



## Sponsored Projects Reference Manual

*Initial Release – Fall 2007*



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*<http://www.stevens.edu/osr/osrrefmanual.html>*

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*\*Special thanks to Maria Gutierrez, Alison Sylvester and Melissa Vinch for their help in formatting and producing this manual.*

# Table of Contents

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1. The Environment for Research	
Introduction	1-1
The Research Team	1-2
Role of the Federal Government – The Need for Regulation	1-2
Types of Sponsored Agreements	1-3
Sponsored Projects	1-4
The Difference between Gifts and Grants	1-4
Policy and Regulation – The Rise of Audit and Research Compliance	1-4
Institute Policy and Federal Regulations	1-4
Compliance	1-7
2. Cost Principles	
Introduction	2-1
What is OMB Circular A-21	2-1
Project Workflow	2-2
What is a Proposal?	2-2
Life Cycle of a Project	2-3
Preparation of the Proposal Budget	2-4
Preparations and Submission of the Proposal	2-6
Budget Preparation	2-6
Management of Project Expenditures	2-7
Special Requirements Related to Sponsor Notifications and Prior Approvals	2-8
3. Cost Sharing	
Introduction	3-1
4. Administrative Charging	
Administrative Expenses	4-1
Administrative Expense Criteria	4-1
5. Direct Charging	
Introduction	5-1
Flexibility	5-1
Salaries	5-1
Other Expenses	5-2
Other Salaries and Wages	5-3
Technical Materials	5-4
Telephone Toll Charges	5-4
Travel Costs	5-4
Subawards (Subrecipients)	5-5
Food and Beverages	5-6
Compliance with the Allocation and Documentation Standard	5-6
6. Cost Transfers	
Introduction	6-1
Criteria for Cost Transfers	6-1
Transferring Expenses off a Sponsored Project	6-3

7. Equipment and Property Management	
Introduction	7-1
Sponsor Terms and Conditions for Major and Minor Equipment	7-1
Types of Equipment	7-2
Disposition of Equipment	7-3
Sponsor-owned Equipment and Property	7-3
8. Project Monitoring	
Introduction	8-1
Overall Responsibility and Delegation of Authority	8-1
Pre-Award Costs	8-2
Spending	8-2
Late Expenses	8-3
No-Cost Extensions	8-3
Close-out	8-4
Record Retention	8-5
Audits and Auditors	8-5
9. Appendix A – Key References	A
10. Appendix B - Terms and Definitions	B

# 1. The Environment for Research

## Introduction

Stevens Institute of Technology is a multi-million dollar non-profit corporation. The Institute's revenue includes tuition and gifts, as well as funding from external research sponsors, including the federal government, industrial sponsors and foundations. The research enterprise can be characterized as a "cradle to grave" process. This process begins with a concept or idea that is turned into a proposal,

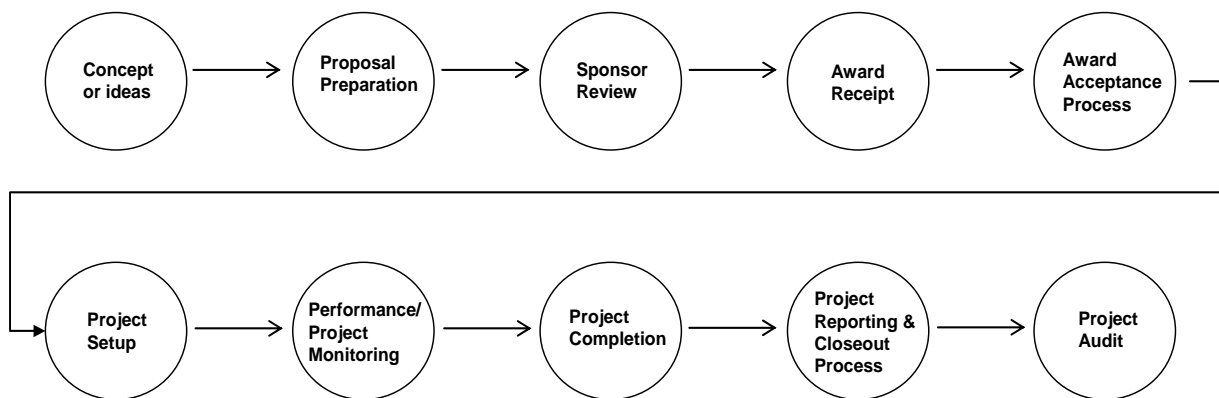
awards granted to the Institute and not individual PIs, PIs and administrative staff are not authorized to submit proposals, accept grants, or execute contracts on behalf of the Institute. Questions in this regard may be addressed to the Director of OSR.

### Award Acceptance Process

After a proposal has been approved by OSR and submitted

**Figure 1.1: Work Flow – Proposal to Closeout**

Each of the elements described in the overview below are described in more detail in subsequent chapters.



followed by an award, the performance of the project, and several other steps that ultimately lead to the closeout process. Understanding the entire process will help you to become a more effective researcher or research administrator.

The Principal Investigator (PI) has overall responsibility for the technical and fiscal management of a sponsored project, including the management of the project within funding limitations, and assuring that the sponsor will be notified when significant conditions related to the project status change. While responsibility for the day to day management of a project's finances may be delegated to administrative or other staff, accountability for compliance with Stevens' policy and sponsor requirements ultimately rest with the PI.

### Proposal Preparations and Processing

The Office of Sponsored Research (OSR) is the central administrative office responsible for submitting proposals and accepting awards on behalf of Stevens. Sponsored project proposals may only be submitted by and awards accepted by individuals authorized to sign the necessary documents. Because proposals are submitted by, and

to a sponsor, and the proposal is selected for funding, the negotiation and acceptance processes begin. Awards are reviewed and, if necessary, negotiated by the appropriate Institute official in OSR to ensure the terms and conditions are acceptable. The negotiation process can take as little as a few days or as long as several months.

### Performance/Project Monitoring

This is the core of research administration. While the research is underway, the project is being administered and monitored by expenditure statement certification, reconciliation of statements, and project reports. Activities such as subaward setup and monitoring and procurement of materials and supplies need to be performed during the course of the research.

### Project Completion

At the end of each project the Institute must go through the closeout process. It is important to submit all deliverables (including technical reports and patent/intellectual property reports) to sponsors in a timely manner and to assist OSR as requested, as all reports normally must be completed and submitted within 90 days of the end of the project.

## Project Audit

Every project's records must be kept a minimum of 3 years from closeout for audit availability, and longer in certain circumstances. Audits may be performed during the life of the project or at completion, and any specific project may be selected randomly for a systems audit.

## Your Responsibilities

It is the job of those who approve financial transactions for the Institute to uphold the stewardship responsibilities delegated by Stevens. These responsibilities are fulfilled by assuring that the expenditures are:

- Reasonable and necessary for the performance of the project.
- Consistent with established Institute policies and practices.
- Consistent with sponsor or donor restrictions.
- Applicable to the work of the Institute, which includes instruction, research and public service.

Everyone who authorizes the expenditure of Institute funds for any purpose must understand how the Stevens' accounting system (FRS) works, as well as the Institute policies and federal regulations which are implemented through the system.

## Key References

- OSR Home Page - <http://www.stevens.edu/osr/>
- 2 CFR 215 (OMB Circular A-110) - <http://www.whitehouse.gov/omb/circulars/a110/a110.html>
- 2 CFR 220 (OMB Circular A-21) - [http://www.whitehouse.gov/omb/fedreg/2005/083105\\_a21.pdf](http://www.whitehouse.gov/omb/fedreg/2005/083105_a21.pdf)

## The Research Team

The research projects at Stevens are accomplished by dedicated research teams typically composed of a principal investigator (PI), academic staff, and students; department/administration; and central administration.

The administrative responsibilities and roles of the research team can be described as follows:

### Principal Investigator

- Has overall responsibility for all aspects of the research project.

### Departmental/Center Administration

- Ensures compliance with award terms and conditions, Stevens' policies, and sponsor requirements.

- Processes transactions to support research initiated by the principal investigator and his/her designee.

### Central Administration\*

- Reviews, advises and approves proposals and purchases.
- Represents the Institute on behalf of Stevens based on transactions initiated by the department.

\* Central Administration includes the following offices that are involved in the administration of research: the Office of Sponsored Research (OSR), the Controller's Office, Payroll, Procurement, Internal Audit and University Research and Enterprise Development.

## Key References

- ▶ Office of Sponsored Research  
<http://www.stevens.edu/osr/>
- ▶ University Research & Enterprise Development -  
<http://www.stevens.edu/iti/>
- ▶ Controller's Office - <http://www.stevens.edu/fd/>

## Role of the Federal Government – The Need for Regulation

In FY07, Stevens had expenditures of more than \$20.7 million in external research and sponsored program funds. A significant majority of these funds came from the federal government. In its role as steward of the taxpayer's money, the government has a responsibility to provide principles for determining costs allocable to research and administrative regulations to augment those principles. The principles and research regulations are discussed in Chapter 2. The most significant for the research enterprise are the following:

- **2 CFR 220 (OMB Circular A-21):** [Cost Principles for Educational Institutions](#)
- **2 CFR 215 (OMB Circular A-110):** [Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations](#)
- **OMB Circular A-133:** [Audits of States, Local Governments, and Non-Profit Organizations](#)
- **Federal Acquisition Regulations:** [Contracting Requirements](#)

### Why do we have regulations?

Regulations serve to maintain the public trust; that is, trust in research results and outcomes; trust that human subjects and animals are given the best care and treatment; trust that public funds are spent for the benefit of all; and trust that scientific research is done responsibly.

Research administrators are charged with aiding the PI to ensure total compliance with regulations regarding research.

### **What are the consequences of violations of policy or regulation which occur during the course of a sponsored project?**

If a PI or his designate violated a regulation through a voluntary or involuntary act or omission, the individual and the Institute could face severe penalties which affect the entire research enterprise at Stevens, not just that particular project.

Consequences would include some or all of the following:

- More scrutiny by sponsors and audit agencies,
- Corrective action plans,
- More regulations,
- Fines and penalties,
- Disallowed costs,
- Loss of funding,
- Harm to the health and safety of individuals,
- Harm to Stevens' reputation,
- Currently funded projects terminated,
- Future funding declined.

### **Key References**

- 2 CFR 220 (OMB Circular A-21) - [http://www.whitehouse.gov/omb/fedreg/2005/083105\\_a21.pdf](http://www.whitehouse.gov/omb/fedreg/2005/083105_a21.pdf)
- 2 CFR 215 (OMB Circular A-110) - <http://www.whitehouse.gov/omb/circulars/a110/a110.html>
- OMB Circular A-133 - <http://www.whitehouse.gov/omb/circulars/a133/a133.html>
- Federal Acquisition Regulations - <http://farsite.hill.af.mil/>

## **Types of Sponsored Agreements**

When the government decides to fund research or other sponsored activities, there are several different types of awards that can be used. Assistance awards (grants and cooperative agreements) allow the most flexibility. Procurement awards (contracts) tend to be more restrictive because they normally require specific deliverables. Other Transaction Agreements (OTA's) are used in limited circumstances and are not the ideal vehicle for doing Institute research.

- Assistance Awards
  - **Grants:** A grant is defined as assistance bestowed without expectation of any tangible deliverables other than a final report. It is the appropriate agreement to use in a relationship between the

federal government and a recipient whenever:

1. The principal purpose is the transfer of money, property, services, or anything of value to the recipient in order to accomplish a public purpose of support, and
2. There is **no** substantial involvement anticipated between the government agency and the recipient during performance of the activity

- **Cooperative Agreements:** A cooperative agreement is defined as assistance that substantially involved the sponsor in the outcome of the research results. It is the appropriate agreement to use in a relationship between the federal government and a recipient whenever:
  1. The principal purpose is the transfer of money, property, services or anything of value to the recipient in order to accomplish a public purpose of support, and
  2. There **is** substantial involvement anticipated between the government agency and the recipient during performance of the activity.

- Procurement Awards

- **Contracts:** A contract is generally described as a procurement action. The sponsor is procuring research from the institution and acts as the technical overseer. It is the appropriate agreement to use in a relationship between the federal government and a recipient whenever:
  1. The principal purpose of the agreement is for the government to acquire property or services for direct benefit and use of the federal government, and
  2. There **is** substantial involvement between the governmental agency and the recipient during the performance of the activity.

- Other Transaction Agreements

- **An Other Transaction Agreement (OTA)** is generally described by what it is not – that is, it is not an assistance or procurement award. It is the appropriate agreement to use in a relationship between the government and a recipient whenever:
  1. Commercial technology is more advanced than military, innovative commercial products should be introduced rapidly, and non-traditional partnerships are most effective; and
  2. The government determines that the activity requires that standard terms (particularly intellectual property) are inappropriate for the award

The terms and conditions the Institute are required to follow varies widely among these different award types. Staff in OSR will provide information on any specific award.

Non-federal agencies are less precise in their classification of awards, but the Institute is still responsible for classifying these projects accurately in its accounting system.

## **Sponsored Projects**

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A sponsored project is defined as an externally funded activity governed by terms and conditions specified in a written agreement between the sponsor and Stevens. A gift, on the other hand, normally does not have any restrictions associated with its use. One role of OSR is to determine whether an award is a sponsored project or a gift. In some cases, this distinction is a difficult one. While the intent of the donor or sponsor may be taken into consideration, donors sometimes confuse the issue by using the word “grant” when the donation actually qualifies as a gift, or vice versa.

Characteristics of a sponsored project agreement include:

- Specific statement of work,
- Detailed financial accountability and/or reporting,
- Disposition of property,
- Deliverables, including a final technical report, and
- Period of performance.

Sponsored projects are typically awarded to Stevens in response to a proposal to accomplish a specific statement of work and commitment to a specified project plan. This statement of work is typically supported by both a period of performance and a line item budget, both of which are key to financial accountability. The written agreement typically includes detailed and complex financial accountability, including:

- Line item budget, including F&A costs,
- Specified period of time in which project funds may be expended, usually defined as “start” and “end” dates,
- Requirement to return any unexpended funds at the end of that period, and
- Regular financial reporting and the possibility of audit.

## **The Difference between Gifts and Grants**

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Correctly recording gifts versus grants is an important aspect of research administration. In the Institute’s accounting system, gifts are recorded in FRS in ledger 6 while grants (as well as other types of awards for activities that are separately budgeted and accounted for) are classified as either Research or Sponsored Programs, in ledgers 4 or 5. The initial responsibility for making a determination lies with OSR often in connection with the Controller’s Office. The proper classification is important both for the Institute’s financial statement and for the calculation of accurate F&A costs (often referred to as indirect costs).

## **Policy and Regulation – The Role of Audit and Research Compliance**

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Two very important infrastructure and support units to the research enterprise are Audit Services and the research compliance activities of the Office of Sponsored Research. The goal of these offices is to work with academic units to help them comply with the myriad of federal compliance regulations and with requirements for appropriate expenditure of federal (and other) sponsored funds. These offices will provide direct consultation and support to units as they develop departmental level tools to help ensure compliance.

### **Key References**

- Office of Sponsored Research - <http://www.stevens.edu/osr/>

## **Institute Policy and Federal Regulations**

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Federal and non-federal sponsored projects are sources of both restricted and unrestricted funds, depending upon whether the award is for research or other sponsored activities. Sponsored projects are externally funded activities governed by terms and conditions specified in a written agreement between the sponsor and Stevens.

Funding for sponsored projects is comprised of both direct and F&A (Facilities and Administrative) costs.

### **Direct Costs**

- a) Expenses that are specifically associated with a particular sponsored project or activity and can be directly assigned to that project or activity with a high degree of accuracy.

Example: On a sponsored project, examples of **direct costs** are labor and materials. One can directly associate the salary of a person working on a specific project; and equipment and materials purchased and specifically used on the project.

#### **F&A (Indirect) Costs**

- b) Institute expenses that cannot be specifically identified with a particular project or activity. Sometimes called “indirect costs” or “overhead”, these are the costs of administration, buildings, utilities, and many other expenses necessary for the operation of the Institute.

Example: One example of a F&A cost is utilities because they benefit many activities in a building. Separate utility meters could be installed in every room in the building to track power and water use, but that would be extremely expensive and impractical and would not measure usage for specific projects. Because individual F&A costs cannot be assigned to projects, the Institute calculates a rate to determine the fair share of F&A costs each project should be charged and negotiates this rate with the government. The rate is then applied to all sponsored research projects – including federal and non-federal sponsors.

*Everyone at Stevens, regardless of whether they work with sponsored projects, must understand the impact of sponsored projects on operating budgets through the F&A recovery process.*

#### **Your Role in Implementing Policy & Regulations**

You have an important role in implementing Stevens’ policies and federal regulations. Whenever you or an administrative person working for you orders supplies, authorizes the payment of salaries, reimburses a student, fills out an expense report, receives cash or checks, or performs any of the many tasks involving Stevens’ finances, you process financial data for the Institute. The Institute uses this information to manage its budget, and to be reimbursed for direct project costs and F&A costs from sponsors.

#### **Stevens Recovers F&A Costs from Sponsors According to Federal Regulations**

In 2007, the Institute expended \$20.7 million for campus activities from external sponsors to support the direct costs of sponsored projects. These funds included \$6.4 million from sponsors to pay for the F&A costs associated with those projects.

The federal government provides specific regulations regarding what costs are allowable and which are unallowable for reimbursement through direct and F&A

cost recovery. Many of the Institute’s fiscal policies mirror federal cost regulations.

**All Institute expenses (costs), regardless of fund source, are sorted and categorized according to classifications included in federal regulations, so the calculation of the F&A cost rate can be correctly determined. The Office of Sponsored Research is responsible for the calculations of the F&A rate and the classification of Stevens’ expenses into the A-21 categories.**

Consequently, each expense must be classified and coded properly according to the four cost principles (outlined below), which are incorporated in:

- Institute policy.
- Federal regulations which have been incorporated into Institute policy, such as OMB Circular A-21.
- The specific terms & conditions of each award.

#### **Four Cost Principles: Allowable, Allocable, Reasonable, and Consistent**

1. A cost is **allowable** when:
  - a. It serves an Institute business purpose, including instruction, research and public service.
  - b. It is permissible according to Stevens’ policy and federal regulations (regardless of whether or not it is a sponsored project).
  - c. It is permissible (for a sponsored project) according to the terms and conditions of the sponsored agreement.
  - d. Rules for allowability are covered in OMB Circular A-21
2. A cost is **allocable** if it relates to the purpose of the project. For a sponsored project, the cost must provide “benefit” to the project. In the case of a gift, it must correspond to the intent of the donor.
3. A cost is **reasonable** if a prudent person would purchase the item at that price. Determine whether a cost is reasonable by considering whether:
  - a. The cost is necessary for the performance of the activity.
  - b. Incurrence of the cost is consistent with established Institute policies and practices.
4. A cost is **consistent** when like expenses are treated in the same manner in like circumstances. For sponsored projects, consistency means that sponsors pay for cost either as a direct charge or as an F&A cost, not both directly and indirectly. The Institute establishes policies that, if followed, ensure consistency.

## What costs are specifically unallowable?

For costs reimbursed by the federal government and other sponsors;

Costs are specifically unallowable under two general conditions:

- 1) They are for an unallowable ACTIVITY (a function that is prohibited for reimbursement by Federal regulations and typically recorded in a separate account or identified by the department), or
- 2) They are for an unallowable TRANSACTION (something you buy, a line item general ledger code that is recorded in an account that is otherwise allowable.)

### Unallowable Activities Include:

- Alumni activities
- Organized fundraising
- Lobbying
- Commencement and convocation
- General public relations and alumni activities
- Certain student activities, e.g., intramural activities, student clubs
- Managing investments solely to enhance income
- Prosecuting claims against the federal government
- Defending or prosecuting certain criminal, civil or administrative proceedings
- Housing and personal living expenses of Institute officers
- Selling or marketing of goods and services (does not include selling goods or services internal to the Institute by its service centers)

All expenses in support of these activities are unallowable for federal reimbursement purposes. Unallowable activities are generally recorded in separate accounts specifically designated for these purposes. This will ensure that the transaction will not be charged to the government.

The federal government will not reimburse the Institute for these costs. However, these activities may be entirely appropriate and permissible Institute activities. In fact, many are necessary to the Institute's survival.

### Unallowable Transactions

In addition to the unallowable activities described above, certain costs are always unallowable, regardless of the activity they support. These "expressly unallowable" costs are listed in OMB Circular A-21. These costs are identified as unallowable by subcodes designed to segregate these costs from allowable costs. Expenses that

are unallowable for federal reimbursement include the following:

- Advertising (only certain types are allowable)
- Alcoholic beverages
- Entertainment
- Fundraising or lobbying costs
- Fines and penalties
- Memorabilia or promotional materials (allowable if used for "employee morale")
- Moving costs, if employee resigns within 12 months
- Certain recruitment costs, e.g. color advertising
- Certain travel costs, e.g., first-class travel
- Cash donations\* to other parties, such as donations to other universities, except for small contributions for purposes of "employee morale," e.g. a donation in lieu of flowers at a memorial
- Interest payments, except certain interest specifically coded as paid to outside parties and authorized by the Controller's Office
- Membership in civic, community or social organizations or dining or country clubs (seldom reimbursable by Stevens)
- Goods or services for the personal use of employees, including automobiles
- Insurance against defects in Stevens materials or workmanship

\*Stevens may not make cash donations to other parties due to its nonprofit status. Small contributions in lieu of material goods for employee morale, health and welfare purposes are not considered cash donations and should be coded using the general ledger code for employee morale, e.g., cash to a charitable organization in lieu of flowers as a memorials.

Specific subcodes that are used to identify unallowable costs are as follows:

- 4225 Alcoholic Beverages
- 4715 Membership – Other  
Membership dues to civic, community & social organizations
- 4742 Donation
- 4744 Fines and Penalties

It is crucial to code and categorize expenses correctly to comply with Stevens' obligations to the federal government for both direct and F&A (indirect) cost recovery. The Institute's ability to obtain federal grants and contracts is dependent upon its performance in meeting federal requirements.

The distinction between allowable and unallowable costs must be understood whenever Institute expenses are recorded. The integrity of the Institute's financial systems depends on the knowledge and skill of each of the individuals who process the thousands of daily financial transactions.

A particular concern at Stevens is the classification of travel and meeting expenses. Stevens' policy and procedures for charging such expenses appears at: <http://www.stevens.edu/fd/policies/travel.html>

In many cases the issue of determining whether a particular cost is allowable or unallowable is a complex matter. When in doubt, consult with an OSR administrator.

#### **Example A**

Costs unallowable for reimbursement by Stevens and the federal government:

A Senior Research Associate purchases a leather briefcase and would like to use Institute funds to pay for the item. The briefcase costs \$400.

**Explanation:** The cost is not reasonable. It is not necessary for the performance of the person's job and is not permitted by Institute policy because it is a personal item. It must be paid for by the individual.

#### **Example B**

Costs unallowable for reimbursement from the federal government but allowable for reimbursement by Stevens:

A faculty member is retiring from Stevens after 35 years of service to the Institute. A party is given in his honor.

**Explanation:** Although this is something the federal government should not pay for as a direct or F&A (indirect) cost, it may be an appropriate Institutional expense. The expenditure must be classified in a sub-ledger account type designated unallowable for reimbursement by the federal government.

Terms and Conditions of a Sponsored Project:

**Unallowable** costs may also be identified in the specific terms and conditions of a sponsored project. These can be more specific than those outlined in OMB Circular A-21.

For example, if a sponsor specifies that international travel costs cannot be charged to a particular project, then those costs may NOT be charge to that project, even though Stevens and federal regulation may allow them.

#### **Example C**

Costs unallowable for reimbursement by the sponsor but allowable for reimbursement by Stevens:

Your grant explicitly states NO TRAVEL OUTSIDE OF NEW JERSEY. You would like to travel outside the state to present a paper about your research.

**Explanation:** The expense is **unallowable** as a direct charge to the sponsor per the award terms and conditions. If you do travel for this purpose, the expense must be charged to a source where the travel is allowable, allocable, and reasonable.

## **Compliance**

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Compliance is an area of increased federal government emphasis, both in the areas of financial and programmatic compliance. Financial compliance normally is seen in the context of financial audits, both of systems and individual grants and contracts. Programmatic audits cover a wide range of activities, as described in OMB Circular A-133. The Circular applies to all sponsored activities where funding is derived from federal sources and includes a compliance supplement which specifies the auditors' areas of focus and the range of regulatory requirements placed on federal awardees.

Regulations affecting sponsored research programs may be imposed as a result of laws passed by Congress or policies set by executive agencies to achieve social or economic goals; they may provide protection and security to individuals and the country; or they may impact how science is performed.

The False Claims Act (31 U.S.C. §§3729-33) was enacted originally by the federal government during and after the Civil War to counteract fraud by government contractors. Its application has been greatly broadened and includes penalties for making a fraudulent statement to get a claim paid by the government. The False Claims Act also provides protection for employees who make "Whistleblower" claims against employers who make inappropriate charges to Federal programs. The impact on research in higher education is the potential for a false claims charge brought by an employee in connections with any invoice submitted to the government for payment. Financial compliance program at universities are one response higher education is making to prevent inappropriate charges. In addition, the U.S. Sentencing Guidelines, 69 Fed. Reg. 28994, 29019 (May 19, 2004), provide that a viable and active training program is a mitigating factor in any settlement amount imposed by the government.

On the programmatic side, there are a host of regulations which impose compliance requirements on recipients of funds for sponsored programs for research misconduct, including the falsification of research results. The

responsibility for compliance lies with the principal investigator as well as, or in addition to, the institution.

The National Council of University Research Administrators (NCURA), a professional development association for research administration professionals, has published [Regulation and Compliance: A Compendium of Regulations and Certifications Applicable to Sponsored Programs](#), which provides an overview of the range of compliance regulations applicable to sponsored programs. A few of the topics included are:

- Misconduct in science
- Financial conflicts of interest
- Care and protection of animals used in research
- Care and protection of humans used in research

This publication is available from OSR.

### **Misconduct in Science**

The federal government has adopted a formal statement on what constitutes misconduct in science (see 65 Fed. Reg. 22286), which the agencies are gradually adopting into their individual regulations. Stevens implementation of the misconduct in science regulations appear at [http://www.stevens-tech.edu/dof/fachand\\_handbook.html#\\_Toc483724766](http://www.stevens-tech.edu/dof/fachand_handbook.html#_Toc483724766)

### **Financial Conflict of Interest**

The National Science Foundation (NSF) and the National Institutes of Health (NIH) have adopted regulations on financial conflicts of interest by principal investigators and other key personnel responsible for proposing, conducting and reporting on the results of research. Stevens implementation of both agencies' regulations includes a requirement that the principal investigator and other key personnel provide information PRIOR TO THE SUBMISSION OF PROPOSALS on the extent (if any) of any financial holding or income which meet the government's thresholds (NIH and NSF thresholds are identical). Although any potential conflicts do not need to be resolved before submission of the proposal, disclosure in advance is required; resolution needs to be accomplished before any resulting award is available for expenditure. The OSR proposal routing sheet includes a place for the investigators to certify that they have provided such information.

### **Care and Protection of Humans Used in Research**

The Institutional Review Board (IRB) oversees research protocols involving all use of humans, or human bodily fluids or tissues, or information collected from humans. At Stevens, any of the above uses must be reviewed and approved by the IRB committee. For submission of research proposals to the National Institutes of Health, there is a requirement that all individuals working on human subject research (as described above) have

successfully completed a web-based training course on the use of humans as research subjects in advance of submitting a proposal. Note that OSR cannot sign and submit proposals to NIH when there is any individual included in the proposal who has not completed such a training course. Please contact Professor Zvi Aronson for further information regarding this matter.

## 2. Cost Principles

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### Introduction

The federal government issues awards for research on the following types of projects:

- **Assistance**
  - Grants
  - Cooperative Agreements
- **Procurement**
  - Contracts
- **Other Transaction Agreements**
  - Awards not subject to any of the standard federal requirements

For more detail on each of these types of awards, see Types of Sponsored Agreements *within Chapter 1*. The vast majority of awards to Stevens are classified as assistance, although the greater dollar value resides in contracts received by Stevens.

Consequently, the Institute uses the following federal cost principles in establishing its Institute procedures for administering all awards for research and other sponsored agreements:

- **OMB Circular A-21:** [Cost Principles for Educational Institutions \(2CFR 220\)](#)
- **OMB Circular A-110:** [Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations \(2CFR 215\)](#)
- **OMB Circular A-133:** [Audits of Institutions of Higher Education and Other Non-Profit Institutions](#)
- **FAR:** [Federal Acquisition Regulations](#)

### What is OMB Circular A-21?

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The Office of Management and Budget (OMB) is one of the agencies of the Executive Branch of the U.S. Government. OMB's predominant mission is to assist the President in overseeing the preparation of the federal budget and to supervise its administration in Executive Branch agencies. OMB evaluates the effectiveness of agency programs, policies, and procedures; assesses competing funding demands among agencies; and sets funding priorities.

Working cooperatively with federal agencies and non-federal parties, OMB establishes government-wide award management policies and guidelines through circulars and common rules. These policies are adopted by each grant-making agency and inserted into their regulations.

One of the OMB Circulars, designated as OMB Circular A-21, is titled *Principles for Determining Costs*

*Applicable to Grants, Contracts, and Other Agreements with Educational Institutions.* The cost principles in Circular A-21 provide the general accounting "rules" for colleges and universities. These principles define those costs that are allowable and allocable to the federal government. On August 31, 2005, the Office of Management and Budget relocated OMB Circular A-21 to 2 CFR (Code of Federal Regulation) to create a single location where the public could find both OMB guidance for grants and agreements and the associate federal agency implementing regulations.

The provisions of the OMB Circulars and the FAR are applicable to all agencies that award federal dollars. Stevens has translated these cost principles into its Institute policies.

Stevens receives funding from over 75 different sponsors, including federal agencies, foundations, not-for-profit institutions and for-profit companies. Each of these has the right to establish its own terms and conditions for its awards. In addition, each individual award may include specific terms applicable to that award.

The terms of an individual award take precedence over the general provisions of Circular A-21. For example, although travel is identified as an allowable cost in Circular A-21, a particular award may designate travel, or more likely foreign travel, as unallowable. In that case, Stevens may not charge those travel expenses to that project. A sponsor may also permit business class travel as appropriate for its award even though A-21 specifies that coach class travel is normally allowable. Similar types of provisions may pertain to the acquisition of permanent equipment.

Some awards contain provisions for "pre-approvals" of specified expenses, particularly on grants. Where required by terms of the award, Stevens **must** get the written approval of the sponsor's Grant or Contract Officer before incurring those expenses.

Stevens also accepts a fiduciary responsibility to use gift funds consistently with the intent of the donor and Stevens policies. The restrictions placed on any gifts to Stevens, or to any individual or department at Stevens, must be honored.

### Key References

- List of OMB Circulars – [http://www.whitehouse.gov/omb/grants/grants\\_circulars.html](http://www.whitehouse.gov/omb/grants/grants_circulars.html)
- Federal Acquisition Regulations – <http://farsite.hill.af.mil/>

## Project Workflow

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A sponsored project is composed of a number of individual activities or steps:

- Identifying the opportunity
- Preparing the proposal
- Reviewing and submitting the proposal
- Negotiating the award
- Establishing the account in the Institute's accounting system
- Expending funds to carry out the activities for which the award was made
- Reporting and close-out
- Audit

Each of these activities is discussed in detail, but the basic workflow is presented here:

- Identifying the opportunity  
Generally, a PI is aware of funding sources for his/her research but needs access to the appropriate application forms. In some cases, a research opportunity for a contract appears in "Federal Business Opportunities" (Fed Biz Opps, <http://www.fedbizopps.gov/>), formerly known as the Commerce Business Daily. In all cases, an agency is required to post its Notice of Research Opportunity in some format, generally as a web announcement. Stevens maintains a subscription to Community of Science (<http://www.cos.com/>) through which most federal and non-federal research opportunities can be accessed.

At this site, individuals may register their fields of interest and receive daily tailored email messages of opportunities. If you would like additional information on how to make the best use of COS, contact your OSR Representative.

In addition, the federal government has developed a link to federal funding sources in <http://www.grants.gov/search/searchHome.doc>. Over time, all agencies will use this grants.gov portal to post federal research opportunities.

Individuals may also search for funding opportunities by clicking on the particular sponsor's web site and searching within that agency.

## Key References

- Federal Business Opportunities – <http://www.fedbizopps.gov>
- Federal Funding Sources – <http://www.grants.gov/search/searchHome.doc>
- Community of Science – <http://www.cos.com>

- Basics of Proposal Preparation- <http://www.stevens.edu/osr/proposalprep.html>
- Government Printing Office Access (GPO Access) – <http://www.gpoaccess.gov/fr/index.html>
- Preparing the Proposal (Application) - [http://www.stevens.edu/osr/proposalprep\\_research.html](http://www.stevens.edu/osr/proposalprep_research.html)

## What is a Proposal?

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A proposal is a detailed request for funding prepared in accordance with the sponsor's instruction. A proposal must comply with Institute policies, as well as sponsor policies. It becomes an official offer and a record of what was promised by Stevens to a sponsor. A proposal must contain at a minimum, three components:

1. The OSR Proposal Routing Form: This form is for Stevens use only and includes the following:
  - Key information about the project, including the budget,
  - Sponsor deadline and mailing information,
  - Confirmation that the proposal has been reviewed and approved,
  - Certifications by the principal investigator.
2. Statement of Work  
The Statement of Work is the "what" and "why" of the project. Why should the work be done? It also contains the "how", "where", "when" and "who" of the project. What is the plan of action? How will the work be done? Where will the work be done? Who will do the work?
3. Budget  
The budget is the financial expression of the project and must include the following:
  - Estimated costs for the entire project period broken into "Direct" and "F&A" costs.
  - Justification for all costs, including all administrative charges.
  - Separate budgets for all collaborating institutions or entities ("Subrecipients")

Often the budget is the most confusing portion of the proposal to prepare. The budget should include all direct costs and F&A costs required to carry out the activity. Normally the budget categories include the following:

- Personnel costs
  - Faculty
  - Other research professionals
  - Graduate student research assistants
  - Project support staff

- Employee benefits
- Equipment
- Materials and supplies
- Travel
- Meeting expense
- Subawards (Subrecipient Agreements)
- Consultants
- F&A costs

The budget must also differentiate those direct costs that are subject to F&A costs and those that are not. Since F&A costs are applied on a modified total direct cost (MTDC) base, the non-F&A-bearing costs in the budget must be identified so that project F&A can be calculated. Non-F&A “modifiers” include tuition, capital expenditures, equipment, and sub-award expenditures in excess of \$25,000.

▪ **Reviewing and submitting the proposal**

Proposals, although prepared in the academic units, are submitted by Stevens and not by individual PIs. The OSR Proposal Routing Form is used to identify key elements of the proposal and to secure departmental, college, and/or lab/center approvals before the proposal is routed to OSR.

PIs and departments should allow adequate time for proposal review. Note that OSR requests *five business days* in order to provide a full and comprehensive proposal review and academic units may add review time to that. In addition, in the review process special approvals are often necessary, such as whether or not training in the use of humans as subjects has been completed on NIH proposals and whether financial conflict of interest disclosures have been submitted on NIH and NSF proposals.

A key element in proposal submission is whether or not the sponsor requires a paper or electronic proposal. It is becoming far more common for institutions to submit electronic proposals, and sufficient time to prepare a proposal according to individual agency electronic guidelines is critical. Proposers should advise their OSR Representative whether electronic or paper submission is required.

▪ **Negotiating the Award**

Awards are negotiated by OSR on behalf of Stevens. PIs and departmental personnel are not authorized to negotiate on behalf of the Institute or to sign sponsored agreements. In negotiating awards, OSR ensures that the terms and conditions are appropriate

for the Institute and do not compromise the fundamental policies of the Institute. In certain circumstances, the Institute may not be able to negotiate acceptable terms and the award is refused.

▪ **Establishing the account in the Institute’s accounting system (FRS)**

Accounting services are provided using Stevens’ financial record system, FRS. Sponsored project awards are entered into FRS by OSR, normally within one working day of the receipt of an award or the negotiation of acceptable terms and conditions.

▪ **Expending funds to carry out the activities for which the award was made**

The PI is responsible for the appropriate expenditure of funds, even when (s)he delegates that responsibility to others. At Stevens, a primary responsibility of an administrator is helping the PI determine which costs are allowable, allocable, reasonable, in accordance with the project budget, and which are not. It is important to recognize that the final responsibility, however, lies with the PI. More detail about the appropriateness of certain transactions is in the Project Monitoring section.

▪ **Reporting and close-out**

Responsibilities for submitting documents to meet award terms and conditions are split at Stevens, although the PI has the responsibility for timely submission. Depending upon the type of award [grant (G), cooperative agreement (CA), contract (C), other transaction agreement (OTA)], reports are due on a recurring basis during the life of the award and (normally) within 90 days of the final expiration date for all final documents. There are generally four types of reports, and responsibility for preparing those reports, along with the formal submission schedule at the Institute is described in Figure 2.1.

## **Life Cycle of a Project**

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At Stevens, the (PI) has overall responsibility for the technical and fiscal management of a sponsored project. This includes the management of the project within funding limitations and assurance that the sponsor will be notified when significant conditions related to the project status change. This section addresses specific responsibilities involving the financial management of sponsored projects. Again, while responsibility for the day-to-day management of project finances may be delegated to administrative or other staff, accountability for compliance with Stevens policy and sponsor requirements ultimately rests with the PI.

The lifecycle of a project is depicted in Figure 2.2.

**Figure 2.1: Formal Submission Schedule**

Type of Report	Submitted By	Typical Submission Dates During Award Period			Final Reports
		Grant	Coop. Agree.	Contract	
Technical (Progress)	PI	Annually	Quarterly	Monthly	Within 90 days
Fiscal (Financial)	Research Accounting	Quarterly	Quarterly	Monthly	Within 90 days
Property	OSR	Annually	Quarterly	Quarterly	Within 90 days
Intellectual Property (Invention)	OSR based on information provided by the PI	Annually	Annually	Annually	Within 90 days

## Preparation of the Proposal Budget

In proposing budgets for sponsored projects, the PI assures Stevens and the potential sponsor that project finances are represented as accurately as possible. In addition, specific requirement, including cost principles as defined by the federal government in Office of Management Budget (OMB) Circular A-21, must be adhered to at the proposal stage, as well as when funds are expended. It is important that actual project expenditures are consistent with the budget approved by the sponsor.

### A. Allowability

Proposals should not include expenses which the federal government (in OMB Circular A-21 or other regulations), or the sponsor has identified as unallowable. Similarly, expenses which are normally to be considered as F&A (indirect) expenses, e.g., certain types of office supplies and clerical salaries, may not be proposed or budgeted as direct expenses, unless they meet the criteria identified in Exhibit C to OMB Circular A-21, and written justification is included in the research proposal.

### B. Commitment of Effort

Proposals should accurately represent the amount of time that key personnel are committing to the project. In preparing proposals, PIs must be careful not to overcommit themselves or others. Commitment of effort must take into account the time required for teaching and campus citizenship. Federal regulations require a commitment of some effort on the part of the

PI during each project year. This effort may be expended during the academic year or summer and may be charged to the project or paid by the Institute and treated as cost sharing.

This requirement does *NOT* extend to

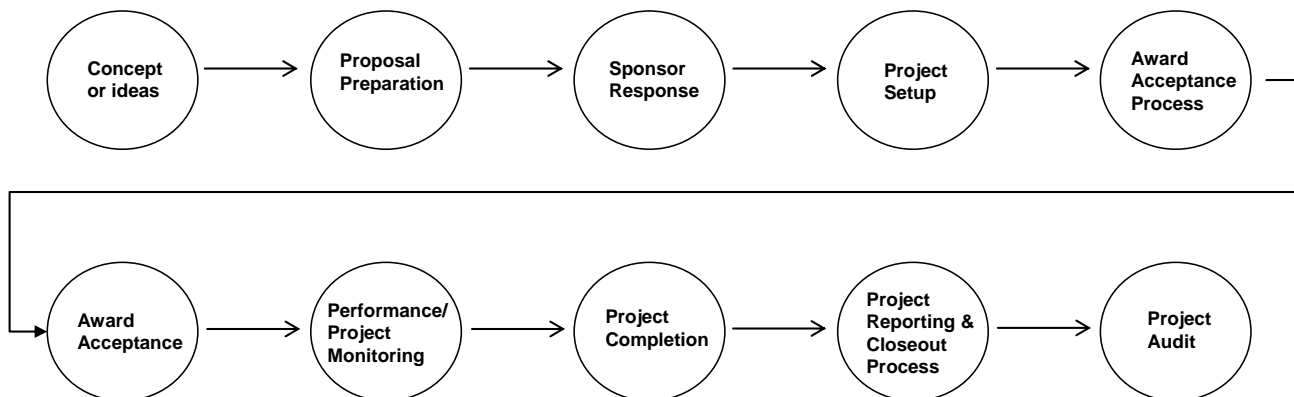
- equipment grants
- dissertation support
- limited-purpose awards characterized as Other Sponsored Activities, including for example, travel grants, conference support, etc.

Stevens discourages faculty from identifying effort to a project during the academic year if no salary is to be charged. In some cases, the sponsor may require a specific commitment of effort even though salary is not requested by the PI. Otherwise, a general statement that the PI will support the project during the academic year, but makes no explicit commitment of effort, should be included in the proposal.

### C. Cost Sharing

Proposed budgets should delineate the complete committed cost of the project, identifying the amount requested from the sponsor and other costs that Stevens explicitly commits to pay. A commitment to use Stevens resources to pay any portion of the project

**Figure 2.2: Life Cycle of a Project**



costs that would otherwise be borne by the sponsor must be identified and tracked as cost sharing. At the time such awards are finalized, PIs must assure that adequate funds are identified and separately budgeted to pay for the cost sharing of expenses. Voluntary effort above and beyond what was committed does not have to be treated as cost sharing and tracked in Stevens' accounting system. This effort is considered to be "voluntary uncommitted cost sharing" and is outside any effort that needs to be documented in the Institute's accounting system (See OMB Cost Sharing Guidance Document dated January 6, 2001).

#### **D. Estimating Methods**

When estimating dollars to be budgeted for project expenses, estimating methods must be consistent with Stevens accounting practices and must allow expenditures to be accumulated and reported to at least the same level of detail as the estimate.

#### **E. Budget Justifications**

Stevens is obligated to treat types of expenses consistently as either direct or F&A (indirect) costs. If a proposed budget includes the direct expenditure of project funds for costs that would normally be charged indirectly, e.g. clerical and administrative expenses, general-purpose equipment, or operations and maintenance, then those items must be supported in the proposal by an explicit written budget justification. In addition, when administrative and clerical costs are being proposed to a federal sponsor as a direct cost, the proposal must include an explanation of the activities and a justification which is consistent with the OMB A-21 description of "Major Project." (See Exhibit C to OMB Circular A-21).

In addition, Stevens is required to describe to its federal auditors practices that the Institute employs in seeking reimbursement of costs associated with its

sponsored projects to comply with Federal Cost Accounting Standards (CAS) included in OMB A-21. The four standards required of institutions of higher education are the following:

- 1. Consistency in estimating, accumulating and reporting costs**
  - The purpose of this standard is to ensure that each educational institution's practices used in estimating costs for a proposal are consistent with cost accounting practices used by the educational institution in accumulating and reporting costs.
- 2. Consistency in allocating costs incurred for the same purpose**
  - The purpose of this standard is to require that each type of cost is allocated only once and on only one basis to any sponsored agreement or other cost objective. The objective of this standard is to insure that costs which are charged to sponsored agreements are either a direct cost or indirect cost.
- 3. Accounting for unallowable costs**
  - The purpose of this standard is to facilitate the negotiation, audit, administration and settlement of sponsored agreements by establishing guidelines covering the identification of costs specifically described as unallowable to ensure that unallowable costs are not charged to sponsors.
- 4. Accounting period**
  - The purpose of this standard is to provide criteria for the selection of the time periods to be used as cost accounting periods for sponsored agreement cost estimating, accumulating, and reporting.

## Preparation and Submission of the Proposal

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The PI carries primary responsibility for the preparation of a proposal to an outside sponsor. At Stevens, the technical proposal is prepared by the PI, often with the help of other research personnel in the PI's department or laboratory. In large units, the budget and administrative details of the proposal may be handled by the Administrative Office or other support personnel. In all cases, however, the PI who certifies to the accuracy of the proposal is the formal responsible party.

### Key References

- OSR Proposal Routing Form – <http://www.stevens.edu/osr/proposalrouting.html>
- OMB Circular A-21 – [http://www.whitehouse.gov/omb/circulars/a021/a21\\_2004.html](http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html)
- Basics of Proposal Preparation- <http://www.stevens.edu/osr/proposalprep.html>
- Employee Benefit Rates – <http://gpoaccess.gov/fr/index.html>
- Policy on Faculty Effort Reporting - [http://www.stevens.edu/osr/docs/osr\\_time\\_effort\\_rep\\_033006.doc](http://www.stevens.edu/osr/docs/osr_time_effort_rep_033006.doc)

## Budget Preparation

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The largest category of expense on any sponsored program is normally personnel expense. Care should be taken in budgeting personnel to use current salaries as a starting point, with increases of normal increments for additional years of proposed effort. This is also the expense area most closely reviewed by sponsors and auditors. Special attention should be paid to the following:

5. Faculty effort, when requested, should be separated into academic year and summer effort. Note that when academic year effort is shown and not charged to the sponsor, this creates a cost-sharing obligation on the part of the Investigator and the Investigator's department. Stevens encourages faculty to not make an explicit commitment of academic year effort to a project unless it is required by the sponsor. This will avoid a commitment that must be treated as cost sharing.
6. Employee Benefit Costs. See the OSR table on Employee Benefits for current rates to use in any proposal. ([http://www.stevens.edu/osr/docs/FY\\_08\\_Fact\\_Sheet.rev1.xls](http://www.stevens.edu/osr/docs/FY_08_Fact_Sheet.rev1.xls))

### ▪ Subawards

Subaward is the term used when Stevens issues an award to another institution to help carry out the technical aspects of a project awarded to the Institute. Subawards are calculated with only the first \$25K of the subaward (regardless of duration) subject to the assessment of Stevens F&A costs. The proposed subrecipient, however, includes its total costs (Direct Costs + F&A) in its submission to Stevens for inclusion in the proposal ([http://www.stevens.edu/osr/docs/osr\\_guidelines\\_issuing\\_mon\\_0706.pdf](http://www.stevens.edu/osr/docs/osr_guidelines_issuing_mon_0706.pdf)). It is important to recognize that the subrecipient must submit a full proposal to Stevens, including the signature of the subrecipient's authorized institutional official, prior to Stevens' submission of the proposal to the sponsor.

### ▪ F&A Costs

Current and proposed future rates for F&A are shown at <http://www.stevens.edu/osr/directindirect.html>. Costs which are similar in purpose and circumstance as the costs included in the F&A rate should not be budgeted as direct costs. You should contact your OSR Representative for more information.

**Direct Costs** are expenses that can be identified specifically with a particular sponsored project or other direct cost objectives, such as Instruction, and can be directly assigned to such activities easily with a high degree of accuracy.

*Example: cost of materials used on a project*

**F&A Costs** are those that are incurred for common or joint objectives and therefore cannot be identified readily with a particular sponsored project. F&A costs are sometime called indirect (IDC) or overhead costs. F&A costs are recovered from sponsors as a rate applied to grants and contracts.

*Example: costs of buildings or utilities*

### Key References

- Facilities & Administrative Rates (Indirect Costs)- [http://www.stevens.edu/osr/docs/FY\\_08\\_Fact\\_Sheet\\_rev1.xls](http://www.stevens.edu/osr/docs/FY_08_Fact_Sheet_rev1.xls)
- Subawards (Subrecipient Agreements) – <http://www.stevens.edu/osr/subrecip.html>

# Management of Project Expenditures

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## A. Establishing your Award Budget (ABR2/ABR9)

Stevens allows a (PI) to establish his/her award in one of two ways when an agency does not impose specific restrictions on expense categories: (a) in a few very general cost categories (known as ABR9) or (b) in many discrete cost categories that reflect the detail in the proposal budget (known as ABR2). Normally, contracts must utilize ABR2, but most federal research grants may take advantage of ABR9. Your OSR representative will ask you which you prefer prior to establishing your award in the accounting system, FRS.

## B. Authorizations of Direct Charges

To authorize the expenditure of funds to be charged directly to sponsored projects, the originating department must assure that:

- The estimated charge is reasonable and necessary for the performance of the project.
- The expenditure is allowable by the sponsor, OMB Circular A-21 and Stevens policy.
- The expenditure is allocable to the project, i.e., provides benefit to the project, and is incurred within the period of performance.
- The funds are available within the authorized award amount and funding limitations.
- The justification for the expenditure is documented, including the relationship of the expenditure to the project.
- The method for distribution of costs is appropriate and documented.
- The charge is coded with the correct object code and charged to the correct award
- The charge has been processed through the appropriate Institute offices, where applicable.

## C. Review of Project Expenditures

Monthly Expenditure Statements, prepared and made available for printing by the Controller's Officer, are the official records of project expenses and the basis for cost reimbursements from the sponsor to Stevens.

Expenditure Statements for sponsored projects must be reviewed each month by a knowledgeable individual – i.e., the PI or designee – so that adjustments can be made in a timely manner and that rates of expenditures can be monitored to assure availability of funds.

Any questionable charges must be brought promptly to the PI's attention, and if needed, corrected by an appropriate transfer. Transfers should be initiated as soon as possible after a need had been identified. Whenever an expense is moved to or between sponsored accounts, the PI must assure that the project which ultimately pays the expense is the project which benefited for that expense, and that there is adequate documentation to support to appropriateness of the transaction. **There is an Institute and federal requirement that cost transfers be completed within 90 days.** See policy at [http://www.stevens.edu/osr/docs/osr\\_cost\\_xfer\\_pol\\_032706.doc](http://www.stevens.edu/osr/docs/osr_cost_xfer_pol_032706.doc)

## D. Certifications of Project Expenditure

Adequate explanation and documentation for all project charges must be maintained for three years after the submission of the final financial report. Where documentation and justification cannot be provided to confirm the allowability, allocability and reasonableness of any project expense, the sponsor may deny reimbursement or the expense may be questioned during audit. In this case, the PI, department/laboratory/center or school will be expected to cover the expense from unrestricted sources.

Each department/laboratory must maintain a system to retain support documentation for expenditures. Difficulties regarding the timely certification of expenditures should be discussed your OSR Representative.

## E. Charging Salary to Projects

Salary being charged to sponsored projects and committed cost sharing must be supported by documentation of corresponding appropriate level of effort.

## F. Charging Proposal Expenses to Ongoing Projects

Proposal preparation costs may not be charged to sponsored projects unless the proposal is being prepared for submission to a current sponsor for non-competing extension or continuation of its ongoing project. In those circumstances, it is appropriate to charge those proposal development costs directly to current projects. Costs for development of proposals for submission to other sponsors, or for work that is not a continuation of an existing project is not allocable to current projects and may not be charged to those projects.

## **G. Monitoring of Funds within Sponsor Funding Limitation**

PIs are responsible for the ongoing fiscal management of sponsored projects, including regular monitoring against project period budgets. Although sponsors allow certain flexibilities with respect to rebudgeting, unobligated balances, and pre-award costs, both Stevens and sponsors expect expenditures to be consistent with the approved project and budget. Some sponsors may question or restrict expenditures that appear inconsistent with the project plan and budget. PIs are obligated to request prior approval when budget and program plan revisions indicate a significant change in scope, change in PI or other key person or the absence of the principal investigator for more than three months. Indicators of a change in scope can include, for example, significant expenditures beyond that amount authorized on the award, or requests for additional funding.

It is Stevens' expectation that projects will be managed within their established budgets. If, as a result of unusual circumstances or unanticipated project expenses, an account is in deficit upon expiration of the term of the sponsored project, and if additional funds are not available from the sponsor, the PI is responsible for identifying department/center/school funds to cover the overdraft.

Since charges to clear overdrafts reflect direct project costs, they must not be transferred to other projects or be incorporated into cost pools which lead to F&A (indirect) cost recovery. These dollars represent project costs being borne by Stevens and therefore, must be accounted for in the same manner as cost sharing. The responsible academic unit must identify the source of funds to be used for the overrun to the Controller's Office and the Office of Sponsored Research. The department may then initiate the necessary expense transfer, including documentation of the nature of the expenses, noting they were legitimate project expenses but the funding was inadequate, and other reasons for the transfer.

The school is responsible for the timely clearance of any such unfunded expenditure from within its resources.

## **H. Over-expended Accounts**

The (PI) is responsible for staying within the budget allocated by the sponsor. OSR monitors accounts on a continuing basis and will "freeze" accounts so that expenses and obligations will not post to the account when the account is over-expended. It is then the PI's responsibility to transfer personnel and expenses to other projects or other Stevens budgets.

## **I. Project Close-Out**

In addition, PIs are responsible for overseeing the proper close-out of sponsored projects, including the timely submission of all required reports (including final technical reports and data needed by OSR to file the necessary patent/intellectual property reports). While OSR prepares and submits final administrative reports, including financial and property reports, they do so on the basis of documentation that is accurate, adequate and readily available. In addition, some financial reports may require the PI's signature.

If final technical reports are to be completed after the project end date, and funds from the project are available to pay these expenses, a No-Cost Extension should be obtained from the sponsor prior to termination to cover the expense of producing and distributing those reports. If funds are not available from the project, then the PI or the responsible department/laboratory must identify unrestricted funds to pay the final report costs.

## **Special Requirements Related to Sponsor Notifications and Prior Approvals**

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Remaining in communication with sponsors and with Stevens administrative offices is an important part of project management.

In all cases, required notifications or requests for prior approval of contract or grants actions, including those described in the sections below, should be made in writing or via an electronic request to both the administrative and technical officials in the sponsoring agency. Such requests must be coordinated through the Office of Sponsored Research.

### **A. Communication related to project and funding status**

Separate regulatory requirements exist for notification to the sponsor in the case of federal contracts and in the case of federal grants. In all cases, such notifications must be made on a timely basis, in coordination with the Office of Sponsored Research, in order to allow sufficient time to arrange for and process additional funds, or for the reduction in spending and effort in order to phase out the program in an orderly fashion if additional funds are not available. The PI's department head and school dean (or their designees) should also be informed, in advance, of potential funding problems.

## 1. Financial status of federal cost-type contracts

In the case of federal cost-type contracts (as opposed to grants), principal investigators must assure compliance with the Limitation of Funds and/or Limitation of Cost clauses which include the requirements that:

- a. The Contractor (Stevens) notify the sponsoring agency in writing at any time that there is reason to believe the total cost to the Government for the performance of the project will be greater or substantially less than the estimated cost, and further,
- b. The Contractor (Stevens) notify the sponsoring agency if, at any time, there is reason to believe that the costs which are expected to be incurred in the next succeeding 60 days, when added to all costs previously incurred, will exceed 75% of the specified estimated cost.

Failure to provide such notice may preclude Stevens from receiving additional funding on that contract.

## 2. Project and financial status of federal grants

OMB Circular A-110 lists administrative requirements for federal grants & cooperative agreements, and establishes that prior written approval by the sponsor is necessary in the following circumstances:

- a. Change in the scope or the objective of the project or program (even if there is no associated budget revision).
- b. Change in a key person specified in the application or award document (see discussion of changes in PI status below).
- c. Need for additional federal funding
- d. Transfer of funds allotted for training allowances (direct payment to trainees) to other categories of expense.

Prior written approval must be requested of granting agencies when either a significantly accelerated rate of project expenditures, or expenditures that are significantly behind budget projections, indicates that the scope of the project has been changed.

In addition, the specific award notice or the agency's policy manual or administrative guide may also establish requirements for communication with the sponsor during the course of the project.

## B. Changes in Principal Investigator status

In addition, sponsors often have requirements regarding notification or prior approval of changes in availability of the principal investigator.

For federal contracts and non-federal projects, the terms and conditions of the particular agreement will govern.

For federal grants & cooperative agreements, OMB Circular A-110 requires prior written approval from the awarding agency for either of the following circumstances involving the PI or approved project director:

1. **A reduction in time devoted to the project of 25% or more from the proposed and awarded level.**
2. **An absence from the project for more than three months.**

The PI, department chair, or administrative officer should contact the Office of Sponsored Research to coordinate securing required approvals in either of the circumstances above. If, in the original award, Stevens had committed to fund some of the principal investigator's effort as cost sharing and the PI reduces the overall committed level on the project, OSR will also negotiate reductions in levels of the cost-shared component of effort, as appropriate.

In addition, when a PI's faculty appointment will terminate prior to or during a project's period of performance, the PI and the PI's department must inform the Office of Sponsored Research to initiate contact with the sponsor.

Questions about these sponsor notifications should be directed to the appropriate OSR Representative

## Key References

- Personnel Leave Policies - <http://www.stevens.edu/hr/benefits.shtml>
- Stevens Institute of Technology – Cost Transfer Policy: [http://www.stevens.edu/osr/docs/osr\\_cost\\_xfer\\_pol\\_032706.doc](http://www.stevens.edu/osr/docs/osr_cost_xfer_pol_032706.doc)

# 3. Cost Sharing

## Introduction

Cost sharing is defined as the portion of a project or program cost not reimbursed by the sponsor. For example, assume that the total cost of the project is \$125,000. The sponsor pays \$100,000 and requires that Stevens contribute \$25,000. This \$25,000 contribution to the project constitutes cost sharing at Stevens.

### Why Does Stevens Cost Share?

This is a good question and there are two reasons.

- **Mandatory Cost Sharing:** The sponsor requires cost sharing as a condition of the award.
- **Voluntary Cost Sharing:** The sponsor does not require cost sharing as a condition of the award but Stevens offers cost sharing in the proposal budget.

Whether cost sharing is mandatory or voluntary, a commitment become binding once an award is made. In other words, a cost sharing commitment represents an obligation by which the Institute is bound. For this reason, Stevens strongly encourages limiting cost sharing to that which is mandated by the sponsor and strongly discourages offering cost sharing when it is not required by the sponsor, i.e. on a voluntary basis.

### Who is Responsible for identifying Funds for Cost Sharing?

Identifying and providing resources for cost sharing of direct costs is always the responsibility of the PI and this information must be included in the proposal budget. In the example above, the PI would be responsible for identifying \$25,000 as Stevens' contribution to the total cost of the project.

### How can I determine if the funds identified by the PI for cost sharing are eligible for cost sharing?

**Administrative requirements:** The administrative requirements for including cost sharing on federal grants and cooperative agreements are defined in OMB Circular A-110. Both in-kind and cash contributions by a recipient are acceptable as cost sharing when all of the following criteria are met:

- Verifiable from recipient records,
- Not included as contribution for any other federally assisted program,
- Necessary and reasonable for proper and efficient accomplishment of project or program objectives,
- Allowable charges under applicable cost principles,
- Not paid by another federal award (except as authorized by statute),
- Provided for in the approved budget when required by the federal awarding agency,

- Conform to other provisions in OMB A-110 as applicable.

### Cash Contribution

Stevens cash outlay, including the outlay of money contributed by third parties. For example,

- Tuition subsidies for graduate student RA effort (only identified as cost sharing when it is referenced in the research proposal)
- Explicit commitment to cost share salary/EB/F&A

### In-kind Contributions

Non-cash contributions – examples include equipment, supplies, or real property. For example,

- Donated materials and services

### Case Example

Professor Smith, from the Department of Biology, is submitting a proposal entitled “Developing New Therapies Using Stem Cells” to NSF. The total estimated cost of the project is \$125,000. The RFP to which he is responding has a requirement that Stevens cost share \$25,000.

### Cash Contributions:

Professor Smith indicates that he will devote one month to the project over the course of the academic year. Wendy Doolittle is one of Professor Smith’s Research Assistants and will be working full time on this project.

Are any of these dollars eligible for cost sharing? Yes, they are and here is why and how it works.

### ▪ Explicit commitment to cost share Salary/EB/F&A:

Professor Smith is committing one AY month to the project. AY faculty salaries are paid by Stevens from Institute funds. Therefore, Professor Smith’s salary for this month and the Employee Benefits and F&A costs associated with his salary can be used for cost sharing:

### Assumptions

AY salary (Professor Smith)	= \$45,000
Employee Benefits	= 20%
F&A	= 60%

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Professor Smith’s salary ((\$45,000 / 9 months) x 1 AY month.....	\$5,000
Employee Benefits @ 20%.....	\$1,000
Total Salary & EB.....	\$6,000
Facilities & Administration Cost @ 60%.....	\$3,600
Total.....	\$9,600

### In-kind Contributions

Professor Smith needs to inject stem cells into mice and plans to send the stem cell reagents to Biocompare, Inc. in California. Biocompare, Inc. has agreed to provide the materials for the reprocessing free of charge. The cost of these materials and supplies is \$2,180. To further extend his work, Professor Smith needs a Multiplex Quantitative PCR for which he has a quote for \$10,000. This equipment will allow him to quickly quantify nucleic acids for studying gene expression and he has decided to include this in his proposal budget. Professor Smith has a reserve of \$5,000 in a discretionary account. He has decided to contribute these dollars to the purchase of the Multiplex Quantitative PCR.

Are any of these non-salary dollars eligible for cost sharing? Yes, they are and he is how and why.

- **Equipment Purchase:** The \$5,000 from Professor Smith's discretionary account towards the purchase of the Multiplex Quantitative PCR equipment purchase is cost sharing provided the expense occurs after the date of the research award.
- **Donated materials:** Biocompare, Inc has agreed to provide materials required to process the stem cell reagents for Professor Smith's research. Ordinarily the charge for these materials would be \$2,180. Remember, Biocompare must provide explicit documentation of this contribution.

### Summary of Cost Sharing Contributions

Professor Smith – One month AY Salary/EB and F&A	= \$9,600
Wendy Doolittle – RA Tuition Subsidy	= \$6,300
Biocompare, Inc – Materials and Services Donation	= \$2,180
Equipment	= \$5,000
<hr/>	
Total Cost Sharing	= \$23,080

While we have seen several examples of sources that can be used for cost sharing, at Stevens the preferred order for cost sharing is the following:

- Tuition and fees
- Equipment
- Other expense categories

### What kinds of items are not eligible for cost sharing?

The following expenses CANNOT be offered as cost sharing commitments in sponsored proposals.

- **Funds from other Federally Sponsored Research Projects:** The PI may NOT utilize funds from one Federal award as cost sharing on another Federal

award. The PI may utilize funds from non-federal awards as the source of cost sharing on federal awards when specifically allowed by the federal sponsor.

- **Use of Stevens-owned equipment:** Cost sharing of equipment in current inventory *is not allowed*. The reason for this is twofold: (1) The sponsor is already paying for a portion of it through the F&A rate calculation and (2) the equipment was not purchased for use on this project.
- **Institute facilities such as laboratory space:** The use of Stevens' facilities is recovered from sponsors through the application of the F&A cost rate. Therefore, offering Institute space or facilities as cost sharing is forbidden as these costs are F&A costs, not direct costs.
- **Unallowable costs as defined in OMB A-21 Section J:** [http://www.whitehouse.gov/omb/circulars/a021/a21\\_2004.html#j](http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html#j)
- **Salary dollars above a regulatory cap:** As an example, NIH has a salary cap that limits the salary amount that may be awarded and charged to NIH grants and contracts. The Institute may pay an individual's salary amount in excess of the salary cap with non-federal funds. However, this differential cannot be used for cost sharing.

### Tracking Cost Sharing

Administrators must ensure that all cost sharing commitments (mandatory and voluntary) made as a condition of the award are met, properly recorded and documented.

### Stevens-Funded Cash Contribution

Professor Smith's Salary – 1 month. The PI must document and certify on his time & effort report that (s)he has expended one month's effort during the AY.

### Stevens Tuition Subsidies for Graduate Student Effort

The PI or department should document the name of the student, his/her percent of effort, the period of effort on the project and total amount of the subsidy provided during the period.

### Donated Supplied and Materials

Because this is not an expenditure made by Stevens, documentation from the donor which includes the value of the donated materials and supplies should be provided to OSR in writing to substantiate that the commitment has been fulfilled.

### Key References

- Cost Sharing - [http://www.stevens.edu/osr/docs/osr\\_cost\\_sharing\\_07\\_0106.doc](http://www.stevens.edu/osr/docs/osr_cost_sharing_07_0106.doc)
- Unallowable Costs as defined in OMB A-21 Section J – [http://www.whitehouse.gov/omb/circulars/a021/a21\\_2004.html#j](http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html#j)

## 4. Administrative Charging

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### Administrative Expenses

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#### Charging Administrative/Clerical Expenses

OMB Circular A-21 requires administrative and clerical expenses normally to be treated as F&A costs, not as direct costs, except when the expenses are used to support a major project or activity. Stevens requires that four criteria be met to direct charge administrative expenses to a sponsored project. (See Figure 4.1) The expense must be:

- Incurred for the performance of a major project or activity,
- Specifically identified in the proposal budget and justified as directly benefiting the project,
- Explicitly budgeted and approved by the sponsor, and
- Supported by a written budget justification.

This is one of the few Stevens policies that apply to federal awards only, unless a non-federal sponsor incorporates the rules of OMB A-21 into its award terms and conditions.

Examples of “major projects” where direct charging of administrative or clerical salaries may be appropriate is incorporated into OMB Circular A-21, Exhibit C. It is the responsibility of the academic unit to determine whether direct charging is appropriate and, if so, to retain proper and complete documentation for the charge.

#### Consistency

Costs which are incurred for the same purpose and in like circumstances must be treated consistently as either direct or F&A, and applied on a consistent basis throughout the Institute. Consistency can be achieved simply by following Stevens’ policies.

On projects where administrative costs can legitimately be charged directly, those expenses should be proposed (with justification) and, if awarded, charged as appropriate.

The administrative costs charged directly to the project must be consistent with the proposed budget and reflect actual work performed on the project.

If the sponsor disapproves of what has been proposed as an administrative direct charge, then that expense cannot subsequently be made to that project, not even under Expanded Authorities or to NIH modular grants.

This concept – of treating costs incurred for the same purpose and in like circumstances consistently – is a fundamental concept of the Cost Accounting Standards described in greater detail in Cost Principles: Preparing the Proposal Budget.

#### Key References

- OMB Circular A-21, Appendix A - <http://farsite.hill.af.mil/reghtml/regs/far2afmcfars/farfars/far/farapndx1.htm#P3354.625171>

### Administrative Expenses Criteria

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As indicated in the previous section, four criteria must be met to direct charge administrative expenses to a sponsored project. These criteria are described below in greater detail:

#### ▪ **Incurred for the performance of a major project or activity**

The administrative expense is for the performance of one or more of the activities or projects listed in the A-21 examples of a major project. In order for the administrative activity(ies) to qualify for direct charging to federal sponsored projects, they must be *significantly* greater than the routine level of such services provided by academic units.

#### ▪ **Specifically identified and directly benefiting the project**

The administrative expense can be identified specifically with a particular sponsored project or activity, or can be directly assigned to the project or activity relatively easily with a high degree of accuracy, and provide direct benefit to the project.

#### ▪ **Budgeted and approved by the sponsor**

The administrative expenses are explicitly listed in the approved proposal budget and are not specifically disapproved in the award notice. NIH modular grants or similar grant instruments do not require line-item budgets. (Note: Rebudgeting authority may be used to charge administrative expenses not included in the approved budget if specific rebudgeting authority for clerical and administrative expense is allowed by award and sponsor rebudgeting guidelines). However, since NIH modular grants are by definition small projects, administrative and clerical costs should not be directly charged to these awards.

#### ▪ **Supported by a written budget justification**

Explicit budget justifications for the administrative and clerical charges are included in the proposal. Stevens does require an overall justification in the budget narrative that identifies the project as major and describes those aspects of the project that make it major. NIH modular awards do not require additional line items but these awards should not be considered a major project.

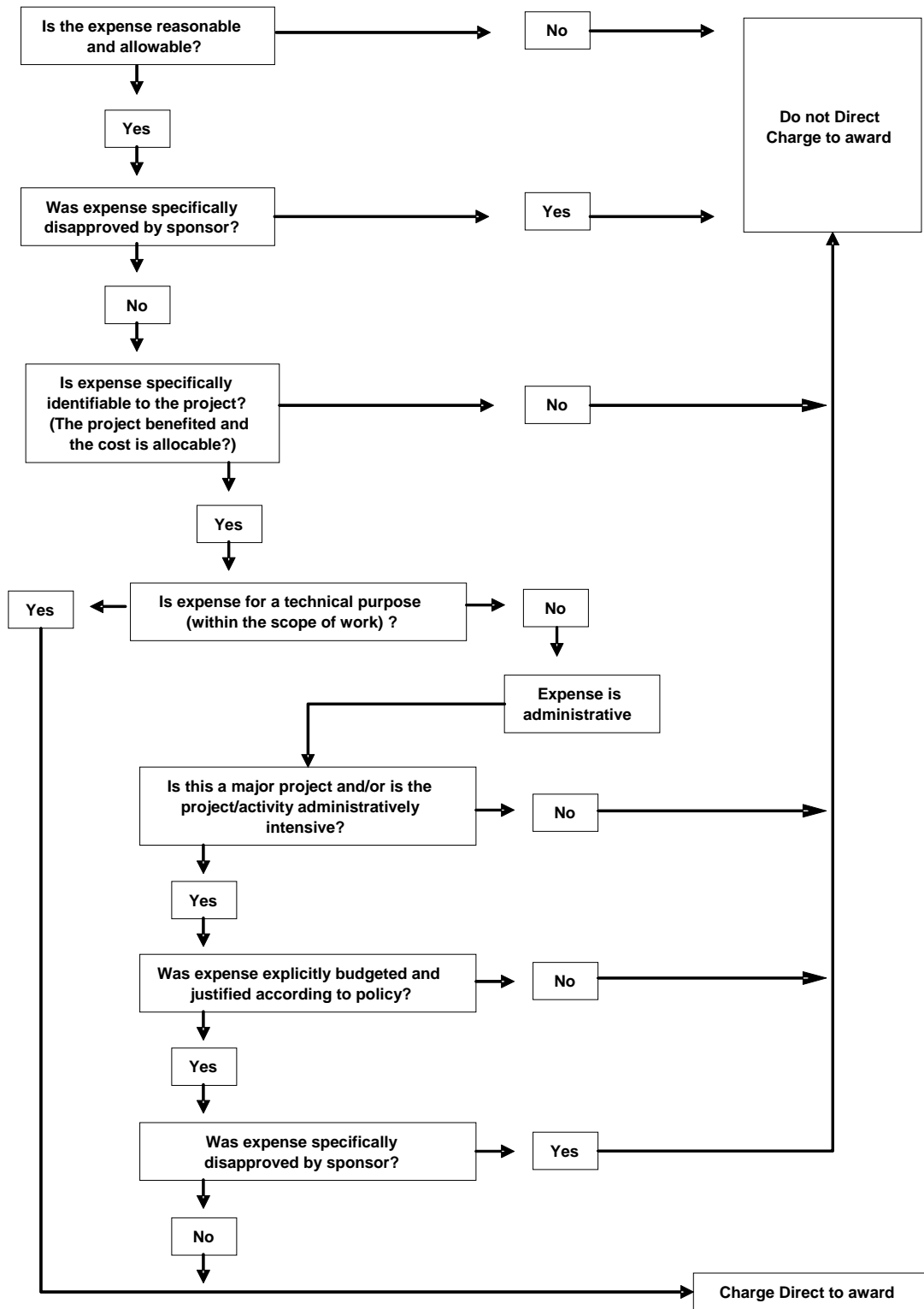
**Note:** When costs that are normally considered to be indirect (e.g. office supplies, postage, local telephone costs) are necessary for a project's technical scope of work, the project does not need to be major for those costs to qualify as technical costs and to be charged direct. They must, however, meet the other criteria (specifically identified to the project, explicitly included and justified in the budget) in order to be direct charged. Two examples are given:

- If a project requires a very large number of telephone surveys be conducted as a specific award requirement, local telephone costs may be appropriate.
- If office supplies such as file folders are used to organize printouts of spectrometric data, they may be considered "research supplies" and are allowable. However, the document used to acquire those supplies must specify the nature of their use.

If the administrative expense **does not** meet the criteria for direct charging as described above, the expense should not be proposed as a direct cost to the project.

**Figure 4.1: Charging Administrative and Clerical Expenses**

The flowchart below will help you determine whether you can charge administrative expenses to your project.



## 5. Direct Charging

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### Introduction

Direct charging of appropriate expenses to research awards is the normal process by which research expenses are incurred and the Institute reimbursed by the sponsor. Direct costs are those which can be identified readily and specifically with a particular sponsored project with a high degree of accuracy.

General categories of direct expense include:

- Personnel (faculty, graduate students, research assistants, postdoctoral and research fellow appointments, project support staff)
- Employee Benefit and Vacation Accrual Costs
- Equipment (items greater than \$5,000 unit cost)
- Materials and Services
- Travel
- Tuition

And may include:

- Meeting Expenses – Food and Beverages (if approved by the sponsor)
- Subawards
- Consultants

Each of these categories is more fully described further in this chapter,

Direct expenses charged to sponsored projects should be consistent with those included in the approved project budget. Direct charging of expenses at Stevens is accomplished by incurring expenses and assigning these to the appropriate research subcodes in the Institute's accounting system (FRS). The expenses posted to FRS subcodes in FRS are the official source of research project costs at Stevens.

### **Flexibility through the use of "Expanded Authorities"**

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One of the most advantageous changes in the last two decades is the adoption by the federal government of the so-called "expanded authorities," whereby federal agencies, at their option, are authorized to waive cost-related and administrative prior written approved requirements stated in OMB Circulars A-21 and A-110. The expanded authorities give the PI greater flexibility to expend project funds. For example, agency waivers may include authorizing recipients to do any one or more of the following tasks without seeking approval from the sponsor:

- Incur pre-award costs (at the recipient's own risk) up to 90 days prior to award.
- Initiate one-time extensions of the expiration date of an award of up to one year. (Must be done at least 10 days prior to expiration.)
- Carry forward unobligated balances to subsequent funding periods.
- Waive the prior approval requirements described in A-110 (for example, approval for foreign travel).

Note that these permissions are included in OMB A-110 and, thus, are not applicable to contracts. Further, agencies may decide not to allow any one of the above permissions if their regulations differ from these permissions. However, these requirements are the default in OMB A-110 for research projects. If you are unsure as to whether the expanded authorities apply to any specifically funded project, you should check with your OSR Representative.

### **Salaries**

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The largest category of direct project expense at Stevens is salary and benefits. The PI is responsible for reviewing salaries charged to projects. Percentages of salary charged to a project are validated and certified by the PI as a percentage of total salary (not as a specified number of hours) devoted to benefit the project, either as a direct charge or committed cost sharing.

When a PI manages a lab with multiple ongoing projects, the distribution of salaries of the PI, research assistants, researchers and other staff to the various projects must be carefully considered.

Charges for work performed on sponsored agreements during the academic year will be based on the individual's regular compensation for the continuous period which constitutes the basis of his salary. Charges for work performed on sponsored agreements during all or any portion of such period are allowable at the base salary rate. In no event should charges to sponsored agreements, irrespective of the basis of computation, exceed the proportionate share of the base salary for that period.

Further, charges for work performed by faculty members on sponsored agreements during the summer months will be determined for each faculty member at a rate not in excess of the base salary divided by the period to which the base salary relates. The base salary period used in computing charges for work performed during the summer months will be the number of months covered by the faculty member's official academic year appointment. For example, if a PI works on a sponsored project for one month during the summer, the maximum amount of salary chargeable to the

project is one-ninth of the academic year salary (assuming the academic year appointment is nine months).

If a principal investigator spends less effort on the project than proposed, then the PI and the responsible department should:

- Review and adjust salary charges.
- Review any cost sharing commitments.

In addition, for **federal awards**, the PI must notify the sponsor's administrative officer, i.e., the Grant Officer, in writing if he or she plans to reduce his or her level of effort by any significant amount from the awarded level. For example, NIH requires notification for a reduction of 25% or more. Therefore, a reduction of project effort from 40% to 30% (i.e. a decrease of 10 percentage points but a 25% reduction), requires advance notification and approval. Such notifications should be routed through your OSR Representative.

### **All communication with sponsors on other than exclusively technical matters should be coordinated with OSR!**

Such reductions may also involve cost sharing. If the PI's salary was being funded in part by the sponsor and in part by Stevens, a reduction in effort must be coordinated with the sponsor for appropriate adjustments to cost sharing. If this is not properly coordinated, the sponsor may require Stevens to meet its full original cost sharing commitment or reduce the level of project funding. Discuss any planned changes of this sort with the Office of Sponsored Research (OSR).

A complicating factor in charging faculty effort is the NIH cap on salaries, which limits the salary directly charged to NIH awards to selected Federal Executive Pay Levels and which generally vary from year to year. General principles with regard to the NIH cap include:

- The salary cap applies to the rate of total institutional salary paid to the individual. If a faculty member earning more than the cap charges 50% of his/her salary to a project, the salary charge is 50% of the cap amount – not of the full salary. For example, if the individual's salary is \$200,000 per year and the individual spends 50% of his/her time on the project, and the NIH salary cap is \$150,000 per year, the charge to the grant is 50% of the capped amount (\$75,000) and the effort devoted to the project remains at 50%. The difference between the NIH cap and the individual's regular salary (\$25,000) must be charged to discretionary funds.
- An individual's total Stevens salary is defined as the pay which an individual receives upon which benefits are calculated.

- Salary dollars above a salary cap level are **unallowable** costs, but they must be tracked and accounted for as part of Stevens Organized Research Base.
- NIH will fund the salary cap at the level in effect at the time of the expenditure. If, during the period of that award, the salary cap is increased, it is permissible to use rebudgeting authority to pay the salary to the higher level. NIH, however, will not award any additional funds for this purpose.

The amount of the NIH salary cap varies from year to year. Please consult with the Office of Sponsored Research for current NIH salary cap amounts.

A summary of NIH salary cap rates can be found at the NIH Office of Extramural Research website at [http://grants1.nih.gov/grants/policy/salcap\\_summary.htm](http://grants1.nih.gov/grants/policy/salcap_summary.htm).

## **Other Expenses**

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To authorize the expenditure of funds to be charged directly to sponsored projects, the originating department must insure that:

- The estimated charge is reasonable and necessary for the performance of the project and is incurred within the project's period of performance.
- The expenditure is allowable by the sponsor and, if charged to a federally-funded project, by OMB Circular A-21.
- The expenditure is allocable to the project, i.e., provides benefit to the project.
- The expenses do not exceed the authorized amount of funding on the award amount and adhere to other funding limitations.
- The justification for the expenditure is documented.
- The method of allocation of costs is appropriate and documented.
- The charge is coded with the correct subcode and charged to the correct account.
- The charge has been processed through the appropriate Institute system.

Expenses of a technical nature should be charged directly to sponsored projects if the expense can be specifically identified and provides programmatic benefit as described in

the project's scope of work. Direct charging of these costs may be accomplished through specific identification of the costs to the sponsored project or through service center charges, as appropriate under the circumstances. Examples of such expenses that may qualify as technical include the following:

- Salaries of technical staff, and related fringe benefits,
- Laboratory supplies (e.g., chemicals),
- Telephone toll charges directly related to the project,
- Animals and animal care costs,
- Travel costs directly related to the project,
- Specialized health and safety supplies, training, and services,
- Subawards,
- Equipment in excess of \$5,000 per unit cost.

The above expenses shall be charged using the appropriate general ledger code described and contained in the most current Chart of Accounts.

**Note:** this list does not include administrative charges but does include technical staff. As described in the Administrative Charging section and in the next section of this chapter, clerical and administrative staff may be directly charged only where the project meets the requirements for a major project defined in A-21, F.6(b) and the expense is properly justified and included in the proposal budget and approved by the sponsor.

## **Other Salaries and Wages**

Salaries and wages of technical staff should be charged to research cost objects to reflect the individual's activity on the project. Salaries shall – for research staff – reflect the appropriate salary of the individual(s). Faculty and graduate research assistants do not accrue vacation, and their salary charges should reflect the appropriate salary distribution for their activities on the project.

The following examples illustrate projects where direct charging of administrative expenses may be appropriate in that they require an extensive amount of administrative or clerical support that is significantly greater than the routine level of such services provided by academic departments. These examples are not exhaustive nor are they intended to imply that direct charging of administrative expenses would always be appropriate for the situations illustrated in the examples. The A-21 examples of a major project describe those situations that are administratively intensive and are not necessarily reflective of the amount of funding for the project.

The purpose and circumstances of the project and the nature of the administrative functions that relate directly to the project are the criteria that should be used to determine if the project is “major” and that the administrative expenses may be directly charged.

OMB Circular A-21 provides examples of major projects, as follows:

- Large, complex programs such as a general clinical research center, program projects, environmental research centers that entail assembling, managing and coordinating teams of investigators from a number of institutions, or large numbers of sub-accounts to manage, and many sub-allocations can make the project major. This is one of the few kinds of projects where it may be appropriate to charge all of the administrative costs directly to the project due to the complexity of the project.
- Projects that involve extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, searching literature, and reporting. When data entry relates to the project and is a significant part of the scope of work, it is a major activity. The data entry activity may seem administrative, but in this case, it is a technical part of the project. The cost associated with this activity can be charged directly to the project, as long as the other criteria are met.
- Projects that involve extensive travel and meeting arrangements for large numbers of participants. In the case of a travel grant where the purpose of the award is to set up a meeting to discuss the technical aspects of a project, all of the administration associated with that project can be charged directly to the project, as long as the other criteria have been met.
- If only a portion of the project involves extensive travel and/or meeting arrangements, then only the administrative expenses associated with making the travel and meeting arrangements constitute a “major activity.” Only the administrative expenses associated with the “major activity” can be charged directly to the project.
- If the principal focus of a project is the preparation of a large report, manual, or website (excluding routine progress and technical reports), it may be appropriate to charge administrative costs directly to the project.
- Projects that are geographically inaccessible. For example, if a project conducted in the Antarctic requires administrative work, it is reasonable to have an administrator or a copy machine there to perform administrative tasks. In that case, it would be appropriate to charge those costs directly, as long as the other criteria are met.

- Coordination of project-specific database management, individualized graphics or manuscript preparation, multiple project-related investigator coordination, or a large number of human subject or animal protocols to track.

The following is an excerpt from A-21, Exhibit C:

*“These examples are not exhaustive nor are they intended to imply that direct charging of administrative or clerical salaries would always be appropriate for the situations illustrated in the examples.”*

Many of these administrative activities seem routine and similar to general administrative support costs that are included in the F&A rate. However, because of the nature of the project and the fact that these administrative activities contribute directly to the technical scope of the project, it may be appropriate to direct charge the administrative costs, as long as the other criteria are met (i.e., the costs are included in the proposal budget, are properly justified, etc.). The purpose and circumstances described here are different than routine administrative and clerical costs, which should be treated as indirect costs.

## **Technical Materials**

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Technical material and supplies include:

- Non-capital (“minor”) equipment (any individual item of equipment costing less than \$5,000),
- Laboratory supplies,
- Other material as required by the project’s scope,
- Administrative expenses used for the project’s technical scope of work (such as file folders used to house data outputs such as spectrophotometric data runs).

This is a broad category of costs that contains all non-capital items as well as laboratory materials and supplies. The scope of work will determine the expenses in this category of costs. It is important to remember that when non-salary costs, normally considered to be indirect costs, are planned and used for the project’s technical scope of work, the project does not need to be “major” for those costs to be charged directly. However, the expenses must be specifically identifiable and directly benefit the project, included in the budget, be justified in the proposal, and approved by the sponsor.

### **Stevens Procurement Department**

Goods and services used for research (including technical materials) should be acquired using standard Institute policies and procedures.

## **Telephone Toll Charges**

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OMB A-21. F.5.b.(3) provides that telephone toll charges are an allowable direct expense to a sponsored project. However, local telephone costs (monthly charge for operating costs and equipment, installation, et.) should be treated as F&A.

## **Travel Costs**

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In most cases, domestic travel costs are allowable expenses against sponsored project cost objects. For most research assistance awards (grants and cooperative agreements), foreign travel is allowable without specific written authorization from the agency (the exception being Department of Defense awards). Foreign travel also is generally allowable on grants and cooperative agreements covered under the expanded authorities (See Direct Charging: The Expanded Authorities), but typically must be approved by the sponsoring agency (either in the original budget or by specific post-award request) when contracts are involved.

It is a requirement to use an American flag carrier for all travel directly charged to federal awards. Also, the airfare must normally be at the lowest available coach class rate. For overseas flights greater than six (6) hours, travelers can be reimbursed for flying business class when permitted by their department and funding source. Note, however, that travel in business or first class is **never** authorized for travel using federal funds. In such cases, the difference between coach and the higher class of service must be charged to a non-federal source. See <http://www.stevens.edu/fd/policies/travel.html> for more information.

Care must be exercised to ensure that, when traveling to a foreign destination, that travel is only (when federal funds are involved) authorized on American flag carriers. It is sometimes difficult – in these times of code-sharing between the United States and foreign airlines – to identify United States flag carrier because the domestic carrier may lease seats to a foreign carrier (and vice versa). If you are unsure whether any particular ticket for international travel is issued on an American flag carrier or not, consult with your travel agent or your OSR representative.

In determining whether any specific travel expense is a legitimate charge to a particular sponsored project, one must consider

- How does the travel benefit the project?
- Are there any travel restrictions?

Some sponsors may limit the amounts or types of travel which they will reimburse. Check the terms of the award, or the sponsor's guidelines, for particular provisions on travel expenses, pre-authorizations for certain types of travel, or line-time budget restrictions related to travel. All travel must directly benefit the sponsored project. ***Documentation of the benefit to the project must appear in the remarks section of the expense report.***

## **Subawards (Subrecipient Agreements)**

A subaward is an award made by Stevens to another organization (usually, but not always, a university) to help carry out the scientific and technical work under an award made by a sponsor to Stevens. When Stevens is the recipient of a prime award the organization which Stevens brings into the research program is known as the subrecipient and the award to the subrecipient is a subaward or subrecipient agreement. The technical language for such transactions appears in the federal regulations as follows:

A subrecipient is "the legal entity to which a subaward is made and which is accountable to the recipient for the use of the funds provided. The term may include foreign or international organizations at the discretion of the federal awarding agency."

When another institution or entity performs a portion of the work scope of a research project for which Stevens is the prime awardee, the Institute will incorporate in the proposal to the prime sponsor, the description of the work being performed by the collaborating subrecipient along with the budget. Stevens must also obtain a letter of commitment from the subrecipient's authorized representative. Once the award is made to Stevens, a subaward is issued by Stevens to the collaborating institution.

At Stevens, subrecipient agreements are executed by the Office of Sponsored Research. The OSR home page has information on how personnel in departments should prepare a request to have a subaward issued. It also explains the responsibilities assumed by the Institute for monitoring subawards, as required by the federal audit circular, OMB A-133, and the Compliance Supplement.

Remember that only the first \$25,000 of any subaward (regardless of its length) is subject to the assessment of Institute F&A. This is important for budgeting and charging purposes. The excess of \$25,000 is a modifier (i.e., excluded) from the Modified Total Direct Cost (MTDC) base and is therefore not subject to F&A for the life of the award/subaward.

One of the complexities with research collaborators is determining whether the relationship is a subaward

(subrecipient agreement) or a procurement (vendor) transaction. OMB A-133 describes the characteristics of each.

Characteristics of a subrecipient:

- Determines who is eligible to receive what federal financial assistance;
- Has its performance measured against whether the objectives of the federal program are met;
- Has responsibility for programmatic decision making;
- Has responsibility for adherence to applicable federal programs compliance requirements; and
- Uses the federal funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity.

Characteristics of a vendor:

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

It is important to recognize that any terms and conditions accepted by Stevens flow down to recipients of subawards. Award terms and conditions do not flow down to vendors or consultants.

In addition to ensuring that subawardees abide by the terms and conditions of the Stevens subaward, Stevens is responsible for ensuring that the federal funds it provides to another organization are spent in accordance with applicable laws and regulations. These subrecipients are monitored by Stevens, much as federal sponsors monitor the Institute. Additionally, any subrecipient is responsible to Stevens (including sending required reports to us) in the same way Stevens is responsible to the prime sponsor.

The Office of Sponsored Research is responsible for issuing subawards, at the direction and with the information provided by the PI or his/her designee. If the subaward needs to be modified, it must be done by OSR with a formal revision of the original agreement.

Some subawards, particularly those with commercial entities may be very difficult to negotiate and may take considerable time. This is sometimes the result of the complexity of the subawardee entity, but often may be

because the subawardee is a small business and not familiar with federal regulations. In such cases, Stevens must be careful in making subawards of the subawardee for consistency with federal costing principles before the award is made.

## Key References

- OMB Circular A-133 - <http://www.whitehouse.gov/omb/circulars/a133/a133.html>
- OMB Circular A-133, the Compliance Supplement – [http://www.whitehouse.gov/omb/circulars/a133\\_compliance/07/07toc.html](http://www.whitehouse.gov/omb/circulars/a133_compliance/07/07toc.html)

## Food and Beverages

Meals while traveling for a sponsored project are allowable; however, on-campus meals eaten at a local business are rarely allowed on federally sponsored projects. Food and beverage expenses are allowable if they are explicitly identified in the approved budget.

The one circumstance in which local business meals might be directly charged is described in OMB A-21 under the heading “Meetings and Conferences.” This section (J.32) states:

***“Costs of meetings and conferences, the primary purpose of which is the dissemination of technical information, are allowable. This includes costs of meals, transportation, rental of facilities, and other items incidental to such meetings or conferences. But see section J. 17 ‘Entertainment Costs’.”***

Expenses for food and beverages must include documentation substantiating the business purpose of the meal. This would typically include the description of the nature of the discussion, and relationship to the sponsored project if applicable, an agenda, a list of attendees, etc.

Auditors routinely question local food costs, and unless they find adequate documentation to show that the costs were associated with a bona fide technical conference or meetings, they may be disallowed. It is important to document how the food charges specifically benefit the project. If the research administrator knows in advance that a conference or meeting on campus with food service is necessary, then the expense should be included as part of the proposal submission so that it may be approved by the sponsor.

When United States government officials visit campus, the research administrator should avoid directly charging costs

for their meals. Typically, government officials are restricted from accepting meals and other benefits from recipients of federal funding. Most of Stevens’ federal sponsors who visit campus understand this rule, so they usually offer to pay for meals on campus, and it is appropriate to accept their payment.

## Compliance with the Allocation and Documentation Standard

This chapter has emphasized the need to charge expenses appropriately to sponsored programs. That is the core principle for sponsored research projects. However, OMB Circular A-21 identifies some flexibility which may be used under certain circumstances. Section C4d provides that:

***“if an individual cost specifically benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit. If an individual cost specifically benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then the cost may be allocated or transferred to benefited projects on a reasonable basis. This requires a methodology, documented at the time the cost is incurred, that allocates costs based on some common characteristic such as head count, square feet, or some other criteria that reflects the benefit received by the projects. The criteria shall be consistently applied regardless of the projects’ available funding.”***

This section of A-21 provides the PI with an opportunity to charge expenses to inter-related research projects using a method that is reasonable but less burdensome than specific identification. For example, if laboratory supplies bought in bulk benefit four of a PI’s inter-related projects, these costs may be assigned to each project on some reasonable basis, for instance the cost may be assigned proportionately to each project’s share of the total expenses for the inter-related project. If project #1 represents 30% of the aggregate expenses of the four projects, it would be reasonable to charge 30% of the laboratory supplies to project #1. Using this method, it wouldn’t be necessary for the PI to track the precise amount of lab supplies used by each project.

## 6. Cost Transfers

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### Introduction

A cost transfer is a reassignment (transfer) of charges within or between accounts. They are created in departments, labs, or centers to bill inter-departmental costs, to adjust billing errors, or for other reasons associated with the department's regular financial operations. When cost transfers to move expenses involve sponsored projects it is critical that the transfer meets the rules for allowability, allocability, reasonableness and consistency (See Chapter 1: The Environment for Research).

A journal voucher is the document used to process a cost transfer. Although costs should always be charged to the correct account when they are incurred, cost transfers are sometimes necessary.

### When Are Cost Transfers Allowed?

Stevens allows cost transfers involving sponsored projects only in special circumstances, including:

- Error correction.
- Transfers between cost objects of the same sponsored project.
- Costs benefiting more than one sponsored project.
- Clearing potential or actual overruns (See Chapter 8).
- Disallowed costs, e.g., equipment purchased for a project but disallowed by the sponsor must be transferred to a non-sponsored cost object.
- Transfer of retroactive expenses on a project necessitated by a delay in finalizing contract negotiation.

Any time you initiate a transfer, you invite the assumption that the transaction was not handled properly initially. If expenses are being transferred to a sponsored project, there will be considerable scrutiny of the reasons for the transfer, and the justification for moving those charges.

### Justification of benefit is essential

Be ready for a review. The reasons for transfers will always be reviewed, BUT when the transaction is clearly not timely (more than 90 days after the original posting to an account), that transfer may get more scrutiny.

## Criteria for Cost Transfers

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### What are the criteria for a cost transfer involving sponsored projects?

Cost transfers must be:

#### 1. Timely

- a. Cost transfers should be prepared and submitted as soon as the need for a transfer is identified but no later than 90 days after the original posting.

- b. Cost transfers exceeding this time frame will require additional documentation as to why the transfer request was not made on a timely basis.

#### 2. Fully Documented

Cost transfers must contain a justification that clearly shows:

- Benefit to the receiving project.
- Allowability and allocability to the new sponsored project.
- Reason for transfer.
- Systemic causes are corrected so they will not recur.
- The reason for any delay in the timely processing of the transfer.
- It was reviewed by a knowledgeable person (PI).

#### 3. Conform to Institute and sponsor policies (including the rules for allowable, allocable, reasonable and consistent)

#### 4. Have appropriate signatures

### What does a good justification include?

Cost transfers must contain a justification that clearly shows:

- Benefit to the receiving project,
- Allowability and allocability to the new account,
- Reason for transfer,
- Systemic causes are corrected so they will not recur, and
- It was reviewed by a knowledgeable person (PI).

A good justification will allow anyone reviewing the cost transfer to understand how the expense benefits the receiving sponsored project.

It should answer: **who, what, where, when and why**. It should be easily understood by anyone reviewing the journal voucher (think, "if I leave, will an auditor be able to understand this two years from now?"). It may include documentation to support the justification.

Some examples of documentation are:

- Allocation methodology.
- An invoice or packing slip.
- Notes on an expenditure statement, "per PI...".

## Cost Transfers: Examples

### Example 1

#### Inadequate

*“To allocate chemicals from department account to the appropriate account”*

#### Better

*“Department X used a department general account to collect all department chemical charges. All charges to sponsored projects were proposed and approved consistent with Stevens and sponsor policy and included were included in the proposal budget. Documentation, including allocation methodology, is in the departmental files.”*

The inadequate justification does not address the questions of whether or not the chemical charges are allowable and allocable to the account to which they are being charged through the cost transfer.

The better justification states that the department is aware of the documentation requirements for these charges, attests that all requirements have been met, and states where the documentation records can be found. The length of a justification is irrelevant. A justification must include the pertinent facts, be succinct, and be easily understood by anyone who may read it now and in the future.

### Example 2

#### *Does this journal voucher explanation provide adequate justification?*

Lab A purchased \$600 in lab supplies in June, 2006. they processed a journal voucher in October 2006 for the supplies, stating in the remarks that “per a conversation with the PI, it was determined that these expenses were charged to an old account in error. This journal entry is to transfer that expense to an appropriate account for a different project.”

#### *Would you accept this as adequate justification?*

- Did they state the original error?
- Is the expense allocable to the new account?
- Was the transaction documented and processed in accordance with policy?

#### *This journal entry would not be accepted as adequate documentation for this transfer for the following reason:*

- Based on the information provided, it is unclear how to evaluate the appropriateness of the transaction. (How did the PI know that those

supplies benefited the other project? Did (s)he review an expenditure statement? Project Budget?)

#### *Why is it important to have timely, well-documented and carefully justified cost transfers?*

- 1) Any time a transfer is initiated, the assumption is that the transaction was not handled properly initially. If expenses are being transferred onto a sponsored project account, there will be considerable scrutiny of the reasons for the transfer and the justification for moving those charges.
- 2) Frequent and poorly documented cost transfers may indicate problems in the management of research.
- 3) Federal auditors scrutinize more closely the allowability, allocability, and reasonableness of cost transfers.
- 4) Federal research sponsors are giving increased attention to the reason behind cost transfers from and to sponsored projects.
- 5) There is a significantly increased audit risk for cost transfers made over 90 days after the expense has been incurred and posted.

## Cost Transfers: Summary

When preparing a journal voucher to transfer an expense, review the transaction and the documentation provided to support it.

Have you clearly shown that:

- The expense directly benefits the receiving project.
- The expense is allowable on the receiving account (including Administrative Charges policy).
- There are no restrictions which preclude this transfer (e.g., restrictions on travel or equipment).
- The transaction meets all sponsor requirements.
- The transfer complies with all Stevens policies.
- The reason the expense was charged incorrectly to the first cost object.
- The reasons for any delay in a timely processing of the transfer.
- Any systemic problems which might cause this problem to be repeated have been addressed.

# Transferring Expenses off a Sponsored Project:

Figure 6.1: Before the end of the project period

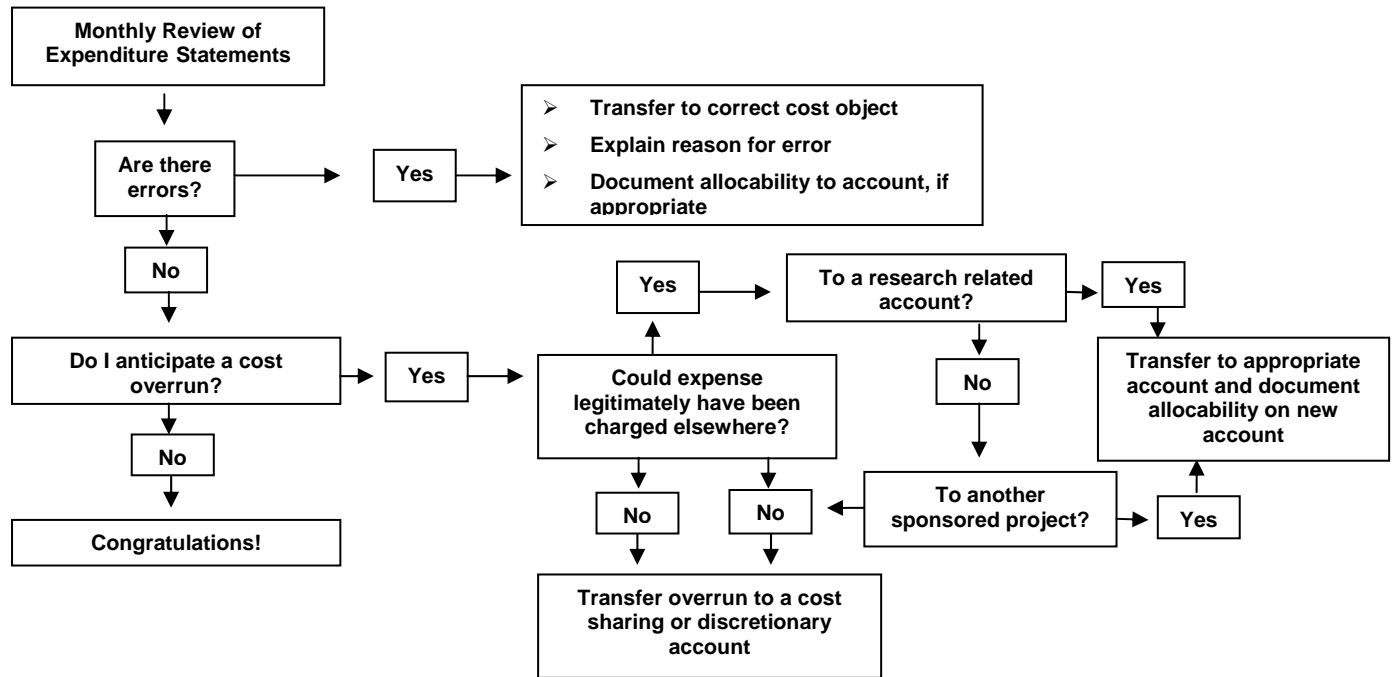
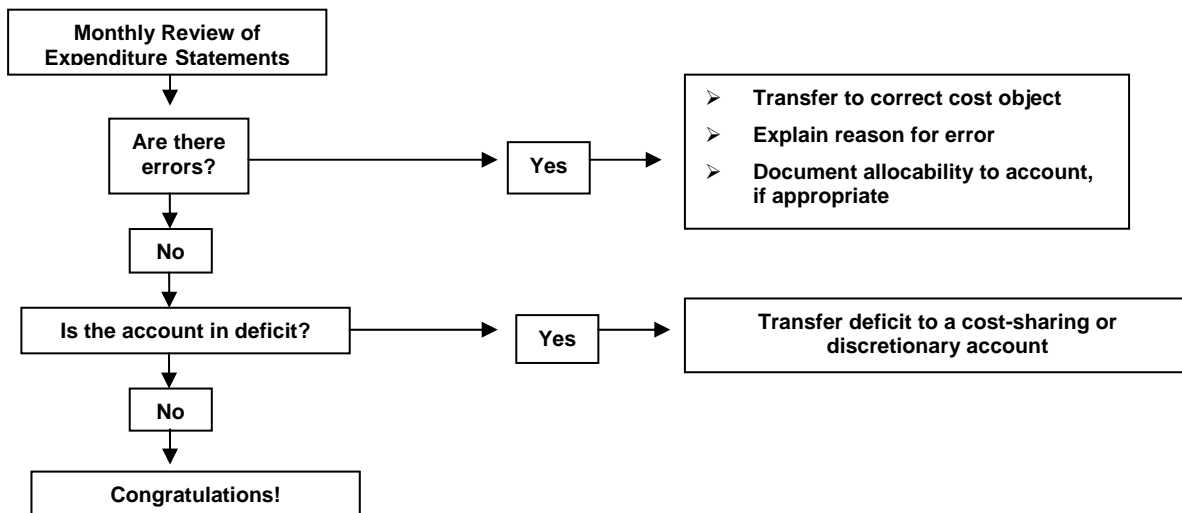


Figure 6.2: After the end of the project period



## 7. Equipment and Property Management

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### Equipment

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#### Introduction

Equipment is an article of nonexpendable tangible personal property. Stevens further distinguishes between capital equipment (unit cost of \$5,000 or greater) and minor equipment (unit cost between \$500 and \$4,999).

In addition, equipment:

- Must have a useful life of more than one year; and
- Must not be affixed to the building or structure (Example: an air conditioning unit that you install into a window that can be removed and placed in another window would be capital equipment, but paying for ducting and vents and installing them into the roof/ceiling, etc. would be a facilities project, not equipment, because the building shell had to be modified.)

#### Capital (Major) Equipment

Federal government regulations and those of Stevens define capital equipment as items that have an acquisition cost of \$5,000 or more per unit.

The federal government does not allow capital equipment to be included in the Modified Total Direct Cost (MTDC) base. It is for this reason that F&A cannot be recovered on the capital equipment charged to research awards.

#### Minor Equipment

Minor equipment is defined as equipment with an acquisition cost between \$500-\$4,999 and a useful life of more than one year. Minor equipment is included in the Modified Total Direct Cost base. Therefore, F&A is applied to minor equipment charged to research awards. Minor equipment is not subject to sponsor requirements governing capital equipment.

### Sponsor Terms and Conditions for Major and Minor Equipment

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**Purchases of capital equipment are subject to agency/sponsor regulations and award terms and conditions. Requirements associated with the purchase of minor equipment are consistent with those for materials and services.**

It is important to check the terms and conditions of any particular award for information related to the acquisition, ownership, and disposition of capital equipment. Some awards do not allow the purchase of particular types of equipment, general purpose equipment for example, while other awards are made specifically for the purchase of

equipment and do not permit other types of expenditures. Some awards require pre-approval by the sponsor before equipment may be purchased.

### Purchasing Equipment on Sponsored Research Projects

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Prior to purchasing any equipment for a sponsored project the following questions should be asked

- Is the equipment necessary for the performance of the project?
- Is this equipment allowable? (according to sponsor's terms and conditions)
- Is the equipment purchase reasonable?
- Is this equipment purchase allocable to the project?
- Is the timing of the purchase consistent with the period of performance? (i.e. not purchased at the end of the project)

#### Is this equipment allowable?

Equipment that is purchased on a sponsored project must be necessary for the performance of the project and be consistent with federal regulations, the requirements of the sponsor and the terms and conditions of the award to which the equipment will be charged.

When it is anticipated that the performance of a sponsored project will require acquisition of equipment, the PI and the department administrator should review the program announcement, solicitation, sponsor's policy, etc. to ensure that the equipment is allowed on the project prior to submitting the proposal. In some situations, the sponsor will require a detailed listing and written justification for all equipment purchases.

Prior to making any equipment purchases the PI and the department administrator should review the terms and conditions of the award to make sure that there are not any sponsor provisions that precludes the equipment purchase without sponsor approval.

#### Is this equipment purchase reasonable?

The purchase of equipment must be reasonable with respect to timing and cost. If equipment is necessary for the performance of a project, it is anticipated that the equipment will ordinarily be purchased in the initial stages of the project, not at the end of the project. The purchase of equipment should also be reasonable with respect to cost. While it may be impossible to precisely budget for the acquisition cost of the equipment at the time the proposal is submitted, under normal circumstances the

actual purchase price of equipment should approximate the amount in the approved award budget.

Also, it is important for the PI to review the sponsor policy and terms and conditions of the award before using funds approved for equipment purchases for other purposes, or to use other award funds to purchase equipment. Sponsor policies and award terms and conditions vary in the amount of flexibility that the PI has in rebudgeting award funds between various cost categories.

### **Use of Equipment During and After the Period of Project Performance**

The PI and department administrator should review the sponsor policy and award terms and conditions to determine what restrictions, if any, exist for the use of equipment. The primary use of equipment purchased on a federally sponsored project should be for the performance of that sponsored project. However, federal regulations include a “hierarchy of use” that permits the equipment to be used for other federal projects; first on other projects funded by the agency that paid for the equipment and next on projects funded by other federal agencies.

After the period of performance there is typically no restriction on Stevens’ use of sponsor-funded equipment if Stevens retains title. When the sponsor retains title to the equipment it has funded or furnished, the sponsor’s policies and award terms and conditions should be reviewed to determine the appropriate use and disposition of the equipment.

For questions regarding inclusion of equipment items in proposals, contact your OSR Representative. For questions regarding equipment purchases, tagging and recoding, contact the Procurement Office.

## **Types of Equipment**

**Special Purpose Equipment** is equipment used only for research, medical, scientific, or other technical activities.

**General Purpose Equipment** is equipment, the use of which is not limited only to research, medical, scientific, or other technical activities. Examples of general purpose equipment include office equipment and furnishings, reproduction and printing equipment and motor vehicles.

Similar to the rules for the direct charging of administrative expenses, a parallel requirement for adequate budget justification exists whenever “general purpose” equipment is charged to a project. Federal regulations stipulate that the cost of multi-use equipment used for general purposes should not be direct-charged to sponsored projects. Multi-use general purpose equipment should be purchased by the Institute and recovered

through the Institute’s F&A rate. If general purpose equipment is necessary for the performance of the sponsored project, the budget justification should include detailed information linking the equipment acquisition to the technical work of the project.

**Fabricated Equipment** – Many research projects include the design, development and building of equipment that is not available commercially. Equipment that cannot be purchased “off the shelf”, and is built by the research team, is fabricated equipment. (There are instances where the whole research project is the fabrication of equipment.)

### **Characteristics of Fabricated Equipment**

- Unique, specialized equipment.
- Not commercially available.
- Useful life of more than 1 year.
- Aggregate cost of materials and services is \$5,000 or more (excluding labor costs).
- May require sponsor approval.

For example: The act of putting together a CPU, monitor and keyboard does not meet the definition of a fabrication, since the computer system is not unique.

### **Establishing a Fabricated Equipment Cost Object**

Fabricated equipment is held in a special “child” cost object until the completion of the equipment. To set up a fabricated equipment cost object, the research administrator provides OSR with the following information:

- A letter describing the fabrication,
- A budget detailing the anticipated materials required for the fabrication,
- Total estimated cost of the fabrication,
- Estimated completion date,
- Useful life of the equipment.

Note that no F&A is charged to fabricated equipment accounts since the item will ultimately be classified as capital equipment. However, fabrications that extend beyond their estimated completion dates with no significant progress toward completion will be disallowed and the child account terminated. All costs will revert to the parent account and F&A will be assessed accordingly.

The OSR website contains additional important information on the request, management and closed out fabricated equipment accounts. See [http://www.stevens.edu/osr/docs/osr\\_fab equip\\_guide\\_procs.doc](http://www.stevens.edu/osr/docs/osr_fab equip_guide_procs.doc).

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## **Disposition of Equipment**

Disposition of equipment occurs when the equipment is no longer needed for the sponsored project; in most cases, this occurs as the project nears completion. Disposition activities include reutilization, transferring equipment to other awards or institutions, selling, or returning the equipment to the sponsor. If equipment is broken or obsolete, it may be eligible for disposal as scrap. Departments must coordinate equipment disposition with OSR and the Director of Procurement.

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## **Sponsor-owned Equipment and Property**

In some situations a sponsor may provide award funds for the purchase of equipment or property but may retain ownership of the asset. Property which is owned by the sponsor may have acquisition and reporting thresholds different than Stevens', so the award terms and conditions must be reviewed for specific requirements related to acquisition, use, maintenance, and disposition of equipment.

A sponsor may also furnish equipment to be used in the performance of a sponsored project. Again, the award terms and conditions should be carefully reviewed to ensure compliance with sponsor requirements.

### **Responsibilities for Sponsor-Funded/Owned Property**

Stevens is responsible for the control of sponsor-funded/owned property provided under the terms of sponsored project contracts and certain sponsored project grants. The Institute delegates the direct control, maintenance, and accountability of sponsor-funded/owned property used in connection with a contract or grant to the PI and his/her department.

The Institute delegates oversight of sponsor-funded/owned property to the Office of Finance where Institute policies and procedures on control of sponsor-funded/owned property are established to insure compliance with contractual requirements.

### **Key References**

- Fabricated Equipment Policy – [http://www.stevens.edu/osr/docs/osr\\_fab equip\\_guide\\_procs.doc](http://www.stevens.edu/osr/docs/osr_fab equip_guide_procs.doc)

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## **Property Management**

### **Introduction**

The performance of sponsored projects may require the acquisition of equipment by Stevens. The equipment may be purchased by Stevens using Institute or department/laboratory/center funds, or the equipment may be budgeted as a direct cost of the project and paid for with sponsor funds. In some situations the equipment may be donated by third parties or furnished by the sponsor. The requirements associated with the management of equipment and other property acquired by Stevens varies depending on the dollar value of the acquisition, the source of funding and the method of acquisition.

This module will focus on the acquisition and management of equipment used primarily for sponsored research projects and paid for by the sponsor. We will define the roles and responsibilities of Stevens and the sponsor related to the acquisition and management of equipment. The module will provide a definition of equipment; describe the various equipment categories and the rules that govern the direct-charging of equipment to sponsored projects.

### **Roles and Responsibilities**

#### **Stevens Property Office**

At the present time, responsibilities for managing Stevens' property assets are shared between the Director of Procurement and the Special Assistant to the CFO. In these roles, they are responsible for securing the property assets of the institution, performing required property inventories, and reporting annually to federal agencies as required by sponsor regulations.

#### **Departments, Labs and Centers**

Departments/labs/centers are responsible for equipment purchased on their sponsored projects whether the equipment is located on campus, off-campus or at a subrecipient site. The department/lab/center must ensure that equipment is managed appropriately, and that Stevens staff, students, and subrecipients follow approved property procedures.

# 8. Project Monitoring

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## Introduction

This chapter addresses a variety of issues which arise during the performance, completion and close-out phases of a sponsored project. If you have not read Chapter 2, Cost Principles, sections entitled “Preparation of the Proposal Budget”, “Management of Project Expenditures,” and “Special Requirements Related to Sponsor Notifications and Prior Approvals,” you should do so before reading this Chapter.

## Overall Responsibility and Delegation of Authority

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Responsibilities for Institute funds are delegated to a number of Institute officers. General responsibilities are described below.

### 1. General Responsibility

The Institute has delegated to deans, department chairs, principal investigators (PIs) and other Institute officers the responsibility for management of funds. Specifically, PIs have been delegated the responsibility for the management of funds in sponsored project accounts they supervise. The PIs have the authority to expend funds to accomplish their responsibilities, and are responsible for assuring that expenditures charged to their project accounts are:

- a. Reasonable and necessary.
- b. Consistent with established Institute policies and practices.
- c. Applicable to the work of the Institute including research, instruction, and public service.
- d. Consistent with sponsor or donor expenditure restrictions.

### 2. Overall Responsibility for Sponsored Programs

At the Institute, the PI has overall responsibility for the technical and fiscal management of a sponsored project. This includes the management of the project within the funding limitations of the sponsored award, and assurance that the sponsor will be notified when significant conditions related to the project status change. While responsibility for the day-to-day management of project finances may be delegated to administrative or other staff, accountability for compliance with Institute policy and sponsor requirements ultimately rest with the PI.

### 3. Delegation of Authority

Authority to create and approve transactions for the purchase of services and materials on a project

account may be delegated, and the PI may authorize the person to whom authority is delegated to further delegate authority. The PI retains accountability for prudent control of the project account and may place limits on the dollar level and the types of expenditures for which authority is delegated.

### 4. Limitations on Delegation of Authority

- Expense Reimbursement: No person may approve his or her own expense reimbursement, or the expense reimbursement of an individual to whom he or she reports either directly or indirectly. Expense reimbursements, which require two signatures, must have the signatures of the person incurring the expense and the person responsible for management of the project account or a properly delegated agent.
- Salaries: No person may authorize any HR or payroll transaction that affects his or her own salary, or HR or payroll transactions that affect the salary of an individual to whom he or she reports either directly or indirectly.
- Conflict of Interest: No person may authorize a payment to a business or individual where there is a conflict of interest.

**REMEMBER**, when authorizing direct charges to a sponsored project, the originating department/lab/center must assure that:

- The estimated charge is reasonable and necessary;
- The expenditure is allowed by the funding source and, if a charge to a federally funded project, by OMB Circular A-21;
- The expenditure is allocable to the project, i.e., provides benefit to the project;
- The funds are available within the authorized award amount and funding limitations;
- The justification for the expenditure is documented;
- The method of allocation of costs is appropriate;
- The charge is coded with the correct general ledger account and charged to the correct cost object.
- The charge has been processed through the appropriate Institute system.

## **Pre-Award Costs**

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### **Does the project need a project account established in Pending status?**

#### **EXAMPLE: Are there problems with this scenario?**

An award is expected in two months. A graduate student currently working in this area needs to be funded. The PI asked you to “charge the student to another project and then transfer the costs when the real award comes in.”

#### **Problem**

The student’s effort should NOT be charged to any project which does not benefit from that effort. If the student is working in an area that does not relate to the project being charge, then the charge cannot be allocated to that project.

The charge is both unallowable and unallocable, and cannot be approved, even if the charges will be transferred later.

**REMEMBER, SPONSORED PROJECT ACCOUNTS ARE NOT CLEARING ACCOUNTS!**

#### **Solution**

If the sponsor allows pre-award costs and if the department/lab/center will back the opening of such a project account with an alternative department or discretionary account to be charged if the award does not materialize, request a new account in “Pending” status to fund work for which you expect a sponsored project to pay. Be aware that some sponsors on some awards may not allow pre-award cost or may limit the period of time in which such charges may be incurred. Check sponsor guidelines and confer with your OSR Representative before incurring such expense.

### **When and how should a department/lab/center request to have a new project account created in Pending status?**

- If you know an award is forthcoming ask your OSR Representative about sponsor guidelines regarding pre-award costs. Certain agencies, programs or award types (such as contracts) may have specific rules governing pre-award expenses. Some sponsors may limit the dollar value of such charges, or may set time limits for their expenditures. Confer with your OSR Representative if you need assistance understanding sponsor guidelines.
- With a designation of a department or discretionary source of back-up funding, the department/lab/center may request OSR to create a new account in Pending status (not billable to the sponsor). In such circumstances, the department/lab/center must assume all financial risk associated with the possible inability

of Stevens to negotiate or receive an acceptable fully executed award from the sponsor. The request for a cost object in Pending status must be submitted in writing by the department/lab/center and be approved by an individual authorized to commit the source of back-up funding.

See:

[http://www.stevens.edu/osr/docs/osr\\_pending\\_acct\\_receipt\\_wd\\_070106.doc](http://www.stevens.edu/osr/docs/osr_pending_acct_receipt_wd_070106.doc) .

**REMEMBER**, setting up a new project account where appropriate can save time and trouble in the long run. Any time charges are being transferred into a sponsored project account, as they would be if you were “clearing” early expenses and transferring them to the proper account, careful documentation and justification will be required. It is easier to place the charges where they belong from the beginning!

## **Spending**

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### **When should expenses be reviewed and corrections processed?**

FRS account statements prepared and issued by the Controller’s Office, are the official record of project expenses and the basis for cost reimbursement to Stevens.

Expenditure statements for sponsored project and cost sharing accounts must be reviewed each month by a knowledgeable individual, i.e., the PI or a designee, so that adjustments, if necessary, can be made in a timely manner. To be considered timely, monthly expenditures must be reviewed and adjustments made within 90 days of the end of the month being reviewed.

Any questionable charges or anticipated overruns must be brought promptly to the PI’s attention and, if needed, corrected by an appropriate transfer. Transfers should be initiated as soon as possible after a need has been identified. Whenever an expense is moved to or between sponsored accounts, the PI must assure that the project which ultimately pays the expense is the project which benefited from the expense, and that there is adequate documentation to support the appropriateness of the transaction.

**REMEMBER**, when correcting project expenses:

- Make corrections in a timely manner.
- Explain carefully and completely the reason for the transfer.

## When is sponsor approval or notification required?

Federal grant policy OMB A-110 establishes the approved project budget as the financial expression of the project, and sponsors may evaluate the project against the budget at any time. Although sponsors allow certain flexibilities regarding rebudgeting, unobligated balances, and pre-award costs, Stevens and sponsors expect expenditures to be reasonably consistent with the approved project and budget. Sponsors may question or disallow expenditures that appear inconsistent with the project plan and budget. PIs are obligated to request prior approval when budget and program plan revisions indicate a significant change in scope.

For federal grants, advanced written approval by the sponsor's grant officer (not program officer) is required for:

- Change in project scope,
- Reduction in PI level of effort by 25% or more,
- PI's absence from the project for more than 3 months.

In addition to prior approval requirements for any change in project scope or effort of key personnel, for federal cost-type contracts, PIs must assure compliance with the Limitation of Funds and/or Limitation of Cost clauses which include the requirements that:

- The Contractor notify the sponsoring agency in writing at any time there is reason to believe the total cost to the government for the performance of the project will be greater or substantially less than the estimated cost, and further;
- The Contractor notify the sponsoring agency if, at any time, there is reason to believe that the costs which were expected to be incurred in the succeeding 60 days, when added to all costs previously incurred, will exceed 75% of the specified estimated cost.

All approval, prior approval requests or notifications should be written by the PI and endorsed and submitted by OSR.

## Late Expenses

### Are late expenses allowable?

Expenses, including salaries, may not be charged to a project after the project end date unless the effort was provided or the goods or services were acquired and consumed during the project period. An exception may be made if specific written approval was received from the sponsor.

## Question

How late in a project is it "safe" to order technical supplies or other project materials?

## Answer

Any time, as long as the materials will be ACQUIRED AND CONSUMED during the project period.

If a requisition is submitted before the project end date, but the materials are received after the project end date, the expenses will be considered unallowable and unallocable to the project.

Committed dollars for an expense does NOT mean that the item was USED during the project period. Common sense would say that, if you order a new computer on the last day of a project period, it is not likely that the computer will be used for project performance.

## Example

Are either or both of these project costs allowable?

Equipment Acquisition	Final Report
<ul style="list-style-type: none"><li>▪ \$30,000 oscilloscope ordered, received and used during the life of the project</li><li>▪ Invoice received and paid after project end date</li></ul>	<ul style="list-style-type: none"><li>▪ Project budget includes funds to pay for technical preparation of final reports</li><li>▪ Reports are written and produced after project end date</li></ul>

## Equipment Acquisition example

Equipment costs are allowable to the project, as long as there is documentation that the equipment was actually ordered, received, and used specifically on the project during the project period.

## Final Reports example

Costs to prepare final reports are NOT allowable to the project, even if budgeted and adequate funds remain, if they are not incurred and charged during the project period.

## Solution

- If the final report cannot be produced during the original project period, and there are sufficient funds left in project accounts, request a No-Cost extension from the sponsor. This will allow the expenditure of project funds after the conclusion of the project for the purposes specified in the extension request.

## No-Cost Extensions

### Does the project need a no-cost extension?

A no-cost extension (NCE) extends the project period beyond the original project end date. There is no additional funding, as the phrase "no cost" suggests. A no-cost

extension should be requested from the sponsor when all three of the following conditions are met:

- Funds are left in the project budget; AND
- There is a programmatic need; AND
- The end of the project period is approaching (normally 45 days before the initial project end date).

**The sponsor always retains the right to say “no.”  
Examples of reasons to say no might include:**

- An extension may not be granted just because there is money remaining in the account. A programmatic benefit must be justified.
- Funding may have come from a prior year’s appropriation and cannot be extended.
- The amount of time requested in the extension request appears excessive to the sponsor.

Because of this reality, it is always a good idea to request the extension in time to manage an orderly accomplishment of project work, and to have a contingency plan in case the sponsor does not approve the extension.

Written requests for no-cost extensions should be prepared by the PI and then endorsed and submitted by OSR. Some sponsors are developing electronic systems to handle no-cost extension requests and approvals. For example, NSF utilizes the Fastlane system in this manner. Systems do vary by sponsor-call your OSR Representative if you have any questions.

**No-cost extensions and OMB A-110 Expanded Authorities**

Some federal sponsors have delegated the authority under grant awards to approve a one-time no-cost extension not to exceed 12 months to Stevens. If authorized, an internal no-cost extension request should be made to OSR at least 30 days in advance of the project end date. The extension, although approved by Stevens, must be requested by the PI. OSR will notify the sponsor of the approved extension.

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## Close-out

### What happens at project expiration?

The Research Accounting Office reviews sponsored projects at closeout to ensure that costs are allowable, allocable, reasonable and consistent. Good project management over the life of an award will help to eliminate any problems after the award has ended and during the closeout process. All expenses must be complete and posted to the project account within 60 days of the project end date. Research Accounting will then prepare the final financial report and

submit it to the sponsor. Sponsors have up to three years after the official closeout date to conduct a closeout audit and all records must be retained during that period.

Generally, no costs incurred after the end date are allowable. Ongoing correction of incorrectly charged expenses is preferable to adjustments in the last month of a project.

The following guidelines apply to project closeout:

- After the end date of the project, cost overruns of a project may not be cleared by another sponsored project. Such cost overruns are treated as Recorded Project Overruns and are not included in departmental administration costs for calculation of indirect cost rates. Overruns may not be cleared to another sponsored project, but must be covered by a discretionary source of funding.
- Unspent balances at the close of the project must, in most cases, be returned to the sponsor. Notable exceptions are fixed price contracts and sponsored agreements allowing carry-forward of funds.
- If a disallowance is identified during preparation of the final fiscal reports, and approval which makes the cost allowable has not been received, the cost must be transferred to a discretionary department/lab/center account.

The Office of Sponsored Research coordinates the submission of all final reports to the sponsor. These reports might include the following:

- **Technical Reports:** Technical reports are the responsibility of the PI. Some agencies permit technical reports to be submitted online; most, at this point, do not. In the latter case, a copy of the report or a copy of the transmittal letter should be sent to OSR.
- **Invention Reports:** OSR will submit the final invention report to the sponsor, based on information provided by the PI.
- **Equipment Inventory Reports:** These reports are prepared by the Procurement Office.

**REMEMBER**, Sponsors can and do suspend funding in cases where progress or final reports are not submitted in a timely fashion. It is critical, therefore, to submit all reports on time and in accordance with the terms and conditions of the award.

The following is a handy closeout checklist for PI’s and departments/labs/centers:

### Technical Reports

Does my report include:

- Grant or contract number, PI’s name, project title, and performance period, including authorized extensions?

- Significant results of the project?
- Examples of the project?
- Technical difficulties and solutions?
- List of publications, including articles in progress?
- If the award contains “objectives and/or deliverables,” does the report discuss each of these?

#### Financial Reports

- Have all project expenditures been posted, i.e., have they appeared on monthly expenditure statements?
- Have I reviewed all project expenditure statements?

#### Property Reports

Have I identified all materials and equipment acquired under this award, including property that was:

- Provided by the sponsor?
- Acquired by the department?
- Purchased by a subrecipient?
- Has all equipment been properly tagged?

## Record Retention

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### How long should financial records be retained?

Retaining financial records serves two purposes. In the short term, it provides those responsible for the management of project accounts with the means to monitor transactions and resolve problems. In the long term, it enables the Institute to comply with Federal Acquisition Regulations, IRS regulations, and other federal, state and local regulations governing the auditability and retention of records.

#### 1. Responsibility

- a) Online transaction – When the source documentation for a transaction is online, the central administrative office (such as Payroll or Accounts Payable) is responsible for maintaining the online application for retaining the online transaction record.
- b) Paper documents – When the source documentation for a transaction is paper, the office that receives the original document is responsible for retaining it. In most cases, a central administrative office is responsible for the retention.

#### 2. Retention times

- a) Legal and Audit Requirement – When requirements for long-term retention of records overlap, the responsible office should retain records for the maximum period needed to meet legal and audit requirements. General rules include the following:
  - i. **Direct charges to contacts and grants:** Three years following the date Research Accounting considers the project to have been formally closed by the sponsor, unless an audit or litigation is underway.
  - ii. **Accounts included in F&A cost rate:** Three years following the final sign-off for that year by the federal government. Contact the Office of Sponsored Research for further information.
  - iii. **Employee payroll information:** Six years from retirement or termination.

Longer retention times apply to certain documents retained by central offices. For information on a specific document or category of documents, the office responsible for processing the type of transaction should be consulted.

- b) Management Information – When a central office has retention responsibility, the department initiating a transaction may discard copies of documentation supporting the transaction when it is no longer needed for management purposes; for example, when the transaction is complete and the expenditure statement containing the transaction has been reviewed. Departments may, at their discretion, keep copies of documents for longer periods.

## Audits and Auditors

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### What are audits and who are the Institute’s auditors?

Auditors and audits are necessary components of the research administration function. Webster’s Dictionary defines the noun “audit” as “a methodical examination and review.” As a verb, it means “to examine with intent to verify.” The fact is, audits of one type or another are a regular part of the administrative process. No matter where you work at Stevens, you can expect to encounter audits. The ability of faculty and department/lab/center staff to contribute efficiently and effectively will play a big role in the outcome.

There are several different groups of auditors here on the Stevens campus. They include:

- Stevens Audit Services
- Grant Thornton LLP, Stevens' certified public accounting firm
- Defense Contract Audit Agency (DCAA), Stevens' cognizant federal audit agency

Federal auditors perform both systems audits and contract – specific audits as well as F&A and other compliance audits. The majority of external systems audits are performed to comply with the requirements of OMB Circular A-133 and its compliance supplement. The Institute engages Grant Thornton LLP (GT) to perform Institute-wide financial and compliance audits.

In addition, Stevens has an active Audit Division, whose mission is to deliver audit services Institute-wide through a risk-based program of audit coverage, including compliance assessments and financial, operational, and information technology reviews and audits.

The best way to assure that audits go smoothly is to create and maintain good records. Stevens relies on central databases and records whenever possible. However, often the information needed, e.g., the back-up documentation for an expense transfer or the certification of a monthly expenditure statement, resides in a department/lab/center, and complete, orderly records can prove the trust of the old saying “An ounce of prevention is worth a pound of cure.”

### **What information does the Institute make available to auditors?**

Stevens will provide government auditors, on a reasonably timely basis, with access to all documents and data that are relevant to government audit purpose, including:

#### **Electronically maintained accounting information**

The Defense Contract Audit Agency has been provided with online access to relevant Institute accounting and sponsored project records and may access this data freely for the purpose of audit engagements that have gone through the appropriate opening audit procedures.

#### **Online documents**

DCAA has Internet access through which they, and other government auditors, may access the most up-to-date version of Institute policy and procedure documents. DCAA and other government auditors in cooperation with DCAA, may freely access these documents.

#### **Other published Institute documents**

Stevens will provide government auditors with copies of all published (i.e., available to the general public) documents upon verbal request. The Institute will also

endeavor to provide DCAA with hard copies of important published Institute reports that are not available online.

#### **Unpublished Institute documents**

Stevens will provide government auditors with copies of all relevant unpublished Institute documents, except those deemed by the Institute to be legally privileged or protected. Questions about whether a particular document (including special data analyses) might be deemed to be privileged or protected should be directed to OSR or Audit Services before that information is provided.

#### **Interview Information**

Government auditors may interview Institute personnel in connection with any audits that have gone through the appropriate opening audit procedures. OSR or Internal Audit staff, as appropriate, will set up these interviews upon request by government auditors. It is normal for OSR or Internal Audit staff to be present at all such interviews.

### **What should I do if I am asked to speak with an external auditor?**

Before an audit is begun by any external auditors at Stevens, the external auditors will be asked to communicate with OSR or Audit Services, as appropriate. Audits concerning research projects should be coordinated with OSR. Normally there will be an opening audit conference with the external auditors to discuss the scope, goals, and timing for the planned audit engagement. Other Institute personnel who might be expected to be involved in the planned audit will be invited to this opening conference. After an understanding has been reached as to the scope of the proposed audit, and presuming it is deemed to be relevant, the external auditors may initiate procedures to seek information and documents from Stevens.

Stevens personnel who are contacted by external auditors are encouraged to verify with the auditors that this initial understanding has been reached. If Stevens personnel are unsure whether an external audit has been approved, or have any other questions about an ongoing audit, they should communicate with the appropriate members of OSR or Audit Services.

Note that the above protocol might not be followed in the case of special government investigations. In such cases, government investigators may decide to initiate contacts without first informing the Institute. Although this is permitted, Stevens personnel who are contacted by government investigators also have specific legal rights. They should always phone the OSR or Audit Services staff immediately.

**Remember**, in talking with external auditors:

- Know with whom you are talking.
- Understand the focus of the audit.
- Have someone with you from OSR or Audit Services, as appropriate.
- Limit answers to the questions you are asked.

## **Key References**

- 2 CFR 220 (OMB Circular A-21), Cost Principles for Educational Institutions – [http://www.whitehouse.gov/omb/fedreg/2005/083105\\_a21.pdf](http://www.whitehouse.gov/omb/fedreg/2005/083105_a21.pdf)
- OMB Circular A-110, Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations – <http://www.whitehouse.gov/omb/circulars/a110/a110.html>
- OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations – <http://www.whitehouse.gov/omb/circulars/a133/a133.html>

# Appendix A

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## 📖 Key References

### Section 1 – The Environment for Research

- OSR Home Page - <http://www.stevens.edu/osr/>
- University Research & Enterprise Development - <http://www.stevens.edu/iti/>
- Controller's Office - <http://www.stevens.edu/fd/>
- Stevens Travel Policy: <http://www.stevens.edu/fd/policies/travel.html>
- Stevens Misconduct in Science policy statement:  
[http://www.stevens-tech.edu/dof/fachand\\_handbook.html#\\_Toc483724766](http://www.stevens-tech.edu/dof/fachand_handbook.html#_Toc483724766)
- Office of Human Resources -- <http://www.stevens.edu/hr>
- OMB Circular A-21 (2CFR 220) – [http://www.whitehouse.gov/omb/fedreg/2005/083105\\_a21.pdf](http://www.whitehouse.gov/omb/fedreg/2005/083105_a21.pdf)
- OMB Circular A-110 (2CFR 215) – <http://www.whitehouse.gov/omb/circulars/a110/a110.html>
- OMB Circular A-133 – <http://www.whitehouse.gov/omb/circulars/a133/a133.html>
- Federal Acquisition Regulations – <http://farsite.hill.af.mil/>

### Section 2 – Cost Principles

- Preparing the Proposal (Application) - [http://www.stevens.edu/osr/proposalprep\\_research.html](http://www.stevens.edu/osr/proposalprep_research.html)
- OSR Proposal Routing Form – <http://www.stevens.edu/osr/proposalrouting.html>
- Basics of Proposal Preparation- <http://www.stevens.edu/osr/proposalprep.html>
- Policy on Faculty Effort Reporting - [http://www.stevens.edu/osr/docs/osr\\_time\\_effort\\_rep\\_033006.doc](http://www.stevens.edu/osr/docs/osr_time_effort_rep_033006.doc)
- Employee Benefit Costs ([http://www.stevens.edu/osr/docs/FY\\_08\\_Fact\\_Sheet.rev1.xls](http://www.stevens.edu/osr/docs/FY_08_Fact_Sheet.rev1.xls) )
- Facilities & Administrative Rates (Indirect Costs)-  
[http://www.stevens.edu/osr/docs/FY\\_08\\_Fact\\_Sheet.rev1.xls](http://www.stevens.edu/osr/docs/FY_08_Fact_Sheet.rev1.xls)
- Subawards (Subrecipient Agreements) – <http://www.stevens.edu/osr/subrecip.html>
- Personnel Leave Policies - <http://www.stevens.edu/hr/benefits.shtml>
- Stevens Institute of Technology – Cost Transfer Policy:  
[http://www.stevens.edu/osr/docs/osr\\_cost\\_xfer\\_pol\\_032706.doc](http://www.stevens.edu/osr/docs/osr_cost_xfer_pol_032706.doc)
- List of OMB Circulars – [http://www.whitehouse.gov/omb/circulars/a021/a21\\_2004.html](http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html)
- Federal Acquisition Regulations – <http://www.farsite.hill.af.mil>
- Federal Business Opportunities – <http://www.fedbizopps.gov>
- Federal Funding Sources – <http://www.grants.gov/search/searchHome.do>
- Government Printing Office access (GPO Access) – <http://www.gpoaccess.gov/fr/index.html>
- OMB Circular A-21 (2CFR 220) – [http://www.whitehouse.gov/omb/fedreg/2005/083105\\_a21.pdf](http://www.whitehouse.gov/omb/fedreg/2005/083105_a21.pdf)

### Section 3 – Cost Sharing

- Cost Sharing - [http://www.stevens.edu/osr/docs/osr\\_cost\\_sharing\\_070106.doc](http://www.stevens.edu/osr/docs/osr_cost_sharing_070106.doc)
- Unallowable Costs as defined in OMB Circular A-21 Section J  
[http://www.whitehouse.gov/omb/circulars/a021/a21\\_2004.html#j](http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html#j)

### Section 4 – Administrative Charging

- OMB Circular A-21 (2CFR 220), Appendix A –  
<http://farsite.hill.af.mil/reghtml/regs/far2afmcfars/fardfars/far/farapndx1.htm#P3354.625171>
- OMB Circular A-133 - <http://www.whitehouse.gov/omb/circulars/a133/a133.html>
- OMB Circular A-133, the Compliance Supplement –  
[http://www.whitehouse.gov/omb/circulars/a133\\_compliance/07/07toc.html](http://www.whitehouse.gov/omb/circulars/a133_compliance/07/07toc.html)

## **Section 5 – Direct Charging**

- OMB Circular A-133 – <http://www.whitehouse.gov/omb/circulars/a133/a133.html>
- OMB Circular A-133, the Compliance Supplement – [http://www.whitehouse.gov/omb/circulars/a133\\_compliance/07/07toc.html](http://www.whitehouse.gov/omb/circulars/a133_compliance/07/07toc.html)

## **Section 6 – Cost Transfers**

- Stevens Institute of Technology – Cost Transfer Policy: [http://www.stevens.edu/osr/docs/osr\\_cost\\_xfer\\_pol\\_032706.doc](http://www.stevens.edu/osr/docs/osr_cost_xfer_pol_032706.doc)

## **Section 7 – Equipment and Property Management**

- Stevens Institute of Technology -- Fabricated Equipment Policy – [http://www.stevens.edu/osr/docs/osr\\_fab equip\\_guide\\_procs.doc](http://www.stevens.edu/osr/docs/osr_fab equip_guide_procs.doc)

## **Section 8 – Project Monitoring**

- OMB Circular A-21 (2CFR 220), Cost Principles for Educational Institutions – [http://www.whitehouse.gov/omb/fedreg/2005/083105\\_a21.pdf](http://www.whitehouse.gov/omb/fedreg/2005/083105_a21.pdf)
- OMB Circular A-110 (2CFR 215), Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations – <http://www.whitehouse.gov/omb/circulars/a110/a110.html>
- OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations – <http://www.whitehouse.gov/omb/circulars/a133/a133.html>

# Appendix B

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## Terms and Definitions

### A-21

A circular from the Executive Office of the President of the United States, Office of Management and Budget, entitled “Cost Principles for Educational Institutions”. It defines the costs allowable as charges to contracts and grants.

### A-110

A circular from the Executive Office of the President of the United States, Office of Management and Budget, entitled “Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations.” It sets forth the standards for obtaining consistency and uniformity among Federal Agencies in the administration of grants and agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations.

### A-133

A circular from the Executive Office of the President of the United States, Office of Management and Budget, entitled “Audits of States, Local Governments, and Non-Profit Organizations.” It sets forth standards for obtaining consistency and uniformity among Federal agencies for the audit of States, local governments, and non-profit organizations expending Federal awards.

### AAALAC

American Association for the Accreditation of Lab Animal Care.

### Accrual Accounting

The practice of recording an expense when it occurs, rather than when it is paid.

### Acquisition

Per FAR, means the acquiring by contract with appropriated funds of supplies or services (including construction) by and for the use of the Federal Government through purchase or lease, whether the supplies or services are already in existence or must be created, developed, demonstrated, and evaluated. Acquisition begins at the point when agency needs are established and includes the description of requirements to satisfy agency needs, solicitation and selection of sources, award of contracts, contract financing, contract performance, contract administration, and those technical and management functions directly related to the process of fulfilling agency needs by contract.

### Allocable Costs

Per 2 CFR Part 220 (OMB Circular A-21), a cost is allocable to a particular cost objective (i.e., a specific function, project, sponsored agreement, department or the like) if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received or other equitable relationship.

### Allowable Costs

Those categories of costs that can be charged to an award, such as salaries and equipment. Certain types of costs, such as the cost of alcoholic beverages, are not allowable. Costs must be reasonable, allocable and consistent with terms of the award.

### Audit

A formal examination of the accounts of an organization, an individual, or a financial situation. An audit may also include an examination into compliance with applicable terms, laws and regulations.

### Authorized Total

The total amount obligated under a sponsored agreement that a sponsored project is authorized to spend in a given period.

For example, suppose the budget for a particular proposal is \$3,000,000.00, the period of performance is three years, and the proposal is fully funded. Does this mean that you have \$3,000,000.00 available to spend? That depends on the Authorized Total that the sponsor has stipulated. If the sponsor has set \$1,000,000.00 for the first year of the award as the obligated amount, then you can spend up to \$1,000,000.00 during that first year. The sponsor will also obligate a given amount that you can spend for each subsequent year.

### Awards

Funds that have been obligated by a funding entity for a particular project. Awards include grants, contracts, cooperative agreements and other agreements in the form of money, property or service.

**Basic Research**

Per FAR, that research directed toward increasing knowledge in science. The primary aim of basic research is a fuller knowledge or understanding of the subject under study, rather than any practical application of that knowledge.

**Broad Agency Announcement**

Per FAR, means a general announcement of an agency's research interest including criteria for selecting proposals and soliciting the participation of all offerors capable of satisfying the Government's needs.

**Budget**

The detailed statement outlining estimated project costs to support work under a grant or contract. (See also Rebudget.)

**Budget Period**

The interval of time, usually twelve months, into which the project period is divided for budgetary and funding purposes.

**CAS**

Cost Accounting Standards. Federally mandated accounting standards intended to ensure uniformity in budgeting, spending and reporting of funds.

**CASB**

Cost Accounting Standards Board.

**CBD**

Commerce Business Daily.

**CDC**

Center for Disease Control and Prevention.

**CFDA**

Catalog for Federal Domestic Assistance.

**CFR**

Code of Federal Regulations.

**Change Order**

Under Federal contracts containing a Changes clause, a written unilateral contract modification signed by the contracting officer, directing the contractor to make changes in project specifications. The Changes clause allows the contractor to submit a proposal for costs associated with the required changes.

**Classified Contract**

Per FAR, means any contract in which the contractor or its employees must have access to classified information during contract performance. A contract may be a classified contract even though the contract document itself is unclassified.

**Classified Information**

Per FAR, means any knowledge that can be communicated or any documentary material, regardless of its physical form or characteristics, that –

(1)(i) Is owned by, is produced by or for, or is under the control of the United States Government; or (ii) Has been classified by the Department of Energy as privately generated restricted data following the procedures in 10 CFR 1045.21; and

(2) Must be protected against unauthorized disclosure according to Executive Order 12958, Classified National Security Information, April 17, 1995, or classified in accordance with the Atomic Energy Act of 1954.

**Close Out**

The process of completing all the internal procedures and sponsor requirements necessary to terminate or complete a project.

**COGR**

Council on Governmental Relations.

1200 New York Avenue, Suite 750  
Washington, D.C. 20005  
(202) 289-6655  
[www.cogr.edu](http://www.cogr.edu)

**Commerce Business Daily (CBD)**

Per FAR, means the publication of the Secretary of Commerce used to fulfill statutory requirements to publish certain public notices in paper form.

**Competing Proposals**

Proposals that are submitted for the first time or unfunded proposals that are resubmitted. Both types must compete for funds via a review process established by the sponsor. Ongoing projects must compete again if the term of the original award has expired.

**Consortium Agreement**

An Agreement written for multi-sponsor support of a sponsored program. Each sponsoring organization executes the same Agreement, becoming a consortium member.

**Continuation Project (Non-Competing)**

Applicable to grants and cooperative agreements only. A project approved for multiple-year funding, although funds are typically committed only one year at a time.

At the end of the initial budget period, progress on the project is assessed. If satisfactory, an award is made for the next budget period, subject to the availability of funds. Continuation projects do not compete with new project proposals, and are not subject to peer review beyond the initial project approval.

**Contract**

A mechanism for the procurement of a product or service with specific obligations for both sponsor and recipient. Typically a research topic and the methods for conducting the research are specified in detail by the sponsor, although some sponsors award contracts in response to unsolicited proposals.

**Contract Administrator**

An OSR Representative.

**Cooperative Agreement**

(Federal) A form of federal assistance. This award anticipates substantial sponsor involvement in research once the award has been made. The sponsor's staff may be actively involved in proposal preparation.

**Co-PI**

The co-principal investigator.

**COS**

Community of Science. An organization that shares information about scientific expertise, funded scientific research, and funding opportunities for research.

**Cost Accounting Standards (CAS)**

Federally mandated accounting standards intended to ensure uniformity in budgeting, spending and reporting of funds.

**Cost-Reimbursement Type**

A contract or grant for which the sponsor pays the full costs incurred in the conduct of the work, up to an agreed amount.

**Cost Sharing**

A portion of a project or program cost not reimbursed by the sponsor. Cost sharing represents a commitment by the Institute.

Cost sharing may be required by the sponsor as a condition of the award (mandatory) or it may be offered by the Institute in excess of mandatory cost sharing requirements (voluntary). Whether cost sharing is required by the sponsor or is offered by the Institute or PI voluntarily, proposed cost sharing is a commitment once an award is made. In other words, they represent binding obligations on the Institute. The federal regulations and the Stevens' policy governing cost sharing is summarized on the OSR website at

[http://www.stevens.edu/fd/policies/COST\\_SHARING\\_and\\_MATCHING\\_FUNDS\\_on\\_SPONSORED\\_%20PROJECTS.htm](http://www.stevens.edu/fd/policies/COST_SHARING_and_MATCHING_FUNDS_on_SPONSORED_%20PROJECTS.htm)

**CRADA**

Cooperative Research and Development Agreement. A written agreement between a private company and a government agency to work together on a project. By entering into a CRADA, the federal government and non-federal partners can perform research by sharing the costs of this research.

**Date of Completion**

Per OMB Circular A-110, means the date on which all work under an award is completed or the date on the award document, or any supplement or amendment thereto, on which federal sponsorship ends.

**DFAR**

Department of Defense supplement to the Federal Acquisition Regulations (FAR). DoD contracts will include both FAR and DFAR clauses.

**Debarment**

Per FAR means action taken by a debarring official under 9.406 to exclude a contractor from government contracting and government-approved subcontracting for a reasonable, specified period; a contractor that is excluded is "debarred".

**Deficit/Overrun**

A financial condition in which expenditures exceed the funds available.

**Direct Costs per OMB A-21**

Cost that can be identified specifically with a particular sponsored project, or can be directly assigned with a high degree of accuracy.

**Disallowed Costs**

Per OMB Circular A-110, means those charges to an award that the federal awarding agency determines to be unallowable, in accordance with the applicable federal cost principles or other terms and conditions contained in the award.

**DoDGARS**

Department of Defense Grant and Agreement Regulatory System. A system of policies and procedures to guide DoD grant and cooperative agreements. It also governs other non procurement transactions, where provisions so indicate.

**Drug-free Workplace**

Per FAR, means the site(s) for the performance of work done by the contractor in connection with a specific contract where employees of the contractor are prohibited from engaging in the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance.

**EAR**

Export Administration Regulations. Regulations controlling the export for commercial reasons, certain information and items to foreign countries or citizens. Regulations handled by the Commerce Department's Bureau of Industry and Security (BIS).

## **EB Employee Benefits/Fringe Benefits**

Employees' benefits paid by the employer (for example, FICA, Worker's Compensation, Withholding Tax, Insurance, and so forth). For more information, see Employee Benefit Rates. [http://www.stevens.edu/osr/docs/FY\\_08\\_Fact\\_Sheet.rev1.xls](http://www.stevens.edu/osr/docs/FY_08_Fact_Sheet.rev1.xls)

## **EEO/AA**

Equal Employment Opportunity/Affirmative Action.

## **Effort Reporting**

A procedure mandated by the federal government to verify that direct labor charges to federally sponsored agreements are reasonable, and reflects actual work performed. Effort reporting shows the distribution of the effort of individuals among the various activities in which they work. For more information, see effort reporting.

[http://www.stevens.edu/osr/docs/osr\\_time\\_effort\\_rep\\_033006.doc](http://www.stevens.edu/osr/docs/osr_time_effort_rep_033006.doc)

## **Electronic and Information Technology (EIT)**

Per FAR, has the same meaning as "information technology" except EIT also includes any equipment or interconnected system or subsystem of equipment that is used in the creation, conversion, or duplication of data or information. The term EIT includes, but is not limited to, telecommunication products (such as telephones), information kiosks and transaction machines, worldwide websites, multimedia, and office equipment (such as copiers and fax machines).

## **Electronic Commerce**

Per FAR, means electronic techniques for accomplishing business transactions including electronic mail or messaging, World Wide Web technology, electronic bulletin boards, purchase cards, electronic funds transfer, and electronic data interchange.

## **Electronic Data Interchange (EDI)**

Per FAR, means a technique for electronically transferring and storing formatted information between computers utilizing established and published formats and codes, as authorized by the applicable Federal Information Processing Standards.

## **Electronic Funds Transfer (EFT)**

Per FAR, means any transfer of funds, other than a transaction originated by cash, check, or similar paper instrument, which is initiated through an electronic terminal, telephone, computer, or magnetic tape, for the purpose of ordering, instructing or authorizing a financial institution to debit or credit an account. The term includes Automated Clearing House (ACH) transfers, Fed wire transfers, and transfers made at automatic teller machines and point-of-sale terminals.

## **Equipment**

Per OMB Circular A-110 means tangible nonexpendable personal property including exempt property charged directly to the award having a useful life of more than one year and an acquisition cost of \$5000 or more per unit. However, consistent with recipient policy, lower limits may be established.

## **ERA (Electronic Research Administration)**

ERA broadly encompasses the application of computer systems to serve the needs of all phases of research administration, from identifying funding opportunities to post-award administration.

## **Fastlane**

An interactive real-time system used to conduct official National Science Foundation business over the Internet. FastLane is the submission system for the NSF, providing electronic templates for proposals, annual reports, final reports, extension requests, etc. For more information, see Fastlane. <https://www.fastlane.nsf.gov/fastlane.jsp>

## **Facilities and Administrative (F&A) Costs**

Per OMB Circular A-21, means 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 are synonymous with "indirect" costs. For more information, see OSR's site on F&A costs:

<http://www.stevens.edu/osr/directindirect.html>

**F&A Facilities and Administration Rate**

A rate that Stevens charges to a sponsored project for the use of Institute facilities and administration (overhead).

**F&A Under-recovery**

The difference between the current negotiated F&A rate that Stevens charges to a research project, and the rate that the project's sponsor is willing to pay. For example Stevens' F&A rate is 47.38% and a sponsor agrees to pay only 35%, then the project's lab or center must find a way to pay for the 12.38% under-recovery.

**FDA**

Food and Drug Administration.

**FAR – Federal Acquisition Regulations**

The primary regulation used by all federal executive agencies in their acquisition of supplies and services with appropriate funds.

**Federal Awarding Agency**

Per OMB Circular A-110, means the federal agency that provides an award to the recipient.

**Federal Contract**

The appropriate agreement to use in a procurement relationship between the federal government and a contractor. A federal contract applies whenever the principal purpose is for the federal government to acquire property or services for its direct benefit and use.

**Federal Grant**

A form of Federal Assistance where the principal purpose of the award is the transfer of money to accomplish a public purpose. With a federal grant, there is no substantial involvement anticipated between the governmental agency and the recipient during the period of performance.

**Federally Funded Research and Development Centers (FFRDC's)**

Per FAR, means activities that are sponsored under a broad charter by a Government agency (or agencies) for the purpose of performing, analyzing, integrating, supporting, and/or managing basic or applied research and/or development, and that receive 70 percent or more of their financial support from the Government; and-

- (1) A long-term relationship is contemplated;
- (2) Most or all of the facilities are owned or funded by the Government; and
- (3) The FFRDC has access to Government and supplier data, employees, and facilities beyond that common in a normal contractual relationship.

**Fellowship**

An award made directly to an individual in support of specific educational pursuits. The individual cannot be an employee of the granting organization. Can be a graduate or postdoctoral appointment (not an R.A.) (Traineeships differ from fellowships; check the award conditions on training grants for service and/or payback requirements.)

**Final Report**

The final technical, property, intellectual property or financial report required by a sponsor to complete a project.

**Fiscal Year (FY)**

Any twelve-month period for which annual accounts are kept. The fiscal year at Stevens is July 1<sup>st</sup> to June 30<sup>th</sup>. The federal fiscal year is October 1<sup>st</sup> through September 30<sup>th</sup>.

**Fixed-Price Contract**

A contract providing a set lump sum payment upon satisfactory performance of the terms of the contract.

**F.o.B.**

Means free on board. This term is used in conjunction with a physical point to determine-

- (1) The responsibility and basis for payment of freight charges: and
- (2) Unless otherwise agreed, the point where title for goods passes to the buyer or consignee.

F.o.B. destination means free on board at destination; i.e., the seller or consignor delivers the goods on seller's or consignor's conveyance at destination. Unless the contract provides otherwise, the seller or consignor is responsible for the cost of shipping and risk of loss.

F.o.B. origin means free on board at origin; i.e., the seller or consignor places the good on the conveyance. Unless the contract provides otherwise, the buyer or consignee is responsible for the cost of shipping and risk of loss.

**FOIA**

Freedom of Information Act.

**Fringe Benefits**

Employee benefits paid by the employer (for example, FICA, Worker's Compensation, Pension, Insurance, and so forth).

**FTE**

Full-time equivalent. For example, two half-time employees represent one FTE.

**Full and Open Competition**

Per FAR, when used with respect to a contract action, means that all responsible sources are permitted to compete.

**Fund Accounting**

The accounting system used by universities to identify revenues and expenses according to purpose of use and the source of funds. Separate records are kept for assets donated to an organization and restricted by donors to certain specific purposes or use.

**Funding Cycle**

The period during which a sponsor accepts proposals and awards funding. If a sponsor has standing proposal review committees (or boards) that meet at specified times during the year, application deadlines correspond with those meetings.

In the case of NSF, proposals that are received too late to be considered in the current funding cycle may be held over for the next cycle.

**Gift**

An award that does not involve deliverables or elaborate reporting requirements (although informal reports or verbal communication do further good donor relations). A gift does not require separate accounting, nor does the donor receive detailed financial accounting. A gift may be provided for the stated area of research or activity. No intellectual property rights are provided. A gift does not require the return of unexpended funds and it has no period of performance.

**GPG**

Grant Proposal Guide. The proposal guidelines for the National Science Foundation. This document was replaced in April 2007 by the Proposal and Award Policies and Procedures Guide (PAPPG), accessible on the NSF website:

<http://www.nsf.gov/pubs/policydocs/papp/gpg07140.pdf>

**In-kind Contribution**

A service or item donated in lieu of dollars.

**Indirect Costs**

See F&A costs.

**Inspection**

Per FAR, means examining the testing supplies or services (including, when appropriate, raw materials, components, and intermediate assemblies) to determine whether they conform to contract requirements.

**Instruction**

Per OMB Circular A-21, means the teaching and training activities of an institution. Except for research training as provided in organized research, this term includes all teaching and training activities, whether they are offered for credits toward a degree or certificate or on a non-credit basis, and whether they are offered through regular academic departments or separate divisions, such as a summer school division or an extension division. Also considered part of this major function are departmental research, and, where agreed to, university research.

- (1) Sponsored instruction and training means specific instructional or training activity established by grant, contract or cooperative agreement. For purposes of the cost principles, this activity may be considered a major function even though an institution's accounting treatment may include it in the instruction function.
- (2) Departmental research means research, development and scholarly activities that are not organized research and, consequently, are not separately budgeted and accounted for. Departmental research, for purposes of this document, is not considered as a major function, but as a part of the instruction function of the institution.

**Internal Control**

Per A-133, means a process, affected by an entity's management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories

- (1) Effectiveness and efficiency of operations;
- (2) Reliability of financial reporting; and
- (3) Compliance with applicable laws and regulations.

**IRB**

Institutional Review Board. A body, required under Federal regulation, which oversees research involving human subjects.

**ITAR**

International Traffic in Arms Regulations. Regulations controlling the export for military reasons certain information and items to foreign countries or citizens. Regulations handled by the State Department's Directorate of Defense Trade and Controls (DDTC).

**Key Personnel**

The personnel considered to be a primary importance to the successful conduct of a project. The term usually applies to the Principal Investigator(s), but may extend to other senior members of the project staff.

**Matching Funds**

See cost sharing. Financial contribution by the university required by a granting agency as a condition for receiving a contract, grant, or award. A form of cost sharing at a significant level, for example, two federal -to- one non-federal or none federal to one non-federal.

**MTDC**

Modified Total Direct Costs. Per A-21, the base of costs to which the negotiated F&A rate is applied.

**NACUBO**

The National Association of College and University Business Officers:

One Dupont Circle, NW, Suite 500

Washington, DC 20036

(202) 861-2500

<http://www.nacubo.org>

**NASA**

National Aeronautics and Space Administration.

**NCI**

National Cancer Institute. Part of the National Institutes of Health (NIH).

**NCRR**

National Center for Research Resources. Part of the National Institutes of Health (NIH).

**NAS**

National Academy of Sciences.

**NCURA**

The National Council of University Research Administrators:

1225 19th Street, N.W., Suite 850

Washington, DC 20036

(202) 466-3894

<http://www.ncura.edu>

**New Award**

An award not previously awarded, or a renewal or continuation award treated as a new award by the sponsor and given a new agency number.

**New and Competing Proposals**

Proposals submitted for the first time and thus competing for funding, or ongoing projects that must re-compete for funding prior to the expiration of the original award.

**NIH**

National Institutes of Health.

**No-Cost Extension (NCE)**

An extension of the period of performance beyond the expiration end date established in the terms of the award to allow the principal investigator to finish a project. No additional funding is provided.

**Non-Competing Renewal**

A renewal applied to a continuing project, i.e., one that need not compete with other projects for funding.

**Organized Research**

Per OMB Circular A-21, means all research and development activities of an institution that are separately budgeted and accounted for. It includes:

- (1) Sponsored research means all research and development activities that are sponsored by federal and non-federal agencies and organizations. This term includes activities involving the training of individuals in research techniques (commonly called research training) where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function.
- (2) University research means all research and development activities that are separately budgeted and accounted for by the institution under an internal application of institutional funds. University research, for purposes of this document, shall be combined with sponsored research under the function of organized research.

**OSR**

Office of Sponsored Research.

**Other Sponsored Activities**

Per OMB Circular A-21, means programs and projects financed by federal and non-federal agencies and organizations which involve the performance of work other than instruction and organized research. Examples of such programs and projects are health service projects, and community service programs. However, when any of these activities are undertaken by the institution without outside support, they may be classified as other institutional activities.

**Overhead**

See F&A costs.

**Pass-through entity**

Per OMB Circular A-133, means a non-federal entity that provides a federal award to a subrecipient to carry out a federal program.

**Peer Review**

A system of technical evaluation of competitive proposals submitted for funding. A peer review uses reviewers who are the professional equals of the principal investigator or program director responsible for directing or conducting the proposed project. Peer review is a form of objective review. It is legislatively mandated in some programs, and administratively required in others.

**Period of Performance**

In a sponsored award, the time period during which the proposed work will be completed and the funds awarded are available for expenditure by the recipient.

**PHS**

Public Health Service.

**PHS 2590**

An application for the continuation of the PHS grant (National Institutes of Health).

**PHS 398**

An application form for a PHS grant (National Institutes of Health).

**PHS 416-1**

An application form for a NRSA (fellowship or training grant).

**PI (Principal Investigator)**

The individual responsible for the conduct of research or other activity described in the proposal for an award.

**Post-doc**

Postdoctoral Associate or Fellow.

**Pre-award Costs Authorization**

Authorization to incur allowable expenses (sometimes up to specified limit) on a project within a limited period before the award is made by the sponsor.

**Preliminary Proposal**

See "Pre-proposal".

**Pre-proposal**

A brief description (usually 2-10 pages) of a research plan and estimated budget. The pre-proposal is sometimes submitted to determine the interest of a potential sponsor prior to submission of a formal proposal. A pre-proposal is also known as a preliminary, initial or Phase I proposal.

**Prior Approval**

Per OMB Circular A-110, written approval by an authorized official evidencing prior consent. Prior approval is required to significantly change aspects of the program from those originally proposed and approved and to meet other requirements specified in the agreement terms.

**Priority Score**

A score derived from the rating given to a research proposal by each member on a review committee. The score is used to help determine which approved proposals will be granted awards, based on funds available.

**Program Announcement**

A document describing a research opportunity from a funding agency. It may describe new or expanded interest in a particular extramural program, or it may be a reminder of a continuing interest in an extramural program.

**Program Income**

Per OMB Circular A-110, means gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award.

**Program/Project Officer/Technical Representative**

An individual designated by a sponsor as responsible for the technical, scientific, and/or programmatic aspects of a particular award. A program/project officer serves as the sponsor's counterpart to the principal investigator or project director of the grantee and contractor organization. S/he deals with the grantee or contractor organization staff to assure programmatic progress. S/he is not authorized to change the terms of the award – these actions require an award modification executed by the Grant or Contract Officer.

**Progress Report**

Scheduled reports required by a sponsor summarizing progress to date. Technical, fiscal, and invention reports may be required.

**Project Period**

Per OMB Circular A-110, the period established in the award document during which federal sponsorship begins and ends. The project period may consist of one or more budget periods. (See also Budget Period.)

**Property**

Per OMB Circular A-110, unless otherwise stated, real property, equipment, intangible property and debt instruments.

**Proposal**

An application for funding that contains all the information necessary to describe a project's plans, staff capabilities, and the funds requested. Formal proposals are developed by a principal investigator and are officially approved and submitted by an organization.

**Proposal Summary Form**

This is an OSR proposal form used to facilitate and document the routing and review of proposals. For more information, see Proposal Preparation. <http://www.stevens.edu/osr/proposalrouting.html>

**RA**

Research Assistant (graduate student). Could also be Research Administrator or Research Administration.

**Rebudget**

The act of amending a budget by moving funds from one category or line item to another; also called Budget Adjustment.

**Recipient**

Per OMB Circular A-110, means an organization receiving financial assistance directly from federal awarding agencies to carry out a project or program. The term includes public and private institutions of higher education, public and private hospitals, and other quasi-public and private non-profit organizations such as, but not limited to, community action agencies, research institutes, educational associations, and health centers. The term may include commercial organizations, foreign or

international organizations (such as agencies of the United Nations) which are recipients, subrecipients, or contractors or subcontractors of recipients or subrecipients at the discretion of the federal awarding agency. The term does not include government-owned contractor-operated facilities or research centers providing continued support for mission-oriented, large-scale programs that are government-owned contractor-operated facilities or research centers providing continued support for mission-oriented, large-scale programs that are government-owned or controlled, or are designated as federally-funded research and development centers (FFRDCs).

### **Research and Development**

Per OMB Circular A-110, means all research activities, both basic and applied, and all development activities that are supported at universities, colleges, and other non-profit institutions. “Research” is defined as a systematic study directed toward fuller scientific knowledge or understanding of the subject studied. “Development” is the systematic use of knowledge and understanding gained from research directed toward the production of useful materials, devices, systems or methods, including design and development of prototypes and processes. The term research also includes activities involving the training of individuals in research techniques where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function.

### **RFP (Request for Proposals)**

A request by a sponsor for proposals for a given objective.

### **RFQ (Request for Quotations)**

A standard request for price quotations from competing procurement sources.

### **S&W (Salaries and Wages)**

Payments made to Stevens employees for work performed.

### **SBA**

Small Business Administration.

### **SBIR (Small Business Innovation Research)**

The Federal Small Business Innovation Research (<http://grants.nih.gov/grants/funding/sbir.htm#sbir>) program that promotes research and development by domestic small businesses.

### **Scope of Work**

The description of the work to be performed on a project.

### **Senior Personnel**

Professional personnel who are responsible for the scientific or technical direction of a project.

### **Sole Source Acquisition**

Per FAR, means a contract for the purchase of supplies or services that is entered into or proposed to be entered into by an agency after soliciting and negotiating with only one source.

### **Solicitation**

Per FAR, means any request to submit offers or quotations to the government. Solicitations under sealed bid procedures are called “invitations for bids.” Solicitations under negotiated procedures are called “requests for proposals.” Solicitations under simplified acquisition procedures may require submission of either a quotation or an offer.

### **Sponsor**

The organization that funds a project via award of a contract, grant or cooperative agreement, or other agreement.

### **Sponsored Agreement**

Per OMB Circular A-21, means any grant, contract, or other agreement between the institution and the federal government.

## **SRA**

Society of Research Administrators:

1901 North Moore Street  
Suite 1004  
Arlington, VA 22209  
(703)741-0140  
[Info@srainternational.org](mailto:Info@srainternational.org)

## **Stipend**

A payment made to an individual under a fellowship or training grant in accordance with pre-established levels. A stipend provides for the individual's living expenses during the period of training. Does not incur F.B.

## **STTR (Small Business Technology Transfer)**

The Federal Small Business Technology Transfer (<http://grants.nih.gov/grants/funding/sbir.htm#sbir>) program promotes research and development by domestic small businesses in cooperation with institutions of higher education.

## **STIS (Science and Technology Information System)**

An on-line search system of the National Science Foundation.

## **Subaward (also called Subcontract, Subgrant, or Subrecipient Agreement)**

A secondary award directed to cooperatively work with a third party to carry out the program for which a primary award has been granted. In other words, a subaward agreement allows an additional party to complete a portion of the work described in the proposal for a primary award.

Under a sponsored project a recipient also needs to acquire goods and services in order to carry out the project for which funds have been granted. This is a vendor relationship, and is not characterized by a cooperative effort to carry out the objectives of the project, but does require the acquisition of goods and services by the recipient. Using these definitions, for example, consulting contracts are vendor-type relationships and are handled by the Procurement Office.

In most cases, distinctions between these two types of activities are relatively easy to make. For example, in a subaward agreement

The Subrecipient has its performance measured against its portion of the scope of work of Stevens' program;  
The Subrecipient has responsibility for programmatic decision making;  
The Subrecipient has responsibility for adherence to applicable program compliance requirements (i.e. OMB Circulars, regulations of Federal and Not-for-Profit Entities, etc);  
The Subrecipient uses the funds to carry out a portion of the scope of work of Stevens' program as compared to providing goods or services for Stevens' program; and  
The Subrecipient principal investigator/project director may be a co-author on publications or may seek patent protection for inventions.

For more information on subawards, visit OSR's website detailing these policies and procedures for Research Subawards (<http://www.stevens.edu/osr/subrecip.html>)

## **Subcontract**

An agreement or secondary contract in which a third party agrees to perform some of the activities defined in the proposal for an award. A subcontract relationship is generally described at the time of proposal submission but not consummated until after the award has been made to the organization submitting the primary proposal.

## **Subrecipient Agreement**

**See "Subaward"**

**Supplemental Proposal**

A request to the sponsor for additional funds for an ongoing project during the previously approved performance period. A supplemental proposal may result from increased costs, modifications in design, or a desire to add a closely related component to the ongoing project.

**Suspension of An Award**

Per OMB Circular A-110, an action by a federal awarding agency that temporarily withdraws federal sponsorship under an award, pending corrective action by the recipient or pending a decision to terminate the award by the federal awarding agency.

**Tax payer Identification Number (TIN)**

Per FAR, means the number required by the IRS to be used by the offeror in reporting income tax and other returns. The TIN may be either a Social Security Number or an Employer Identification Number.

**TDC**

Total Direct Costs. The total of all direct costs of a project. See Direct costs.

**Termination**

Per OMB Circular A-110, means the cancellation of federal sponsorship, in whole or in part, under an agreement at any time prior to the date of completion.

**Terms of Award**

All legal requirements imposed on an agreement by the sponsor, whether by statute, regulation, or terms in the award document. The terms of an agreement may include both standard and special provisions that are considered necessary to protect the recipient's and sponsor's interests.

**Testbed**

An experimental proof of concept, technology demonstration, or pre-prototype.

**Third Party In-Kind Contributions**

Per OMB Circular A-110, means the value of non-cash contributions provided by non-Federal third parties. Third party in-kind contributions may be in the form of real property, equipment, supplies and other expendable property, and the value of goods and services directly benefiting and specifically identifiable to the project or program.

**Total Projects Costs**

The total allowable direct and indirect costs incurred by an organization to carry out an approved project.

**Unallowable cost**

Per FAR, means any cost that, under the provisions of any pertinent law, regulation, or contract, cannot be included in prices, cost-reimbursements, or settlements under a government contract to which it is allocable.

**Under-recovery**

(see F&A Under-recovery).

**Unexpended Balance**

The portion of the funds authorized by the awarding entity that has not been expended by the recipient and is determined by deducting the cumulative expenditures from the authorized total.

**Unsolicited Proposal**

A proposal submitted to a sponsor that is not in response to an RFP, RFA, or program announcement.

**Vendor**

Per OMB Circular A-133, means a dealer, distributor, merchant, or other seller providing goods or services that are required for the conduct of a Federal program. These goods or services may be for an organization's own use or for the use of beneficiaries of the Federal program.