



# **Sponsored Project Handbook**

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## Table of Contents

<b>1. Introduction</b> .....	3
<b>2. University Organization for Research Administration</b> .....	7
<b>3. Administrative Policy Considerations</b> .....	10
<b>4. Preparation of Proposals</b> .....	14
<b>5. Types of Agreements and Instruments</b> .....	26
<b>6. Initiating the Project Award</b> .....	29
<b>7. Award Administration</b> .....	31
<b>8. Project Changes</b> .....	41
<b>9. Effort Reports</b> .....	45
<b>10. Guidelines for Cost Transfers</b> .....	49
<b>11. Project Reporting</b> .....	52
<b>12. Audits</b> .....	54
<b>13. Accounting Procedures for Non-Federal Sponsors and the F&amp;A Costs of Sponsored Projects</b> .....	56
<b>14. Additional Reference Materials</b> .....	59

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## 1. Introduction

### 1.1. Purpose of the Handbook

To ensure that funds provided from external sources to support research and other projects are administered in accordance with University policies, as well as those of the sponsor, all externally sponsored projects for research or other purposes will be administered through the Office of Research Services (ORS), the Penn Center for Innovation (PCI) and the Office of Clinical Research (OCR) in accordance with established University policies and procedures. External sources include both governmental and private organizations.

Faculty and staff members who conduct sponsored projects under University auspices have an important public, as well as personal, responsibility to manage those projects carefully. The Sponsored Projects Handbook will help research investigators fulfill that responsibility. Its purpose is to acquaint new investigators with the research policies and procedures of the University, to inform them of the various services available to them, and to serve for all investigators and administrators as a reference and guide to further information and assistance. While greater emphasis and space are given to sponsored research, the policies and procedures outlined generally apply to other sponsored projects, such as training grants.

Where appropriate, specific reference is made to University policies on Sponsored Projects. Investigators and administrators should be mindful that portions of this Handbook may be superseded by policy memoranda, or changes in sponsors' policies and regulations. While every attempt will be made to keep the materials herein timely, ultimately the most current information will be found in specific sponsor documentation and award documents.

### 1.2. Principal Investigators

The University's principal investigators bear the primary responsibility for the success of their sponsored research and training projects. In addition to their academic and scholarly duties, principal investigators must exercise a substantial degree of administrative acumen to enable the research enterprise, of which they are the crucial part, to function successfully. This Handbook is intended as a guide and reference to principal investigators in carrying out their extensive responsibilities. [See Sponsored Projects Policy No. 2106.](#)

### 1.3. Sponsored Project Definition

Any project, which meets any of the following criteria, is considered to be a "sponsored project" (see [Sponsored Projects Policy No. 2101](#)) and will be administered accordingly:

1. The project commits the University to a specific line of scholarly or scientific inquiry, typically documented by a statement of work;
2. A specific commitment is made regarding the level of personnel effort, deliverables, or milestones;
3. Project activities are budgeted, and the award includes conditions for specific formal fiscal reports, and/or invoicing;
4. The project requires that unexpended funds be returned to the sponsor at the end of the project period;
5. The award provides for the disposition of either tangible property (e.g., equipment, records, technical reports, theses or dissertations) or intangible property (e.g., inventions, copyrights or rights in data) which may result from the project; and
6. The sponsor identifies a period of performance as a term and condition.

All research and teaching activities, whether or not considered a sponsored project, which involve human subjects, laboratory animals, use of radioactive materials, or biohazard activities must be reviewed by the appropriate University committees for compliance with University policies and governmental regulations. Additionally, international research activities, whether or not considered a sponsored project, should be reviewed for compliance with both U.S. export control laws and other applicable governmental regulations.

### 1.4. Gifts

Gifts to the University of a restricted or unrestricted nature which do not include any of the above conditions are not viewed as sponsored projects and are processed through the normal gift transmittal procedures. Gift solicitation and acceptance should

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be coordinated with the appropriate development officer in each school.

In cases where there is a question whether a particular project should be treated as a sponsored project or gift, the Associate Vice President and Associate Vice Provost of ORS will consult with representatives of the School(s) involved, the Corporate and Foundations Relations Office, and the Office of the Treasurer to determine its appropriate classification.

## **1.5. Who Can Submit a Proposal for External Support?**

A person holding the academic rank of professor, associate professor or assistant professor can serve as a Principal Investigator (see [Sponsored Projects Policy No. 2136](#)).

The principal investigator must be an employee of the University or hold an adjunct or emeritus appointment.

Research and training proposals may be submitted by individuals who do not qualify under this policy requirement provided the proposal is approved by the appropriate department chair and dean, which indicates the chair's acceptance of responsibility to monitor the conduct and quality of the work.

## **1.6. Sources of Project Support**

There are two main sources of funds for research and other projects, University and non-University. Since University programs of support are of necessity very limited and devoted to supplying seed money or support for small projects, researchers are urged to contact outside sponsors. The usual route is the submission of formal proposals to potential sponsors as discussed below.

### **1.6.1. University Sources of Project Support**

- The Research Foundation

An internally funded University Research Foundation (URF) was approved by the Trustees in January 1981 to seed new projects that could lead to extramural support. In addition the URF focuses on disciplines where extramural support is difficult to obtain and where significant research can be facilitated with internal funding. The URF also provides support for conferences, interdisciplinary seminars, and conferences. Application procedures and guidelines for the Fall and Spring award cycles are announced in the Almanac. Contact the Office of the Vice Provost for Research for further information.

- Research Facilities Development Fund

The Research Facilities Development Fund supports the improvement, renovation and construction of research facilities at the University, as well as the acquisition of major items of equipment. The Fund is a revenue source for projects which are research priorities linked to a School's/Center's strategic plan. Applications for this fund are accepted only from Deans and certain Institute Directors. Contact the Office of the Vice Provost for Research for further information.

- Global Engagement Funds

#### **Global Engagement Fund**

Launched in 2011, Penn's Global Engagement Fund seeds creative, cross-disciplinary, faculty-driven projects that will catalyze entrepreneurial research or initiatives in a global context. Specifically, the Fund seeks to promote faculty research and engagement around the world by providing seed funding for new projects that will lead to additional, extramural opportunities and continue beyond the scope of the Global Engagement Fund.

#### **Penn China Research and Engagement Fund**

Launched in March 2015, the Penn China Research and Engagement Fund is a competitive matching program designed to stimulate and support activity in China. The goals of the fund are to deepen and strengthen Penn's engagement in China with

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the goal of creating sustainable impact for the Penn community and beyond.

### **Penn India Research and Engagement Fund**

Launched in October 2017, the Penn India Research and Engagement Fund is a competitive matching program designed to stimulate and support activity in India. The Fund aims to increase the study and understanding of India at Penn and generate of transformative and impactful ideas on major debates in India by supporting a range of faculty projects drawn from diverse academic disciplines.

For any of the aforementioned funding opportunities, application procedures and guidelines for the funding cycles are published on Penn Global's website and announced in the *Almanac*. Contact Penn Global for further information.

### **1.6.2. Non-University Sources of Project Support**

- A broad variety of organizations, both private and public, provide funding for research and training activities of interest to University faculty. These organizations range from large federal agencies such as NIH and NSF to small foundations and associations. Links to many sites for identifying funding opportunities are available on the Penn Research website (<https://research.upenn.edu/funding>) under the Funding Opportunities heading.
- Sponsored Program Information Network (SPIN)
  - The easiest way to begin to learn about potential sponsors in a specific area of interest is by doing an electronic search using the SPIN data base to which the University subscribes and is available to all University personnel at <http://www.pennera.upenn.edu/>.

The Office of the Vice Provost for Research (OVPR) coordinates the selection process for grant competitions, in instances where a limited number of applications are accepted from the University. These opportunities are listed on the OVPR website at: <https://research.upenn.edu/funding/limited-submission/>.

In addition to the University-wide opportunities, there are some instances of awards that are coordinated by a single School and these may be found on the individual schools websites.

#### **1.6.2.1. Federal Agencies**

The [grants.gov](https://www.grants.gov) site allows universities to locate and apply for competitive grant opportunities from all Federal grant-making agencies. The Search Grant Opportunities feature provides the ability to search for Federal government-wide grant opportunities and to receive notification of future grant opportunities. The [Apply for Grants](#) feature allows organizations to apply for Federal grants online through a unified process. Grants.gov enables organizations to access useful grants-related information and links.

[FedBizOpps.gov](https://www.fedbizopps.gov) the single government point-of-entry for Federal government procurement opportunities over \$25,000. Government buyers are able to publicize their business opportunities by posting information directly to FedBizOpps via the Internet. Through one portal – FedBizOpps – commercial vendors seeking Federal markets for their products and services can search, monitor and retrieve opportunities solicited by the entire Federal contracting community.

The [NIH Funding Opportunities](#) web site contains helpful information about NIH programs. Similarly, the [NSF](#) home page contains information about NSF programs.

#### **1.6.2.2. Commercial Sponsors of Research**

Many private companies are interested in finding ways to interact with University faculty researchers. The Penn Center for Innovation (PCI) is responsible for assisting with the negotiation of sponsored research agreements with industry Sponsors. Please see the PCI website <http://www.pci.upenn.edu/> for further information.

There are frequently opportunities to engage with corporate sponsors for the conduct of clinical trials. The Office of Clinical Research <http://www.med.upenn.edu/ocr/> is responsible for the negotiation of these agreements.

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Further information on specific policies governing corporate sponsored research, including corporate sponsored clinical trials may be found in the Sponsored Projects Policies ([Sponsored Projects Policy No. 2104](#)).

### **1.6.2.3. Foundations and Other Not-for-Profit Sponsors**

The University receives funds from numerous foundations and other not-for-profit sponsors. The terms and conditions of these awards are widely variable. Principal investigators should review the terms and conditions of awards including the entity's policies on intellectual property prior to submitting applications to these sponsors.

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## 2. University Organization for Research Administration

### 2.1. General Administrative Structure

The University regards the research and scholarly activities of its faculty as part of their normal academic responsibilities. The primary responsibility for research, therefore, resides in the departments and schools. A principal investigator is responsible to their Chair and Dean for their research activities just as for other academic activities.

The Vice Provost for Research, supported by ORS and the other research support offices (see below), is responsible for the administration of the University's research projects and works with the deans and other heads of educational and research units and with the faculty in establishing research policies and procedures. The Vice Provost is advised by the Provost's Council on Research. The Executive Vice President and the Vice Presidents for Business Services, Human Resources, Finance and Facilities Services, and Information Technology provide supporting services to the research community.

#### 2.1.1. Vice Provost for Research

The [Vice Provost for Research](#) is the University official responsible for the development and implementation of policies and procedures relating to extramurally sponsored projects. In carrying out this responsibility, the Vice Provost acts with the advice of the Provost's Council on Research.

The Vice Provost for Research is the University official responsible for policies and procedures concerning the care, maintenance and use of all vertebrate animals in research, research training and biological testing activities in compliance with the rules of regulatory authorities. Details of the policies and procedures are included in the "Institutional Animal Care and Use Committee Guidelines." Copies are available at the [Office of Regulatory Affairs](#) 898-2614/2615/0081.

The Vice Provost for Research is responsible for assuring the protection of human subjects in compliance with federal law. For this purpose, the Vice Provost has established several Institutional Review Boards (IRB). The University requires that, prior to initiation, all research projects involving humans as subjects must be reviewed by one of the IRBs. This policy applies, regardless of the source of funding and location of the study, to all biomedical and behavioral research involving human subjects conducted by the University's faculty, staff and students. Information issued by the IRB can be found at the [Office of Regulatory Affairs](#).

#### 2.1.2. Provost's Council on Research

The Provost's Council on Research is comprised of the associate deans of research or other senior research officers of each of the schools and is chaired by the Vice Provost for Research. The Council meets periodically to discuss issues related to the research enterprise and to provide advice on such matters to the Provost and Vice Provost.

#### 2.1.3. Office of Research Services

The [Office of Research Services](#) (ORS) reports jointly to the Vice President for Finance and Treasurer and Senior Vice Provost for Research. ORS exists to implement the research policies of the University and to provide services to the faculty and their schools and departments in administering sponsored projects. An Associate Vice President /Associate Vice Provost who is supported by Directors, Associate Directors, Assistant Directors, Contract Administrators and other administrative staff, heads ORS. The functions of ORS include the following:

1. Formulating grant and contract administration policy and procedures for approval and promulgation by the Vice President for Finance and the Vice Provost for Research;
2. Overseeing the negotiation, execution and administration, of sponsored project grants and contracts from federal and non-profit sponsors throughout the University from inception through closeout;
3. Overseeing administration of other sponsored project grants and contracts (corporate sponsored research agreements negotiated and executed by PCI and industry sponsored clinical trials negotiated and executed by OCR) from award receipt through closeout;
4. Assuring timely receipt of and proper fiscal stewardship for sponsor funds;
5. Negotiating University-wide F&A costs and employee benefit rates;

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6. Assuring University compliance with federal requirements such as effort reporting, cost sharing and service centers;
  7. Maintaining liaison with sponsoring agencies concerning University organization, policies and procedures; representing the University in negotiations with sponsoring agencies to assure consistent contract and grant provisions and policies; resolving problems and settling disputes;
  8. In cooperation with other University offices (see below), assuring compliance with sponsor's policies, e.g., fiscal, property, intellectual property, human and animal subjects;
  9. In cooperation with other University offices maintaining official records concerning sponsored projects including official grant and contract files;
  10. Assisting faculty and department/school staff in the preparation of proposals and other administrative aspects of sponsored projects as needed;
  11. Ensuring University compliance and providing education about U.S. Export Control Laws; and
  12. Training of administrative staff in the policies, procedures and practices of the University and sponsors.

The Trustees of the University of Pennsylvania have authorized the Associate Vice Provosts, Directors, Associate Directors, and Assistant Directors of ORS, PCI, and OCR to sign contracts, grants and other documents related to sponsored projects. **Only these individuals are permitted to commit the University to accept a sponsored project agreement (see Sponsored Projects Policy Nos. [2102](#) and [2105](#)).** Contracts and other award documents signed only by the principal investigator are not binding on the University.

#### 2.1.4. Human and Animal Research Protections

The Institutional Review Board (IRB) is charged with administering the review process for approval and use of human beings for research purposes. In this role, the IRB provides information and guidance to faculty and others on the regulations governing the use of humans in research, assists in preparing research protocols for submission to the review committees, provides staff support to the boards and provides any other services needed to assure compliance with local and federal regulations in this area. The IRB maintains all official records of these boards. The Director, who is supported by an Associate Director and an Assistant Director and other support staff, heads the office.

Protocol review is conducted by committees composed of University faculty, scientific and non-scientific members and non-affiliated community representatives. The University currently supports 9 Institutional Review Boards for the protection of human subjects in research. Each Committee meets at least monthly, with the exception of IRB 9, which meets on an ad hoc basis. Of the Committees that meet monthly, seven of the IRBs deal with medical research protocols, including one IRB which meets at Pennsylvania Hospital. The remaining IRB deals only with social and behavioral research, although expedited or exempt protocols may be handled by all Boards.

#### The Office of Animal Welfare & Institutional Animal Care and Use Committee

The Office of Animal Welfare (OAW) provides comprehensive support and guidance to the animal research community on matters related to Institutional Animal Care and Use Committee (IACUC) protocol development and ensuring regulatory compliance for the animal program. The OAW is headed by the Director, who is supported by an Assistant Director of IACUC Administration, an Associate Director for Compliance, and other support staff. Functions of the OAW include performing a robust pre-review of animal protocols and handling the subsequent review process by the IACUC, as well as post-approval monitoring of research activities, identifying and assisting with resolution of non-compliances, and coordinating semi-annual site visits.

The IACUC is responsible for the review and approval of vertebrate animal use in research, and performs protocol and amendment reviews on a rolling basis through a designated member process, which allows members to call for full committee review of submissions as needed. The IACUC meets monthly to discuss the animal care program and to review any protocols called for full committee review. The committee is composed of University faculty, scientific and non-scientific members, veterinarians, and non-affiliated community representatives. There are also four subcommittees for the IACUC that meet regularly to focus on areas requiring additional attention: the Training Subcommittee reviews training development for the use of animals; the Veterinary Care Subcommittee reviews and creates guidelines and policies for the use of animals at Penn based upon regulatory documents; the Compliance Subcommittee handles issues related to post-approval monitoring and potential non-compliances; and the Satellite Housing Subcommittee oversees the extended housing of animals outside of ULAR-managed housing facilities.



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Current information on OAW and IACUC may be found at <https://iacuc.upenn.edu/> .

### **2.1.5. Office of Research Integrity and Compliance**

The Office of Research Integrity and Compliance is charged with and committed to the education of faculty and staff in research regulatory requirements as well as with review of Financial Conflicts of Interest. It fulfills its mission through education, training and compliance assessment and serves the community as an information clearinghouse.

### **2.1.6. Penn Center for Innovation**

The [Penn Center for Innovation](#) (PCI) is responsible for the identification, protection and commercialization of the intellectual property generated by the faculty and staff of the University as well as the negotiation of industry-sponsored research agreements.

### **2.1.7. Business Services, Finance, Facilities Management and Human Resources**

Business services for research activities are provided in accordance with standard University practice by the various offices, i.e., Human Resources, Facilities Services, Payroll, General Accounting, and Acquisition Services. Policies and procedures which apply to these support activities may be found on the web under their respective offices.

### **2.1.8. Dean and Department Chairs**

The department chairs have a general responsibility for promoting the scholarly and research activities of their departments, as well as fostering sound stewardship of funds. They ensure that personnel, fiscal, and space demands of all such projects are in the best interests of both their department and the University as a whole. School deans have the same responsibilities for their schools.

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### **3. Administrative Policy Considerations**

#### **3.1. Corporate Responsibility**

Extramurally sponsored projects are made to the University in its corporate name, The Trustees of the University of Pennsylvania. Therefore, awards of funds for sponsored projects are awards to the University and commitments under agreements are commitments of the University. Any work performed by a faculty member of the University under such a project must be considered as work performed for the University.

#### **3.2. Formal Documentation**

University policy stipulates that every research agreement be evidenced by a formal document that outlines the research objectives and administrative requirements of the project. Informal (oral) agreements are the personal responsibility of the individual faculty member making such arrangements and may not be binding on the University.

#### **3.3. Authorized Signatures**

The Trustees have authorized the Vice Provost for Research, and the Associate Vice Provosts, Directors, Associate Directors, and Assistant Directors of ORS, PCI and OCR to sign proposals, grants, contracts or other agreements on behalf of the Trustees. The PCI authorization extends to documents related to patents, copyrights, and trademarks (see Sponsored Projects Policy Nos. [2102](#) and [2105](#)). The Director and Associate Directors of the Office of Animal Welfare and Office of Clinical Research/ Human Protections Program are also authorized to sign documents related to approval of human subjects and animal research.

#### **3.4. Classified Research**

The University does not possess a government security clearance and cannot as a corporate entity possess classified material. It is the policy of the University not to accept agreements which require access to classified data, require University employees to obtain security clearances, or restrict the dissemination of the results.

#### **3.5. Endorsement of Research Results**

Because the University imposes no limitation on the freedom of the faculty in the choice of fields of inquiry or the media of public dissemination of the results obtained, any results obtained and disseminated are the sole responsibility of the principal investigator and do not carry the institutional endorsement of the University. Consequently, the University does not permit the use of its name in advertising or promotional material related to the results of sponsored projects without the prior written approval of an officer of the University. In addition, the University will neither guarantee nor warrant the results of sponsored projects.

#### **3.6. Financial Conflict of Interest**

The University has one policy governing research-related Financial Conflicts of Interest (FCOIs), the University of Pennsylvania Policy on Conflicts of Interest Related to Research (the FCOI Policy), available at <https://research.upenn.edu/compliance-and-training/fcoi/>. The purpose of this policy is to set forth the framework for identifying, evaluating, and managing FCOIs related to University research activities in order to minimize the risk of bias and to maintain integrity, credibility and respect for the work of Penn researchers. This policy is applicable to all research being conducted under the University's auspices, regardless of whether the research is externally or internally funded. Consult the Office of the Vice Provost for Research website for the core components of the FCOI Program – Disclosure, Review and Management at <https://research.upenn.edu/compliance-and-training/fcoi/>. Ownership of Intellectual Property Ownership of any intellectual property developed during a sponsored project, including inventions, whether or not patentable, copyrightable materials, including computer software, and tangible research materials, is governed by the terms of the sponsored research agreement and the University's policies on these issues. For further information, see the PCI's home page <http://pci.upenn.edu/>. For more information on intellectual property developed under the auspices of a clinical trial please contact the Director of the Office of Clinical Research.

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### 3.7. Students in Research

Traditionally, graduate students have played a significant role in the conduct of sponsored research. Undergraduate students are becoming increasingly involved in research activities. For all students participating in sponsored research projects, it is important to assure that the terms of sponsored research agreements will not conflict with a student's academic progress and that students have the right to refuse to participate in a particular project if they so choose. For further information see *Guidelines for Student Protection and Student Access to Information Regarding Sources of Financial Support. Section III H.* at <https://catalog.upenn.edu/faculty-handbook/>

The Guidelines for the Conduct of Sponsored Research were developed in response to concerns raised during the late 1960's about the University's involvement in federally funded research that was classified for security purposes. The Guidelines set forth roles and responsibilities of the faculty and the University, and describe the basic principles underlying all academic research at the University. While they are the result of a reaction to a particular issue, the Guidelines are still relevant today. Those responsibilities are described in the [Faculty Handbook](#). It should be understood, however, that these Guidelines deal with the academic issues of research and that there are other responsibilities, primarily of a financial nature, which a faculty member assumes when doing sponsored research.

### 3.8. The University and its Faculty

The University imposes no limitations on the freedom of the faculty in the choice of fields of inquiry or upon the media of public dissemination of the results obtained. It is the obligation of faculty members to make freely available to their colleagues and to the public the significant results achieved in the course of their inquiries.

By providing financial support, physical facilities, and especially an intellectual environment conducive to research, the University engenders scholarly inquiry by its faculty. In doing so, the University recognizes its responsibility to the faculty to maintain a research environment in which unrestricted scholarship and freedom of inquiry may continue to thrive.

The University recognizes that its faculty consists of self-motivated scholars and scientists; their participation in scholarly or scientific controversies does not involve the University beyond its general support. Such support is predicated on the University's confidence that its essential functions are best accomplished by freely permitting capable scholars to follow the search for truth wherever it may lead.

An interdependent relationship between the University and the research skills of its faculty becomes manifest whenever the University becomes involved as a corporate entity in the administration of research. In pursuing a policy of encouraging free inquiry the University affirms its reliance on its faculty in all matters of judgment concerning the intellectual merit of a project.

For its part as the beneficiary of gifts and as the recipient of grants and contracts, the University must reserve the right to accept only that support which does not in any way compromise the freedom of inquiry of its faculty, the integrity of its scholarship or its commitment to the policy of nondiscrimination.

In its role as a degree-granting institution, the University views the substantial participation of graduate students in sponsored research as altogether appropriate to its educational mission.

The University administration does not distinguish between research activities which acquire new knowledge and research activities which apply existing knowledge. It leaves the decision of how to balance these two elements to the judgment of those who perform research and their academic supervisors.

### 3.9. Administrative Requirements for Sponsored Programs

The following seven conditions must govern any research agreement entered into by the University and a sponsor in order for a favorable evaluation to be made.

1. Open identification of sponsors and the actual sources of funding must be present in the agreement. Exception is made for anonymous sponsorship when in the judgment of the Provost such a condition is not harmful to the University or to

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- the integrity of the research and is essential for the award to be given.
2. Unrestricted dissemination of all findings and conclusions derived from the project must be an integral part of the agreement, except where the privacy of an individual is concerned. The University regards any infringement on complete access to research findings as detrimental to free inquiry. It therefore neither seeks nor accepts security clearance for itself or any administrative unit. The decision whether to seek clearance is an individual one to be made by each faculty member according to their judgment. Such decisions will not be influenced or judged in any way by the University and must be made in each instance on the basis that the benefits of clearance balance its academic shortcomings. Exception may be granted by the Provost for privileged information but only in the form of a delay in the release of such information. The delay will only on rare occasions exceed three months.
  3. The resources or data sources on which research is wholly dependent must be free of control by the sponsor. The University views such control as incompatible with free inquiry and encourages acceptance of this condition only when no alternative source exists. Exception may be granted by the Provost for projects which are conducted abroad and subject to the legal restraints of foreign governments and their agencies.
  4. No conditions may be attached to the gift, grant or contract that would in any way jeopardize the University's commitment to the principle of nondiscrimination on the basis of race, color, sex, sexual or affectional preference, age, religion, national or ethnic origin or handicap.
  5. Academic appointments made with the support of gifts, grants, or contracts shall be made only in accord with established University procedures. A sponsor shall not ordinarily participate in the selection of persons to work on a project, and individuals employed by the University shall not be excluded by a sponsor from participation in a project for any reason other than when necessary because of insufficient competence or when required to protect privileged information.
  6. No financial obligations by the University in the present or any time in the future can be implied other than those stated in the contract. When uncertainty exists the Provost or a designated member of the Provost's staff shall consult with appropriate officers of the University to assure that this condition is met prior to the final approval of the agreement.
  7. The University relies primarily on the discretion of its faculty to limit the commercial aspects of research sponsorship, such as advertising and publicity. Contracts must not allow the use of the University's name for commercial purposes unless such use has been specifically approved by the President of the University. Agreements must not permit the names of University investigators to be exploited for advertising purposes or permit reprint distribution to be made part of a publicity campaign.

### 3.10. The Business Administrator

The Departmental or School business administrator (BA) is responsible for the administrative aspects of a sponsored project and is a key individual in the management of the project. While the University places the prime responsibility for the conduct of the sponsored projects in all its aspects on the Principal Investigator (PI), it is the business administrator who will be the most involved in the day-to-day operations of the project. Therefore, it is imperative that the PI and the BA interact closely and frequently, at least on a monthly basis, to review and discuss financial and administrative matters (see Sponsored Projects Policies Nos. [2106](#) and [2110](#)).

Managing a sponsored project efficiently requires close coordination between the BA and PI. The BA must ensure the following:

1. A copy of the award notice and the Account Information Sheet is provided to the PI;
2. Understand the sponsor's restrictions on costs and discuss with the PI;
3. Awards and their budgets are created accurately in the University's financial systems in accordance with the approved award;
4. Awards are monitored on a regular basis;
5. Charges to awards are appropriate and PI approval is documented as required;
6. F&A cost rates are being accurately charged against the direct cost budget;
7. Discuss with the PI reporting obligations and schedule;
8. Subawards and sub-accounts are managed. This involves working with [Research Services](#) on issuing the subaward, establishing the Purchase Order, and along with the PI, monitoring subrecipient expenditures and work and documenting the monitoring that occurs;
9. Cost sharing is planned, documented, and accounted for;
10. Discuss with the PI any special award requirements. For example, the award may have been made on a fixed-price

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- basis or may specify special deliverables;
11. With the PI, jointly plan the project close several months before termination. No-cost extensions must be requested before the end date; and
  12. That the PI confirms the accuracy of Effort Reports.

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## 4. Preparation of Proposals

### 4.1. Introduction

The submission of a proposal is the usual manner of approaching potential sponsors for support of research or other projects. Writing proposals in a manner which clearly defines the ideas, concepts and solutions, as well as the problem, and states the advantages or benefits to be gained as a result of the efforts proposed, is an important task. The burden of proposal writing rests with the faculty member who will be designated as the principal investigator or project director and who will be responsible for the project upon award. Prior to preparation of a formal proposal there is a considerable amount of preliminary work which should be accomplished to avoid unnecessary effort.

### 4.2. Relevant Sponsored Projects Policies

The following Sponsored Projects Policies are of direct relevance to the **preparation** of sponsored projects proposals:

[2101 Administration of Sponsored Projects](#)

[2102 Approval of Proposals](#)

[2103 Administration of Clinical Trials](#)

[2111 Unallowable Costs](#)

[2116 Facilities and Administrative \(F&A\) Costs](#)

[2119 Cost Sharing/Matching Requirements](#)

[2131 Compliance with Subrecipient Standards of OMB Uniform Guidance](#)

[2135 Monitoring Subrecipients Not Subject to OMB Uniform Guidance](#)

[2136 Principal Investigator Eligibility](#)

[2138 Direct Cost Expenditures for Non-Federal Organizations](#)

### 4.3. Preliminaries to Proposal Preparation

Roughly develop the proposed project, its scope, methods and objectives, to the point where personnel, equipment, facility and other support requirements can be estimated. If appropriate, discuss these plans with the department chair in order to assure consistency with departmental objectives and availability of necessary resources. This may also require discussions with the dean of the school, and, if the project is interdisciplinary, with other department chairs and school deans.

Frequently, the principal investigator may have informal contact with representatives of an outside sponsor to explore the possibility of receiving the sponsor's support. While such contacts are encouraged, no commitments binding the University may be made until a formal proposal has been processed and approved by ORS, OCR, or PCI.

#### 4.3.1. Sponsored Research Agreements with Commercial Entities

Faculty members interested in exploring sponsored research or collaborative research opportunities with industry partners should coordinate these activities with the [Penn Center for Innovation](#) (PCI). The staff at PCI has developed standard Sponsored Research Agreement (SRA) and Collaborative Research Agreement (CRA) templates for use with industry partners. More information can be found on PCI's website at <http://www.pci.upenn.edu/working-with-pci>. The contract negotiators at PCI typically provide industry partners with a copy of the Penn template SRA or CRA when initially discussing a possible research collaboration, particularly if the company is small to midsized, and may not have its own template agreement. Universities and industry sometimes have differing views on matters such as publication of research results and

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ownership of inventions, so it is important to set forth the University's standard practices and general expectations on these matters at the outset, and PCI will help to guide the parties in this regard.

Negotiations of SRAs and CRAs should consider the various stakeholder groups involved in the process. The interests and needs of the University from the perspective of a non-profit, tax-exempt research and educational institution, with a mission of public service, are often starkly contrasted with the commercial, for-profit goals of industry sponsors. Despite these differences, research collaborations conducted via an SRA or CRA can provide significant benefits to both parties, including: faculty access to proprietary industrial technologies, substantial research funding support for University projects, defined sponsor access to the vast expertise of the faculty and specialized facilities of the University, and the accelerated advancement and development of university generated technologies into the market for societal benefit.

In preliminary proposal discussions, it is often desirable to outline key budget details to define and mutually agree upon the general or tentative cost of the project. *In estimating the total cost, be sure to include both direct and F&A costs at the current Non-federal Sponsor research rate* (<http://www.upenn.edu/researchservices/penndata.html>). The faculty investigator should work with their business administrator to develop a payment plan for the budget which includes an initial payment, and subsequent scheduled payments to keep the payment flow ahead of expected expenditures of effort and costs.

It is essential that PCI be made aware of informal proposals or correspondence being exchanged with potential sponsors. This can be accomplished by submitting a formal proposal via the [PennERA system](#) or by sending notice directly to PCI via its [Corporate Contracts Program](#). We also strongly encourage faculty members to work with their existing Technology Licensing Officer (TLO) at PCI if they have questions related to proposed sponsored research or collaborative research opportunities with industry partners. (for contact information see <http://www.pci.upenn.edu/who-we-are/> ; if you do not have a TLO. Please contact the Director of the licensing group supporting your school). This is particularly true when large or complex projects are being discussed or there are unusual aspects to a proposal which may require University consideration prior to approval.

## **4.4. Research and Project Proposal**

### **4.4.1. General Requirements**

The requirements for content and format of proposals differ markedly among the various sponsoring agencies. Some require the use of preprinted agency forms; others will accept a proposal in any format as long as it presents all of the required information. Most sponsors make their proposal guidelines and forms available electronically. Other sponsors should be contacted prior to writing the proposal. Whatever its form, the proposal document is a communication instrument which will be evaluated by the proposed sponsor to determine whether or not the project merits support.

### **4.4.2. Content of Proposal**

The principal investigator is responsible for the technical content of the proposal and for compatibility of the proposed research with their other professional duties. It is important to remember that if a project is funded the sponsor will expect the work to be carried out substantially as proposed with any significant deviations requiring prior approval. Some sponsors impose strict page, font, and characters per inch limitations and will not accept proposals that exceed them. It is important to thoroughly review the funding opportunity announcement and proposal requirements, as many sponsors will reject proposals that do not meet specific requirements, including compliance with submission deadlines.

1. The date of submission, and the proposed project period

Certain standard information about the University, e.g., legal name, taxpayer identification number, DUNs number, can be found on the ORS web site under [Penn Data for Proposals](#) should the sponsor require these items.

Federal agencies require a number of representations and certifications from the University which must accompany each proposal. Some agencies such as NIH and NSF have incorporated these in their forms while others such as DOD, NASA, DOE and EPA have separate certification forms which must be completed by ORS.

## **4.5. Preparing Proposal Budgets**

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Preparation of the budget is an important part of the proposal preparation process. Sponsors and peer reviewers are responsible for comparing the level of funding requested to the work proposed. Therefore, the budget section of the proposal should reflect, as accurately as possible, the funding needed to carry out the project.

## 4.5.1. Direct Costs

### 4.5.1.1. Salaries and Wages

To determine total salaries and wages, list the percentage of effort to be spent by each person, including technical and clerical assistants (when necessary and allowable, see Sponsored Projects Policy Nos. [2110](#) and [2138](#)), who will work directly on the project. Effort should be shown in terms of percentage of full-time effort or in person-months. For individuals paid on an academic year basis, show a breakdown between academic year and summer effort.

**PI's may not budget any individual in excess of 100% of effort, including all sponsored projects, clinical, instruction and other University activities.**

It is important to consider each individual's other commitments to other sponsored projects since most sponsors will review an individual's total committed effort to funded and pending project support.

Sponsored activities may not result in any employee receiving compensation at a rate in excess of their authorized salary.

Some sponsors, such as NIH, the Department of Defense, and the Commonwealth of Pennsylvania place a limit on the rate of salary reimbursement permitted. In such cases, the difference between the committed effort and salary paid must be borne by the department or school (except for summer salaries).

The federal government will not normally pay the salaries of clerical and administrative personnel since they are included in the F&A costs. However, for certain types of projects and from non-governmental sponsors, such costs may be justifiable. Investigators should make every attempt to recoup these costs (see [Sponsored Projects Policy Nos. 2110](#) and [2138](#)).

Compensation levels and new job classifications must conform to the University Personnel Classification Guide. Include budget incremental increases for professional and nonprofessional personnel on proposals extending more than one year. If specific incremental increase figures are not available, estimate the increase at 3% per year.

As discussed below, some sponsors require a financial contribution to a project by the University, which is known as cost sharing. This is often accomplished through uncompensated effort by the principal investigator contributed to the project. Cost sharing offered in a proposal either in the budget or in the narrative of the proposal is a binding commitment if the project is funded. The University will be held accountable for all effort proposed. The University discourages voluntary cost sharing of any kind (see [Sponsored Projects Policy No. 2119](#)).

#### 4.5.1.1.1. Postdoctoral Compensation on Research Grants

In general, the tax treatment of compensation, and the applicability of employee benefits to postdoctoral researchers, is dependent on specific circumstances and the nature of services performed or expected. Consult the [Tax Office](#) website for more definitive information. Note that unless the terms of an award specifically require otherwise (e.g., NIH Training Grants or individual fellowship awards) *stipends* (i.e. compensation for which no service is required) cannot be charged to research grants.

### 4.5.1.2. Employee Benefit Costs

Employee benefit costs are the University's share of contributions to social security, unemployment insurance, group medical coverage, retirement, etc. Employee benefit rates are calculated as a percentage of employee salaries and wages, and are negotiated annually between the University and its cognizant federal agency. Calculate the employee benefit budget line using current rates for the University fiscal year period. **Note: The Employee Dependent Tuition Benefit is not allowable on**



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**Federal awards.** See the ORS homepage under [Penn Data for Proposals](#) or call ORS (Ext. 8-7293) to obtain the latest information.

Do not use the EB rates published by the University's Office of Budget and Management Analysis for the computation of EB costs on federal applications. These rates are for internal budget purposes. According to the University's federally negotiated EB rate agreement, the last negotiated EB rate must be used in the calculation of future year rates until otherwise negotiated by ORS.

### 4.5.1.3. Graduate Research Assistants

Salaries/stipends for Graduate Research Assistants/Fellows (i.e., graduate students) should not be budgeted to include employee benefit costs unless a summer appointment is contemplated. For further information consult the [Tax Office](#) website. The maximum use of Graduate Research Assistants (graduate students) is encouraged. The budget support should be shown as two separate items:

Graduate Research Assistant Salary/Stipend  
Tuition charges

For graduate students supported on sponsored research grants and contracts, the proposal budget should include one-half of the tuition. The University provides the other half as a tuition subsidy. See the document ["Policy on Graduate Research Assistant Tuition"](#) for details.

Graduate students supported by training grants, fellowship awards, or funds other than sponsored research accounts are not eligible for this subsidy.

The salary/stipend item must be included in the Modified Total Direct Cost (MTDC) [see the section on Facilities and Administrative Costs (formerly Indirect Costs or Overhead)] when calculating F&A cost in research proposals.

Tuition charges should be listed under "Other Direct Costs" and are excluded from the Modified Total Direct Cost for F&A cost calculations.

The portion of the tuition paid by the University may be shown as cost sharing. However, be sure to consider an individual student's status, i.e., taking courses or on dissertation, in calculating the tuition amount. If the University commits to cost sharing at full tuition and a student goes on dissertation status at some time during the project there may be a problem meeting the cost-sharing obligation.

### 4.5.1.4. Consultants

The use of paid consultants may be justified when the project calls for expertise of a well-defined nature for a fixed period of time. By definition, consultants, or Independent Contractors are not employees of the University. Consultants should be budgeted only for tasks where on-campus expertise does not exist or is not readily available.

Normally, consultants are paid a fee plus travel and other expenses. Some sponsors do not permit payments to consultants and some restrict or limit such payments. If in doubt as to the allowability of or rates paid to consultants, check the sponsor's program literature or contact ORS. It is prudent to also review the University policy on Independent Contractors ( [University policy on Independent Contractors](#) ) prior to proposing or hiring individuals as consultants.

On rare occasions University employees from other departments may act as consultants on a project. These types of "consultants" should be included in the salaries and wages portion of the budget and, consequently, included in the base for calculation of employee benefits.

Principal investigators are expected to anticipate and indicate the need for consultants in grant applications or contract proposals. The proposal should therefore include the following:

- Consultant name
- Description of services to be provided
- Number of days of anticipated consultation

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- Expected rate of compensation, travel, per diem, etc.
  - Curriculum vita for the consultant

In addition, many sponsors require a letter from the consultant confirming their role in the project.

It is incumbent upon PIs to ensure the following conditions are met when considering a consultant:

- The services the consultant will provide are essential to the project and cannot be provided by persons receiving salary support under the grant or contract or who are otherwise compensated for their services;
- A selection process has been employed to secure the best-qualified consultant available to perform the required tasks;
- The fee is commensurate with the qualifications of the consultant and the nature of the services rendered; and

The consultant meets the requirement of an independent contractor as defined by the Internal Revenue Service and the City of Philadelphia (if the work is performed within City limits). For further information visit the following site: [University policy on Independent Contractors](#).

If you wish to engage University employees from other departments on a project, they must be included in the salaries and wages portion of the proposed budget and, consequently, included in the base for calculation of fringe benefits. (See the University policy on internal consulting (see “Policy for Extra Faculty Compensation” in the [Handbook for Faculty and Academic Administrators](#)).

#### **4.5.1.5. Travel**

Most sponsors will pay reasonable and necessary travel costs if requested. Reimbursement for travel expenses is subject to University policies and sponsor regulations. Many sponsors request specific data on each proposed trip, including destination, transportation costs, number of days of travel, and purpose of each trip. “Domestic” and “foreign” travel should be separately identified and budgeted. “Domestic” travel includes trips within the U.S. and Canada. On federally funded projects all foreign travel, including that which is cost shared, should utilize US flag air-carriers whenever possible and regardless of cost or convenience. These costs need to be fully justified in the proposal budget and any exceptions to the “[Fly America Act](#)” requirements can only occur under exceptional circumstances and must be documented in advance.

In most cases, the current University policy on allowable travel costs should be used for budgeting purposes. (See the <http://cms.business-services.upenn.edu/pennttravel/policies.html>.) Special per diem rates may be specified by federal sponsors particularly under contracts.

#### **4.5.1.6. Non Expendable Equipment**

Non expendable equipment is defined by the University as personal property having a unit acquisition cost of \$5000 or more and a useful life of one year or more (see [Accounting Policy No. 1106.0](#)). Items having a unit cost of less than \$5000 should be budgeted as “Expendable Supplies and Minor Equipment.”

Budget all equipment needed to perform the proposed tasks (including estimated freight and installation) that is not available to the investigator from University resources. Most sponsors will not support the purchase of general purpose equipment, such as office furniture and equipment, laboratory furniture, computers, etc. Sponsors expect the University to provide the basic laboratory and administrative working environment.

List each specific item in the budget, justify the need for the equipment and provide information on how the amount requested was derived, i.e., catalogue prices, quotes or bids. In some cases, doing so will avoid the need to receive sponsor approval when required.

#### **4.5.1.7. Expendable Supplies and Equipment**

A research project will usually consume expendable supplies and minor equipment such as laboratory items, teaching materials, animals, laboratory notebooks, computers costing less than \$5000, etc. A reasonable amount should be budgeted for

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these items. **Note:** Office supplies are not normally allowable under federal awards unless specifically requested and justified.

#### 4.5.1.8. Publication Costs

Budget the anticipated cost of publishing the results of the research, keeping in mind that page charges may vary from journal to journal. Consider both page charges and reprint costs.

#### 4.5.1.9. Subrecipients and Consortium Agreements

When investigators from another organization participate in the research, the cooperating institution or subrecipient, as it is known, must provide a sub-proposal. A subaward or consortium agreement is required whenever a substantial portion of the research will be performed at another institution. For further information, see Sponsored Projects Policies Nos. [2131](#) and [2135](#).

The subrecipient's proposal (i.e., the sub-proposal) must contain, at a minimum, the following:

- Statement or scope of work
- Budget
- Period of performance
- Signature of a representative authorized to contractually commit the institution
- Negotiated F&A Cost Agreement if not already on file at ORS or a de minimus F&A rate will be used if no such agreement exists.

The subrecipient's budget should include applicable F&A costs. The subrecipient should also provide its Federal Employer Identification Number, UEI (Unique Entity Identifier) and required certifications.

The PI must submit a statement disclosing any direct or indirect financial interest in the subrecipient's organization (see [Conflict of Interest Policies](#)).

The sub-proposal is then incorporated into Penn's primary proposal. A list of the subrecipient's total costs should be included in the Subaward, Consortium/Contractual or Other Direct Costs categories of Penn's budget depending on the sponsor's requirements. The first \$25,000 of subrecipient costs will be included in Penn's base for F&A costs. [**Note:** With the exception of non-governmental sponsors (see the section on Accounting Procedures for Non-Federal Sponsors and the F&A Costs of Sponsored Projects) this charge is taken only once in the life of a project or competitive segment; thus, once \$25,000 in direct costs have been paid on a given subaward, no further F&A costs will be assessed in subsequent years.]

The technical section of the proposal must include a statement explaining the need for a subaward and the method(s) used to select the subrecipient. Many sponsors require the subrecipient's budget be appended to the proposal.

Research Services' review of the primary proposal will include an assessment of the sub-proposal. In addition to evaluating the subrecipient's budget and legal standing, Research Services will consider such matters as the subrecipient's integrity, record of past performance, financial and technical resources, and avoidance of conflict of interest as it relates to Penn's investigators. For further information, refer to Sponsored Projects Policies Nos. [2131](#) and [2135](#).

#### 4.5.1.10. Goods and Services Contracts

Proposals which contemplate the purchase of services such as surveys or routine analytical services must incorporate the full cost of the contemplated services in the budget. *In addition, the full cost of the service contract must be included in the MTDC on which F&A costs are calculated.*

#### 4.5.1.11. Other Direct Costs

Other legitimate direct costs may include project-related costs for copying, long distance telephone calls, postage, equipment maintenance, reference books and materials (not available in the department or University libraries), library search services,

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graduate research assistant tuition, etc. (See Sponsored Projects Policy Nos. [2110](#) and [2138](#)).

## 4.5.2. Representations and Certifications

For some proposals, special representations, certifications and acknowledgments may be required. ORS will complete these certifications. Most sponsors have their proposal forms, including budget forms, available electronically. See [Links to Sponsors and Agencies](#).

## 4.5.3. Facilities and Administrative Costs

### 4.5.3.1. Federal Sponsors

Facilities and Administrative (F&A) costs, also called overhead or indirect costs, reimburse the University for laboratory and office space, utilities, administrative services (e.g., Purchasing, Accounting, Research Administration, Human Resources, Security), custodial services, and building, grounds, street and parking lot maintenance. In other words, they include those things essential to support sponsored activities which cannot be specifically identified and directly charged to a specific research grant or contract.

F&A cost percentages are determined periodically from actual cost records through a detailed cost accounting procedure and are audited and approved by the federal government. Full F&A costs should be charged on all projects, the only exceptions being for those sponsors that have a published policy that limits indirect cost recovery. Any exceptions to full F&A cost recovery must be approved by the relevant dean or their designee (see [Sponsored Projects Policy No. 2116](#)).

Current rates for F&A costs are listed on the ORS web site under [Penn Data for Proposals](#) and are shown as a percentage of Modified Total Direct Cost or MTDC. The F&A amount is calculated by multiplying the modified total direct costs (MTDC) by the F&A rate.

The MTDC is determined by subtracting the following costs, if any, from the total direct costs.

- Capital Equipment (any non-expendable equipment estimated to cost \$5000 or more and with a useful life of one year or more);
- The amount of each research subaward in excess of the first \$25,000;
- Patient care costs related to “standard of care” (the cost for in-patient or out-patient care, but not payments to human subjects);
- Alterations or renovations of facilities;
- Graduate research assistant tuition costs charged directly to the project.

An off-campus F&A cost rate is available for those projects which are performed in non-university owned space for a continuous period in excess of four months and for those specifically identifiable portions of a sponsored project that will be carried out off-campus.

If a project is carried out in space leased by the University and the rent is not charged to the grant or contract, the on-campus rate prevails. Where applicable, the splitting of on and off campus activities with application of the appropriate F&A cost rate for each of the activities is encouraged.

### 4.5.3.2. Non-Federal Sponsors

According to [Sponsored Projects Policy No. 2116](#) commercial entities are expected to reimburse the University at the full Non-federal Sponsor research rate.

There are many foundations and associations that are willing to pay the direct costs of a project and also a reasonable share of the administrative costs associated with the funded project. In order to enable schools and centers to more fully recover the costs associated with the conduct of research, the University has instituted a series of changes to its procedures to enable recovery of some of these costs. These procedures are designed to provide consistent charging and accounting practices for

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certain direct and F&A costs, or supporting expenditures to non-federal grants and are detailed in [Sponsored Projects Policy No. 2138](#) and the section on Accounting Procedures for Non-Federal Sponsors and the F&A Costs of Sponsored Projects.

#### **4.5.4. Cost Sharing**

Some sponsors require the University to contribute to the cost of the project and will require a financial accounting of the University's contribution. In addition to such mandated cost sharing, any contribution to a project included in the proposal, either in the budget or the text will be considered voluntary committed cost-sharing which the University must document. The University budget(s) to which such cost sharing will be charged must be identified prior to approval of the sponsored project budget.

University contributions in terms of personnel effort and the associated employee benefit costs, other direct expenses and the F&A cost calculated on these expenses at the approved University F&A cost rate can be shown as cost sharing. Any difference between F&A costs at the sponsor limited rate and the University's negotiated rate can also be used as cost sharing if permitted by the sponsor. The University discourages cost sharing unless mandated by the sponsor. All proposed cost-sharing must be approved by the responsible Chair and Dean. For further information on cost sharing see the [ORS Cost Sharing Form](#) and [Sponsored Projects Policy No. 2119](#).

#### **4.6. University Review of Proposals**

Compliance with the University's established policy for the submission of proposals to potential sponsors is the responsibility of ORS. Therefore, all formal proposals must be routed through PennERA and approved by the responsible administrative office prior to submission to the prospective sponsor (see [Sponsored Projects Policy No. 2102](#)).

In order to assure that the proposal is processed in a timely manner, it should reach ORS well in advance of any established deadline for submission. Current ORS requirements are that the proposal be submitted to ORS at least three (3) business days prior to the sponsor submission deadline.

##### **4.6.1. Requests for Proposals and Requests for Applications**

Requests for Proposals (RFPs) and Requests for Applications (RFAs) frequently contain proposed contract or grant terms which may conflict with University policies, e.g., limitations on publication, ownership of intellectual property. In order for ORS to be able to review the RFP or RFA in time to avoid delays in proposal submission, a copy of the RFP or RFA should be provided to ORS at least 5 working days before the proposal deadline. Use of e-mail for this purpose is encouraged.

##### **4.6.2. Proposal Signatures**

Sponsors require that each proposal be signed by the PI and by an official authorized to sign for the University as defined in the section of this Handbook entitled, University Organization for Research Administration. The signature of the authorized official accepts the obligations imposed by the requirements and conditions for any grant or contract, including applicable federal regulations. Should the sponsor additionally require the endorsement of the department chair or other senior academic official, such requirement will generally be indicated in the application instructions. For most sponsors, electronic signatures are acceptable.

##### **4.6.3. Deadlines for Proposals**

The University review process takes time. Proposals should be submitted to ORS, *at least three working days prior to the deadline date*. ORS will review proposals for which the scientific or technical portions are still in draft provided that the budget has been finalized, no significant changes will be made, and that no cost sharing will be embedded in the body of the proposal,

Proposals will normally be processed in the order of receipt. Proposals submitted to ORS before noon will normally be reviewed on the same business day. If it is not the sponsor due date and the proposal must be returned to the PI/BA for

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revisions once the final proposal is received, the proposal will be moved to the back of the submission queue.

Exceptions may be made for proposals with impending deadlines and may also result due to heavy proposal volume at large sponsor deadlines. ORS will make all reasonable efforts to submit proposals in compliance with sponsor deadlines. For proposals submitted on the sponsor due date, the PI and BA should plan to be available to assist ORS in resolving issues until the proposal has been successfully submitted.

The PI/BA should adhere to departmental or school imposed deadlines as well as the ORS three working day deadline for proposal submission.

#### **4.6.4. Electronic Submission of Proposals**

All proposals submitted to external sponsors are prepared and routed for approval through the University's PennERA (Electronic Research Administration) system.

Most sponsors require electronic submission of proposals through designated systems. Most federal sponsors require electronic submission, whether through the Grants.Gov portal or directly into one of their agency-specific systems.

If the proposal is to a federal sponsor, and can be processed through the Grants.Gov portal, the proposal can be submitted electronically directly from PennERA to Grants.gov as an S2S (System-to-System) submission.

The National Institutes of Health (NIH) requires that most proposals be submitted electronically via Grants.Gov to the NIH eRA Commons. Exceptions to this requirement will be detailed in the specific funding opportunity announcement (FOA) to which you are responding. The University has mandated the use of S2S for submissions to NIH (with the current exception of Complex/Multi-Project proposals) and the Department of Defense (DOD). However, *any* proposal to federal sponsors who accept Grants.gov submissions can usually be transmitted as an S2S submission.

The electronic proposal submission process can be challenging, particularly for first-time users. The first submission may take longer than expected, but subsequent submissions are often easier due to a reduction in the data entry required (particularly for S2S submissions).

ORS must approve the proposal before it can be submitted, so allow time for its review and approval (see [Sponsored Projects Policy No. 2102](#)). ORS reviews a very large volume of applications at deadline dates. Therefore it is imperative to submit applications well before the deadline to allow for sufficient review. Failure to do so may jeopardize the timely submission of the application and its acceptance by the sponsor. All proposals for submission are due in final form to ORS three (3) business days prior to the published sponsor deadline.

#### **4.6.5. Multiple Solicitations**

Multiple solicitations, that is, the submission of the same proposal to two or more sponsors, may be made provided this fact is clearly disclosed in the text of the proposal. However, some agencies may not accept proposals submitted to other potential sponsors. In the event that multiple sponsors fund the proposal, only one award may be accepted.

### **4.7. Review and Approval Channels**

All proposals are electronically routed for review and approval through the PennERA system. Routing is ORG (department) specific and will go through the designated officials in that department for their review and approval.

To initiate the approval process, either the Principal Investigator or Grants Administrator will select the submit icon ( ) on the Finalize screen in the PennERA record when it is ready for routing to the appropriate approval path. The proposal will then follow the designated ORG's review and approval path.

Their review process will include:

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1. the substance and merit of the proposal, including the academic appropriateness and desirability of the proposed research or other sponsored activity;
  2. commitments of faculty and staff time and the possible effects on the teaching and other obligations of the personnel involved;
  3. salary arrangements, e.g., reimbursement of appropriate academic year salaries and provision for summer support;
  4. requirements for space and facilities;
  5. the budget, especially a verification that all costs, including F&A costs, are provided for, that all needs are realistically estimated and stated, that items included are not contrary to the policies of the University or the sponsor, and that funds are available when a University contribution is included and required by the sponsor;
  6. the identification of special conditions requiring further review, such as use of human subjects, animals, biohazards, radioactive materials, radioactive drugs, intellectual property concerns, etc.; and
  7. the disclosure of any potential financial conflicts of interest of the PI or any other person responsible for the design, conduct or reporting of the proposed project.

All proposals to federal sponsors and to non-profit foundations, ultimately, come to the *Office of Research Services* step for final approval, and electronic submission, if required, to the sponsor. Below, in order, are the “standard” steps by which a proposal is processed (different routes may have different orders of steps through the department to School level):

#### **Department Chair/Dean**

Approval by the school constitutes endorsement attesting to the academic purposes of the proposed research or other sponsored activity, its departmental compatibility, and its appropriateness in the context of budget, the time available to the faculty member to carry out the project and the availability of space and research equipment.

The dean’s approval of less than the negotiated F&A rate indicates their acceptance of reduced F&A cost recovery to the school. Having been approved and endorsed by the school, the proposal is transmitted to ORS.

#### **Office of Research Services**

The purpose of review by ORS is to determine that the proposal complies with University and sponsor policies, that the proposal is complete, that approvals are in order, and that no technical issues will impede electronic submission, when appropriate. ORS will see to it that unusual requirements are met or brought to the attention of the Vice Provost for Research. At this point, proposals that are routine and present no policy or procedural problems are signed for the University and submitted. The official (complete) University copy is retained electronically by ORS.

#### **Vice Provost for Research**

Proposals that appear to deviate from University policy are submitted by ORS to the Vice Provost for Research for review. If the Vice Provost finds the proposal acceptable, it is approved and returned to ORS for submission to the sponsor.

### **4.8. Proposals Requiring Special Review**

While preparing a proposal, it is important to keep in mind that certain special reviews and approvals may be necessary to ensure compliance with University and sponsor requirements.

The review and approval procedures listed below are mandated by federal statute and/or regulations. Violations can lead to loss of federal and nonfederal support. University policy requires these reviews for all projects, sponsored or unsponsored.

#### **4.8.1. Human Subjects Review**

Proposals calling for the use of human subjects must be reviewed by one of the University’s Institutional Review Boards. Human subjects reviews and approvals must be obtained either before the proposal is submitted or before a deadline set by the sponsoring agency. In the case of applications submitted to the NIH, University human subject approval may be obtained “just-in-time” before the award is made. Nevertheless, the PI must take into account the time necessary to obtain final approval from the Office of Regulatory Affairs. Generally, sponsors will not release awards prior to the documentation of IRB



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approval. Human subjects “Guidelines” are available from the [Institutional Review Board](#).

#### **4.8.2. Animal Care Review**

Proposals involving the use of vertebrate animals must be reviewed by the Institutional Animal Care and Use Committee (IACUC). Committee approval is required before the award is established or before a deadline date set by the sponsoring agency. In the case of applications submitted to the NIH, Committee approval may be obtained “just-in-time” before the award is made. Award spending for animal work may not begin until IACUC approval has been obtained. Animal care and use “Guidelines” are available on the [Office of Regulatory Affairs](#) web site.

#### **4.8.3. Biohazards Safety Review**

Proposals for activities involving the use of recombinant DNA techniques or use of infectious agents, teratogens, mutagens, and carcinogens must be reviewed by the Biohazards Safety Committee. In addition, the use of certain biologic agents (*Select Agents*) is strictly regulated by law. Information and questions concerning the use of biohazardous materials should be directed to the [Office of Environmental Health and Radiation Safety](#).

#### **4.8.4. Investigational Drug and Device Testing**

Investigational drug and device testing protocols must receive the approval the IRBs. Studies requiring a submission to the FDA also require review and consultation with the [Office of Clinical Research](#). For information, contact the Office of Clinical Research.

#### **4.8.5. Radiation Safety**

The use of radionuclides and radiation producing equipment at the University is under the surveillance of the Radiation Safety Committee. The Environmental Health and Radiation Safety Office should be contacted for advice and information.

#### **4.8.6. Radioactive Drug Research**

The research use of radioactive drugs is to be referred to the Radioactive Drug Research Committee for clearance. Financial Conflict of Interest Disclosure

In accordance with Penn’s FCOI Policy

([http://www.upenn.edu/almanac/volumes/v59/n02/pdf\\_n02/090412-Supplement-ConflictsInterest.pdf](http://www.upenn.edu/almanac/volumes/v59/n02/pdf_n02/090412-Supplement-ConflictsInterest.pdf)), all Investigators (any person responsible for the design, conduct or reporting of the research, regardless of title or position) must disclose Significant Financial Interests (SFIs) in Penn systems. In addition, PHS-funded Investigators must disclose reimbursed or sponsored Travel. Schools are responsible for reviewing disclosures to determine if the SFIs or Travel payments are related to the research. Disclosures of related SFIs undergo either administrative review or review by the Conflict of Interest Standing Committee (CISC). The Vice Provost for Research, as the Institutional Official, is responsible for making the ultimate decision as to whether a related SFI gives rise to an FCOI (an SFI that could directly and significantly affect the design, conduct or reporting of the research), whether the FCOI is manageable, and if so, the management plan.

The FCOI Policy contains numerous additional compliance obligations, including an Investigator’s duty to complete FCOI training, required reporting of FCOIs to research sponsors or oversight agencies, and responsibilities related to subrecipients. Consult the FCOI Policy and the Office of the Vice Provost for Research website for detailed information regarding the disclosure process and other policy requirements at:

[http://www.upenn.edu/almanac/volumes/v59/n02/pdf\\_n02/090412-Supplement-ConflictsInterest.pdf](http://www.upenn.edu/almanac/volumes/v59/n02/pdf_n02/090412-Supplement-ConflictsInterest.pdf) .

#### **4.8.7. Clinical Trials**

Clinical trials are a specialized field of applied research designed to assess the safety and efficacy of new drugs, devices, treatments or preventive measures in humans by comparing two or more interventions or regimens. Private companies or the federal government may sponsor such trials, or they may be carried out without external financial support. The scope of work,



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known as the protocol, may be designed by the sponsor, with or without input from the principal investigator, or it may be designed solely by the principal investigator. In all cases, clinical trials are considered sponsored projects, and must be reviewed and approved as such.

Federally funded clinical trials are reviewed and negotiated by the Preaward group in the Office of Research Services. All other clinical trials are negotiated by the Office of Clinical Research in the Perelman School of Medicine. Information related to industry sponsored clinical trials is available at: <https://www.med.upenn.edu/pennmanual/secure/contract-submissions.html>

#### **4.9. Project Site Visits**

Some sponsoring agencies require a “site visit” to the principal investigator’s laboratory as part of the evaluation of a proposal. Such visits are generally conducted by a staff scientist from the sponsor, accompanied by peer reviewers in the pertinent discipline.

The usual agenda of a site visit is a presentation of the project by the principal investigator and members of their staff followed by a discussion of the research with the visitors. The presentation should amplify the proposal, using all available means to demonstrate the importance of the work and the capabilities of the researchers. A well-planned and executed site visit will enhance the proposed project’s chances of approval.

For projects which involve the use of laboratory animals, the participation of the University Veterinarian during the site visit is encouraged.

While site visits are mainly concerned with the scientific aspects of a project, the visitors frequently raise questions of an administrative nature which can best be answered by ORS. ORS should be notified in advance of all site visits so that it can render any necessary assistance in organizing and participating in them.

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## 5. Types of Agreements and Instruments

### 5.1. Grants

Grants constitute the majority of awards received by the University and constitute a less restrictive award category. Sponsors often do not require the University to countersign grants because the terms and conditions are agreed upon by submitting an authorized signed proposal. Federal grants are governed by the administrative terms and conditions found in the grants administration manuals or handbooks of the sponsoring agency, e.g. the [NSF Grant Policy Manual](#) or the [NIH Grants Policy Statement](#). These types of documents set forth the sponsor's general terms and conditions of award and are derived from OMB Uniform Guidance. However, always check program announcements and similar documents for embedded terms and conditions.

*The University is under no obligation to continue the proposed work once funds have been depleted.*

### 5.2. Contracts

Contracts are usually awards that are more restrictive. Typically, contracts must be signed by both the sponsor and the University before they become binding and they may require defined deliverables, on specified schedules.

There are two types of contracts:

- **Fixed-Price:** Contracts are made at a set amount, regardless of the actual costs for completing a set scope of work. The University is paid this set amount. If the Principal investigator (PI) completes the work for less, the University retains the additional funding. If it costs more than the contract value to finish the work, the University must do so at its own expense, and the PI's School is responsible for paying the difference. Because of these risks, and because research is always an uncertain business, the University discourages fixed-price contracts. If a fixed-price contract is accepted, it is critical that the deliverables be based on reports of project progress, rather than in terms of anticipated results.
- **Cost Reimbursement:** This type of agreement specifically defines the maximum level of support a sponsor will provide. If actual project costs are less, the University will only be reimbursed its actual costs. If research costs exceed the proposed estimate, the University must report only on the amount incurred, not exceeding the maximum level of support completed. The University however, may still be obligated to complete the proposed work. For a variety of reasons related to the University's not-for-profit status, cost reimbursement contracts are the more appropriate vehicle for contracts.

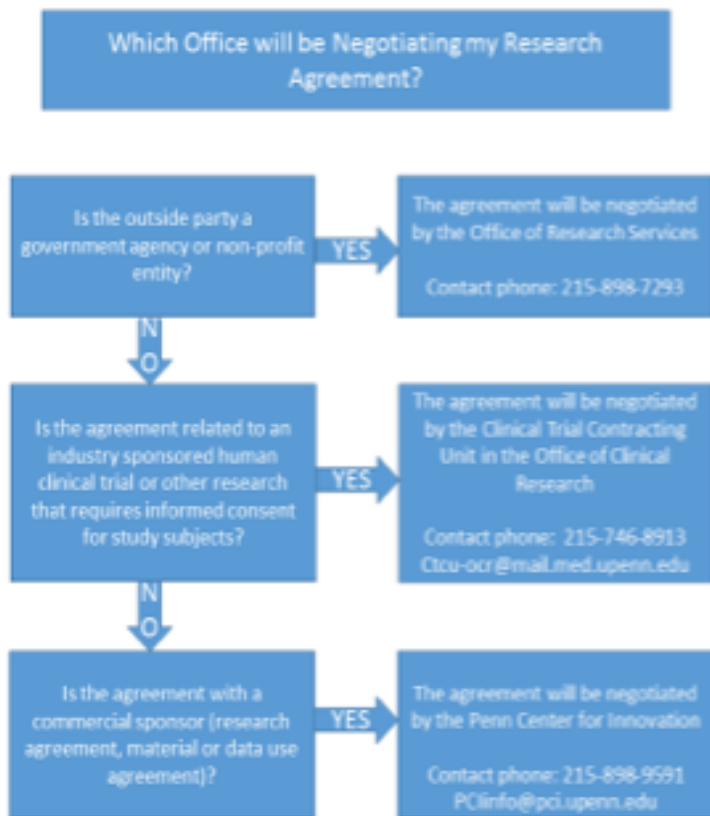
### 5.3. Cooperative Agreements

Cooperative Agreements are used when federal sponsors want to retain more active involvement in the conduct of the project. This active oversight may be evidenced by a high level of agency program officials advising on the direction of the project, more frequent reporting, or anticipated deliverables.

### 5.4. Other Agreements

Non-monetary ancillary agreements are generally reviewed and negotiated by the office responsible for the underlying funded research agreement (PCI, OCR, or ORS). These non-monetary agreements include Confidentiality Agreements, Material Transfer Agreements, Human Tissue Transfer Agreements, and Data Use Agreements as well as Research Collaboration Agreements. Requests for these ancillary agreements should be routed through Penn's Research Inventory System (<https://researchinventory.apps.upenn.edu>). It is important that any required regulatory approvals are in place when requesting non-monetary agreements.

The following guide may be useful in determining which office is best able to assist with a specific agreement request:



## 5.5. Issues Requiring Special Consideration

### 5.5.1. HIPAA

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) is a federal law which went into effect April 14, 2003. The law includes provisions designed to protect the privacy of individually identifiable patient health information.

According to the regulations, healthcare providers such as the University of Pennsylvania Health System can use and disclose protected health information (PHI) only for certain specific functions: treatment, payment and healthcare operations purposes.

For all other purposes, such as research purposes, PHI may only be used or released with the written consent of the impacted individual (authorization) or by application of a specific exception.

Certain parts or “regulated entities” within the University, as part of their integral function, provide healthcare or health plan services and will need to use and disclose PHI on a routine basis. These regulated entities include UPHS/PSOM, the Nursing Clinic LIFE, SODM, Student Health and the employee health plan. Accordingly, specific policies and procedures have been developed and implemented for any use or disclosure of PHI by these entities.

Proposals which anticipate the use of PHI or otherwise implicate HIPAA concerns should be carefully reviewed. In such cases, faculty should identify any research proposals being submitted to ORS that contain PHI so that these may be given special attention and handled in accordance with HIPAA regulations.

### 5.5.2. Export Controls

Export Administration Regulations (EAR, enforced by the Department of Commerce) and International Traffic in Arms Regulations (ITAR, enforced by the Department of State) are Federal regulations which, for reasons of national security or

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protection of trade, prohibit the “export” (defined very broadly as any oral, written, electronic or visual disclosure, shipment, transfer or transmission of a commodity, technology or software/code) of certain technologies without a license, unless an exception applies. If research at Penn involves such technologies, these regulations may require Penn to obtain prior approval from State or Commerce before:

- involving foreign students or faculty in the research;
- working with foreign companies; and
- sharing research results with persons who are not U.S. citizens or permanent resident aliens.

These restrictions apply to work actually done on site at Penn as well as to international field research, international meetings, and international collaborations. Additionally, the Office of Foreign Asset Controls (OFAC, part of the Department of Treasury) maintains sanctions and embargoes in support of U.S. foreign policy.

These export control requirements may undermine publication rights, dissemination of research results, and international collaboration. Violations of the regulations may result in severe penalties.

Proposals and awards containing such terms and conditions, or involving research implicated by export control laws should be identified as early as possible. Principal investigators should consult ORS ([Export Control Laws and Trade Sanctions](#)) immediately if they become aware of such concerns.

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## 6. Initiating the Project Award

### 6.1. Award Notification

When a proposal has been approved by a sponsor for support, ORS will usually receive notice that an award has been made or a contract is being prepared. If the PI receives such a notice, they should contact ORS immediately to ensure that ORS has also received the notice. ORS cannot administratively initiate the project without formal sponsor notification. Many award instruments are received which require both sponsor and University signatures (bilateral agreement) before they become effective. **Principal Investigators are not authorized to sign award documents on behalf of the University.**

When an award document is received which requires University signature in order to be effective, it is the responsibility of ORS, PCI or OCR to return signed copies to the sponsor. Upon receipt of the fully executed documents, ORS will process the award. On occasion, a sponsor may award support for an investigator without a formal proposal being submitted through the University. In such cases, formal approval of the project as described in University Review of Proposals must be completed prior to acceptance of the award.

### 6.2. What to Look for in a Notice of Award

Most notices of award address these points:

- **Period of Performance.** These dates may not coincide with the dates of the total project period.
- **Name of the Principal Investigator.** This individual is responsible for conducting the project in accordance with University policies and sponsor requirements.
- **Dollars Committed and/or Obligated.** Not all project funds may be released at the beginning of the project but may be obligated incrementally. The sponsor is under no legal obligation to pay dollars not yet obligated.
- **Future Year Commitments.** These funds are contingent on their availability and on satisfactory progress on the project. Use these amounts for planning purposes.
- **Cost Sharing.** If the sponsor requires the University to contribute its own resources to the project, it usually specifies those requirements in the award notice. Accounting and reporting on these costs is a formal requirement for the University.
- **Accounting and Reporting Obligations.** Virtually all awards require technical and financial reports. Most awards require patent and property reports.
- **Deliverables.** Under some contracts, the University must deliver specified work products to the sponsor.
- **Payment to University.** Awards specify how the University will be funded or reimbursed by the sponsor.
- **Special Terms and Conditions.** The award may have additional terms and conditions which may specify such things as key personnel, limitations on availability or use of funds, need for prior approvals and similar additional oversight by the awarding agency. It is critical to understand these restrictions before incurring costs. Both the PI and the responsible BA must take note of these requirements in addition to reading all referenced documents within the award notice.

### 6.3. Account Information Sheet

When an award has been received and accepted, ORS will establish an account fund number and prepare an Account Information Sheet (AIS) which summarizes accounting information and highlights special terms and conditions of the award. A copy of the AIS and the award document is distributed to the business administrator who is responsible for providing a copy to the principal investigator. The information contained in the AIS may also be viewed in the PennERA record for the project. The Principal Investigator/Business Administrator should review the agreement and the AIS/PennERA record to verify the data recorded in the UPENN systems is accurate. It is the Principal Investigator's responsibility to become familiar with the requirements and restrictions of the project by referring to the AIS and the attached award documentation. If there are any questions, [contact ORS](#) for guidance.

### 6.4. Establishing the Account

The AIS contains the BEN Financials account number that has been uniquely assigned to this project. All project expenses should be charged to this account number.

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## 6.5. Budgeting

Once an account has been established as evidenced by an AIS, the department/school business office must enter a detailed budget for the account in BEN Financials.

## 6.6. Payroll Management

Concurrent with the preparation of the budget, Workday should be updated for each University employee to be paid on the project. For establishment and hiring for new positions, contact the departmental/school business office.

## 6.7. Sponsor Payments

Most awards are made on a “cost-reimbursable” basis and the University is reimbursed for actual expense incurred, usually on a monthly basis, by billing the sponsor or by drawing against a sponsor’s letter of credit account. Some awards, usually from private sponsors, are funded by a payment schedule which typically includes some advance payment.

Should the principal investigator receive a sponsor check, they should take it to their business office which will forward it immediately to ORS along with identifying information for deposit to the project account.

## 6.8. Anticipated Awards (Advance Account Requests)

There may be a legitimate need to start a project prior to the receipt of formal notification of an award from a sponsor. In this situation, an account number may be requested from ORS prior to the formal notification by completing an [Advance Account Request](#) form, with the indicated approvals. An advance account number is then established by ORS and an AIS is issued. A detailed budget for the amount of the advance account should be entered in BEN Financials. When the formal award is received a revised AIS will be issued. If for any reason an award is not received, or if sponsor conditions preclude pre-award-date expenses, the department/school is responsible for any unreimbursed expenditures. The Office of Research Support Services is authorized to establish Advance Accounts for the Perelman School of Medicine.

## 6.9. Supplements to Awards

An existing award may be supplemented with additional funds during its performance period. Notification to the PI and BA will occur through an AIS from ORS.

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## 7. Award Administration

### 7.1. Sponsor-University Relationship

Awards for sponsored projects are made to The Trustees of the University of Pennsylvania, which is identified as the grantee or contractor in the document. It is the primary responsibility of ORS, PCI, and OCR, as the designated institutional representative, to serve as the intermediary between the sponsor and the principal investigator for the purposes of negotiating changes in the project budget, modifications (reallocations, increase or decrease of funds), date extensions, and other items of an administrative nature.

ORS is responsible for submitting required financial reports and obtaining payment for sponsored projects. ORS, in cooperation with the principal investigator and the business administrator, is responsible for ensuring compliance with sponsor regulations and guidelines.

The principal investigator is directly responsible for performing the project within any administrative constraints imposed by the sponsor and the University. The principal investigator directs the technical aspects of the project effort within the scope authorized by the sponsor and authorizes any and all expenditures of project funds subject to approval, where necessary, by ORS or the sponsor. The principal criterion for assuring that costs charged to a sponsored project are appropriate is that they benefit the project. The principal investigator should meet with their business administrator at the initiation of a project and regularly during its course to assure proper fiscal management. The principal investigator is responsible for the timely submission of all required technical or programmatic reports (See Sponsored Projects Policies Nos. [2106](#) and [2127](#).)

### 7.2. Relevant Sponsored Projects Policies

The following Sponsored Projects Policies are of direct relevance to the **administration** of sponsored projects:

[2101 Administration of Sponsored Projects](#)

[2103 Administration of Clinical Trials](#)

[2104 Negotiation of Awards](#)

[2105 Acceptance of Awards](#)

[2106 Financial Responsibility](#)

[2107 Accounting Authority & Responsibility](#)

[2108 Cost Accounting Standards \(CAS\)](#)

[2109 Budgets](#)

[2110 Federal Direct Cost Expenditures](#)

[2111 Unallowable Costs](#)

[2112 Procurement of Goods & Services](#)

[2116 Facilities and Administrative \(F&A\) Costs](#)

[2119 Cost Sharing/Matching Requirements](#)

[2120 Accounting for Matching Gifts](#)

[2121 Accounting for Program Income](#)

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[2122 Sponsored Project Payments](#)

[2123 Funding under Letter of Credit Agreements](#)

[2124 Direct Billing](#)

[2125 Delinquent Payment/Nonpayment of Project Costs by Sponsors](#)

[2126 Interim & Final Financial Reports](#)

[2129 Write-off of Overdrafts and Disallowances](#)

[2131 Compliance with Subrecipient Standards of OMB Uniform](#) Guidance

[2132 Record Retention](#)

[2133 Advances of Cash from External Sponsors](#)

[2134 Expense Approval Requirements](#)

[2135 Monitoring Subrecipients Not Subject to Uniform](#) Guidance Audit

[2138 Direct Cost Expenditures for Non-Federal Organizations](#)

## **7.3. General Administration**

### **7.3.1. Expenditure of Funds**

Once an account has been established and budgeted (see Initiating the Project Award), project expenditures can be made. The department's business office will assist the principal investigator in administering an award and will provide periodic reports on the project's financial status. The principal investigator should assure that the charges made to the project account each month are accurate, reasonable and allowable under the terms of the award and this review should be documented.

### **7.3.2. Allowable Costs**

Allowable costs are defined by sponsors in their award documentation. In general, expenditures that are in conformance with the sponsor-approved budget are allowable. Unapproved deviations from the budget may result in a disallowance by the sponsor requiring transfer of the disallowed expenditure to department/school University accounts. See Sponsored Projects Policies Nos. [2110](#) and [2138](#). Certain other costs normally unallowable on federal awards, such as cell phones and local telephone charges, may be allowable on non-federal awards.

### **7.3.3. Unallowable Costs**

Certain costs may be unallowable either as direct or F&A cost, regardless of sponsor. For example, parking fines while on University business are unallowable ([Procurement/Disbursement Policy No. 2329](#) and [Sponsored Projects Policy No. 2111](#)).

### **7.3.4. Specific Expenditure Categories**

Many specific expenditure categories have special requirements and considerations. Administration of the major categories is summarized in the sections below.

#### **7.3.4.1. Personnel**

Appointments of all personnel to sponsored projects are subject to the [Human Resources Policies](#) of the University. Payment



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of all personnel is effected through the University's Personnel/Payroll System and is administered in the departmental business office.

- Faculty and Staff Salaries

A research project should be charged with a portion of each employee's salary equal to the portion of time or effort devoted directly to the project. For a faculty member with a nine-month appointment, one month of effort is one-ninth of the academic year salary. Salary increases can be charged proportionally to the project if they can be accommodated within the project budget.

- Summer Salaries

Most sponsors will provide for compensation of faculty members with nine-month salary bases during summer months at their regular University salary rates when included as part of the project proposal. Submission by the University of a proposal that provides for summer salary does not imply a University commitment to pay such salaries in the event that the sponsor does not provide for summer salaries in the project award nor does it imply that the University will pay the capped portion of a salary if the sponsor imposes such a cap.

- Additional Compensation

Project funds may not be used to increase the regular compensation of the principal investigator or other University staff members.

- Graduate Research Assistants

Graduate research assistants should be separately budgeted for their salary/stipend and for their tuition remission as stated in Graduate Research Assistants. Stipends are specifically unallowable on NIH research awards (the R, S, U, N, and P series) and graduate research assistants should be paid using Object Code 5041. Graduate students paid by stipends from NIH or other training grants should be paid using Object Code 5045. For further information please consult the [Penn Tax Guide Post-Doctoral Appointments](#) or [Penn Tax Guide to Graduate Student Appointments](#)

- Postdoctoral Researchers

Unless specifically permitted by the terms of the award Postdoctoral researchers must be paid by the University using Object Code 5047. Stipends are specifically unallowable on NIH research awards (the R, S, U, N, and P series). For further information on the appropriate object codes to be used for post-doctoral appointments please consult the [Penn Tax Guide Post-Doctoral Appointments](#) or [Penn Tax Guide to Graduate Student Appointments](#)

### **7.3.4.2. Human Subjects and Animal Care Costs**

These costs are allowed only if project has received prior IRB and/or IACUC approval.

### **7.3.4.3. Travel**

Travel requests and reimbursements for sponsored projects are processed in accordance with [University travel procedures and guidelines](#), as defined in the [Financial Policy Manual](#). Dependent travel or personal side-trips cannot be charged to a sponsored project account unless specific conditions are met. Each travel request should clearly state the relationship of the trip to sponsored project effort. It is the responsibility of the PI to understand any restrictions on travel associated with an award and to obtain any sponsor prior approvals for travel where required. ORS will assist in this process as well as with determinations of allowability of dependent travel or dependent care expenses related to travel.

- Domestic Travel

Domestic travel in support of sponsored projects is generally allowable, although some awards such as federal contracts may place limits on the amounts to be used for travel or may require adherence to federal travel regulations.

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- Foreign Travel

Foreign travel is generally defined as any travel outside the United States and Canada, although some contracts may stipulate differently.

Some sponsors require that foreign travel be approved in writing **and in advance**, even when the award includes funds for foreign travel.

Federal awards require that all foreign travel utilize US-flag air carriers wherever possible without regard to cost or convenience. This requirement applies to any non-federal funds used for cost sharing on federal awards. See [Travel and Entertainment Policy #2354: International Travel](#) for further information.

#### **7.3.4.4. Equipment**

##### **7.3.4.4.1. Definition of Non Expendable Equipment**

Items with a unit cost of \$5,000 or more and a useful life of one year or more.

##### **7.3.4.4.2. Types of Non Expendable Equipment**

Special Purpose Equipment: used only for research, medical, scientific or other technical activities.

Examples: laboratory instrumentation.

General Purpose Equipment: not limited only to research, medical, scientific or other technical activities.

Examples: office furniture, computers, air conditioners.

##### **7.3.4.4.3. Approval to Purchase**

Many sponsors permit the acquisition of non-expendable equipment with grant or contract funds provided it is required for the performance of the project. Some sponsors require that prior written approval be obtained before equipment is purchased while others give the University the authority to make such decisions. The principal investigator should ascertain the specific requirements of the award from which equipment is to be purchased prior to ordering it. Consult the department or school business office or [ORS](#).

##### **7.3.4.4.4. Equipment Acquisition**

As for most purchases, generally, the business office orders equipment through *BEN Buys* and the *Penn Marketplace* although some laboratories are approved to order certain items directly. For further information, go to the [Purchasing Services](#) web site.

##### **7.3.4.4.5. Equipment Records**

The business office in the department should keep project equipment records on each item acquired in keeping with Uniform Guidance, Subpart D—Post Federal Award Requirements §200.313 Equipment, showing at least the following:

- Name of Item & Description
- Manufacturer
- Model No.
- Serial No.
- Acquisition Document Reference (P.O. No., Date and Acct. No.)
- Unit Cost Approval Document Reference (when required)
- Sponsor Grant/Contract Number (including the FAIN)

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- Location
  - Information on Title
  - Percentage of Federal participation in the project costs for the Federal award under which property was acquired
  - Use and Condition
  - Equipment Inventory and Disposition Requirements

On all federal contracts, and in some other special cases, annual and final equipment inventories to the sponsor are required. ORS will initiate requests for inventories, as necessary. Most sponsors include provisions for transfer of title to the University for authorized equipment acquisitions. The transfer of title may take place at the time of initial acquisition or at the completion of the project. If an item of equipment was bought with sponsored project funds or was provided by the sponsor, and is to be sold, traded in for new equipment, or scrapped, provide ORS with the project number, original cost and acquisition date of the item. ORS will advise as to appropriate action. In all cases equipment owned by the sponsor must be returned to the sponsor or a request for title must be made.

### **7.3.4.5. Non-Employee Personal Services to Sponsored Projects**

Frequently, the services of individuals who are not University employees are necessary in the performance of sponsored projects. Such services may include consulting, preparation of working papers or reports, presentation of lectures or seminars and other such activities which are essential to the successful completion of the project. However, it is important that payments for such services be classified and documented properly in the accounting system to avoid audit exceptions. The following guidelines are in effect.

#### **7.3.4.5.1. Honoraria**

Honoraria are not allowable as a charge against most federally sponsored projects. They are considered a payment or reward where the primary intent is to confer distinction on, or to symbolize respect, esteem or admiration for, the recipient. Services chargeable to a federal sponsored project should be classified as to type of service, i.e., consulting fees, lecture fees, etc. Non-government sponsored projects may be charged for honoraria where appropriate and with the specific approval of ORS.

#### **7.3.4.5.2. Lecture Fees**

Such fees may be charged to training projects provided they are allowable within the terms of the specific grant or contract. Lecture fees are not an appropriate charge to *research* projects.

#### **7.3.4.5.3. Other Non-University Employee Services**

For personal services not covered by the above categories, a description of the services rendered must accompany the payment. Such services are normally allowable provided the services are essential to the project, the charges are reasonable and a selection process has been employed to secure the most qualified individual available.

#### **7.3.4.5.4. Reimbursement of Guest Travel**

If a guest is to be reimbursed for travel expenses, they should provide original receipts to support the travel, and process through the Disbursements Office on a PDA-NA form for U.S. citizens and a PDA-F form for Non-Resident Aliens. The GTR (Guest Travel Reimbursement) worksheet must accompany the PDA for submittal. See [Travel and Entertainment Policy Non-Affiliate Guests \(Policy # 2362\)](#) for further information.

Any agreed upon travel reimbursement for independent contractors must be included within their service fees (PO and invoices), receipts would not be required.

## **7.4. Subrecipients (Subawards)**

### **7.4.1. Overview**

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When the University is awarded a sponsored project agreement in which a substantial portion of the work will be accomplished by another institution or organization, the policies and procedures set forth in this Section apply. The nature of the relationship between Penn and the outside entity will determine the contracting mechanism used; if a PI at the outside entity is contributing intellectually and independently supervising the activities, a Subcontract will be issued. However, if the outside entity is providing consulting or other services and is not contributing as a collaborator on the project, a purchase of services (vendor) agreement may be more appropriate.

Subawards cannot be used for routine purchases of equipment or support services.

## **7.4.2. The Subaward**

### **Establishing a Subaward**

When collaborating with another investigator, where the investigator is contributing intellectually to the project, a subaward agreement is required. Subawards serve to establish expectations for contributions to the project and to flow down requirements from the funding sponsor to the subaward recipient.

Upon receipt of an award from the sponsor, it is the responsibility of the PI/BA to request a subaward in the [Research Inventory System \(RIS\)](#). Either the PI or the BA begins the request in RIS by identifying the subaward recipient, providing a statement of work and a budget, as well as any IRB or IACUC approvals covering the subrecipient project. While a BA can begin this process, ORS cannot begin to create a subaward until the PI approves the RIS record.

The subaward request is electronically routed through RIS to verify regulatory compliance and subrecipient monitoring. In accordance with federal regulations, ORS reviews the subaward recipient's audit report and verifies that the institution and individual are eligible to receive federal funds. ORS is responsible for writing the subaward and circulating for signatures. Once the agreement is signed, RIS sends an email notification to the PI and the BA. The BA will receive an email indicating that it is appropriate to establish a PO.

### **Subrecipient monitoring and closeout**

The PI can request modifications to existing subawards using the same process as described above. Throughout the project, the subrecipient is required to submit invoices as outlined in the agreement. It is the responsibility of the PI to monitor the progress of the subrecipient and ensure that the work is being performed satisfactorily, reports are submitting on time and invoices are appropriate based on the work being performed. The BA is responsible for coordinating payment of approved invoices, requesting additional documentation as needed, and maintaining records sufficient to support the expenditures. The PI is responsible for coordinating technical reporting.

At the end of a subaward period of performance, the subrecipient is expected to submit a final statement of cumulative costs no later than 60 days after the end of the budget and project period date. The subrecipient is also responsible for reporting any inventions resulting from the subaward to the BA.

It is the BA's responsibility to request and maintain a record of the subrecipient's expenses. The BA should also make Research Services aware of any inventions reported by the subrecipient. Research Services is responsible for requesting final invention reports and providing them to sponsors. The PI is responsible for coordinating preparation and submission of any required final technical reports. (See Sponsored Projects Policies Nos. [2131](#) and [2135](#).)

## **7.5. Consultants**

### **7.5.1. Payment of Consulting Fees and Documentation**

A consulting agreement is recommended in most cases and is always required by federal sponsors. The consulting agreement must be completed prior to the start of work.

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**Note:** To be considered a legally binding agreement between the University and the consultant, all such agreements must be signed by an authorized institution official.

Fees for consultants may be charged to sponsored projects in accordance with the terms of the specific grant or contract and the University's policy. Payments should be made only for work already completed and must be supported by an invoice signed by the consultant for the work performed. **Reminder:** NSF sets limits on the daily consultant reimbursement rate ([NSF Daily Rate](#)).

### 7.5.1.1. For All Consultants

Consultants should be paid only for work that is already completed and supported by a consulting agreement and an invoice signed by the consultant. The invoice must specifically include the following:

- Name of consultant
- Nature of services rendered
- Rate of pay
- Period of service
- Total amount of the fee and other expenses

Consulting should only be performed and charged to an award while the award is in active status. Work performed outside the award period is the responsibility of the department.

University personnel engaged as consultants under the University's policy on [Extra Compensation for University Employees](#) must follow the procedures outlined below.

### 7.5.1.2. For External Consultants

Payments to external consultants should be processed in accordance with University of Pennsylvania Financial Policy #2319 entitled "[Payment to Individuals for Human Subject Fees, Honoraria, Limited Engagements, and Independent Contractor Services](#)," in the Financial Policy Manual and the [Individual Service Provider Classification Guide](#). The following conditions also apply to external consultants:

### 7.5.1.3. For Federal Employees

Fees paid to federal employees are generally not allowable as charges to federal grants and contracts. Before committing to pay federal employees for any consulting, lecture, travel fees, or meals, [contact Research Services](#) to determine allowability.

### 7.5.1.4. For University of Pennsylvania Employees

Payments to internal consultants should be processed in accordance with Financial Policy #2418 entitled "[Additional Compensation](#)" in the Financial Policy Manual. Charges representing extra compensation for consulting or lecture work (i.e., compensation above the salary base paid to a salaried University employee) are allowable only in unusual cases and only when all of the following conditions exist:

- The consultation is specifically provided for in the award document or approved in writing by the sponsor.
- The consultation is across departmental lines or involves a separate or remote location.
- The work performed is outside the scope of the individual's regular departmental workload.
- The payment is considered extra compensation and is processed through HCM.

## 7.6. Program and Interest Income

Program income or interest revenue must be budgeted and accounted for within the fund in a manner consistent with the specific terms and conditions of the award or by reference to general provisions of federal regulation.

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## 7.6.1. Program Income

Program income is income generated as a result of program activity or by the sale of assets previously purchased under a sponsored program (see [Sponsored Projects Policy No. 2121](#)). Other types of program income include, but not limited to:

- Fees earned from grant supported services
- Rental or usage fees
- Third party patient reimbursement
- Sale of tissue cultures, educational materials or research animals

**Note:** Although income earned from license fees and royalties on patents and copyrighted material is considered program income for federal awards, most agency regulations exempt this income from reporting requirements. Refer to the terms and conditions of non-federal awards for their requirements related to patent and copyright income.

The terms of the award must be reviewed carefully to ascertain sponsor requirements regarding the reporting and disposition of program income. Generally, federal sponsors will require that program income be reported on the Financial Status Report (FSR).

Program income may be used as additional (additive) support when specifically allowed by the sponsor. When supplemental support is permitted, funds must be properly budgeted and accounted for. ORS will establish a separate fund to account for program income when the “additive” method is required to be used, unless the amount of program income is nominal, i.e., less than \$5,000. The fund will have the same F&A rate as the sponsored project fund.

In certain cases, program income will be used to reduce or deduct from the sponsor’s share of funding. This is more likely to occur if program income exceeds \$25,000 per year.

Program income can be considered for cost sharing or matching gift requirements as long as the associated expenditures are also allowable.

## 7.6.2. Interest Bearing Funds and Excess Cash

The University will accept grants which contain a provision requiring the accrual of interest on advance payments. A new award with these provisions will be sent to the Office of the Treasurer for participation in the Temporary Investment Fund (TIF) (see [Sponsored Projects Policy No. 2133](#)).

ORS will issue an AIS indicating in the remarks section that the fund is to participate in TIF. However, depending on the terms and conditions of the award, interest earned may need to be returned to the sponsor or used to further support the purposes of the sponsored project.

For federal awards, interest on “excess cash” (cash in excess of current expenses) in excess of \$250 annually must be returned to the federal government.

## 7.7. Rebudgeting of Funds

During the conduct of the project, the principal investigator may determine that budget changes are necessary. Many sponsors allow flexibility in how project funds are expended and permit budget changes needed to meet project requirements. Principal investigators need to be aware of the specific requirements for their awards and to request prior approval for budget changes when necessary. Re-budgeting to include animal care costs or human subject costs is not permitted without prior IRB and or IACUC approval.

When budget revisions are made in direct cost categories, there may also be an impact on the F&A costs to be charged to the project. As an example, if funds budgeted for equipment, that were not included in the MTDC base for calculating the F&A cost, are expended for materials and supplies, then F&A costs will be assessed against those expenditures.

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Principal investigators should seek guidance from their business administrator or ORS (see [Sponsored Projects Policy No. 2106](#) and Project Changes) on specific re-budgeting questions.

## **7.8. Project Extensions**

The principal investigator must plan and direct the project work so that it will be completed within the time and funds authorized. It is often necessary and appropriate to initiate a request for additional time with or without additional funds. Requests for such changes should be initiated by the principal investigator, countersigned by ORS, and forwarded to the sponsor well in advance (at least 60 days) of the project expiration date.

### **7.8.1. Federal Sponsors**

Most federal sponsors allow the University to grant a one-time extension of a grant without additional funds up to one year. See Project Changes and Sponsored Projects Policies Nos. [2106](#) and [2113](#) for additional information. Any further extensions of time require the prior approval of the sponsor.

### **7.8.2. Non-Federal Sponsors**

Non-Federal sponsors may require the formal execution of an amendment to the contract to effectuate changes or extensions of the terms and conditions of an award.

In those instances where the fund number is to be used for a future budget period or the current budget period has been extended beyond the original termination date, the University's financial accounting system records will be updated to reflect the new Budget End Date upon issuance of the Account Information Sheet (AIS). The AIS is issued when verifiable documentation authorizing an extension of the project or budget period is made available. Documentation must be in the form of a letter (or official e-mail or other correspondence) from an authorized official of the sponsor approving the extension, or by way of a notice of award and such information must be made available to Research Services – Pre Award.

## **7.9. Cost Transfers**

Once a cost has been incurred and charged to a particular project account, it cannot be arbitrarily transferred to another project account. For information see the Section on Guidelines for Cost Transfers and Sponsored Projects Policies [2106](#) and [2113](#).

## **7.10. Billing and Financial Reporting**

As required by the terms of a sponsored project, periodic billing, financial reporting, and withdrawals against letters of credit are initiated by ORS, based on the official University accounting system records. The PI's primary responsibility in this area is to ensure that expenses charged to the project account are accurately reflected in the accounting system in a timely manner. The PI should review the project fund monthly. The PI is also responsible for working with their business administrator to assure that a project is ready for close-out and final expenditures are reflected on the fund within 60 days after the stated termination date. If the final reporting date is less than 90 days after the termination date, the project must be ready for close-out reporting at least 30 days prior to the final reporting date. Should there be any questions, [contact ORS](#).

A specific research financial contract administrator is assigned to the PI's account and handles all project financial reports. See the [ORS web site](#) for a listing of department and school assignments.

## **7.11. Over-expenditures and Collections**

If a deficit or disallowance to the project account occurs, the principal investigator, in consultation with the chair and dean, will advise ORS as to the desired disposition. In the absence of such advice, ORS will transfer the over-expenditure into an unrestricted account of the appropriate school and refer the matter to the responsible center's senior business officer (see [Sponsored Projects Policy No. 2129](#)). The University does not budget funds to cover grant or contract deficits.

Occasionally, a sponsor fails to reimburse the University for legitimate expenditures made for a project. While it is the

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responsibility of ORS to submit invoices or financial reports as required in the award document, the principal investigator and their department and school play an important role in resolving situations where a sponsor will not or cannot reimburse the University. In such cases refer to [Sponsored Projects Policy No. 2125](#).



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## 8. Project Changes

### 8.1. Overview

When a grant or contract is awarded in response to a proposal, the sponsor expects the project will be carried out in accordance with the proposed scope of work and the approved budget. Since the course of research is often uncertain and circumstances can change, provisions to manage project changes are necessary. When this is the case, requirements to obtain sponsor prior approval vary widely: some sponsors are very restrictive; others allow wide latitude for changes that benefit the project.

Since it is impractical to provide a comprehensive list of all sponsor requirements, this section focuses instead on *federal* regulations.

To determine whether a proposed change is permissible:

- Read the award terms and conditions
- Discuss the change with your Business Administrator (BA) and [Research Services](#) (see [Sponsored Projects Policy 2106](#))

ORS works with the principal investigator and the sponsor to implement any changes in the project which require University and sponsor approval (such as changes in scope of the project, key personnel identified in the notice of award, budget, and other modifications of award terms and conditions). Requests for changes must be submitted to the sponsor by ORS. Certain significant changes may also require the review and approval by the department chair and dean of the school.

Project changes are of three basic types: programmatic, budgetary, and administrative.

**Programmatic changes** are necessary when the PI determines that the direction of the project must change based on the results obtained to date. For some sponsors, changes in the model, the physiological or pathological condition being studied may require sponsor approval. Also, adding human subject research or animal research to a project is a programmatic change and may require sponsor notification as well as IRB and or IACUC approval.

**Budget changes** are necessary when the PI determines that expenditures are required for unanticipated items not included in the proposal budget (e.g., the purchase of equipment not originally needed for the project, or an unexpected trip that increases the amount spent for travel). Generally, budget changes involve moving funds from one budget category to another, without increasing the total amount of the award. Occasionally, however, a need arises that can be met only with increased funding and thus usually requires submission of a proposal for supplemental funds. Such requests are handled differently from requests to rebudget funds.

**Administrative changes**, the third general category of project changes, include but are not limited to:

- Changes in scope of work (see Programmatic Changes above and Expanded Authorities or Waiver of Authorities below)
- Expenditure of funds before receipt of the formal award (pre-award costs)
- Extension of the project period (no-cost extension)
- Changes in the effort of the PI or other key personnel named in a notice of award
- Carryover of unexpended funds from one budget period to another

### 8.2. Documenting Project Changes

PIs and BAs are responsible for maintaining written justification that changes are scientifically necessary and appropriate ([Sponsored Projects Policy No. 2110](#)) using the following guidelines:

- Correlate expenditure to successful completion of the project
- Justify project changes in terms of the science or programmatic needs
- Systematically maintain justifications in the file

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### 8.3. Expanded Authorities or Waiver of Authorities

Federal regulations require prior approval from an awarding agency for a variety of project changes. While the federal government's Office of Management and Budget (OMB) has reduced the number of required prior approvals in an effort to streamline the grants management process, a few required prior approvals remain. More detailed information is presented in OMB Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (2 C.F.R. Chapter I, Chapter II, Part 200). Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

Many federal agencies have waived cost-related prior approvals and permit an institution to decide budget changes under the "expanded authorities." These expanded authorities *do not apply to contracts*. In addition to the cost-related prior approval waiver, in general, the following changes may be permitted without prior agency approval (see [FDP Prior Approval Matrix](#) and review terms and conditions of award):

- Pre-award costs up to 90 days prior to award
- One-time expiration date extension of up to 12 months
- Carryover of unobligated balances to subsequent funding periods

Certain other changes, however, **require prior approval** of the awarding agency:

- Changes in project scope or objective as evidenced by:
  - Change of PI or other key personnel noted in the notice of award document
  - Disengagement of the PI for more than three months, or a 25 percent reduction in effort spent on the project by the PI
  - Acquisition of equipment exceeding \$25,000
  - Transfer of the performance of substantial programmatic work to a third party
  - Significant rebudgeting, whether or not the particular expenditures require prior approval. Significant rebudgeting occurs when expenditures in a single direct-cost budget category deviate (increase or decrease) from the categorical commitment level established for the budget period by more than 25% of the total costs awarded (direct and F&A).
- Need for additional funds
- Other changes specifically cited in the award or in agency-specific guidelines

### 8.4. Project Changes Allowability Checklist

Initial steps for PI and BA when contemplating project changes:

- Review the terms of the specific award notice;
- Check sponsor general terms and conditions and any referenced regulations, laws, guidelines and agreement manuals;
- Ensure changes are consistent with project objectives and statement of work, and **document this information**;
- Review FDP and Agency requirements (see [FDP Prior Approval Matrix](#));
- Review [Uniform Guidance](#); and
- Review [Penn policies and procedures](#), specifically Sponsored Projects Policies Nos. [2106](#), [2110](#), [2113](#), and [2138](#) to ensure the proposed transaction is consistent with University policies.

### 8.5. Change of Principal Investigator or Reduction of Effort

An award is based to a great extent on the qualifications and proposed level of effort of the named principal investigator. Should a principal investigator wish to withdraw from the project, substantially reduce their stated level of effort, be disengaged from the project for an extended period (3 months or more), such as sabbatical leave or illness, or sever their connection with the University, the situation must be communicated to the department chair and the dean. They, in turn, will recommend appropriate action, such as a substitute principal investigator or termination of the project. These recommendations must be forwarded through ORS to the sponsor for approval.

### 8.6. Project Transfer to another Institution

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If a principal investigator plans to leave the University, they should contact [ORS](#) and the project officer at the sponsoring agency to determine whether or not the grant or contract can be transferred to the new institution. The situation must be communicated to the department chair and the dean, who will recommend appropriate action. A formal written request for transfer is required which must be submitted by ORS on behalf of the University.

## 8.7. Other Post Award Changes

Sponsor prior approval may be required for other post award changes to federal grants. They include but are not limited to:

1. changes in the budget
2. adding human subjects or animals if a change in scope
3. foreign travel
4. subawards
5. equipment procurement
6. initial no-cost extension
7. title to supplies
8. more than 90 day pre-award costs
9. additional funding

For additional details see the [FDP Prior Approval Matrix](#).

The principal investigator must be cognizant of these sponsor restrictions at the outset of the project. Review the award terms and conditions carefully. Contact ORS for further clarification. When sponsor prior approval is required, the principal investigator will initiate a letter describing the desired change, with justification, and forward it to ORS for endorsement and submission to the sponsor.

## 8.8. Considerations of Project Changes by Categories

The following is a list of factors to evaluate when determining the allowability of certain project changes by cost categories.

### 8.8.1. Change in Effort of Key Personnel

- Significant reductions in effort (>25%); for NIH *Key Personnel* means the PI or any other person named in the notice of award); agencies retain approval authority for significant changes in PI effort. Such changes cannot be authorized internally at the University
- Sponsor approval is required for a PI disengagement from the research for three (3) months or more

### 8.8.2. Change in Scope of Work

- Changes in scope of work requires prior approval by all federal sponsors

### 8.8.3. Significant Rebudgeting

- Expenses included in F&A cost pools **may not** be charged directly (e.g., telephone equipment or general administration)
- For NIH, rebudgeting in excess of 25 percent of total costs in a single direct cost budget category is likely to require approval since it may indicate a change in scope of work. This will require sponsor prior approval.

### 8.8.4. Equipment Not Included in Proposal

- Must be necessary for project purposes during the award period
- Is not available for use elsewhere in the University
- Award notice does not constrain equipment purchases (purchases greater than \$25,000 may reflect a change in scope of

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work)

- F&A costs are reallocated, if necessary
- Obtain necessary bids for, or otherwise justify, sole-source purchase
- Know sponsor requirements for equipment disposition after project ends

### **8.8.5. Subrecipients Not Included in Proposal**

- Subaward of a significant part of the programmatic effort requires agency prior approval for most federal sponsors
- For NIH awards, all foreign subrecipients must have prior approval

### **8.8.6. Foreign Travel Not Included in Proposal**

- Travel must be otherwise allowable by sponsor
- If necessary, prior approval must be obtained from the sponsor through ORS
- Department must maintain documentation on file to support the trip's purpose
- Trips paid with federal funds must be on US flagged air-carriers, with very limited exceptions which must be approved and documented in advance

### **8.8.7. Consultants Not Included in Proposal**

- The consulting must be justified and documented
- A signed consulting agreement must be on file
- Consultant must meet the Accounts Payable "consultant test"
- Consultant must submit appropriate, itemized invoices

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## 9. Effort Reports

### 9.1. Purpose and Scope

This Section provides information and guidance on the principles of effort reporting for employees with all or a portion of their salary charged to a sponsored project.

#### Effort Reporting and the Importance of Accurate Reporting

Federal regulations applicable to sponsored research at colleges and universities (Uniform Guidance, [Subpart E—Cost Principles](#) §200.430) require that charges to sponsored research for salaries and wages must be based on records that accurately reflect the work performed and are supported by a system of internal controls. Although the language of the federal regulations has shifted away from a requirement to certify effort, the University of Pennsylvania will continue to rely on its effort reporting process to provide the records and the internal control support required.

The purpose of an effort reporting system is to provide a reasonable basis for distributing salary charges among direct activities (e.g., sponsored research, instruction, and clinical activity) and between direct and indirect activities (e.g., between sponsored activity and non-sponsored activity). Since effort reports are the source documents to support salary charges to sponsored projects, it is essential that this data be based on reasonable estimates of actual effort expended on each sponsored project and non-sponsored or University funded accounts.

Providing inaccurate effort estimates on the effort report form, whether knowingly or through carelessness or mismanagement, may result in incorrect charges of costs to the federal government and other sponsors. **Each individual with responsibility for effort reporting must thoroughly understand the proper method of completing Effort Report forms and ensure effort percentages reported on the forms reasonably reflect effort expended during the report period.** (See [Sponsored Projects Policy No. 2114 Effort Reporting](#) and [Sponsored Projects Policy No. 2119 Cost Sharing](#)).

#### Key Points in Effort Reporting

The following essential concepts must be understood to ensure effort reports are completed properly:

- The effort form must be completed by: a) the individual whose effort is being reported, b) the Principal Investigator, or c) a responsible person using a suitable means of verification that the work was performed. **Faculty must certify their own effort report** ([Sponsored Projects Policy #2114](#)).
- The effort report must account for all effort for which the University compensates the individual. Even where the number of hours of effort the individual expends each week substantially exceeds the “normal” work week of 35 or 40 hours, effort percentages must be based on total effort, not hours.
- University-compensated effort includes all research, teaching, administration, regular monthly clinical activity, CPUP Guaranteed Variable Pay, and any other activity for which an individual received compensation from the University and/or CPUP. Excluded from effort reporting are Bonuses, Awards, Clinical Variable Pay, and any compensation received from sources other than the University, such as compensation from the VA, CHOP, or outside consulting work permitted by the University

**(Note:** The salary and benefit expense of HUP employees who do perform services on a sponsored project are charged to HUP cost centers and transferred to the sponsored project account through the “interfund.” This effort should be reported on a manual effort form and maintained with the award files. In addition, physicians affiliated with the Children’s Hospital of Philadelphia (CHOP) will not receive a Penn effort report.)

- Effort distributions should be reasonable estimates of activities, recognizing that research, instruction, and clinical activity are often inextricably intertwined and estimates will be necessary in most cases
- Effort and payroll distributions are not the same thing. Payroll distributions are initial estimates of how effort is anticipated to be expended and serve as a convenient reminder about activities on which the individual worked. The effort reporting process is a method for confirming charges made to sponsored awards. Individuals are not always paid

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from individual sources in direct proportion to the amount of activity provided to support that sponsor or account. Therefore, the payroll-based effort form should be modified and used to report activity distributions, not payroll distributions.

- Individuals whose compensation exceeds a sponsor-imposed salary cap limit (e.g., NIH grants and contracts, DOD contracts, and certain Commonwealth of Pennsylvania grants) must show the portion of salary above the cap as cost sharing for each such sponsored project.
- Mandatory or voluntary committed cost sharing must be reported. Where some or all effort an individual expends on a specific sponsored research project is not compensated by the sponsor but is mandated by the sponsor, or where the individual has clearly committed to uncompensated effort on the project in the application, ORS will establish a separate fund and issue a separate AIS to account for the cost share effort. The effort form will include this fund and the amount of salary and percentage of effort devoted to the project.
- The total of the individual effort percentages reported on the Effort Report form must equal 100%
- At Penn, there are 2 effort reporting periods: Fall Semester (July – December) and Spring Semester (January – June) for monthly paid employees. Responsibility for Accurate Reporting

To ensure the effort reporting system reasonably reflects actual effort expended during the report period, the individual completing the effort form must be a responsible person who can verify that the effort indicated was expended in the proportions shown. The effort form requires the electronic signature of the person who has completed the form, certifying that **THIS REPORT REPRESENTS A REASONABLE ESTIMATE OF UNIVERSITY-COMPENSATED EFFORT FOR THE PERIOD**. It is incumbent on this individual to ensure that the representations of effort contained in the effort form are reasonably accurate. (See [Sponsored Projects Policy No. 2114](#).) Careful review is especially important when someone completes the form other than the individual whose effort is reported on the form. In such cases, it is advisable to review the completed form with the individual or Principal Investigator before certifying it.

## 9.2. Allocation of Effort among Activities

ERS, the Penn web-based effort reporting system separates sponsored accounts from the non-sponsored, or university-funded accounts. On the Certify screen the sponsored accounts are displayed on the upper portion of the form, and the non-sponsored accounts are displayed below the sponsored accounts. An important point to remember is the federal regulations on effort reporting recognize that in an academic setting, teaching, research, service, and administration are often inextricably intermingled. Any effort reporting system must, therefore, rely on reasonable estimates and allocations of effort among closely related activities.

## 9.3. Reviewing and Changing Effort Percentages

ERS displays the percentage of an individual's salary expense distributed to each sponsored project during the reporting period. This includes research projects, training grants, fellowships, career awards and all other sponsored projects are grouped together on the upper portion of the effort statement. Displaying the actual distributions is intended as a guide for completing the report.

The principal purpose of the effort reporting process is to determine whether the percentages as distributed are correct and to capture any necessary changes to the percentages to provide a reasonable estimate of actual effort. Changing the percentages as they appear when they do not substantially reflect actual effort expended is not only permitted **but is required**.

Changes to the effort percentages displayed can be made in the Pre-Review mode by the Pre-Reviewer or by the Certifier on the effort form. Changes to the effort percentages by the Certifier will send the effort form to the Post Reviewer where the differences will be resolved either through a cost transfer or by capturing cost sharing on a project.

Changes to effort forms may be made any time during the 45 business days of an effort reporting period, unless salary cost transfers have been made to adjust an individual's effort. Once a cost transfer has been made, no further adjustments to that individual's distribution of effort are allowed, unless by exception. After the 45 business days have elapsed, the certified

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forms are archived by [Research Services](#), removing the forms from current activity. The certified forms may be accessed through the reporting feature in ERS.

## 9.4. Effort Reporting of Individuals Subject to Salary Caps

By law, NIH may not reimburse salaries under NIH awards at an annual rate that currently exceeds federal Executive Level II. Section 16; Detailed Effort Reporting contains instructions and examples on the proper reporting of effort for those individuals affected by the NIH cap. Other sponsors, such as the Commonwealth of Pennsylvania, for certain awards, impose a salary cap consistent with that of the NIH.

## 9.5. Reporting Mandated and Voluntary Committed Cost Sharing

Mandatory and voluntary committed cost sharing (see [Sponsored Project Policy No. 2119](#)) must be reported on the effort form. This is effort which is either required by the terms of the award (mandatory) or voluntarily committed in the proposal by the principal investigator and is not reimbursed by the sponsor. This unfunded effort is considered cost sharing. In accordance with [ORS Procedures for Cost Sharing and In-Kind Matching Requirements for Sponsored Projects](#), a separate fund will be established to account for Mandatory and Voluntary Committed Cost Sharing. The effort report form will display the percentage of salary charged to these cost share funds during the effort reporting period. Assuming that the principal investigator was working on the project during the entire reporting period, the percentages on the form should correspond to the amount of effort committed to the project.

For example, a faculty member formally commits 50% of their total effort in a sponsored project proposal, but the award is to be charged for only 25% of their salary. The effort report would list the 25% charged to the sponsored project fund, and in addition, the 25% charged to the cost share fund, if the project dates coincided with the effort reporting period. The actual printed percentages would vary depending on the performance period of the project.

## 9.6. Effort Percentages Must Total 100%

All University-compensated effort must be accounted for and the sum of the individual effort categories must equal 100%. The fact that a salaried individual may work more than a normal 35- or 40-hour week does not alter this rule. For example, an individual who spends 40 hours a week on sponsored research and 40 hours a week on clinical activity would report an effort percentage of 50% for each category, totaling 100% effort for the report period.

## 9.7. Penn's Effort Reporting System

ERS is a role-based system. A Central Administrator (CA) initiates each effort reporting cycle and provides the Help Desk Support. A Departmental Coordinator (DC) is assigned to each Org where effort reports are generated and is responsible for assigning pre-reviewers and certifiers for each form, and for ensuring that the effort reports are completed on time. The Pre-Reviewer is responsible for reviewing the effort report for accuracy before forwarding a form to a certifier. The Certifier applies their electronic signature to the form when they believe it to be accurate, and the form only goes to a Post Reviewer for resolution if the certifier adjusts the pre-reviewed effort. Detailed descriptions of these roles are available on the ORS web site under "Effort Reporting."

At the end of each reporting period, the payroll distributions are initiated into ERS. A notification is sent to all the Departmental Coordinators in advance of initiation listing the dates that the effort reports will be available in ERS, and also the last date that a cost transfer can be processed prior to initiation of the effort reports. This information is also listed on the Comptroller's Office web site under Payroll and on the ORS web site under Effort Reporting.

<http://www.upenn.edu/researchservices/effortreporting.html>

### 9.7.1. ERS Reports

There are various reports available in ERS. There are completion reports, exception reports and administrative reports. To print a copy of a certified form, select Administrative Reports, Print Certified Statements, select the period and choose either

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an individual or the entire department to print.

## **Roles and Responsibilities**

The Departmental Coordinator is responsible for reviewing the assignments of the pre-reviewers, post reviewers and certifiers to make sure they are appropriate, and to change assignments if necessary, and to ensure that the effort reports are completed within the 45 business day policy.

The Pre Reviewer is responsible for assisting the certifier in understanding their effort report and to perform adjustments to payroll when necessary. They are required to review effort reports for individuals assigned to them for accuracy and forward the effort report to the certifier by selecting "Proceed" after the review process is complete.

The Certifier is responsible for reviewing the effort report form to make sure the percentages correctly represent the employee's effort based on the salary charged to the award, and to change the percentages if they are incorrect.

The Post Reviewer is responsible for reviewing and resolving changes made to a pre-reviewed effort report by the certifier.



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## 10. Guidelines for Cost Transfers

### 10.1. Overview

### 10.2. Sponsored Research Costs

Sponsored research costs should be directly charged to the sponsored projects unless there is a documented business reason for initially charging the costs to other accounts. When allowable sponsored projects costs are initially charged to other accounts, the movement of those costs to a sponsored research account may be considered to be a “cost transfer.” When making cost reallocations for sponsored projects, the Uniform Guidance requires that appropriate documentation be maintained including the original invoice, the reason for the reallocation, and documentation of how the cost directly benefits the sponsored project scientifically and/or programmatically. All reallocations of costs on sponsored projects should be made in compliance with [Sponsored Projects Policy 2113](#).

To be acceptable, cost transfers into a sponsored project fund must meet the following criteria:

- Occur in a timely manner (i.e., in the case of an erroneous charge costs should be transferred as soon as the error is discovered but not later than 90 days after month end in which the expense was incurred. See [Sponsored Projects Policy No. 2113](#)).
- Are allowable under sponsor and University policies
- Adequately describe the purpose of the entry, including an explanation of the reason for the entry and documentation of PI approval
- Are necessary to appropriately allocate expenses to a correct fund

### 10.3. Types of Allowable Cost Transfers

When making cost reallocations for sponsored projects, please be sure to utilize the **Grant & Contract Cost Transfer Decision Tree** (<https://www.finance.upenn.edu/content/grant-contract-cost-transfer-decision-tree>) to determine the correct G&C Category (14 Adjust, 15 UN90, or 16 OV90). Please note that BEN Financials is the system of record for processing appropriate cost transfers into sponsored project funds. The aforementioned ‘reason for the reallocation’ and ‘direct benefit’ are entered, via Ben Financials, by selecting the appropriate drop-down items. In addition, you will have the ability to attach appropriate supporting documentation to journals processed using Category 15 or Category 16.

#### 10.3.1. Errors/Corrections

Costs can be transferred for the following reasons:

To correct clerical or accounting errors, such as transposition of numbers; however, a specific reason must be given: “correction of clerical error” is insufficient  
Amend charges posted to wrong fund by service center providers  
Resolve any misunderstanding of instructions from the PI

Documentation must be retained according to [Sponsored Projects Policy 2132](#) and should include the following information and any other pertinent details:

**Provide a description of why the error occurred.** Do not use the terms “to correct an error” or “to charge the correct project.” Fully explain the circumstances of the error.  
**Correlate the expense item** to the project to which the cost is being transferred, and if transferred to a sponsored projects account, explain how the cost scientifically/ programmatically benefits the project.

For further information on processing Journal Entries in BEN Financials, see [BEN Balances Journal Entry- General User Guide](#).

#### 10.3.2. Transfer of Unliquidated Items

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If unliquidated obligations were reported on a FSR and remain outstanding as an encumbrance, the obligations should be paid within 90 days and charged to the old fund number. An item-by-item journal entry must be made to the new fund. This is necessary to create an appropriate audit trail.

Journal entries are necessary to transfer the expense of items encumbered in a prior year fund number and which appear as an unliquidated obligation (not posted to the fund) in the financial report. When these items are expensed they must be transferred into the subsequent year fund number utilizing Category 14 ADJUST. A description of the purpose of the entry and an explanation of the reason for the entry must be provided in the journal entry.

For other federal grants that are incrementally funded, the reporting of unliquidated obligations can vary from sponsor to sponsor. This does not change the liquidation requirement. Under these circumstances, ORS will report the items as required by the terms of the award.

### **10.3.3. Transfer of Costs to a Continuation Year of a Project**

To avoid unnecessary cost transfers between continuation years of a project, an Advance Account should be requested from [Research Services](#). Establishing an Advance Account eliminates the need for cost reallocations when the award is finally received.

## **10.4. Unallowable Cost Transfers**

### **10.4.1. Funds in Overdraft Status**

The transfer of charges from a fund in overdraft status to a federal award (including federal awards passed through another sponsor) is expressly unallowable in accordance with [OMB Uniform Administrative Requirements, Cost Principles and Audit Requirements for federal Awards](#), Part 200.405(c). This section specifically states that “...*any cost allocable to a particular Federal award under the principles provided for in this Part may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the federal awards, or for other reasons.*”

This includes any amount charged in excess of the federal share of costs for the project period (competitive segment).

Transfers of cost from one project to another or from one competitive segment to the next solely to cover cost overdrafts are not allowable. Costs allocable to a new competing segment should be charged to an Advance Account in anticipation of the award.

Regardless of sponsor, costs may only be charged to projects benefiting from that expense.

### **10.4.2. Funds Terminating with Unexpended Balances**

In accordance with the requirements of [OMB Uniform](#) Guidance, costs must be allowable, allocable and reasonable/necessary. Therefore, costs should not be transferred to an account with an unexpended balance during the last months of a project simply to deplete the balance of funds.

## **10.5. Timeliness of Cost Transfers**

It is important that cost transfers occur as soon as an error is discovered, but not later than 90 days after month end (see [Sponsored Projects Policy No. 2113](#)). If the transfer must be made after 90 days, the reason for the delay must be documented. In no instance may costs be transferred after the Grant and Contract Fund Closeout Adjustment Period, without the prior approval of Research Services.

## **10.6. Restricted Transactions:**

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### **10.6.1. F&A and Employee Benefits Adjustments**

These entries are to be made by Research Services ONLY.

### **10.6.2. Transfer of Fund Balances**

These entries are to be made by Research Services ONLY.

### **10.6.3. Object Code #4820 or #4920.**

NEVER use these object codes for transferring costs to or from a sponsored project.

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## 11. Project Reporting

### 11.1. Overview

Certain prescribed actions are required to ensure the orderly administration and timely reporting/closeout of a grant or contract. While these requirements vary by sponsor, the following are necessary for most projects:

- Technical/Programmatic Report (Interim and Final)
- Report of Inventions (Interim and Final)
- Final Inventory of Equipment
- Financial Report (Interim and Final)
- Audit
- Record Retention

### 11.2. Relevant Sponsored Projects Policies

The following Sponsored Projects Policies are of direct relevance to the **reporting** of sponsored projects:

[2126 Interim & Final Financial Reports](#)

[2130 External Audits, Reviews, Inquiries and Investigations](#)

[2132 Record Retention](#)

The responsibility for preparing and submitting all interim and final financial reports rests with ORS, however, timely reporting requires the assistance of the principal investigator and business administrator through their input prior to the point that the report is prepared. It is important to note that the principal investigator is ultimately responsible for management of the fund and, as such, must ensure that all expenses charged are accurate and allowable under the terms of the award.

### 11.3. Technical Reports

Most grants and contracts require the submission of a final report of the research accomplished during the period of performance. Some sponsors also require the submission of interim reports. Such reports may vary from a brief summary and list of publications to a complete compilation of the project and its results. The specific requirements and due dates are stated in either the award document, or, in the case of many grants, in a policy manual referenced in the award. It is the PI's responsibility to prepare and submit the technical/programmatic reports to the sponsor on or before the due date.. ORS does not require a copy of the technical report, but does require departments to maintain a copy to document submission of the report for audit purposes. When a sponsor requires submission by an Authorized Organizational Representative (AOR), the PI sends the report to ORS for review and submission. The report should be sent to ORS 3 days before the due date. Some sponsors require submission of technical reports through electronic systems. The NIH mandates the submission of Research Performance Progress Reports (RPPRs) via NIH Commons and requires an AOR to submit. The NSF mandates the submission of technical reports via Research.gov . For these sponsors , the submission due date is directly available to ORS via the electronic systems.

### 11.4. Report of Inventions

Most sponsors require that discoveries and inventions be disclosed to the sponsor upon conception or reduction to practice. Many sponsors require reports of inventions at regular intervals, generally annually. At the completion of a project, it is often necessary to certify whether or not an invention has been made during the course of the project. The PI is responsible for adhering to a sponsor's invention reporting requirements and the University's policies regarding the disclosure of inventions (<https://www.pci.upenn.edu/invention-disclosure/>).

### 11.5. Final Inventory of Equipment

All federal contracts and many grants require a final inventory of equipment purchased, fabricated or furnished by the sponsor

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during the period of the project. Non-federal sponsors may have other requirements, and the PI is responsible for adhering to individual sponsors' reporting requirements.

## **11.6. Interim Financial Reports**

Interim financial reports may be required by the sponsor. The award notice will provide such instructions. The General Ledger Attribute Record will also designate that an interim report is due.

For grants specifically included under provisions of the Streamline Non-Competing Award Procedures (SNAP), NIH does not require interim Financial Status Reports (a final financial report is required). NSF does not require interim financial reports nor does it require final financial reports. (The NSF may require interim reports for cost sharing.) Monitoring of expenditures requires active grant management throughout the life of the award.

## **11.7. Final Financial Report**

ORS is responsible for preparing and submitting all final financial reports and final invoices where required. However, the PI and the department and school play a vital role in assuring that the report (and final invoice, if necessary) is accurate and submitted on time. In addition, for awards with required cost sharing, an accounting of the cost shared amounts will need to be provided.

## **11.8. Record Retention**

In general, the record retention requirements of sponsors (usually 3 yrs for federal sponsors) do not begin until the last financial report is submitted. However, for certain sponsors, such as NSF, the record retention requirement does not end until 3 yrs from the date the **technical** report is submitted. Notwithstanding sponsor record retention requirements, the University record retention policy may require longer retention times. See [Sponsored Projects Policy No. 2132](#) for further information.

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## 12. Audits

### 12.1. Overview

When the University accepts funds from outside organizations for research and other activities, those organizations presume the University will expend the funds for the purposes for which they were given and in accordance with any terms and conditions set forth in the award document. Similarly, the federal government has an obligation to the taxpayers to assure that recipients of federal funds are providing proper stewardship of those funds.

The University's sponsors generally reserve the right to audit the University financial records for sponsor awards and, in some cases, may audit the project's scientific records and data. This section on "Audits" addresses only financial audits by the federal government, since they are the most common audits to which the University is subjected. Other sponsors, however, can and occasionally do perform various audits. Typically, these audits will be of the awards themselves.

If the PI or the department is contacted directly regarding any type of audit, [ORS](#) should be informed immediately. For additional information, please see [Sponsored Projects Policy No. 2130](#).

### 12.2. Pre-Award Audits

Occasionally, the federal government will require an audit before the issuance of an award. Such pre-award audits generally involve responses to federal Requests for Proposals that will result in the issuance of a contract that is more than \$500,000 per year. These audits may be performed as desk audits at the sponsoring agency, or in rare circumstances, the federal auditors will visit the University to review documentation supporting the proposed project costs.

### 12.3. Post-Award and System Audits

Federal audits are generally one of two types:

1. Audits conducted by **federal auditors**, typically the cognizant audit agency assigned to the auditee — the Department of Health and Human Services, in the case of Penn. Any federal agency can, however, audit its awards. These audits tend to be aggressive efforts to determine whether the University is managing grants and contracts in accordance with federal laws and regulations.
2. Audits conducted annually by the University's certified public accountants, as required by the "Single Audit Act of 1984" and the Office of Management and Budget (OMB) Audit Requirements for Federal Awards (2 CFR Part 200, Subpart F).

#### 12.3.1. Audit Request

Research Services is the focal point for the coordination and conduct of financial audits of sponsored programs (see [Sponsored Projects Policy No. 2130](#)). Upon notification of an audit, ORS will inform the Controller, the Office of Audit and Compliance, the department BA, and the PI of the anticipated audit.

The BA must be available or arrange to have someone available who has knowledge of program expenditures for the purpose of answering questions that may arise during the audit. The BA must also notify and/or arrange for the principal investigator or other individuals at the department or school level to be available for an interview, if so requested by the auditors.

#### 12.3.2. Conduct of Audit - Entrance Conference

With notification to all parties completed, Research Services will confirm the start date for the audit with the sponsor.

The sponsor's auditor will be instructed to meet with the Director, Post Award Financial Administration for an entrance conference. The PI and BA will be notified of the date, time, and the place of the entrance conference.

An ORS representative will be assigned to act as the liaison between the auditors and all other University areas for the purpose of retrieving documentation and/or contact with department personnel. The liaison will be responsible for arranging contact

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with the PI, BA, or other University personnel. The auditor will be instructed to submit all information requests or other type of requests through the designated ORS representative and is not permitted to schedule meetings or to meet with University personnel without first consulting with ORS. During the review, the liaison will escort the auditor(s) to other administrative areas to be visited.

### **12.3.3. Documentation Requests**

The auditor must provide a list of required documentation identifying each transaction to be reviewed. During the audit, the designated ORS representative will provide explanations and documentation in support of claimed costs. If additional information or further explanation is necessary, the BA may be called upon to provide sufficient documentation or adequate explanation to preclude adverse findings or cost disallowances.

### **12.3.4. Exit Conference and Audit Reports**

The PI and BA will be notified of the date, time, and the place of the exit conference and will be requested to be present. During the exit conference, the ORS representative will review the findings and recommendations with the sponsor's auditor and will seek a full description of the exceptions, disallowances or adverse findings. The ORS representative will attempt to correct or eliminate misconceptions or misinterpretations.

Audit reports that contain findings are usually forwarded by the sponsor to ORS. A copy of the audit report should be made available to the PI and the BA. When necessary, the PI and BA will be called upon to address findings of the audit. Cost disallowances cited in the audit report and which cannot be refuted must be funded from a source other than a sponsored projects account. The direct cost portion of the total disallowance will be funded by a charge to the applicable object code of the ledger account (funding source) with a corresponding credit to applicable object code in the sponsored projects fund account.

Challenges to a disallowance or finding must be addressed by the PI within fifteen (15) days of receipt of the audit report. Documentation and/or a certified explanation to discredit or mitigate the finding will be forwarded to the ORS representative who will ensure that all relevant information is transmitted in a timely manner to the appropriate agency or responsible person.

In the event that the department concedes the disallowances or the challenge is otherwise unsuccessful, ORS will work with the department to arrange for a suitable method of reimbursement of the disallowed costs.

## **12.4. Audit Findings and Resolution**

When the audit is completed, the auditors issue a report identifying their findings. Such findings may range from comments on the adequacy of the University's systems for ensuring good grants management to specific disallowances of costs deemed improper. In many cases, the federal agency will extrapolate findings from a small audit sample to the entire expenditure universe, resulting in large dollar findings. While the University vigorously negotiates with auditors over the appropriateness of their findings, sometimes it is necessary to repay previously expended funds.

For further reference, see [OMB Audit Requirements for Federal Awards \(2 CFR Part 200, Subpart F\)](#), [Sponsored Projects Policy No. 2130: External Audits](#), [Policy No. 2131: Compliance with Subrecipient Standards of OMB Uniform Guidance](#), and [Policy No. 2135: Monitoring of Subrecipients not Subject to OMB Uniform Guidance](#), all of which are in the University's [Financial Policy Manual](#).

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## **13. Accounting Procedures for Non-Federal Sponsors and the F&A Costs of Sponsored Projects**

According to [Sponsored Projects Policy No. 2116](#), commercial entities are expected to reimburse the University at the full federal negotiated research rate.

There are many foundations and associations that are willing to pay the direct costs of a project and also a reasonable share of the administrative costs associated with their funded project. In order to enable schools and centers to more fully recover the costs associated with the conduct of research, the University has instituted a series of procedures to enable recovery of some of these costs. The procedures below are designed to provide consistent charging and accounting practices for certain direct and F&A costs or supporting expenditures to non-federal grants.

### **13.1. Dependent Tuition Charges for Projects with Non-Federal Sponsors**

The University will charge the dependent tuition benefit cost (currently 2.3% of full time EB-bearing salaries) to all awards from non-federal sponsors. These costs must be built into the budgets. Applications to non-federal sponsors must budget the dependent tuition benefit.

### **13.2. Full Federal F&A Rate for Projects Sponsored by Commercial Entities**

The full federal research rate is expected on all proposals to commercial sponsors. This is consistent with the University's policy on F&A cost recovery ([Sponsored Projects Policy No. 2116](#)), which specifies that all projects should pay the University's appropriate negotiated F&A rate, while making exceptions for non-profits.

### **13.3. New Options for Projects Sponsored by Foundations and Associations**

Recognizing Foundation and Association's traditional reluctance to pay "full overhead," reimbursement for the following items of cost that are normally precluded from Federal reimbursement must be requested. These items of cost are identified in [Sponsored Projects Policy No. 2138](#).

### **13.4. Direct Costs for Projects Sponsored by Foundations and Associations**

Where the following items of cost can be specifically identified to a project, they should be budgeted as direct costs:

#### **13.4.1. School and Departmental Administrative Costs**

- Administrative costs and clerical salaries
- IT support costs
- Telephone line charges
- Ethernet Connections
- Office Supplies

#### **13.4.2. Subaward Costs**

- Use Object Code 5332 for total subaward costs (the "greater than \$25,000" exclusion will not apply to non-federal sponsors)

#### **13.4.3. Space Used by the Project**

- Lease Costs

#### **13.4.4. Protocol Specific and Research Infrastructure Charges**

- Protocol preparation fees for clinical trials



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- Pharmacy fees for clinical trials
  - IRB and IACUC fees
  - Environmental Health and Radiation Safety fees for waste disposal and radiation safety tests

## **13.5. F&A Costs for Projects Sponsored by Foundations and Associations**

### **13.5.1. Charges for School and Departmental Administrative Costs**

If specific school and/or department costs for a project cannot be precisely quantified (and thus charged directly), then one may be able to negotiate a reasonable reimbursement of the project's fair share of these school and departmental administrative costs. Object Code 5298 has been established for this purpose.

#### **13.5.1.1. How to Calculate:**

Add together the project's appropriate fair share of salaries, EB, telephone and Ethernet charges, office supplies, IT support and related costs. **Note:** When an employee's effort is more than 5% on a project, it should be direct charged. Salaries and benefits should be included as an F&A charge only when the effort is 5% or less. Document the calculation for the above items of costs and the method used.

#### **13.5.1.2. How to Post:**

Debit the project in Object Code 5298 for School and Departmental Administrative Costs and credit the school's general unrestricted fund (the 000000 fund) in Object Code 5511. These charges should be posted monthly.

### **13.5.2. Cost of Space Used by the Project**

If the project is the sole occupant of leased space, then the lease should be built into the project budget as a direct cost using the standard Object Code, which is 5250 for leased non-University space.

If the project shares leased space with other projects, one may be able to negotiate a reasonable reimbursement of the project's fair share of the lease cost as an F&A cost. Object Code 5297 has been established for this purpose.

If the project occupies University space, for which the Operations and Maintenance and Facilities Renewal costs are allocated to the schools as part of "allocated costs" then the sponsor may be willing to include a reasonable reimbursement of the project's fair share of the space costs as an F&A cost. Object Code 5295 has been established for this purpose.

#### **13.5.2.1. How to Calculate:**

Determine where the project will be conducted and make a reasonable estimate of the net square footage needed. The Budget Office will supply Senior Business Officers, on an annual basis, with a schedule showing the space the school occupies and the cost per square foot for each building. Document the calculation for the above items of costs and the method used.

#### **13.5.2.2. How to Post:**

Debit the project in Object Code 5295 for the project's share of University space or in Object Code 5297 for the project's share of leased space and credit the school's general unrestricted fund (the 000000 fund) in Object Code 5511. These charges should be posted monthly.

### **13.5.3. Charges for the Project's Fair Share of the University Services**

In a very few cases, where a single large project is a significant portion (greater than 5%) of the entire school's total activity, it may be appropriate to negotiate with the sponsor a reasonable reimbursement of the project's fair share of the school's portion of University Services allocated costs. Object Code 5296 has been established for this purpose.

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### **13.5.3.1. How to Calculate:**

The Budget Office will assist schools in making the following calculations. At the time of proposal, estimate the project's and the total school's expected Total Direct Costs (TDC) used in the University Services allocation, and the school's expected University Services Allocated Cost Charge (or that proportion of University Services that the sponsor will agree to pay) to estimate the project's fair share of the school's University Services charges for each year of the project period. Use the amount in the proposal, and for the first year of the project.

Annually during the life of the project, calculate the project's actual cumulative project share of school TDC, and the actual cumulative University Services costs (or that proportion the Sponsor is paying) and project these amounts for the rest of the project. Recalibrate the charge to adjust for changes in the project's share of the School TDC, changes in the School's University Services costs, and any amount previously over or under recovered.

### **13.5.3.2. How to Post:**

Debit the project in Object Code 5296 for the project's share of University Services costs and credit the school's general unrestricted fund (the 000000 fund) in Object Code 5511. These charges should be posted monthly.

Questions on charging costs not described above or for clarification of the instructions should be directed to Susie Won in the Office of Research Services or Fran Seidita in the Office of Budget.

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## 14. Additional Reference Materials

ORS will be pleased to amplify the information provided in this Handbook or to assist with matters not covered in the Handbook. See the [ORS Home Page](#) for additional information or contact the Associate Director, Contract Administrator or Research Accountant assigned to your department or school. (See the [contacts page](#) for individual assignments, telephone numbers and email addresses).

The Sponsored Projects Handbook refers to other University administrative source documents, which are listed below and are available at: <http://www.upenn.edu/services/policies.php>.

- [Computing and networking policies](#)
- [Environmental health/radiation safety policies and procedures](#)
- [Financial Policy Manuals](#)
- [Handbook for Faculty and Academic Administrators](#)
- [Human Resources Policy Manual](#)
- [Nondiscrimination Policy](#)
- [Penn Book \(policies affecting Penn students\)](#)
- [Policies for research investigators](#)
- [Policies relevant to graduate education](#)
- [Sponsored projects financial policies](#)
- [Travel and entertainment policies](#)
- [Work-Study Program Supervisor's Manual Policies and Procedures](#)
- [Access and Forms](#)