Purpose

The University receives a substantial portion of its funding in the form of contracts, grants and other agreements with the federal government and private sponsors. As a condition of receiving funding from any source, the University agrees to comply with the sponsor’s terms and conditions, including federal policies when applicable. The University has set forth general policy to govern the financial management and compliance of its sponsored project activity in Academic Personnel Manual APM-020 and the Contract and Grant Manual. To help ensure compliance and avoid financial liability as the result of misuse of funds, this policy sets forth the key responsibilities of principal investigators to incur expenditures in accordance with applicable guidelines: (a) the terms and conditions of each award; (b) the cost principles contained in the Title 2 Code of Federal Regulations Part 200, also known as the Uniform Guidance; and (c) all applicable University policies.

Definitions

Cost Sharing

The commitment of University resources or funding that supplements externally sponsored projects. Mandatory cost sharing is that which is required by the sponsor and also quantified and committed in the proposal. Voluntary committed cost sharing is not formally required by the sponsor but is committed in the proposal and becomes auditable once the award is made, requiring administrative tracking and reporting. These costs are not reimbursed by the sponsor or charged to the sponsored project, and therefore must be supported by University funds.

Cost Transfer

A department-initiated movement of a charge originally posted to one chart string to another.

Federal Sponsored Projects
For the purpose of this policy, this includes federal and federal flow-through sponsored projects. For more information, see the Controller’s Office website [6].

Program Income

Gross income earned by the non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance as set forth per Uniform Guidance 200.307 [7]. Program income includes but is not limited to income from fees for services performed, the use or rental of real or personal property acquired under Federal awards, the sale of commodities or items fabricated under a Federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with Federal award funds. Interest earned on advances of Federal funds is not program income. Except as otherwise provided in Federal statutes, regulations, or the terms and conditions of the Federal award, program income does not include rebates, credits, discounts, and interest earned on any of them.

Sponsored Project Funding

Contracts, cooperative agreements, consortium agreements, and grants for research, instruction, clinical trials, career development, clinical services, public services or other program support. Includes all funding arrangements to provide a defined deliverable or complete a set of activities to a sponsor in exchange for the funding and where the accompanying documents specify the objectives, nature, terms, conditions, restrictions, and budget. Within UCSF, all sponsored projects are awarded through and accepted by the Office of Sponsored Research.

Policy

A. Expenditures of Sponsored Projects

- Expenditures must be incurred in accordance with University policy, project terms and conditions, and, when applicable, Uniform Guidance [5].
- Project principal investigators must incur expenditures within the performance period as outlined in the award documents. Exceptions may be authorized only by the appropriate division of the Office of Sponsored Research or by the appropriate official of the funding agency.
- Project general ledgers must be reviewed regularly to ensure budgetary control and appropriate recording of expenditures. For Federal Sponsored Projects, ledgers must be reviewed monthly to ensure the expenditures charged to the project were allowable, allocable, consistent, and reasonable. The principal investigator is responsible for ensuring the review is documented and maintained in accordance with campus procedures.
- Project principal investigators are responsible for ensuring that the University required
after the fact verification of personnel expenditures charged to Federal Sponsored Projects is timely documented and maintained in accordance with campus procedures.  
- Project principal investigators must ensure that the expenditures incurred are within the total authorized budget. In the event of a cost overrun, the principal investigator is responsible for the transfer of such overrun off of the project. In the event of a deficit caused by other factors, such as uncollectible accounts, proceeds reduced by collections expenses, etc., the principal investigator is responsible for resolving the project deficit.

B. Committed Cost Sharing on Sponsored Projects

Cost sharing commitments on sponsored project proposals or awards should be limited to situations where it is in the best interest of the University. With regard to federal awards, Uniform Guidance section §200.306 [8] makes it clear that voluntary committed cost sharing is not expected and will not be considered when determining who may receive federal funding unless specifically detailed in the funding announcement. The interest of the University should be considered in terms of the value of the endeavor to the overall mission of the university and the extension of its scientific knowledge base. Mandatory cost sharing policy of the sponsor or the University’s determination that such commitments are necessary to ensure the success of specific competitive proposals may be considered, but should not be the sole or over-riding determiner in concluding that the commitment is in the best interest of the university. Principal Investigators and departments should refrain from making commitments to cost share whenever possible. Cost share commitments, mandatory and voluntary, require approval in accordance with campus procedures prior to finalization of proposal.

C. Transfer of Expenditures of Sponsored Projects

- Care should be exercised to ensure that expenditures are charged to the correct chartstring. However, if an error requiring correction is identified, a transfer of expenditures is necessary. The principal investigator is responsible for ensuring cost transfers are detailed and approved in accordance with campus procedures.
- A cost transfer to a discretionary funding source is required when the sole purpose is to clear an overdraft on a sponsored project.
- If an overdraft is not cleared by the principal investigator in a timely manner the Controller’s Office may exercise its authority to transfer the expenditures causing the overdraft to a discretionary source. For this purpose, within 120 days of the end of the project period will be considered timely and in accordance with Uniform Guidance policy.

D. Financial Reporting of Sponsored Projects

- Principal investigators must ensure that all financial transactions, including the reporting of Program Income and cost share commitments, are recorded properly and timely on the general ledgers so that financial reporting by the Controller’s office is accurate and timely.
- The general ledger is the official record of project financial detail and is the basis for all financial reports.

E. Closeout of Completed Sponsored Projects

- Closeout of sponsored project awards (Project/Activity Period) should be completed within 120 days of the end of the period of project performance.
• Should fixed price agreements have unspent balances at the completion of a project, they will be transferred to a discretionary project that supports the teaching, research, and public service mission of the University, subject to departmental approval and sponsor restrictions.

Responsibilities

A. Vice Chancellor for Research and Executive Vice Chancellor and Provost

• Approve or deny requests to waive campus indirect cost rate in accordance with delegated University procedures.
• Approve or deny requests to use central campus funding for mandatory cost sharing.

B. Department Chairs, Organized Research Unit Directors, and Deans

• Provide their consent/concurrence on requests for central campus funding for mandatory cost sharing.
• Approve or deny departmentally funded cost sharing during the proposal review and sign off process.
• Ensure that adequate space and infrastructure are available to conduct the project with or without the proposed cost share.
• Provide a statement or letter verifying that the cost sharing can be honored if required.

C. Department Administrators

• While responsibility for reviewing, approving, and ensuring that cost transfers are compliant with sponsor requirements and University policy may be delegated to administrative or other staff, accountability for compliance with the sponsor requirements and University policy ultimately rests with the Department Administrators.
• Ensure that cost transfer preparers and delegated approvers receive adequate training.
• Advise Principal Investigators on the University’s cost sharing policy and procedures, and other business and compliance matters.
• Establish, document and monitor the department’s business process of validating expenditures, including personnel, on sponsored projects are in compliance with the sponsor requirements and University policy.

D. Office of Sponsored Research

• In collaboration with the Controller’s Office and Budget and Resource Management Office, provides guidance on policy interpretation and implementation.
• In collaboration with the Controller’s Office and Budget and Resource Management Office, provides ongoing training opportunities for faculty and staff.
• Ensure that cost sharing commitments, when appropriate, are properly included in proposals and recorded in eProposal.
• Review proposals for cost sharing commitments for compliance with University policies and procedures.
• Submit proposals with cost sharing to the appropriate sponsoring agency.
• Approve or deny requests to waive campus indirect cost rate in accordance with delegated University procedures.
E. Controller’s Office - Contracts and Grants Accounting

- In collaboration with the Office of Sponsored Research and Budget and Resource Management Office, provides guidance on policy interpretation and implementation.
- In collaboration with the Office of Sponsored Research and Budget and Resource Management Office, provides ongoing training opportunities for faculty and staff.
- Monitors costs charged to sponsored projects for compliance with sponsor and University policy, and for allowability and consistent treatment.
- May transfer overdrafts to departmental discretionary fund if not cleared by the PI and/or department administrator in a timely manner.
- Reconciles indirect cost recovery of sponsored projects and makes corrections, as needed.
- Monitor compliance with cost transfer policy. Examine awards for cost sharing commitments and ensure that any cost sharing commitments are properly reflected in the UCSF Financial System.
- Report cost sharing to sponsors according to the sponsor requirements and the terms and conditions of the sponsored agreement.
- Review and approve, or deny, all late cost transfers.
- Monitor program income earned from sponsored award ensuring it is used in accordance with federal regulations and terms of award document.
- For federally sponsored activities, prepare an analysis of the program income account in determining the amount to request for reimbursement from the sponsor.
- Ensure all financial reports, are in accordance with sponsor guidelines, include program income
- Responsible for making any budgetary adjustments resulting from the program income generated, foreign currency, cost share, etc.
- Periodically monitor and review the expenditure verification process for compliance with federal regulations, sponsor requirements, and UCSF policies and procedures.
- Follow up with department administrators, chairs, dean’s offices, and/or vice chancellors to resolve delinquent verifications.
- Implements escalation process as needed on reports not verified within the required period.

F. Budget and Resource Management Office

- In collaboration with the Office of Sponsored Research and the Controller’s Office, provides guidance on policy interpretation and implementation.
- In collaboration with the Office of Sponsored Research and the Controller’s Office, provides ongoing training opportunities for faculty and staff.
- Negotiates and establishes the campus indirect cost rates.

G. Principal Investigators

- Responsible for oversight of financial, scientific, and compliance aspects of the project.
- Responsible for all aspects of fiscal management of a sponsored research project.
- Be cognizant of, and adhere to, all sponsor-imposed terms and conditions, as well as University policies and procedures related to administering sponsored projects. (This includes all relevant government and University regulations regarding the use of human and animal subjects, biohazards and bio-safety, occupational health and safety, financial management, conflicts of interest, and purchasing policies.)
Assure that costs in proposal budgets are appropriate for the scope of work and are justified.
Work with department personnel to discuss the activity that will generate program income and its relationship to the grant or contract.
Manage and control project funds in a prudent manner and expend funds in accordance with the restrictions imposed by the award terms and conditions and University policy. Funds should only be expended to directly support the project effort and expenditures should not exceed the total amount of funds awarded. Removal of deficits and disallowances incurred against a sponsored project are the responsibility of the principal investigator.
Manage work effort and assign oversight, when necessary, to a responsible official who has direct knowledge of the work performed and suitable means of verification that the salary reasonably reflects the work performed.
Review costs charged to sponsored projects for compliance with sponsor and University policy.
Maintain appropriate justification to support the charging of expenditures.
Properly certify the after review of personnel charges on federal sponsored projects in accordance with campus procedures.
Determine the appropriateness of and provide justification for re-budgeting actions.
Limit the inclusion of cost sharing commitments in proposals to situations where it is in the best interest of the University.
Ensure funds and resources being committed for cost sharing are adequate and available at the time of the proposal submission.
Obtain proper approvals regarding any cost share commitments.
Responsible for monitoring the performance and compliance of any subrecipient on a sponsored project. Assure that reports (including scientific and progress reports) and other material requested from subrecipients have been collected and reviewed. Ensure that subrecipient payments are in line with the progress and terms of the subcontract.
Certify the Financial Report, including program income, expenditures, effort, and cost share.
Approve all cost transfers that will create charges to a federal fund.
While responsibility for certain day-to-day management of the project finances may be delegated to administrative or other staff, accountability for compliance with the sponsor requirements and University policy ultimately rests with the Principal Investigator.

H. Departmental Business Office (in consultation with Principal Investigators)

Review costs charged to sponsored projects for compliance with sponsor and University policy.
Monitor Key Personnel effort on Federal Sponsored Projects to ensure that commitments do not vary by more than 25% of what was originally committed requiring pre-approval.
Ensure internal supporting documentation that relate expenditures to the purpose of the award is accessible and maintained.
Ensure internal records for re-budgeting actions are accessible.
Notify Office of Sponsored Research to process prior approval requests to sponsors, as needed, for re-budgeting, changes in Key Personnel effort, changes in scope of work, and other changes that require pre-approval. For a complete list of changes that require federal sponsor pre-approval, please see §200.407 Prior written approval (prior approval) [9]. Please note that the NIH has waived some prior approval requirements as detailed in
the NIH Grant Policy Statement 8.1.2 Prior Approval Requirements [10].

Procedures

- UCSF Controller’s Office Website [11]
- UCSF Office of Sponsored Research [12]

Related Policies

- 250-11 - Sales & Service Center(s) Recharges, External Sales & Services of Education Related Activities, & Common Cost Allocations [13]
- 250-12 - Deficit Monitoring and Resolution [14]
- 400-16 - Award Acceptance and Execution of Contracts and Grants [16]

References

- University of California Accounting Manual, Office of the President [17]
- University of California The Contract and Grant Manual, Office of the President [4]