University of Pittsburgh
Research Accounting
Monitoring Sponsored Project Activities

Introduction

Once an award has been made to the University, the Principle Investigator and Department Administrator need to monitor expenses to assure that all costs charged to the sponsored project are allowable, allocable and reasonable when costs are being incurred.

In addition to monitoring actual costs, the information below outlines some of the key elements of sponsored project monitoring:

- Changes that may occur during the period of performance for the sponsored project.
- Specific sponsored projects activities needing close attention.
- Various University reports that can be distributed monthly to the departments to assist with the expense monitoring process.

Possible Changes to the Initial Award During the Project Period

Rebudgeting Requests

At times, a turn of events makes it necessary to consider an expense on a project that initially was not requested from the agency. The general rule is that the agency needs to be contacted in writing for permission to rebudget funds to meet a new cost. The sponsor will be concerned about the scope of the project and whether goals can be met with the changes requested. Costs should not be incurred on a project until written permission is granted.

Some agencies allow a specific small percentage variance in expenses from the original budget without requesting permission. If expenses will be going over the variance, rebudgeting needs to be requested from the agency in writing. Expenses should not occur unless written permission is granted. Requests for rebudgeting need to occur before the end of the project.

NIH and NSF are the only agencies that allow an internal request for rebudgeting to occur. The internal form for NIH (UPAS – University Prior Approval System) or NSF (OPAS – Organizational Prior Approval System) needs to be completed and forwarded to the Office of Research for review and approval. A budget modification form (BMR) needs to accompany the extension request. When approved, the Office of Research will forward the permission and the BMR to Research/Cost Accounting to update the system. Expenses related to the rebudgeting request should not occur unless permission is granted.

Change in Principal Investigator – Illness, transfer or termination

Awards are made by sponsors in full consideration of the skills and talents of the Principle Investigator (PI) managing the project. Periodically situations arise when a PI is no longer available to carry on the project. For example, a PI may have changed direction in research activity; a leave of absence may be necessary for health or other personal reasons; a PI may have accepted a position at another institution and is leaving the University. The sponsor must be informed immediately in writing when this event occurs. The sponsor will want to evaluate the circumstances and determine if another University PI can meet the project goals, if another institution will take up the work (leading to
an early termination for our institution) or if the project will be moved to another institution to follow the
current PI should he/she be leaving.

All notifications to sponsors should be in writing. Verbal conversations by themselves do not count as
proper notification. The University department needs to gauge spending carefully to avoid unallowable
expenses – when the PI is not managing the project, continuing expenses will be questioned by the
sponsor.

Not informing a sponsor of PI change has led to serious problems in the past resulting in costly
consequences to the University.

**No Cost Extension**

Sponsored projects can be delayed in the beginning for a variety of reasons. Hiring staff and obtaining
appropriate signatures for an award on a timely basis are a couple of reasons for delays. These
delays can make it impossible to complete the sponsored project within the original time frame
proposed and awarded.

When it is evident that the project will not be completed on time, the sponsor must be informed in
writing and a request for a time extension with no additional budget amount (no cost extension) must
be made no later than 30 to 60 days before the end date of the project. The sponsor will need to
respond to the University in writing in order for a sponsored project to be extended.

Under expanded authorities the Office of Research can approve no cost extensions on NIH (up to one
year) and NSF (up to six months). Office of Research does not have authority to allow no cost
extensions on any other projects.

Pharmaceutical agreements need to be reviewed carefully. At times the company will clearly state the
end date of the agreement. In other situations the agreement is silent on how long a project will last.
The Principle Investigator should evaluate how long it may take to recruit the necessary subjects to
perform the study. It is wise to be conservative and determine the longest period of time for the study
thus giving an end date that fits this period of time. Being realistic on the time period avoids the need
to request an extension from the pharmaceutical company.

Research/Cost Accounting will not extend a project without written notification. A financial report will
be sent to the sponsor under the original end date if no written notification is received before the
report is due. Should a no cost extension be received after the reporting period, the end date will be
changed and the project can continue.

**Early Termination**

Early terminations usually occur when PIs move to another institution. Once the sponsor has been
informed in writing, either a sponsor specific termination form needs to be filled out or an early
financial report will be requested by the sponsor. Funds paid above the final allowable expenses will
be returned to the sponsor. At times, sponsors will request that the University send excess funds to
the PIs new institution. This type of request must be in writing from the sponsor on sponsor letter
head.

**Equipment Transfer**

Periodically PIs leaving the university transfer their grants and contracts to the new institution. The
sponsor may have provided funds to the University of Pittsburgh to purchase equipment critical to the
research. When the PI leaves, the sponsor may direct that the equipment leave with the PI and be
transferred to the new institution.
The PI’s department needs to list all the equipment to be transferred including: the original purchase order #, actual cost, equipment description, University asset tag number, and project number equipment was charged to. All this information needs to be forwarded to Financial Record Services in the Cathedral of Learning so that assets can be removed from the equipment asset system. A copy of this information should also be sent to Research/Cost Accounting.

Specific Activities During the Course of the Award

Cost Transfers
Periodically there are expenditure errors on sponsored projects that need correcting. The proper way to correct an error is through a non salary cost transfer. Cost transfers can be done on line at the department level if Oracle access has been assigned to the department. Otherwise, cost transfers for entity 05 sponsored projects need to be sent to Research/Cost Accounting for review. A guideline on Cost Transfers is on the policies and procedures website under faculty and staff – http://www.bc.pitt.edu/policies/index.html.

Non salary cost transfers must be supported with auditable documentation. This documentation needs to be kept on record for three years either at the department level or at the central administration level depending on where the transfer was entered into the financial system. Supporting documentation consists of:

- A copy of the FGAR311 financial detail report with the actual charge to be transferred highlighted.
- A copy of the original purchase order or invoice, if applicable to the transfer, must be attached
- A detailed explanation as to why the error occurred and a detailed justification as to why the charge is valid for the account now being charged must be clearly stated. (An explanation stating that a cost is allowable is inadequate.)
- An authorized signature is required for the account to be debited. The preparer's signature can not be the same as the authorized signature.

Salary cost corrections are made by adjusting the SPAR document within an employee’s certification period and forwarding the adjusted SPAR to the payroll office. One salary recertification is possible within 90 days after a certification period (provided action is taken within the time periods allowed and outlined by payroll). Due to the increased time and flexibility allowed by the new HR/Payroll System, second recertifications and original certifications beyond the 90 day allowable period will not be allowable and will be rejected by payroll. Note that fringe benefit costs are automatically adjusted in PRISM. However, due to system programming, the adjustment to fringe benefits on salary cost transfers that cross fiscal years will be calculated using the fringe benefit rates in effect at the time. For a detailed explanation, go to the Fringe Benefits section of the Managing Sponsored Project Funds web page (http://www.bc.pitt.edu/rca/ra_mspf.html).

ISIS corrections to subcodes 7600 and 7603 require a memo to Student Accounts detailing the required transfer. The Student Accounts staff will complete the on-line correction. For departments with access to ISIS, an on-line transfer can be made. Contact Student Accounts for additional information.

Overdrafts
Overdrafts occur when expenses exceed the budget on an entity 05 sponsored project. When a new sponsored project is activated in the University financial system, a budget is established to coincide with the amount of the grant/contract awarded by the agency. The amount budgeted is the maximum funding that can be collected from the sponsoring agency for the work related to the grant/contract. The University cannot bill the agency for expenses greater than the award. Excess expenses result in
overdrafts being paid by the University cash reserves resulting in lost interest income to the University.

It is the Principal Investigator’s and Department Administrator’s responsibility to assure that a sponsored project is not overspent. A monthly report RPAR451 accompanies the copies of the level reports mailed to the department warning of overdraft situations. The overdraft situation must be dealt with immediately after evaluating the cause of the over expenditure.

Overdrafts occur for various reasons. The two most common situations include: 1) departments not monitoring expense activity allowing costs beyond award amount and 2) projects covering more than one year do not receive the future year funding in a timely manner to cover the allowable expenses for the continuing year.

One or more of the following is appropriate for corrections of overdrafts.

- Salary change by sending SPAR adjustment to Payroll
- Non-salary cost transfer
- Budget modification with sponsor’s notice of additional funding
- Memo to Research Accountant in Research/Cost Accounting explaining short term overdraft and requesting no write off. A date when the overdraft situation will be resolved is imperative.

Five days before the end of the month, Research Accountants will review overdrafts to determine
- overdrafts over 90 days old without a correction form or memo and
- overdrafts over 90 days old with a correction forms that had not appeared on the financial reports RPAR001 or FGAR311.

One to two days before month end, Research Accountants will write off overdrafts for departments that have not responded to the overdraft situation. Research Accountants will be given leeway to determine proper action in extenuating circumstances. The overdraft will be written off to the account specified on the stock 136.

Program Income
Program income is “Gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award.” – OMB Circular A-110. The sponsored project agreement will dictate how program income is to be treated. Generally, income is applied to the sponsored project and is used to offset expenses thus benefiting the sponsored project. Examples of program income would be: fees earned from services performed under the award; funds generated by sale of commodities and research materials such as tissue cultures, cell lines or research animals; admission fees; registration fees charged to participants for a workshop or conference sponsored by a award. **Under no circumstances should this income be mixed with payments made by the sponsor.**

Program income should be accounted for on the project in subcode 7550. Research/Cost Accounting reports this income to the agency when it appears on federal awards.

Cost Sharing
Cost sharing that is proposed as a requirement or cost sharing that is proposed voluntarily becomes mandatory if an award is made to the University. Cost sharing or matching funds must be accounted for in the University’s financial system. The department is responsible for keeping track of cost sharing expenses and must be prepared to provide information should cost sharing reporting be required. A complete guideline on cost sharing is on the Policy and Procedures website under faculty and staff (http://www.bc.pitt.edu/policies/index.html).
Training Grants – Trainee Terminations
When trainees are terminated, a termination notice needs to be prepared and sent to Research/Cost Accounting for sign off. Research/Cost Accounting compares termination notices to level reports. Costs on level reports must equal trainees’ costs. Principle Investigators and Department Administrators are to monitor trainee stipends and costs. Agencies expect trainees to receive the full stipend allowed by the award. There is no need for cost sharing the awarded amount.

Recently, agencies have questioned why trainees have not been paid the full stipend amount and have wanted the department and Research/Cost Accounting to revise the termination notice to reflect the full stipend level. This request cannot be met as trainees should only be required to pay back the amounts they received as per their payback agreement. It is the responsibility of the department to make certain trainees are receiving full stipend.

Important information on trainee regulations can be found at the following websites:
http://grants2.nih.gov/training/nrsa.htm
http://grants2.nih.gov/grants/policy/nihgps

Financial Reports
Sponsors require a financial report for the vast majority of sponsored projects. Many sponsors have specific requirements for reporting while other sponsors accept a standard University format. Financial reports are required at the sponsor’s office at least 90 days after the end of the project. When the University is a subcontractor to a Prime at another institution, final financial reports as well as final invoices are due to the Prime 60 days after the end of the project period.

A small number of sponsors require financial reports 15, 30 or 45 days after the project end date.

Research/Cost Accounting relies on the department to complete the necessary closing package (please note Research Accounting website information on closings) on time so that financial reports can in turn be forwarded to the sponsor timely. Completing closing packages gives the departments the opportunity to include all appropriate allowable trailing costs for a project and gives Research/Cost Accounting the opportunity to report total expenses for a project.

It is Research/Cost Accounting’s responsibility to submit financial reports to all sponsors. Departments are not to submit financial reports. Research/Cost Accounting will forward a copy of the financial report to departments upon request.

Financial Close Out on Completed Projects
Once a project is ended, a closing package is sent to Research/Cost Accounting (please see web page on Closing Out Sponsored Projects). All trailing costs and credits listed on the closing memo will be recorded in the financial system after the end date of the project. Departments need to monitor the monthly financial reports to assure that the approved costs and credits are indeed recorded. The department also needs to review all outstanding encumbrances that will not be relieved by an expense to the project. Any remaining encumbrances that are completed and not relieved by the financial system need to be either removed by the department or the purchasing department within a reasonable time after the project ends.

University Monthly Financial Reports for Departments

The following reports can be mailed through the monthly automated report distribution system to the University department for all sponsored projects. Requests can be made to receive all departmental reports or reports for individual departmental projects.
RPAR001 - Sponsored Project Summary
Monthly report provides financial information by project in entity 05 and entity 04 accounts in summary form. Financial information includes: budget, current month activity, fiscal year to date activity, grant to date expenses, encumbrances and budget available.

FGAR311 - Sponsored Project Detail
Report prints monthly and is distributed to departments through the report distribution system. A copy is printed for Research Accounting and is kept for three months. Report provides all details related to financial activity occurring on accounts during the month being reported. Departments use the detail report to review for the appropriateness of all expenditures. Report is also used as backup for cost transfers to correct errors.

HLDR310 - Labor Distribution by Account
Lists all payroll activity with all accounting information for a monthly period and project to date. Detail is used by Research Accounting for agency reporting requirements. Departments use report to verify that payroll has been charged correctly to all accounts related to sponsored projects.

The following reports can be mailed monthly through the automated report distribution system to the departments requesting all the above reports by department.

RPAR007S - Overdraft Area/Dept
Report summarizes projects that are overdrafted within a specific area/department. This report prints monthly and is distributed to departments through the automated report distribution system.

RPAR010 - Summary by Billing Number
One billing number can have more than one project tied to it. This report gives one line summary information for each project including: budget, grant to date expenses, encumbrances and budget available.

RPAR392 - Expenses Out of Balance-Department Report
Report distributed to departments on a monthly basis providing information on projects that have been closed but have not reached a zero balance. Departments use this list to work with Research Accountants in Research/Cost Accounting to reach a closeout condition.

RPAR018 - Summary by Area/Dept
Report summarizes all sponsored programs for a specific area/department. The report has three sections: 1) Project to date budget, direct and indirect expenses, encumbrances and budget available, 2) Current month direct and indirect expenses and total expenses, and 3) fiscal year to date direct and indirect expenses.