought against an individual certifying falsified Effort. Current audit plans for federal auditors include Effort Reporting as a specific audit focus.



**SUB-TOPIC
SPONSORED PROGRAMS ADMINISTRATION**

5.3 Effort Commitments

All Schools within UTD shall develop policies that include the planning and approval process for the PI, Co-PI, and key personnel working on federal and state grants and contracts. This planning process shall include a budget of expected faculty annual Effort for the upcoming year, and shall include projected time to be spent on all activities, such as: research, instruction, public service and administrative activities during the planning year. The Institutional Based Salary shall be used to compute salaries charged to Sponsored Programs unless sponsored policies further limit salary charges. The budgets shall be updated annually and whenever there is a material change to the projected Effort. Joint appointments between institutions shall be reflected in the budget. The documentation of this process shall be kept on file at the School facility for audit purposes. Files are subject to audit for five years after the federal grant end date, or five years after the completion of an audit.

5.4 Minimum and Maximum Level of Committed Effort

Principal Investigators (PIs) shall make every effort to ensure that each federally Sponsored Program under their direction is properly managed and provided the required oversight. All faculty members must contribute at least 1% of Effort to the management of a program, ensuring that the actual Effort commitment is commensurate with the responsibilities of the PI. In such instances where effort is not funded by Sponsored Programs or Committed Cost Sharing, the minimum 1% Effort will be monitored through the Annual Report of Professional Activities and Accomplishments, which is approved by each School's Dean and submitted to the Office of the Provost for review.

There are rare occasions when an individual should be appointed 100% on Sponsored Programs. These occasions are rare due to the likelihood an individual will perform other activities unrelated to a Sponsored Program. UT System's Guidance memo (1/31/06) indicates the maximum level of Effort charged to Sponsored Programs by faculty/researchers who also hold managerial positions, such as Deans, Directors, Department and Center Heads is 80% of the total Effort per year, prorated over the life of the contract. For all other faculty provisions should be made to allow reasonable time for other commitments, (i.e. community service, education, administration, and patient care). Individuals with a nine-month appointment for the fiscal year, and who have Effort commitments on Sponsored Programs may be allowed a 100% appointment during the summer, as long as no organized classes are assumed during the same period. The School policy shall document whether teaching responsibilities can be "purchased" by an academic buyout provision, and its effect on Effort commitments. This policy area shall be supported by procedures and assurance strategies to ensure it is implemented as intended.

5.5 Approval of Proposal Effort

Each School shall establish a process to review and approve all new Sponsored Programs proposals. The purpose of this review is to ensure compliance with UTD and Sponsored Programs policies. This formal review and approval process is performed by the School and the Office of Sponsored Projects prior to the submission of grant applications. Signatures on the UTD Proposal Certification form indicate this review and approval has taken place. All proposals are subject to this policy. The responsibilities of Principal Investigators and Project Directors are covered in UTD Policy Memorandum 96-III.27-72. Approval by the department head attests to the appropriateness of the research proposal, including the availability of the Effort commitments, as well as ensuring that individuals listed in the proposals are aware of their Effort commitment, and have approved their participation in the activity.



**SUB-TOPIC
SPONSORED PROGRAMS ADMINISTRATION**

5.6 Managing Committed Effort

Active management of proposed and Committed Efforts can eliminate the number of instances where faculty members are overcommitted. To achieve this level of compliance requires on-going communication between responsible departments who are involved with the planning, budgeting, paying and negotiating commitments for faculty salaries such as the School Dean's offices, departments, School Effort Reports Coordinators, OSP, and Human Resources.

When a notice of grant award is received from the sponsor, OSP is to send a copy of the award notice to the particular School Dean's office. The appropriate responsible individual in the Dean's office will review the current commitment levels of the PI and other personnel named on the award to ensure that the total commitments do not exceed 100%. If the commitments exceed 100%, the Dean's office in consultation with the PI and others, if appropriate, will determine which commitment levels will be reduced to keep the planned Effort at 100%. This may require initiating changes to the existing commitment levels of all activities. Also, if the new award's Effort budget is less than the originally proposed effort budget, a reduction in the originally proposed Effort commitment may be required. In addition, the affected sponsors may need to be notified of these changes.

Most sponsors allow small differences between Effort commitments and actual Effort, but typically reductions in Effort must be less than 25% (NIH policy). Generally Effort commitments can be met over the budget period (a 12 month period).

It is each School's responsibility to have in place procedures and assurance strategies to ensure that the Effort commitment policy as outlined above is implemented. In addition, each School shall ensure that the Sponsored Programs award acceptance process complies with *Regents' Rules and Regulations Series 31006*, titled Academic Workload Requirements, by establishing and monitoring academic buyout provisions.

5.7 Effort Certification Procedures at UTD

UTD has implemented the following Effort Certification procedures for federal and state contracts and grants.

5.7.1 Generation of Reports

Effort Certification Reports are generated for all employees paid from federal and state contracts or grants, including any Mandatory Cost Sharing accounts. These reports are generated quarterly for exempt employees paid on a monthly basis. Non-exempt employees that are paid semi-monthly will have certification reports produced monthly. UTD's official labor distribution system is used to generate these reports. These reports are based on a reasonable estimate of how employees spend their time, recognizing that teaching, research, service administration and patient care are often inextricably intermingled.

5.7.2 Report Content

The Effort reports list separate lines for each account that is charged a portion of an individual's salary. Sponsored Programs activities will be charged to accounts within the account number ranges #630000-644999 and #223000-223899. Total Effort shown on an Effort report must equal 100%. Each Effort report contains an attestation statement for the PI to sign. The reports are logged into Contract and Grant Accounting's perpetual database.



**SUB-TOPIC
SPONSORED PROGRAMS ADMINISTRATION**

5.7.3 Report Distribution

The reports and a transmittal letter are hand delivered by Contract and Grant Accounting to a designated Effort Reports Coordinator in each School. The School Effort Reports Coordinator distributes the Effort Certification reports to the Principal Investigators (PIs) responsible for the accounts reflected on the reports. PIs are required to certify their own reports and the reports of all the employees they are responsible for (i.e. all employees that work on the PIs grants). The PIs verify, correct if necessary, and sign the reports, certifying that the employees reflected on the reports actually performed the work on the indicated accounts and in the same percentage of time.

5.7.4 Corrections

Any corrections to Effort are reflected in part two of the Effort Certification report. PI contributed/unpaid Effort is to be added to the form in part two. If the salary distribution needs to be corrected, the PI must notify support staff that the appropriate Human Resources forms need to be initiated in order to make adjustments in the Payroll Distribution System. See Section 8.0 of this policy for requirements and restrictions.

5.7.5 Report Review

Signed Effort Certification reports are to be returned by the PI to the designated Effort Reports Coordinator in each School. The Effort Reports Coordinator is to review the reports for completion and perform the independent reviews as required, ensuring the integrity of the reporting system and process. The review tasks will be at the discretion of the Effort Reports Coordinator and may include interviewing select PIs or employees. The Effort Reports Coordinator's review initiatives are to be documented in writing and are subject to audit. The Effort Reports Coordinator completes the bottom portion of the transmittal letter, and includes it with the certified Effort reports. Certified and reviewed reports are returned (all reports for the School returned together) by the School Effort Reports Coordinator to Contract and Grant Accounting.

5.7.6 Report Filing and Late Reports

These reports are due back to Contract and Grant Accounting thirty days from the date they were distributed to the Effort Reports Coordinator. Contract and Grant Accounting maintains the official Effort Certification files and a perpetual aged record of all reports generated, certified and outstanding. Contract and Grant Accounting ensures that all reports are certified and returned by following up with Effort Reports Coordinators in each School.

If the reports are not returned 30 days after the date sent to the Effort Reports Coordinator, Contract and Grant Accounting sends an email to the School Coordinator, with a copy to the School Dean.

If the reports are not returned 60 days after the date sent to the Effort Reports Coordinator, Contract and Grant Accounting sends an email to the Effort Reports Coordinator, with a copy to the School Dean, and the Provost. Contract and Grant Accounting will notify Sponsored Projects of reports that are 60 days late.

If the reports are not returned 90 days after the date sent to the Effort Reports Coordinator, Contract and Grant Accounting reports incidents of non-compliance to the University Compliance Committee.

This policy area shall be supported by procedures and assurance strategies to ensure it is implemented as intended.



**SUB-TOPIC
SPONSORED PROGRAMS ADMINISTRATION**

5.8 Effort Training

All employees (i.e. support staff, administrative assistants, School Effort Coordinators, and PIs) involved in the Effort Certification process are required to take the online Effort training program. Existing employees are required to take the training every two years. New employees will be trained during their first year of employment. As part of its compliance program, Contract & Grant Accounting administers additional Effort Reporting training in areas where non-compliance with policies and procedures has been discovered through the monitoring process. This training is monitored in the Quarterly Compliance report.

5.9 Mandatory Training

Effort Reporting training is mandatory. Contract and Grant Accounting has the responsibility of identifying the individuals to be trained, monitoring the training effort, and reporting the training results to the Vice President of Research. The Vice President of Research has the responsibility of ensuring that all identified faculty and staff have complied with the University training policy. The Vice President of Research will employ discretionary measures deemed necessary until the required training has been completed.

6. Difference Between a Subrecipient and a Vendor, per Office of Management and Budget Circular A-133

A Subrecipient:

- Has a responsibility to carry out a portion of the grant program as defined in the Subcontract,
- Has its performance measured against the grant program objectives,
- Has responsibility for programmatic decision making,
- Has responsibility for adherence to applicable federal program compliance requirements.

A Vendor:

- Provides goods and services within normal business operations,
- Provides similar goods and services to many different purchasers,
- Operates in a competitive environment,
- Provides goods and services that are ancillary to the operation of the grant or contract,
- Is not subject to compliance requirements of a federal grant or contract.

Vendor purchases are not to be charged to Subcontractor or federal Pass-through object codes, (6303, 6305, 6312, and 6313).

6.1 Subrecipient Monitoring

6.1.1 Purpose

The Subrecipient monitoring policy provides guidance to Principal Investigators and administrative personnel in monitoring federal flow-through funds in accordance with the OMB Circular A-133.

The A-133 requires review of all pending and executed Subcontracts with particular attention paid to scope of work statements (SOW), billing instructions, contact information, and amendment and modification sections. Monitoring Subcontracts entails:



**SUB-TOPIC
SPONSORED PROGRAMS ADMINISTRATION**

- Applying Risk Assessment to Subcontracts (pre and postaward),
- Maintaining a tracking system for all Subcontracts (postaward),
- Monitoring invoices received from the collaborator (postaward),
- Obtaining and reviewing audit reports from collaborator (postaward),
- Performing random expenditure audits. (Desk review/On-site audits at the postaward stage),
- Assisting with closeout of Subcontracts (postaward).

NOTE: The Subrecipient Monitor will ensure that all Pass-through entity responsibilities are adhered to in accordance with the A-133 circular as described in the publication and OSP's procedures for handling Subcontracts. These responsibilities can be reviewed on the following link.

<http://www.whitehouse.gov/omb/circular/a133/a133.htm#d>

6.1.2 Terminology

Financial Assistance: provides support or stimulation to accomplish a public purpose (can be issued as a grant or cooperative agreement),

Procurement: purchase of goods and services to accomplish a government purpose; service can include research (issued as a contract),

Subcontract: generic term for agreements issued under a contract or grant,

Subaward or Subagreement: a Subcontract for programmatic Effort, under a grant,

Vendor Agreement: a Subcontract for commercial goods and services, under a grant or contract,

Subrecipient: the entity that receives a Subaward,

Recipient or Pass-through entity: the entity that receives federal funds and issues a Subaward,

Flow-through funds: monies that are passed from the primary Recipient to a secondary entity or Subrecipient,

Random sample: can be defined as one in which every component has an equal *probability* of being selected from the larger population of all components.

6.1.3 Policy

All federal Recipients are required to maintain and monitor each Subaward or Subrecipient supported by funds the institute receives from the federal government. All Subcontract documents shall describe applicable laws and regulations required to be followed by the Subrecipients. All Subcontracts expending federal funds of \$500,000 or more in grant dollars must perform a fiscal year audit and should be monitored routinely by the primary institute in accordance with the A-133 circular.

The Prime Institute must ensure compliance with federal laws, regulations, contract and grant agreement provisions and that performance goals are achieved by the Subrecipients. The Subrecipient monitor's processes include:

- Maintaining a tracking system for reporting findings and responses,
- Reviewing the evaluation of Subrecipient's A-133 audit report,
- Evaluating suggested corrective actions for audit deficiencies,
- Reviewing and monitoring the Subrecipient budgets,
- Contacting the Subrecipient addressing any inquiries concerning the federal program (Protocol information, Institutional tax status, Negotiated F&A rates, Current Fringe rates, etc...),
- Performing site visit to observe operations and review financial records as necessary,
- Initiating performance reports when required,
- Providing technical assistance to Subrecipients when needed.

The Subrecipient Monitor will process an A-133 audit letter to each Subrecipient, requesting verification of compliance status and documents of finding. The Subrecipient Monitor will document the Subrecipient file once a reply has been received from the Subrecipient. For those entities that do not respond, the Subrecipient Monitor will follow up until verification of audit has been completed.



**SUB-TOPIC
SPONSORED PROGRAMS ADMINISTRATION**

The Subrecipient Monitor will review non A-133 Institutions that receive federal funds from UTD in the same manner as Institutions under the A-133 OMB circular's guidelines. Detailed attention will be given to the following areas of concern:

- Experience level of the Subrecipient. Organizations with little experience in federal funding and regulations will require more training and oversight than those institutions with years of experience. Any institution, regardless of experience level, that consistently violates the guidelines will be considered high risk and monitored in accordance with UTD Subrecipient guidelines.
- Subrecipient organizational stability. What is the level of staff turnover? What are the current accounting practices? What other funding sources are available to the organization?
- Project complexity. By their very nature these programs require various consortiums to complete the research. Can this Subrecipient perform as a reliable partner in a complicated consortium research project?

Non A-133 Institutions will receive a Risk Assessment and ranking which will determine the frequency of monitoring.

6.1.4 Procedures

Stage 1: Proposal/Preaward and "Just in Time"

Once preaward receives a proposal that contains a possible Subcontract, the specialist will notify the Subrecipient Monitor. An initial review of the Subcontract's PI, institution, and the proposed budget will be conducted.

It is critical that an initial Risk Assessment be completed at the preaward stage of the proposed contract. This assessment will include:

- A review of past history of performance with that particular PI & Institution,
- Verification of A-133 audits,
- A review of SOW and proposed budget (verify calculation of F&A for both UTD and Subrecipient).

When the sponsors notify UTD of possible funding (Just in Time status) for any proposal with a Subcontract, the preaward specialist will notify the Subrecipient Monitor. The Subrecipient Monitor will start the secondary stage of the review process.

At the notification of possible funding of the proposal, the initial Subrecipient folder will be established. A recap of the initial stages will be completed and verifying of a fully-executed Statement of Intent will be performed by the Subrecipient Monitor.

Stage 2: Processing the NOGA (Notice of Grant Award)

All awards containing Subcontracts will be forwarded to the Subrecipient Monitor. Preaward will copy the Subrecipient Monitor on the initial notification of award receipt. The Monitor will review the NOGA and document the following:

- Any restrictions listed in the NOGA,
- All budget reductions and how the Subawards are affected,
- All revised changes in the proposed project.

The Subrecipient Monitor will ensure that the Subcontract's budget matches the award amount. The Subrecipient's file will be updated and the project will be flagged for desk review. The monitoring of Subrecipients will be conducted following the process below.



**SUB-TOPIC
SPONSORED PROGRAMS ADMINISTRATION**

A random sampling of Subrecipient expenditures will be conducted on a routine basis. To determine which Subrecipients will be named on a particular list, the Subrecipient Monitor will select a specific expense object code. The Subrecipients identified by that account code will comprise that quarter's sampling list. A different object code will be used each quarter until the limited set of codes begins to repeat. There is a possibility that one Subrecipient will be selected for sampling more frequently than others. Once that quarter's list is compiled using the sampling, it will be used to conduct the required monitoring of each UTD Subrecipient receiving federal flow through funds as detailed below.

Stage 3: Postaward Processing and Monitoring

The Subrecipient Monitor will track all out-going contracts; audit invoices received; monitor budget compliance (any deviation that can possibly change the SOW); ensure that the collaborator sends the appropriate audit reports; and conduct proper Subrecipient monitoring audits. These tasks will be conducted on each Subrecipient receiving federal funds from UTD chosen during the sampling.

Desk Review

The Subrecipient Monitor will perform desk reviews of all Subrecipient's reports and documents to verify the Subrecipient's compliance with program requirements for this particular grant. The Subrecipient Monitor will utilize required periodic reports that are provided to the department and PI to help gauge completeness of the specific aims for that Subrecipient. Careful tracking and collecting of accurate data from the department and PI will be necessary at this point of the review. Items important to the success for this stage of the monitoring include:

- Progress reports,
- Cost Sharing records,
- Payroll records,
- Invoices,
- Reimbursement records,
- Financial reports.

An accurate review of the reimbursement records and documentation by the Subrecipient Monitor will verify that the proper parties have requested the funds and that the funds are being used for program purposes. This is especially pertinent when the Subrecipient's portion of the research contains a Subcontract within their proposed budget.

On-site Visits:

Actual visits to Subrecipient sites will be conducted on a priority basis as regulated by the A-133 circular. On-site visits will require that the Subrecipient Monitor travel to conduct the review of the Subrecipient's performance. A checklist of activities and review items should be completed prior to the visit. The checklist will ensure that necessary compliance and control issues are addressed in the review. The on-site visit includes:

- Inspecting facilities to ensure compliance with program and regulatory requirements,
- Interviewing staff to assess their abilities to carryout the program policy and regulations,
- Reviewing documents and records (*see postaward list above*),
- Viewing delivery of program services (the process).

The Subrecipient Monitor will schedule the on-site visit with the Subrecipient after receiving approval from the Principal Investigator. The schedule will identify the dates and facilities to be visited. A copy of the program and schedule will be provided to the Subrecipient prior to the on-site visit.



**SUB-TOPIC
SPONSORED PROGRAMS ADMINISTRATION**

6.1.5 Follow Up

The Subrecipient Monitor will provide a copy of the review report to OSP and the PI. An official letter will be sent to the Subrecipient informing them of the results, and including all concerns and suggested changes. The Subrecipient Monitor will provide any technical support needed by the Subrecipient.

6.1.6 Distribution of Audit Report to Federal Prime Sponsors

When a Subrecipient fails to submit audit information to UTD, the Subrecipient Monitor should be able to find a copy of the Subrecipient's audit report in the Federal Audit Clearinghouse. If not, the Subrecipient Monitor will contact the Subrecipient to obtain a copy of their report.

Upon receipt of each Subrecipient's A-133 report, the Subrecipient Monitor will update the file and Risk Assessment form for that Subrecipient. The Audit Report will be logged into the central binder and retained for the appropriate length of time. For federal Subcontract agreements over \$500,000, a copy of the audit report must be sent to:

[Federal Audit Clearinghouse, Bureau of the Census, 1201 E. 10th Street, Jeffersonville, IN 47132](http://www.federalclearinghouse.gov)

NOTE: For Subrecipients that are State of Texas Institutions, reviewing the Annual State Auditor's Report satisfies the A-133 requirement. A copy of the report can be obtained from the State Auditor's Office in Austin at (512) 823-4810. <http://www.sao.state.tx.us/>

6.1.7 Subrecipient Invoice Certification

All Subcontracts will require the following certification language on Subrecipient invoices. Absence of this certification will result in non-payment of Subcontractor invoices.

***"I certify that the expenses represented by this invoice have been incurred in support of the work covered in this contract, and are in accordance with the provisions of this contract and all applicable federal and state laws and regulations."
(Subcontractor Signature)***

7. Cost Sharing

UTD's position on Cost Sharing is that only the minimum amount required in proposals is allowed, and Voluntary Cost Sharing is discouraged, unless the proposed Cost Sharing meets the University's strategic objectives. Cost Sharing can be required by the sponsor or volunteered; however, any commitment of Effort, whether solicited or volunteered, referenced in the proposal must be honored, reported, and captured in an Effort Reporting system. UT System requires that UTD have in place, a process to identify, monitor and track all Mandatory and Voluntary committed Cost Sharing. Contract and Grant Accounting tracks all Mandatory Cost Sharing. An annual report shall be completed by UTD for use by UTD's administration and to provide the information necessary to reclassify Cost Sharing to the appropriate direct cost base in the Financial and Administrative rate proposal.

There are certain economic implications of Cost Sharing:

- Cost Sharing prevents UTD from charging costs directly to the sponsored project,
- It reduces the facilities and administrative (F&A) rate UTD may negotiate in future years by increasing the direct research cost base,
- It creates administrative challenges for the proper accounting and monitoring of these commitments.

For complete cost share policy go to:

<http://www.utdallas.edu/finance/grants/cost-sharing.html>



**SUB-TOPIC
SPONSORED PROGRAMS ADMINISTRATION**

7.1 Basic Requirements

1. The School approval of Cost Sharing is indicated by the Dean's signature on the certification form listing the cost share. Mandatory Cost Sharing must be listed on the certification form.
2. The University will maintain accounting records on all project-by-project Mandatory Cost Sharing. Project-by-project Mandatory Cost Sharing is identified as an amount or percentage in the award agreement received from the awarding agency, and is clearly indicated on all contract and grant paperwork.
3. Mandatory Cost Sharing or matching costs recognized by the University include
 - those costs that are allowable under applicable federal cost principles,
 - that originate from nonfederal sources,
 - that are not applied to more than one federal Cost Sharing or matching project,
 - that are provided for in the approved budget when required by the agency, and
 - that are verifiable from University accounting records.

Funds used to meet cost share requirements on a contract or grant can only be used once.

4. Cost Sharing can include the following: a) salaries and fringes; b) other direct costs; c) facilities and administrative costs.
5. Cost Sharing of salary and wage costs is considered direct salary cost, and included in the Payroll Distribution System as part of the individual's 100 percent Effort.
6. It is essential that all claims for Mandatory Cost Sharing be accounted for by actual charges to the contract or grant cost share account. The related accounting procedures for recording the Cost Sharing commitments required by the award document are an integral part of the accounting system of the University.
7. Certain federal research sponsors impose a salary cap which limits the amount of salary a Principal Investigator can charge to a contract or grant. Principal Investigator salary in excess of this salary cap cannot be considered in Mandatory Cost Sharing. It is to be considered Voluntary Cost Sharing only.
8. The salary cap imposed by the National Institute of Health will be recognized and adhered to.

7.2 Procedure for Mandatory Cost Sharing Approval and Tracking

1. When a proposal with Mandatory Cost Sharing is awarded, OSP will ensure that the Cost Sharing amounts are appropriate – especially when an awarded budget is less than the proposed budget. If changes need to be made, OSP will amend the brief and notify the School, PI, and Contract and Grant Accounting. If the reduced cost share involves reducing Effort, the Effort Reports Coordinator will need to be notified.



**SUB-TOPIC
SPONSORED PROGRAMS ADMINISTRATION**

2. Per the May 2002 policy memo on "Opening and Budgeting Sponsored Programs Mandatory Cost Sharing Accounts", the cost share account is to be opened and budgeted before the contract/grant account is set up. The funding source account for the new cost share account must be identified in the description area of the request. For subsequent years, if the budgeted funds are not moved to the cost share account, the related 6-account will be frozen one month after the start of each fiscal year (September).
3. If the fiscally responsible department/center does not provide the Cost Sharing amounts required in the agreement, a proportionate reduction will normally be made in the sponsoring agency's 6-account budget.
4. The Budget Office will monitor the Cost Sharing accounts only for over-expenditures. The Principal Investigator for a project or program is responsible for the allowability and recording of Cost Sharing expenses accumulated and reported under the account. Cost share expenditures should be directly charged to the cost share account, not transferred in later.
5. Cost share accounts can contain only allowable grant expenditures. No facilities and administrative costs will be budgeted or recorded in the cost share account. Effort Certification reports will be produced on salary costs which are subject to the Effort Certification policy and procedure.
6. Generally, funds from the sponsoring agency and Cost Sharing funds should be spent at about the same rate throughout the project, for example, when 10% of sponsoring agency funds have been spent, 10% of Cost Sharing funds should have also been spent. This provides even support by both parties throughout the project and prevents problems at the end of the project. This may not be possible if Cost Sharing funds are for equipment.
7. When Contract and Grant Accounting receives the new grant with cost-sharing paperwork, the cost share account's existence is verified. Each quarter the cost share accounts are checked for compliance to this policy and exceptions are reported to the UTD Compliance Committee.

7.3 In-Kind Cost Sharing

In-kind Cost Sharing will be approved by the University only in rare circumstances.

In-kind Cost Sharing must be clearly identified on the Certification of In-kind Cost Sharing Form. This form must be signed by the Principal Investigator and the Dean/director of the department/center.

The department which is responsible for the project should keep detailed, auditable records for in-kind Cost Sharing expenditures throughout the project. The completed form should be sent to Contract and Grant Accounting quarterly or at periods set forth in the agreement.

In-kind Cost Sharing includes depreciation expense on equipment which was previous donated to the University.



**SUB-TOPIC
SPONSORED PROGRAMS ADMINISTRATION**

7.4 Third-Party Cost Sharing

Third-party Cost Sharing may be cash or non-cash. Non-cash contributions are the value of contributed goods and services directly benefiting the project. All non-cash contributions must be verifiable.

Cash contributions should normally be processed in the UTD accounting systems using a separately identifiable account.

The written agreement should include information on any third-party non-cash contributions. Complete information (such as names, dates, hours worked) on such contributions should be submitted to Contract and Grant Accounting quarterly or in the intervals required in the sponsored agreement. The information is needed for the sponsors' cost reporting purposes.

8. Cost Transfers Related to Effort and Interdepartmental Transfers (IDTs)

The following occurrences are indicator of poor award management and are a huge red flag to an auditor: volume of Cost Transfers, Cost Transfers that occur several months after the initial accounting transaction, Cost Transfers that occur after an Effort Certification report is completed, and/or a pattern of Cost Transfers from a sponsored project. However, since there are instances where a correction of a previously recorded cost is necessary, such transfers must occur on a timely basis. In addition to increased audit risk, the University may not be able to recover valid sponsored Program Costs if not recognized and reported on a timely basis. Cost transfers occurring after 90 days of the original transaction and/or exceeding five percent (5%) of the annual award, must be approved by the V.P. for Business Affairs.

For the above mentioned reasons, it is the University's policy to keep the number of Cost Transfers to a minimum. Nevertheless, when a Cost Transfer is required, the following procedure will be utilized.

The Human Resources Personnel Action Form (PAF) is used to move salary expenditures from one account to another. This form initiates the transfer of the cost associated with an individual's Effort. Cost transfers of Effort are to be created by the PI, or his/her designate, signed by an authorized signature for the account, forwarded to Sponsored Projects and then Contract and Grant Accounting for their review, checked for compliance with this policy, and then approved. The PAFs are then sent on to Human Resources, Budget, and ultimately the Payroll department. PAFs that effect grant accounts and do not contain Contract and Grant Accounting's approval are not to be processed by Budget.

All grant Cost Transfers are to clearly indicate how the error occurred, and a certification of the correctness of the new charge by the Principal Investigator or the School Dean. "To correct funding or error" is not sufficient as a reason for the Cost Transfer. The justification should contain the name of the employee whose salary is being corrected, and the period being corrected.

The policy and procedure specific to Interdepartmental Transfers is BPM 20 and is located at: http://www.utdallas.edu/utdgeneral/business/admin_manual/bpm.htm Go to the "I" tab and click on BPM 20.

All grant Effort Cost Transfers will be tracked by Contract and Grant Accounting.

No Effort Cost Transfers will be permitted after Effort Certification reports are completed and signed by the PI, unless it benefits the sponsor (i.e. a transaction is moved off of a sponsored account).

No Cost Transfers of any kind are permitted after the Sponsored Program termination date or after the annual reporting date unless it benefits the sponsor (i.e. a transaction is moved off of a sponsored account).



**SUB-TOPIC
SPONSORED PROGRAMS ADMINISTRATION**

9. Determination of Allowable Costs Other than Salaries

Federal and state governments empower research institutions to manage sponsored projects funds with efficiency, effectiveness and accountability. The Office of Management and Budget Circular A-21 presents guidelines on what costs are allowable and can be charged to a sponsored project directly or indirectly. In addition, the Principal Investigator is responsible for ensuring that expenditures incurred on the project are within the scope of the work as determined and agreed upon with the sponsor and that all expenditures are in accordance with OMB Circular A-21 in that they are allowable, allocable and reasonable.

9.1 Benefits

All fringe benefits, vacation pay (including termination lump sum payments), holiday pay, sick leave pay and other paid absences are to be charged to the current paying account(s), including sponsored accounts, in such a manner that each paying account pays its prorated share of the actual costs based on the Payroll Distribution of the salaries for each particular period.

9.2 Operating Expenses

- Operating expense type costs, which can be specifically identified to a sponsored project, should be budgeted, charged and reported as a direct cost to the project or Cost Sharing account,
- Service or recharge center charges must be based on actual utilization and cost-based charge rates,
- Telecommunication charges for academic departments required to support basic activities should be charged to the departmental accounts,
- Equipment and toll charges for phones needed for field sites, cellular phones while on travel status and large projects requiring dedicated lines may be charged directly to a sponsored account. These charges should be described in the budget and approved by the sponsor,
- The cost of postage, general offices supplies (paper, pencils, notebooks, etc.) and memberships should normally be charged to the respective departmental accounts,
- Postage and general office supplies can be direct charged to sponsored account when:
 - The project requires a substantial amount of this item and it can be specifically identified,
 - The items are justified in the budget narrative and approved by the sponsor.
- Rent or lease expenses may occasionally be a direct charge to a sponsored project when:
 - It is in lieu of hotel (travel) costs for long term field work
 - Apartments are leased to provide lower-cost housing
 - University-owned space is not available for the completion of the project.
- Utility and Custodial Services may be considered direct costs when space is rented and the off-campus Facilities & Administration rate is applied,
- Motor vehicle maintenance expenses of project dedicated vehicles and vehicles used in the field may be charged directly to a sponsored project,
- Motor vehicle expenses incurred while on travel status may be directly charged to a sponsored project.



**SUB-TOPIC
SPONSORED PROGRAMS ADMINISTRATION**

9.3 Travel

- Travel costs of University employees, which can be specifically identified to a sponsored project, can be a direct cost,
- Travel costs in academic departments, which are associated with the basic activities of the University, should be charged to the appropriate non-sponsored activity account,
- Foreign travel costs funded by federal Sponsored Programs must comply with the [Fly America Act](#).

9.4 Meals

For information on charging food and refreshments to federal grants while not on travel status, see the following link: <http://finance.utdallas.edu/grants/meal-policy.html>

9.5 Equipment

- An item with a unit costs \$5,000 or more and a life expectancy of more than one year meets the definition of equipment,
- The equipment item must be specifically identified and utilized on a sponsored project,
- Equipment must be purchased within the project period. Equipment purchased late in the project period may require approval of the sponsor,
- Equipment cost is excluded from the indirect costs (Facilities & Administration) rate calculation,
- Cost Sharing on equipment items must be in the form of an original purchase of equipment within the project period,
- The costs of previously purchased equipment cannot be included as direct Cost Sharing since it is considered to be part of the Facilities & Administration rate.

10. Responsibilities relating to Sponsored Programs Administration

10.1 The Principal Investigator has the following responsibilities:

- Ensure that the sponsor's funds are being expended for the proposed and awarded scope of work and that the expended Effort complies with the applicable UTD policies and procedures and the sponsor's governing regulations,
- Attend all training mandated by UTD,
- Work with the School division office to develop and manage all proposed and Committed Effort to eliminate any over commitments,
- Notify the School division office and OSP of new proposals and awards and the related additional Effort commitments,
- Maintain the appropriate records to be able to certify the Effort expended on Sponsored Programs under his/her control,
- Comply with University policy on the timing of Effort report Certification,
- Ensure the supporting documentation for Effort Certification is retained for five years after the end date or five years after an audit ends,
- Through proactive planning and communication, and timely account reconciliation, ensure, that the number of Cost Transfers, relating to Effort, are kept at a minimum,
- Ensure that all Effort Cost Transfers are done within the time limitations spelled out in this policy,
- Ensure Mandatory cost share accounts are opened and budgeted per this policy, and that only expenses that are allowable on the respective contract/grant are directly charged to it.



**SUB-TOPIC
SPONSORED PROGRAMS ADMINISTRATION**

10.2 The Schools have the following responsibilities:

- Develop Effort policies that faculty shall adhere to when calculating the minimum and maximum levels of Effort for faculty, researchers, and staff, per the guidance information contained in this policy,
- Appoint/assign an individual to work with and maintain Effort commitment budgets,
- Appoint a School Effort Reports Coordinator for the School,
- To assure all financial records and supporting documentation related to the grant or contract are retained for five years after the end date or five years after an audit ends,
- Assist the PI in ensuring the number of Cost Transfers, relating to Effort are kept at a minimum, and that they are done within 90 days of the original transaction,
- Approve the Contract/Grant Certification form attesting to the appropriateness of the research proposal, the availability of the Effort commitments, and ensuring the individuals listed in the proposals are aware of their Effort commitment and have approved their participation in the activity.

10.3 The School Effort Reports Coordinator/School designee has the following responsibilities:

- Develop and monitor the Effort "budgets" of expected Effort commitment for each PI, co-investigator, and key personnel being paid from a federal or state contract or grant. Total commitment cannot exceed 100%,
- Add new award Effort commitment data to the "budgets" upon receipt of the notice of a new award,
- Notify the PI, and School Dean, Sponsored Projects, and Contract and Grant Accounting whenever an individual's total commitment exceeds 100%,
- Distribute the Effort reports received from Contract and Grant Accounting, and then collect them from the PIs, returning them to Contract and Grant Accounting by the due date, along with the completed transmittal letter,
- Perform independent reviews of certified Effort reports, per this policy,
- Assure all financial records and supporting documentation related to the grant or contract is retained for five years after the end date or five years after an audit ends.

10.4 The Office of Sponsored Projects has the following responsibilities:

- Notify the PI and the School Effort Reports Coordinator/designee of any new proposals submitted and new awards received,
- Assure all financial records and supporting documentation related to the grant or contract are retained for five years after the end date or five years after an audit ends,
- Ensure the contract/grant account is not opened until after the Mandatory Cost Share account is opened and budgeted,
- Amend the cost share account budget if the awarded budget is less than the proposed budget, notify parties per this policy,
- Appoint a Subrecipient Monitor and notify this person of all new proposals submitted and new awards received that include a Subrecipient,
- Ensure all Subcontracts describe applicable laws and regulations that Subrecipients are required to follow,
- Ensure the requirement for the Subrecipient certification statement on Subrecipient invoices is included in the Subcontract,
- Forward approved PAFs to Contract and Grant Accounting,
- Ensure that budgeting for vendor payments are not allowed in the Subcontractor object codes.



**SUB-TOPIC
SPONSORED PROGRAMS ADMINISTRATION**

10.5 Contract and Grant Accounting has the following responsibilities:

- Administer all Effort Certification reports by providing the necessary reports which have been generated from the official University payroll system to the School Effort Reports Coordinators,
- Follow late report procedures listed in this policy,
- Develop and monitor this policy,
- Make this policy accessible on the UTD Office of Finance web site,
- Ensure all financial records and supporting documentation related to the grant or contract are retained for five years after the end date or five years after an audit ends,
- Establish a process to ensure that salary caps established by sponsors are adhered to,
- Track Cost Transfers relating to contract or grant Effort,
- Ensure that PIs or departments with an excessive number of salary Cost Transfers receives training to address the root cause of the transfers,
- Approve all Effort Cost Transfers on contract/grant accounts, ensuring that policy restrictions are adhered to.

10.6 The Budget Office has the following responsibilities:

- Ensure Contract and Grant Accounting has approved all Cost Transfers involving the account number ranges for federal and state contract and grants,
- Ensure all financial records and supporting documentation related to the grant or the contract are retained for five years after the end date or five years after an audit ends.

10.7 The Subrecipient Monitor has the following responsibilities:

- Implement UTD policy on Subrecipient monitoring as reflected in this document by incorporating the selected provisions in the Subcontract documents and performing the annual Risk Assessments and the associated remedies to mitigate the risks,
- Document the Subrecipient monitoring procedures detailed in this policy,
- Notify the PI and OSP of any Subrecipient assessments that indicate a high risk.