

## Cost Transfers

Cost transfers are a means of correcting errors and should not be used as a method of managing sponsored awards. The following information is provided for consideration when executing a cost transfer:

- Costs not allocable to a project cannot be transferred to that project, even temporarily. Instead, use an Institute discretionary account.
- Appropriate cost transfers must be made within 90 days of incurrence of the expense.
- Cost transfers must be supported by documentation that fully explains how the error occurred and a certification of the correctness of the new charge. An explanation merely stating that the transfer was made “to correct error” or “to transfer to correct project” is not sufficient.
- Transfers of costs from one project to another or from one competitive segment to the next solely to cover cost overruns are not allowable.

## Subcontractor Monitoring

Monitoring the performance of a subcontractor is the responsibility of the PI. Therefore, the PI:

- Must review and approve all subcontractor invoices for reasonableness.
- Must ensure that all required deliverables are met and/or received.
- Should work with their business managers to ensure the subcontractor has submitted required closeout reports.
- Should immediately notify Research Administration and Finance regarding concerns about possible non-compliance by the subcontractor.

## Cost Sharing

Cost sharing (cash and in-kind) is the specific portion of the project or program costs which are not funded by the sponsor, but which are funded by the Institute. If a sponsored project has a cost sharing component, the following applies:

- Appropriate approval is required for all cost sharing (mandatory and voluntary) at the time of proposal preparation.
- Cost sharing can't come from another federal project.
- If proposed, cost sharing must be provided.
- Unallowable costs cannot be included in the portion of costs shared by the University.
- Costs benefiting one project cannot be counted to fulfill a cost sharing requirement on another project.

## Responsible Conduct of Research

Rensselaer's commitment to research and to the sponsors that support the research enterprise goes well beyond financial and administrative obligations. Faculty and their staff must be familiar with the following policies and guidelines which support Rensselaer's research integrity commitment:

- Academic Freedom and Responsibility
- Dissemination of Scholarly Works
- Professional Ethics
- Rensselaer Research Diligence
- Conflicts of Interest or Commitment
- Mentorship of Students and Postdocs
- Human Subjects
- Animal Subjects
- Data and Records Management
- Environmental Health and Safety
- Intellectual Property
- Export Controls
- Use of Research Resources

**Policies and guidelines are located at:**

<http://provost.rpi.edu/>

<http://www.rpi.edu/research/office.html>

<http://finance.rpi.edu/update.do?catcenterkey=35>



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# SPONSORED PROJECTS GUIDE FOR PRINCIPAL INVESTIGATORS

**September 2009**

# GUIDELINES FOR PRINCIPAL INVESTIGATORS ON SPONSORED PROJECTS

The Principal Investigator (PI) is charged to conduct objective research that generates independent, high quality, and reproducible results. The PI is responsible for the management and integrity of the design, conduct, and reporting of the research project and for managing, monitoring, and ensuring the integrity of any collaborative relationships. Additionally, the PI is responsible for the direction and oversight of compliance, financial, personnel, and other related aspects of the research project and for coordination with school, department, center and central administration personnel to assure research is conducted in accordance with Federal regulations, as well as Institute and sponsoring agency policies and procedures.

## Proposal and Award Management

The PI coordinates proposal development, submission, account management and closeout activities with their department or center business manager.

### 1. Proposal Development and Submission

The PI should:

- Work with their department or center business manager to develop proposals that include sufficient time for review and appropriate Institute approvals.
- Meet all Institute, sponsor and project due dates.
- Determine that the level of effort required to complete the project can be met relative to existing effort commitments.
- Receive appropriate approval for all cost sharing (mandatory and voluntary).
- Recognize that his or her signature on a proposal demonstrates his/her responsibility to the sponsoring agency.
- Recognize s/he shares responsibility with their department or center business manager, and Research Administration and Finance, for management of sponsored projects.

### 2. Award Documentation

The following information should be reviewed and maintained for each award:

- Notice of Award: To confirm project deliverables, restrictions on project changes, and return of balances or carryover authority.
- Communications: Any correspondence among all parties that is related to the award.
- Expenditure Documentation: Demonstrates that expenditures charged to the award were approved by the PI and that the expenses are allowable, allocable and reasonable.
- All technical and financial reports with supporting documentation.

### 3. Account Management

The PI should:

- Identify significant dates and activities such as due dates for interim reports, final progress/technical reports, completed milestones and competing renewals.
- On a monthly basis, review and verify award expenditure reports with their business manager.
- Be aware of the funds available to support their projects.
- Review and approve documentation of project changes prepared and maintained by their business manager. Some project changes require prior approval from the sponsoring agency. For example:
  - Changes in key personnel; and
  - Significant changes in PI effort (often defined as the absence of the PI from a project for more than 3 months and/or a reduction in effort of 25% or more).

### 4. Award Closeout

At least 3 months prior to expiration of the award, the PI and their business manager should review the project's financial status. All necessary adjustments (e.g., journal entries, payroll adjustments) should be made to ensure an orderly closeout. In closing out an award, particular attention should be given to:

- Ensuring completeness, accuracy and allowability of all direct costs before the close of the budget period;
- Planning for updates to both payroll and procurement systems to ensure a smooth transition of financial activities to a new account number, if appropriate; and
- Assuring that subcontractors have or will submit all required deliverables and invoices.

When a sponsored project ends, or is transferred, certain other actions are required to ensure an orderly closing of the award. While these actions may vary by sponsor, the following are necessary for most projects:

- Final technical, invention and equipment inventory reports
- Final financial report

### Labor Verification

Effort reporting (labor verification) is a process mandated by the federal government to verify that direct labor charges to or cost shared on sponsored agreements are reasonable and reflect actual work performed. OMB Circular A-21 includes requirements for the reporting and certification of effort. All effort directly related to research and other activities must be

identified in the labor verification process. Rensselaer uses a plan-confirmation system to meet the A-21 requirements. Under this method, salaries and wages are distributed to activities based on estimates of the individual's planned effort. The employee's labor distribution is adjusted for any significant changes in actual effort and the actual effort of the employee is then certified on an after-the-fact basis via a labor verification statement. Standards include the following:

- The system reasonably reflects only the work activity for which the employee is compensated, including all of the work required for fulfillment of the employee's obligations to the Institute. Incidental activities for which the employee receives no additional compensation and external consulting "provided outside the institution for non-institutional compensation" are not considered when assessing the employee's total effort.
- It encompasses both sponsored and all other activities.
- An individual's workload reflects activities expressed as a percentage distribution, i.e. 100% of total effort.
- The system provides for modification of an individual's salary or salary distribution, commensurate with any significant changes in the employee's workload.
- Three times a year, a labor verification statement is signed by the employee, or employee with first hand knowledge of effort, using suitable means of verification that the work was performed, stating that salaries and wages charged or cost shared are reasonable in relation to the work performed.

### Direct Costs

Some expenses can never be charged to federal awards, and others can only be charged in certain circumstances. In general, direct costs:

- Must be specifically identified with a particular project;
- Must be allocable, or charged in proportion to their benefit to a project;
- Must be allowable (i.e., entertainment may not be charged to a Federal grant under any circumstances);
- Must be reasonable, reflecting the conservative actions of a "prudent person";
- Should be charged correctly the first time to avoid cost transfers; and
- Must conform to any limitations or exclusions in the award agreement.

Costs included in the Institute's F&A cost rate cannot normally be direct-charged to a federal award. Such costs include administrative staff, cell phone charges, office supplies, general purpose computers, etc.