University of Pittsburgh
Research Accounting
Managing Sponsored Project Funds

Introduction – Regulations Governing the Financial Management of Sponsored Project Funds

All University personnel dealing with financial management of sponsored projects must be knowledgeable of all rules and regulations related to this responsibility.

**OMB Circular A-21** outlines costs that are allowable and unallowable to federal grants and contracts. The University of Pittsburgh follows these regulations on all federal grants and contracts. For costs to be allowable, A-21 states that costs must be reasonable, allowable, allocable, treated consistently and must conform to the specific cost guidelines in A-21 (section J).

**OMB Circular A-110** outlines the proper grants management principles to be followed when managing federal grants. This circular covers regulations from pre-award through the close of a grant.

**NIH Guidelines** have regulations specific to National Institute of Health grants.

**PHS Guidelines** regulate all other awards under the Public Health Services outside of the NIH.

**Foundations and companies** frequently have specific regulations stated in the agreement as to allowable and unallowable costs. Sponsored project management for foundations and companies are also managed by following the University of Pittsburgh Financial Guidelines on the University website. These guidelines include the following topics and are available at this website [http://www.bc.pitt.edu/policies/index.html](http://www.bc.pitt.edu/policies/index.html):

- Allowability of Costs
- Cost Centers
- Cost Sharing
- Cost Transfers
- Direct Charging
- Effort Reporting
- Financial Responsibilities
- Fixed Assets
- Sponsored Projects vs. Grants
- Residual Funds
- Space

**Direct and F&A (Indirect) Costs Related to Sponsored Programs**

**Direct Costs**
Costs to sponsored projects must be specifically related to the direct work and purpose of the project.

**Definition of Direct Costs** - Costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy
Direct costs that are commonly related to sponsored program work (depending on purpose of project) fall mainly into basic types of costs:

- Animal costs
- Consulting Agreements
- Equipment – Capital Assets
- Fringe Benefits
- Graduate Student Researchers
- Lab Supplies and Materials
- Patient Participation Costs
- Payroll - Principal Investigator’s and Co-Investigator’s Salaries
- Professional Service Agreements or Contracted Service Agreements
- Publications
- Subcontracts
- Technician salary – Post Docs and Research Associates
- Trainee Stipends
- Travel

Specific sponsored programs may require other costs that are unique to the project purpose. These costs would be evident in the program announcement and would be taken into consideration when the proposed budget is prepared. These specific costs would be mentioned in the sponsor agreement and in the sponsor budget.

Facilities and Administrative Costs (Indirect Costs)
Costs that cannot be related to a specific sponsored project are considered F&A costs and should not be charged directly to a specific sponsored project.

Definition of facilities and administrative (indirect) costs - Costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity

F&A costs that are not directly related to sponsored program work should not be part of a sponsored program proposed budget nor charged to a sponsored project. Typical costs that should not be proposed or charged to sponsored projects are the following:

- Department administrator and clerical salaries
- Postage
- Memberships and dues
- Office supplies
- Telephone – basic charges
- Routine copying
- Journals and subscriptions

It is important to note that this list is not all inclusive.

A-21 Exhibit C discusses “major projects” where direct charging of administrative or clerical staff salaries may be appropriate. Before proposing these costs in a budget and spending sponsored program money on these costs, it must be determined that the program is a major project.

A-21 is very specific on expressly allowable costs. The University of Pittsburgh has a guideline related to this principle at www.bc.pitt.edu/policies/index.html#guide.
Information Related to Specific Direct Costs

Animal Costs
Animal purchases and animal care at the animal care center are allowable on projects when proposed and approved by the sponsor. Animal care costs are generally a fixed fee and do not have F&A costs.

Consulting Services Agreement
Consultant costs are for personnel who provide a professional service for a fixed period of time and are not University employees. When budgeting for consultants, it should first be determined whether the person meets the Internal Revenue Service’s criteria for consultants as opposed to a University employee. When hiring a consultant, the PI should keep the following tests in mind:

- The consultant is doing work independently without supervision
- The consultant has not been a recent employee of the university
- The consultant is using his/her own facilities or equipment to conduct the work

Consultants should be proposed describing the individual’s name, services to be rendered, number of days charged, justification for selection, and daily rate proposed. The daily rate may include fees and travel expenses, or related travel expenses should be itemized. Costs should be based on actual quotes from the consultant. Sponsoring agencies normally require curriculum vitae.

Payment requests to accounts payable must be accompanied by a copy of the consulting agreement.

The university agreement form for consulting is on the purchasing website under standard forms (www.bc.pitt.edu/purchasing/forms.html).

The Office of Research has a letter of agreement form on its website under “Proposal Development and Processing” (www.pitt.edu/~offres/proposal.html). This form outlines all the required information that will have to go into the agreement document.

Equipment – Capital Assets
To purchase equipment with sponsor funds, permission to purchase must be proposed by the University to the sponsor and approved by the sponsor when an award is made.

Equipment is subdivided into two classifications in A-21, special purpose and general purpose. Special purpose equipment is equipment that is used primarily for “research, medical, scientific, or other technical activities.” As a rule, only special purpose equipment is funded in sponsored programs since it can be proven that it is necessary for the goals of the project. Special purpose equipment should be requested in the proposed budget for agency approval. If more than one agency is assisting with the purchase of a piece of equipment, this must be documented in the proposal to the agency and in the final notice of award to the University.

An equipment search should be made before proposing a purchase to assure that the University does not already have the needed equipment available. The federal government requires federally purchased equipment to be shared if at all possible. Equipment costs are to be charged to the project(s) benefiting from the cost.

General purpose equipment is not limited to these activities and includes equipment such as office furniture, printing and copying equipment, pagers, copiers and word processing equipment. General purpose equipment is unallowable as a direct charge, except where it is used primarily or exclusively for the actual conduct of the project of a major program as mentioned above.
Purchase of approved equipment should be made through the purchasing system following the policy as outlined in purchasing procedures listed below. (Note that screening for various levels of equipment costs must also be required at purchase time.)

Sometimes a need for equipment is realized during the course of project work. NIH and NSF allow the University to re-budget internally for equipment purchases. A request for re-budgeting must be processed through the Office of Research using the University Prior Approval System form (UPAS). UPAS forms can be found at the Office of Research website (www.pitt.edu/~offres/upas.html).

Various departments have special procedures related to the purchase of equipment not requested at proposal time. Departmental procedures must be followed as part of the approval process for equipment purchase.

Any other request for re-budgeting to purchase equipment must be approved by the sponsor.

**Fringe Benefits**

Fringe benefit rates are calculated by the University and approved by the federal government annually. The period of time covered by a set of fringe benefit rates is the University’s fiscal year (July 1st through June 30th). Fringe benefit rates are made available to the University community semi-annually:

- At the beginning of the fiscal year (July) after rates are approved by the federal government
- Mid-year (January) when our annual proposal is submitted to the federal government

Current and prior year fringe benefit rates can be found at the Cost Accounting website (www.bc.pitt.edu/rca/ca_rateinfo.html).

Fringe benefits are calculated for both federal sponsored projects (entity 05) and non-federal purposes (hard-money operating funds (entity 02), cost centers (entity 03), gift funds (entity 04), non-federal sponsored projects (entity 05), etc. Fringe benefits are calculated through the use of a model that is generally accepted throughout the Higher Education industry. This model calculates fringe benefits through what basically constitutes an average rate by major employee classification of the University’s actual fringe benefits paid by our University. A body of federal regulations dictates how these rates are calculated and dictates that these methodologies must be applied consistently across all University funding sources both federal and non-federal to provide an equitable distribution to all University customers both internal and external. This body of federal regulations holds our University to the highest standard of performance, control and compliance.

A fringe benefit rate is basically a fraction. The numerator of the fraction consists of a forecasted pool of direct and allocated fringe benefit costs by employee classification with a carry-forward of over/under recovery from prior years. The denominator of the fraction, or distribution base, consists of forecasted total salary dollars for employee classifications that includes base salary and any supplemental salary as fringe benefits are applicable to every salary dollar paid by the University.

Fringe benefits are calculated in PRISM at the end of every month using the current year fringe benefit rates which are loaded in tables by Cost Accounting at the beginning of the fiscal year. There are no budget exceptions allowed to the application of fringe benefit rates to employee salary charges to a University funding source.

**Fringe Benefit Adjustments**

By design, PRISM (Oracle) was programmed to use only one set of fringe benefit rates at a time in a fiscal year. This cannot change. Regardless of what the fringe benefit rates are in a given year, any adjustments to salaries that are made via cost transfer, etc. attracts the fringe benefit rates in effect in the fiscal year the adjustment is recorded, not when the original entry
was recorded. Accordingly, the related charge or credit will reflect the current year’s fringe benefit rates that are in place. Although this may result in current period, one-time variances, both positive and negative, due to variances in our fringe benefit rates between fiscal years, these variances will average out over time to the point of being immaterial.

This practice applies to all funding sources of the University and is a Cost Accounting practice that is disclosed to the federal government in our Cost Accounting Standards Disclosure Statement. The federal government has accepted this Cost Accounting treatment of our fringe benefit rate adjustments as long as we continue to treat those adjustments consistently.

Supplemental Salary
As previously stated, the distribution base or the denominator of the fraction consists of forecasted total salary dollars for each employee classification that must consist of employee base salary and any supplemental salary as fringe benefits are applicable to every salary dollar paid by the University, not just base salary. This cost accounting practice is dictated to us by federal regulations and is officially adopted and disclosed by our University to the federal government.

Accordingly, since total salary dollars, including supplemental salary, are included in the base of distribution or denominator, every salary dollar including the first and last salary dollar paid to every employee in that fringe benefit classification must be subject to the application of the fringe benefit rate. There can be no exception as any exceptions would be noncompliant with federal regulations.

Therefore, supplemental salary, like regular salary, is subject to application of University fringe benefit rates.

Fringe Benefit Sponsor Limitations
Periodically, fringe benefit rates will not be paid by a sponsor for certain trainees, or the sponsor will have a fringe benefit dollar amount limitation or cap. This is typically documented in the notice of award or sponsor guidelines. When this occurs, Departments need to request a journal entry through the Research/Cost Accounting’s Research Accountant to credit the sponsored project for fringe benefit costs and to debit a department’s operating (entity 02) or gift account (entity 04) for the non-reimbursable fringe benefit costs. This request should be made on a monthly basis but no less frequently than a quarterly basis.

Supplies and Materials
Chemicals, lab supplies, computer software, drugs, books, minor equipment, photographic supplies and animals are examples of supplies and materials that can be charged to a sponsored project. All costs for supplies to a specific project must be easily identifiable with that project and must follow the allowability and allocability rules.

These supplies in some areas of the University are purchased through a stock room or book store with a cost center rate. Other supplies are purchased directly from the vendor through either a PO or online purchasing through PRISM, through Pitt’s Internet Procurement System or on the P-Card. Procedures for purchasing are listed below.

Patient Participation Costs
Sponsored projects frequently allow the University to pay minimal fees to participants in pharmaceutical studies and/or various research projects. These fees must be proposed to the agency and approved by the agency at the time of an award.

These costs are generally paid with petty cash funds tied to a sponsored project. It is important to close out the petty cash account when a project is ending.
**Payroll – Principal Investigators and Co-Investigators**

Percentage of effort for Principal Investigators' and Co-Investigators' salaries are proposed and approved during the awarding process. Effort must be adhered to according to the project and must be accounted for correctly in the University's financial system. If there is a major change to either the PI's or Co-PI's effort, the sponsor must be informed as the scope of work may be impacted. These personnel are considered “key personnel” and crucial to the success of the project.

An effort reporting system is in place at the University and all personnel working on federal projects must certify 100% of his/her University of Pittsburgh time according to the certification period applicable to his/her appointment. (Note that University Practice Plan and UA payroll is not part of the University payroll.)

Effort is certified through the SPAR (Salaried Personnel Activity Report) form. To obtain information on SPARs currently, call 624-8082. SPAR and certification information will be on the Budget and Controller website [www.bc.pitt.edu/payroll](http://www.bc.pitt.edu/payroll) section in the near future.

Changes to effort are made through the SPAR form. The University SPAR form can be found at [www.bc.pitt.edu/formflow/forms.html](http://www.bc.pitt.edu/formflow/forms.html).

Salaries can only be charged to a project within the project period. Once a project is over, SPAR documents must be adjusted so salaries beyond the end date do not get charged inappropriately to a closed project.

NIH has an annual cap on the amount of federal funds that can be used to pay salaries of University personnel. The calculation of the amount allowed to be charged to the project will be less than the percentage of effort. The University provides a PLDR304 report to all departments with PIs receiving salary greater than the cap. Monitoring the correct costs to the project is a responsibility of the department.

**Professional Services Agreement or Contracted Services Agreement**

A contracted agreement is also provided for personnel that are not employees of the University. Services to be performed are to be documented clearly. The contractor either provides a fixed fee for the total project or a rate per specific time period. The maximum cost also needs to be written into the agreement. Begin and end dates of the agreement need to be included. When payment is being made to the contractor, a copy of the agreement must be attached to the disbursement request.

The University has a specific format for contracting for services that are not included under the subcontract category. The professional services agreement has been approved by the legal department at the University and should be used for all services. The agreement form is also on the purchasing website under standard forms ([www.bc.pitt.edu/payment/forms.html](http://www.bc.pitt.edu/payment/forms.html)).

**Publications**

Some sponsored projects require publications of outcomes and the expenses incurred for the publications are reimbursable through the project. The costs of the published report, manuscripts and other documents must be proposed and approved by the sponsor in order to be allowable expenses to the project.

**Subcontracts**

A subcontractor is normally defined as a third party contracted to conduct a significant portion of the scope of work or research plan included in the research proposal. As such, use of a subcontractor is normally included in the funded proposal and is integral to the completion of the work. A subcontract almost always requires prior sponsor approval.
It remains the Principal Investigator’s responsibility to monitor the activities of the subcontractor and to verify that costs are related to the work submitted by the subcontractor for reimbursement. Once invoices are approved for payment at the department level, the invoice is submitted to payment processing with a disbursement request. All work by subcontractors must be performed within the allowed time period of the sponsored project.

**It is very important to note that sponsors will periodically request prepayment for subcontract work. Prepayment on subcontracts is not permitted as subcontracts are cost reimbursable agreements.**

**Technician Salary - Post Docs and Research Associates**

Good technicians are critical to the success of the research process. Salaries and (when known) names of technicians should be proposed when applying for a sponsored project.

Allowable salaries must also be allocable to the projects on which a technician is working. Effort reporting is required by all personnel working on federal projects. The SPAR is the form that is used to track effort on a monthly basis and should be reviewed and changed when necessary.

SPAR forms must be certified during the appropriate certification period. This certification must be approved by a person specifically knowledgeable about the person’s work.

Proper accounting for effort is critical to federal sponsored projects and also specifically to other sponsored projects.

**Trainee Stipends**

The University receives many training grant awards. Some federal awards for training are awarded on behalf of a particular PI known in a field of expertise. This allows the PI to provide a stipend for promising students while they learn the skills in this area of expertise. (i.e., T awards from NIH) These awards typically do not allow fringe benefits for the trainee.

Other federal awards for training are provided to individuals (i.e., K awards from NIH) that are ready to move into the arena of obtaining research funding. This funding permits a payment to maintain these individuals as they move forward with their careers. The payment to the trainee is paid as a percentage of effort and fringe benefits are allowed. Under a “K” award 75% effort must be applied to area of research specified in the “K” award.

The NIH annually publishes allowable stipend levels for all trainees. The federal agencies expect that the University will pay each trainee the maximum allowable amount.

Private sponsors provide funding similar to the NIH K awards. The sponsors are generally interested in individuals participating in research specific to one disease (i.e., cancer or diabetes). Stipends are provided according to the sponsor’s award notice and the budget.

**Travel**

Travel costs should be requested at the time of proposal submission as a number of agencies do not allow travel to be charged to a sponsored agreement. Travel should not be charged to a sponsored project unless specifically allowed as a direct cost.

Foreign travel is an allowable expense when approved, but there are federal regulations regarding using an American carrier that must be adhered to.
Processes and Procedures for Purchasing Direct Costs on Sponsored Programs

Purchasing Goods and Services within the University of Pittsburgh

The University has cost centers that provide services on campus (see Guideline entitled “Cost Centers” on the policy and procedure website). Two of the cost centers discussed in the guideline relate to sponsored programs:

- Specialized service facilities – examples would be the Division of Laboratory Animal Resources and DNA Sequencing Facility. Services purchased related to a sponsored project would be charged directly to the project from the service facility. An invoice is forwarded to the department managing the project so that costs can be monitored correctly. **There is no F&A charge on these costs.**

- Central support – Several research units have stock rooms that help supply research supplies on an immediate need basis (see Supplies above). The service center providing the supply will charge the sponsored project directly and provide the department with a copy of an invoice documenting the purchase. Stock rooms have a University approved cost model that assures the costs being charged for the supplies fit the regulations surrounding such a purchase.

Purchases from Outside Vendors

Purchase of equipment and supplies should be budgeted in the award agreement and purchases need to be directly related to (allowable and allocable) the work of the proposed award.

Methods of Procurement - Goods

Currently, 3 methods are available for purchasing goods on campus: PantherBuy, PRISM, or a procurement card (P-card).

PantherBuy is the preferred method for purchasing on campus. To enroll in PantherBuy, visit [http://www.pantherbuy.pitt.edu/](http://www.pantherbuy.pitt.edu/).

Departments may use the Oracle PRISM financial system at the departmental level to purchase goods and services up to their procurement limits. Purchasing through PRISM allows the department to submit purchase orders directly to the vendor and record those transactions electronically. Information regarding setting up PRISM access can be obtained at [http://www.bc.pitt.edu/prism/](http://www.bc.pitt.edu/prism/) and [http://www.bc.pitt.edu/prism/faq.php](http://www.bc.pitt.edu/prism/faq.php).

For purchases over the department approval authority, departments may submit requisitions to the University Purchasing Department either electronically through PRISM or using a paper requisition. The preferred method is via electronic requisition in PRISM. For departments that must use a paper requisition, departments can obtain the paper requisition through Form Flow or from University Printing. Departments can obtain Form Flow documents through the FIS website at [www.fis.pitt.edu](http://www.fis.pitt.edu).

Departments may also use the University P-Card (procurement card). The policy related to P-Cards can be obtained from the following website: [http://www.pitt.edu/HOME/PP/policies/05/05-02-12.html](http://www.pitt.edu/HOME/PP/policies/05/05-02-12.html).

To determine if the P-Card is allowable for use on a grant or contract, appropriate applications and approvals must be in place. P-Card related forms can be found at [http://www.bc.pitt.edu/payment/forms](http://www.bc.pitt.edu/payment/forms).
Methods of Procurement - Services

Any service purchases should be established under contract. Standard University service contracts are located at [http://www.bc.pitt.edu/purchasing/forms.html](http://www.bc.pitt.edu/purchasing/forms.html) and at [http://www.bc.pitt.edu/payment/forms.html](http://www.bc.pitt.edu/payment/forms.html).

PRISM or the Disbursement process should be used as the payment mechanism for these contracts.

At times, an allowable cost needs to be purchased through a Disbursement request. Examples would be travel and business expenses, consultant payments and subcontract payments to other institutions. Disbursement Requests are prepared by a department administrator and are approved with an authorized signature by a knowledgeable department official. Approved Disbursements are forwarded to the Payment Processing Office for processing.

Back up receipts and/or other supporting documents must accompany all disbursement requests.

The Disbursement Request is included in the Form Flow software package available through FIS as mentioned above.

Procurement Limits

Current general limits on purchases at the department level are $5,000 for goods and $50,000 for services. Exceptions to these limits include:

- Restricted commodities: Purchases for restricted commodities (ex. Radioactives) follow the guidelines set by the areas responsible for those restricted goods. Please contact the University Purchasing Department using the Purchasing web inquiry system if you have any questions about purchasing restricted commodities.

- Prohibited commodities: Under Board of Trustees resolution, departments may not execute agreements for these commodities:
  - Construction
  - Physical plant maintenance, repair, or renovation
  - Financing
  - Securities
  - Outside counsel

- Dell Computer Purchases: Dell purchases for 20 computers or less must be processed at the department level.

Purchases may be done through the University Purchasing Department by submitting purchase orders to the centralized office in the Cathedral of Learning.

Procurement Assistance

The University Purchasing Department has general information concerning the purchase of goods and services as well as the appropriate forms to be used on the purchasing website. This information can be found at [http://www.bc.pitt.edu/purchasing/index](http://www.bc.pitt.edu/purchasing/index).

Purchasing has created a Products and Service Guides that can be used when conducting research on an intended purchase. That guide is located at [http://www.bc.pitt.edu/purchasing/arPsq.pdf](http://www.bc.pitt.edu/purchasing/arPsq.pdf).

For assistance on a specific purchasing issue, you may use the Purchasing web inquiry system at [http://www.bc.pitt.edu/purchasing/inquiries.html](http://www.bc.pitt.edu/purchasing/inquiries.html).