

# Valparaiso University

## POST AWARD GRANT MANUAL

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# 1 - Introduction

## 1.1 Purpose of the Manual

The purpose of this manual is 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, externally sponsored projects for research or other purposes are administered through the Administration and Finance Office (AFO). External sources include both governmental and private organizations.

Faculty and staff members who conduct sponsored projects under University care have an important public, as well as personal, responsibility to manage those projects carefully. This Contracts and Grants Manual will help project directors and research investigators fulfill that responsibility. Its purpose is to acquaint investigators with the policies and procedures of the University, to inform them of the various services available to them, and to serve as a reference and guide to further information and assistance.

Investigators and administrators should be mindful that portions of this Manual may be superseded by University policy memoranda, or changes in sponsors' policies and regulations. While every attempt will be made to keep the materials in this manual up to date, ultimately the most current information will be found in specific sponsor documentation and award documents.

## 1.2 Roles and Responsibilities

The University provides facilities and resources for sponsored research and other projects as well as an infrastructure and administrative support for compliance with all legal and sponsor-specific requirements. The AFO is part of that support. However, the Principal Investigator (PI) is responsible for carrying out the sponsored project successfully and for following policies and procedures to ensure compliance in all aspects of the project. The consequences of a failure to meet these requirements may include audit findings which could result in significant fines, loss of funding, or even suspension or debarment from participation in federally funded programs.

### A. Responsibilities of the Administration and Finance Office

The AFO is the unit within the Finance area of Valparaiso University that has the responsibility for post-award administration of sponsored programs. The Office of Sponsored and Student Research (OSSR) works with faculty and staff in the pre-award process. See the Sponsored Research website at <https://www.valpo.edu/sponsored-and-undergraduate-research/sponsored-research/>. Once the researcher or project director has completed the clearance process through the OSSR, documenting all necessary pre-award review/ approvals, and after an external sponsor has awarded funds for the project or study, the AFO's work begins.

**The AFO has three major areas of responsibility:**

- 1) Award Acceptance
- 2) Account Administration
- 3) Compliance of Sponsored Projects.

#### **Award Acceptance includes:**

- Review of agreements received from external sponsors
- Preparation of agreements, including subawards

- Negotiation of favorable terms, including reduction of the risk of University liability, protection of intellectual property and publication rights
- Recommendation and processing of acceptance of contracts and grants

**Account Administration includes:**

- Advice and assistance for faculty and staff who have sponsored projects
- Establishing and monitoring accounts in the University's accounting system
- Providing internal approval for expenditures
- Preparation of financial reports
- Serving as a liaison with the sponsor for changes and required approvals
- Tracking of final technical reports
- Providing other reports as required by sponsors, such as equipment reports, patent reports, audit reports, time and effort, etc.
- Following sponsor requirements for allowable costs
- Making electronic draw-downs of funds for documented expenses

**Compliance includes:**

- Maintaining an up-to-date knowledge of and ability to interpret, understand and apply regulations and other requirements such as:
- Federal regulations required of educational institutions (2 CFR 200)
- Federal regulations issued by individual federal agencies
- Regulations and restrictions issued by sponsors for specific grant programs
- Contractual requirements
- Maintaining all financial records for 3 – 10 years for audit purposes
- Complying with audits by the federal agency assigned to us (Department of Health and Human Services /Chicago) as required
- Complying with audits by the State, non-profit organizations, industrial sponsors and other funding partners as required by regulation or by contract

The AFO provides acceptance, administration and compliance services for approximately 35 - 40 sponsored projects on an on-going basis. New projects and accounts begin as other projects are completed. Awards range in value from a few thousand dollars to \$2.5 million. Funds must be administered in compliance with all regulations to avoid adverse audit findings. In addition, a history of well-administered contracts and grants gives the university credibility, which helps secure future awards.

**B. Responsibilities of Principal Investigators**

The primary responsibility for the success of the project and for ensuring that it is conducted in compliance with the sponsor's requirements and applicable laws and regulations lies with the faculty or staff member who is the Principal Investigator (PI). In addition to their academic and scholarly duties, principal investigators must exercise a substantial degree of administrative acumen to enable the research enterprise to function successfully. Failure to become familiar with or to follow the administrative procedures designed to achieve regulatory compliance may cause the University to incur fines and penalties. Research funds expended for the project may

have to be returned to the funding agency from departmental resources and eligibility for future funding may be jeopardized.

**Some of the key responsibilities of PIs include:**

- 1) Fiscal Management**
- 2) Equipment Control**
- 3) Time and Effort Certification**
- 4) Technical and Financial Report**

**Fiscal Management**

The Grant Specialist in the AFO assigned to the PI's project processes claims for payment under a contract or grant following Sponsor and University requirements, but the PI has the overall responsibility for management of a sponsored project within the funding limitations, restrictions and criteria set by the agreement, including requirements for expenditure of funds within the award period established for the grant by the Sponsor. If a modification of the scope of work or the budget becomes necessary, the PI must secure the Sponsor's permission and provide the AFO with the contact information and details necessary to process an amendment of the agreement.

**Equipment Control**

The PI is responsible for securing necessary approvals for the purchase of Government-owned equipment, for ensuring that its use is within Sponsor and University guidelines, and for assuring equipment gets tagged as noted in section 4.2C.

**Time and Effort Certification**

The University is required by law to document all efforts charged to sponsored projects to ensure that salaries charged to the sponsor and/or included in cost-share correspond to effort actually expended on those projects. This includes a process for certification of the percentage of time and effort spent on a project after the work has been performed. The PI must ensure that s/he and all employees with time assigned to the project comply with the University's Effort Reporting policy. See the instructions for use of the University's Time & Effort on the Sponsored Research website at [Time & Effort Requirements](#).

**Technical and Financial Reports**

The PI is responsible for the timely preparation and submission of technical reports required by the Sponsor. Copies of reports should be sent to the PI's Grant Specialist when payment of funds is conditioned upon timely submission of reports. The PI's Grant Specialist will prepare financial reports required by the Agreement, but the PI is responsible for providing documentation of expenses to the Grant Specialist in a timely manner to enable preparation of accurate and complete reports.

## **1.3 Administrative Policy Considerations**

### **A. Institutional Review Board Action**

Valparaiso University requires all individuals involved in the conduct of human subjects research to complete human subjects protection training and to recertify every 4 years. These requirements apply to all persons with a significant role in the research, including but not limited to Principal Investigator and Co-investigators, individuals named on a proposal, and individuals who obtain informed consent from prospective participants in research. If you have questions

about IRB training for your project, please contact the OSSR. More information is also available at [IRB Information](#).

## **B. Authorized Signatures**

Awards for sponsored projects are made to Valparaiso University, which is identified as the grantee or contractor in the document. The following persons are authorized by the Board of Trustees of the University to sign contracts, grants and other documents related to sponsored projects that include a commitment of University resources:

- 1) the President of the University
- 2) the Executive Vice President for Academic Affairs
- 3) the Vice President for Finance and Administration

**Only these individuals are permitted to sign sponsored project agreements.** Contracts, proposals, and other award documents signed only by the principal investigator are not binding on the University.

## **C. 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, the University's policies on these issues, and applicable laws and regulations.

Traditionally, graduate students have played a significant role in the conduct of sponsored research. Undergraduate students are also 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 ownership interests the students may have in copyrightable works or other intellectual property created during the project under intellectual property laws. These interests of students, plus potential use of research documents by faculty and students for scholarly publications and presentations, instructional and academic purposes, and as portfolio examples must be taken into account, along with applicable intellectual property laws and regulations, before commitments are made to any third parties.

# **2 - Types of Awards/Agreements**

## **2.1 Grants**

A grant agreement is a legal instrument used when the principle purpose is the transfer of money, property, services, or anything of value to the recipient in order to accomplish a public purpose of support or stimulation. A grant will normally contain the following elements:

- The statement of work allows the PI significant freedom to change the emphasis within the general area of work as the project progresses
- Deliverables are minimal, usually consisting of reports only
- Separate accounting procedures are required

The terms and conditions of grants are often agreed upon when the authorized signed proposal was submitted. Federal grants are governed by the administrative terms and condition 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 2 CFR 200 at [Federal Grant Regulations](#). However, it is always necessary to check program announcements and similar documents for embedded terms and conditions.

## 2.2 Cooperative Agreements

A cooperative agreement is used when substantial sponsor involvement is anticipated in the management and/or performance of the sponsored activity. In all other respects, a cooperative agreement is a type of grant.

## 2.3 Contracts

A contract is a legally binding agreement between one or more sponsors and the University. Contracts are usually more restrictive than grants. The terms of the agreement outline specific goals and requirements for goods and/or services to be provided to the sponsor by the University. It is routine for these goods or services to be provided on a specific schedule. The relationship between the sponsor and the University is one of procurement. This type of arrangement is not considered for public use but for the direct benefit or use of the sponsor.

## 2.4 Method of Funding/Compensation

There are two types of compensation arrangements for contracts and grants: Cost Reimbursement and Fixed Price.

### A. Cost Reimbursement

A cost reimbursable agreement (contract or grant) provides for payment to the University based on the University's actual cost incurred in performing and completing the agreement. This means that budgeted funds must be SPENT within the approved budget or project period in order for the University to collect the actual cash funds. The amount of costs reimbursable under an agreement is usually capped at a fixed maximum.

### B. Fixed Price

A firm fixed price contract provides for a payment to the University that is not subject to any adjustment on the basis of the University's actual costs incurred in performing and completing the contract, i.e., billings are not based on actual expenditures. Firm fixed price arrangements are most often used in contracts, as opposed to grants. Some compensation arrangements are based on a fixed price per unit, frequently capped at a specified maximum fee.

## 3 - Initiating the Project Award

### 3.1 Award Notification

When a proposal has been approved by a sponsor for support, the AFO will usually receive notice that an award has been made or a contract is being prepared. **If the PI receives such a notice, s/he must contact the AFO and OSSR immediately to insure that both have also received the notice.** AFO and OSSR 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. **PIs are not authorized to sign award documents on behalf of the University.** It is the responsibility of the AFO to review award documents, recommend acceptance and/or negotiate revisions, process with authorized signatories of the University if signature is required, and return the signed instrument to the sponsor. Often this must be done within a specified number of days after the notice of award has been received.

### Important Information 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. They also may not coincide with the dates set forth in the original proposal.
- **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. Awards also sometimes only provide partial funding of the amount requested in the proposal.
- **Future Year Commitments.** These funds are contingent on their availability and on satisfactory progress on the project. Use these amounts for preliminary planning purposes only.
- **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 for cost share may also be required if cost share was included in the proposal budget, whether or not the cost share amount is stated in the award.
- **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, incorporation of laws and regulations. It is critical to understand these restrictions before incurring costs. Both the PI and the responsible Grant Specialist must take note of these requirements in addition to reading all referenced documents within the award notice.

### 3.2 Acceptance of Award

On receipt of the Award Notification, the AFO will review award documents, recommend acceptance and/or negotiate revisions, process with authorized signatories of the University if signature is required, and return the signed instrument to the sponsor.

### 3.3 Assignment of Account Number

When an award notification has been received and accepted, the AFO will set up an account for the project and assign a restricted fund number to it, beginning with 25 (private), 26 (federal) or 27 (state) once the OSSR forwards a Request for a New Restricted Account and Grant/Contract Spending Plan document to the Grant Specialist. This account will be used to record the budget and track costs associated with a sponsored project, and is entered into the University's accounting system.



### **3.4 Account Notification**

A full grant packet is generated by the AFO once an account number has been assigned. The full grant packet identifies the general ledger account number and includes a copy of award letter, grant contract, acceptance forms, the original grant proposal, Request for a New Restricted Account form, and the Grant/Contract Spending Plan. The packet is sent to the PI and the OSSR for future reference and filing.

### **3.5 Meeting with Grant Specialist & Sponsored Research**

When an award has been received and accepted, a Grant Specialist will be assigned to the project account. The OSSR and Grant Specialist will contact the PI to set up a meeting to go over the forms and procedures used to administer the grant account. It is the PI's responsibility to become familiar with the requirements and restrictions of the project by referring to the documents included in the full grant packet. The PI should contact the Grant Specialist if s/he has questions at any time during the course of the project.

### **3.6 Sponsor Payments**

Most awards are made on a "cost-reimbursable" basis and the University is reimbursed for actual expense incurred, usually on a quarterly basis, by invoicing the sponsor. Some awards, usually from private sponsors, are funded by a payment schedule.

**Should the PI receive a sponsor check, s/he should immediately forward it to the Grant Specialist** along with identifying information for deposit to the project account.

### **3.7 Making Expenditures**

Expenditures are generally not authorized until after the formal Award Notification is received and usually not until all necessary signatures have been obtained on the award document (contract or grant) if signatures are required. See Section 4.2A on "Expenditure of Funds" under "General Administration," below.

### **3.8 Pre-Award Costs (Advance Account Requests)**

Infrequently, there may be a legitimate need to start a project prior to the receipt of formal notification of an award from a sponsor and final signature of a contract or grant. The AFO will consider assignment of a project account number and creation of an Advance Account if a properly completed and signed Prior Approval Form has been obtained by the PI. Consideration will only take place if the form, signed by the PI, the Dean/Chair, and OSSR, is provided to the AFO along with a copy of the proposal for the award and confirmation of sponsor funding. Authorized Advance Account expenditures are limited to internal University expenses, such as salaries for personnel, and do not include payments under a subcontract or vendor agreement to any third parties. If for any reason an award is not received, an account on the PI's department form will be charged any unreimbursed expenditures. The Prior Approval Form for Pre-Award Costs can be found online at [Prior Approval Form](#). The PI should forward the formal Prior Approval Form and/or contract to the AFO immediately upon receipt.

### **3.9 Supplements to Awards**

An existing award may be supplemented with additional funds during its performance period if supplemental funds are initiated or approved by the sponsor. If a supplemental award is needed, the PI should contact his or her Grant Specialist to coordinate and track the request to the sponsor.

## **4 - Account Administration**

### **4.1 Sponsor-University Relationship**

Awards for sponsored projects are made to Valparaiso University, which must be identified as the grantee or contractor in the award document. It is the primary responsibility of the AFO to serve as the intermediary between the sponsor and the PI 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.

The AFO is responsible for submitting required financial reports and obtaining payment for sponsored projects. The AFO assists the PI in maintaining compliance with sponsor regulations and guidelines.

The PI is directly responsible for performing the project within any administrative constraints imposed by the sponsor and the University. The PI 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 the AFO or the sponsor. A principal criterion for assuring that costs charged to a sponsored project are appropriate is that they benefit the project. The PI should meet with his/her Grant Specialist at the initiation of a project and periodically during its course to assure proper fiscal management. The PI is responsible for the timely submission of all required technical or programmatic reports.

### **4.2 General Administration**

#### **A. Expenditures of Funds**

Once an account has been established and entered into the University's accounting system, project expenditures can be made. The PI should assure that the charges made to the project account each month are accurate, reasonable, allowable and allocable under the terms of the award. If the PI is uncertain about the allowability of an expense, s/he should confer with the Grant Specialist before making the expenditure. Requests for payments from the account for allowable charges should be submitted by the PI to Accounts Payable. Accounts Payable will submit the documents to the Grant Specialist for audit. The Grant Specialist will contact the PI if there are questions about allowability. Expenses should be submitted to the Accounts Payable promptly.

For cost reimbursable accounts, which include most grant accounts, charges to the project can only be invoiced to the sponsor after the costs have been incurred (i.e. entered in the University's accounting system as a paid expense). Invoices are sent to the sponsor periodically, as expenses are incurred, not more frequently than monthly.

#### **B. Allowable and Unallowable Costs**

Whether a cost is "allowable" or not is determined by the federal Office of Management and Budget (OMB), the sponsor's requirements and/or University policy. For purposes of OMB 2 CFR 200, an expense may be included in the facilities and administrative (F&A) cost rate proposal or included as a direct cost to federal sponsored agreements if it is:

- Reasonable
- Allocable to the project (if a direct charge)\*
- Given consistent treatment by use of generally accepted accounting principles
- In conformance with any limitations or exclusions set forth by the sponsored agreement or 2 CFR 200

\*An "Allocable Cost" is a cost that can be assigned to a project that meets a specific project objective based on relative benefits received. A cost may be allocable to a specific project but paid for by the University rather than the sponsor, depending upon what the sponsor (funding agency) determines is allowable for a particular type of project.

All PI's should become familiar with the provisions of OMB 2 CFR 200, which can be found at [Allowable Costs](#). Detailed of allowable costs start at section 200.420 and end at 200.475.

In general, expenditures that conform to 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 an account in the PI's department. Certain costs normally unallowable on federal awards, such as entertainment and alcohol, may be allowable on non-federal awards.

## **C. Specific Expenditure Categories**

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

### **University Employees**

- Faculty and Staff

Appointments of all employees to sponsored projects are subject to the human resource (HR) policies of the University. Payment of all personnel is processed through the University's payroll system. It is important to follow established HR processes so grants are charged correctly. When a grant is ending, both HR and Payroll need to be aware so postings to the grant stop. If supplemental pay is sought for sponsored project activities, an Additional Compensation Form must be completed and properly approved. Faculty salaries are coded to **50011** within the academic year and **50024** during the summer months. Staff is coded to **50012 for summer and academic year**.

- Undergraduate and Graduate Assistants

Undergraduate and Graduate Assistants should be separately budgeted for their salary/ stipend. Hire form and processes guidelines are outlined at the Human Resource website <https://intra.valpo.edu/human-resources/forms/>. Object code **50024** is used for summer wages (use the Notice of Employment Form) if the student is not taking classes and **50025 & 50026** are used for academic year salaries & summer work when the student is still taking classes (use the SERF from and return to the Financial Aid Office).

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

These costs are allowed only if the project has received prior IRB approval. See website at [Institutional Review Board](#).

### **Travel Expenses of Employees**

- Domestic Travel

Reimbursement of employee travel expenses under sponsored awards is governed by sponsor requirements, applicable laws and regulations, and University policy. Valparaiso travel policies and related information is located at [Travel Expense Forms](#).

- Foreign Travel

Foreign travel is generally defined as any travel outside the United States and Canada, although some contracts may stipulate differently. These items are to be coded using object code 50415 for tracking purposes. Some sponsors require that foreign travel be approved by the sponsor 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.

### **Equipment**

The term "Equipment" is used to refer to tangible items non-expendable in nature, instruments, or repairable machines that have a **useful life of more than one year** and an acquisition cost of **\$5,000 or greater**. Equipment is not a replacement part or component returning a piece of equipment to its original condition. If a component increases the capability of the original equipment and has an acquisition cost that meets or exceeds the established equipment cost thresholds, it is considered a capital item. These items are to be coded using object code **50219** for tracking purposes.

Equipment \$5,000 or greater need a special asset label (or tag) noting that it was purchased with grant funds. The PI is responsible for contacting the Grant Specialist to have the asset labeled.

- Approval to Purchase

Many sponsors permit the acquisition of non-expendable equipment with grant or contract funds if 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 PI should ascertain the specific requirements of the award from which equipment is to be purchased prior to ordering it. If there are any questions about allowability, the PI should consult with the Grant Specialist.

- Equipment Acquisition

Equipment purchases under contracts and grants, like other University purchases, are handled through the Purchasing Office.

- Equipment Records

All equipment must be tagged with a University grant asset label. The label identifies that it was purchased with grant funds and whom to contact if the equipment is being disposed of.

On all sponsored programs and contracts, annual and final equipment inventories to the sponsor maybe required. The AFO will initiate requests for inventories, as necessary. The award document and/or applicable laws and regulations must be consulted to determine if title to equipment purchased with contract/grant funding is with the University or the sponsor. 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 the AFO 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.

See the provision of OMB 2 CFR 200 200.313 on equipment at [Equipment Regulations](#).

## **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. It is important that payments for such services be classified and documented properly in the accounting system. These items are to be coded using object code **50199** for tracking purposes.

## **D. Rebudgeting of Funds**

During the conduct of the project, the PI 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. PIs need to be aware of the specific requirements for their awards and to request prior approval for budget changes when necessary. Frequently, advance approval from the sponsor is required if the change to any budget category will exceed a specified percentage amount, such as 10%, for example. Re-budgeting to include animal care costs or human subject costs may not be permitted without prior IRB approval.

When budget revisions are made in direct cost categories, there may also be an impact on the F&A (indirect) costs to be charged to the project. As an example, if funds budgeted for salaries are expended for supplies, then F&A (indirect) costs will decrease for some grants.

PIs should seek guidance from their Grant Specialist on specific re-budgeting questions. If rebudgeting becomes necessary, the PI should contact the Grant Specialist as soon as possible, whether or not sponsor approval will be required, for proper internal processing of requested expenditures.

Requests for such changes should be initiated by the PI using the Prior Approval Form, through the OSSR, and forwarded to the sponsor. The form is located at [Prior Approval Form](#). Verifiable documentation from the sponsor authorizing the project budget must be provided to the AFO. Documentation must be in the form of a letter (or official e-mail) from an authorized official of the sponsor approving the change.

## **E. Project Extensions**

The PI must plan and direct the project work so that it will be completed within the time and funds authorized. It is sometimes necessary, however, and appropriate to initiate a request for additional time with or without additional funds.

Requests for such changes should be initiated by the PI using the Prior Approval Form, through the OSSR, and forwarded to the sponsor well in advance **at least 30 days prior to the project expiration date**. The form is located at [Prior Approval Form](#). Verifiable documentation from the sponsor authorizing extensions must be provided to the AFO. Documentation must be in the form of a letter (or official e-mail) from an authorized official of the sponsor approving the change.

## **No-Cost Extensions**

If the project cannot be completed before the end of the performance period, and if funds remain unexpended which can be used to complete the project, a no-cost extension may be available. This is an authorized extension of the period of performance with no additional funds awarded by the sponsor. The availability of a no-cost extension depends upon the terms of the sponsor's award, the sponsor's policies, and any applicable regulations.

- Federal sponsors

Federal awards sometimes provide for one automatic no-cost extension for six months to one year, and where an extension is not automatic, federal sponsors will frequently approve a no-cost extension upon timely request. The process and location of the Prior Approval Form is noted above.

- State agency sponsors

State agency sponsors frequently do not approve no-cost extensions unless a compelling reason is provided and documented well in advance of the project expiration date.

- Other non-federal sponsors

Non-federal sponsors generally require the formal execution of an amendment to the award document to effectuate changes or extensions of the terms and conditions of an award.

### **Carryover funds**

Funds not expended on program needs during the period of performance or budget period may not be charged against a subsequent budget period or a different grant unless the sponsor has approved such a use of carryover funds or unless the terms of the sponsor's award and/or applicable regulations permit an automatic carryover of funds from one budget period to the next. Unless the award is made on a fixed fee basis, any unexpended funds will be promptly returned to the sponsor in the account close-out process, unless use of carryover funds is authorized.

Authorized carryover funds will need to be incorporated into the account budget for the renewal period or a new award if applicable.

### **Funding Renewals**

Some sponsored projects are awarded for multiple years, but funding is allocated for one budget period at a time. Other sponsored awards are for programs that continue operation indefinitely from year to year, but a new award is made by the sponsor each year. In the latter case, the clearance process should be initiated in the OSSR for each new award, and program expenditures should not be incurred beyond the end of the performance period under the existing award unless an Advance Account is appropriate and has been approved. (See Section 3.8 on Anticipated Awards.)

## **F. Close Out Procedures**

OMB 2 CFR 200 requires submission of final financial and technical reports for federal awards within ninety (90) calendar days after the end of the period of performance. See OMB 2 CFR 200: [Close Out Procedures](#).

The State of Indiana generally requires final reports to be filed within thirty (30) days, sometimes within forty-five (45) days, after the end of the grant. Unless the sponsor authorizes an extension, all obligations incurred under the award must be liquidated within the specified time allowed for preparation of the final report.

The Grant Specialist will send monthly reports that include the grant end date. It is the PI's responsibility to ensure that the project is completed and funds to be expended on the project are incurred within the performance period. It is also the responsibility of the PI to provide documentation of expenses (proof of cost share and Time & Effort documentation) incurred to

the Grant Specialist in a timely manner. The Grant Specialist will prepare and file the final financial report.

Any fund balances remaining after the close of the grant period must be promptly returned to the sponsor unless an extension of the grant period has been approved to apply those funds to project expenses (no-cost extension) or unless carry-over of the remaining funds to a new grant period or a new grant award has been authorized by the sponsor in writing.

All final technical and financial reports required by the terms of the award or applicable regulations must be timely filed, along with any required disclosure of inventions and inventory of equipment.

If you have been paying temporary, part-time, or full-time non-student employees from your grant, you will need to complete a Change of Information Form located at <https://intra.valpo.edu/human-resources/forms/> in order to terminate or discontinue payments for these employees. If you are paying students from grant funds you must notify Payroll to end all position numbers associated with the grant so no future postings are possible.

## **G. Record Retention**

Financial and program records must be retained on file for audit purposes for the minimum number of years required by the sponsor in the award document or under applicable regulations laws, regulations and University policy. The shortest record retention period under University policy and under most federal and state government contracts and grants is three (3) years from the date of the last payment made under the award. Some federal agencies and other sponsors, however, specify longer record retention periods, such as five (5) years, or in rare instances, ten (10) years. It is important to identify the applicable record retention period for each contract or grant. Also, if an account is being audited and there are any unresolved questions, the records must be kept any additional period required for resolution of the questions or dispute.

## **4.3 Special Administrative Concerns**

### **A. Cost Transfers**

#### **Overview**

A cost transfer is a direct charge expense transferred from one university account to another after the charge has been posted to the University's accounting system. Once a cost has been incurred and charged to a particular project account, it cannot be arbitrarily transferred to another project account. As a general rule, the need for a cost transfer indicates a mistake in the initial transaction. Care should be taken to avoid the necessity of a cost transfer. Transfers of expenses from a sponsored project fund (a restricted account) to an unrestricted University account may occur when such expenses are determined to be unallowable. In rare circumstances, charges must be moved from one sponsored project account to another. In such instances, cost transfers are allowable with proper justification and approval by both the PI and the AFO.

#### **Allowable Cost Transfers**

Acceptable cost transfers into a sponsored project fund must:

- Occur in a timely manner. It is important that cost transfers occur as soon as an error is discovered, but not later than 45 days after the grant/contract ends. If the transfer must be made after 45 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 the AFO.

- Be allowable under sponsor and University policies
- Adequately describe the purpose of the entry, including an explanation of the reason for the entry
- Be necessary to appropriately allocate expenses to a correct fund

### **Types of Allowable Cost Transfers**

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
- \* To amend charges posted to wrong fund by service center providers
- \* To resolve any misunderstanding of instructions from the PI or other miscommunication

Such transfers must be documented with a full explanation of how the error occurred and a correlation of the charge to the fund to which the cost is transferred. Documentation should include the following information and any other pertinent details:

- 1) A description of why the error occurred. A statement that the cost transfer is necessary "to correct an error" or "to charge the correct project" is not sufficient. The circumstances of the error must be fully explained.
- 2) Correlation of the expense item to the project to which the cost is being transferred, and if transferred to a sponsored project account, an explanation of how the cost benefits the project.
- 3) Certification of the correctness of the new charge by a responsible financial or administrative official.

Documentation will include a copy of the university's accounting system printout showing where the actual charge was posted, check request, purchase order, etc.

Note: To avoid unnecessary cost transfers between continuation years of a project, a Pre-Award Cost (Advance Account) should be requested from the AFO. See Section 3.8 on Pre-Award Costs (Advance Account Requests). The Advance Account process helps eliminate the need for cost transfers if the notice of award is received after the start of the continuation year.

### **Unallowable Cost Transfers**

- 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 2 CFR 200: Allocable costs, Section 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."



Transfers of cost from one project to another or from one competitive segment to the next solely to cover cost overdrafts are not allowable.

- Funds Terminating with Unexpended Balances

In accordance with the requirements of OMB 2 CFR 200, 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.

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

If a deficit or disallowance to the project account occurs, the AFO will work with the PI and his or her department chair and dean as to the desired disposition, which will generally require transfer of the over-expenditure into an unrestricted account of the appropriate school/department. The Grant/Contract Spending Plan identifies the PI's department as the source of funding for any over-expenditure.

Occasionally, a sponsor fails to reimburse the University for legitimate expenditures made for a project. While it is the responsibility of the AFO to submit invoices or financial reports as required in the award document, the PI plays an important role in resolving situations where a sponsor will not or cannot reimburse the University.

## **C. Program Income**

Federal laws and regulations govern the receipt, use and reporting of program income from projects under contracts and grants supported in whole or in part with federal funds.

### **Definition of Program Income:**

**Program income** means gross income that is directly generated by the federally funded project or earned as a result of the award. Program income includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired with grant funds, the sale of commodities or items fabricated under an award, license fees and royalties on patents and copyrights, and interest on loans made with award funds.

### **Agency regulations and contract/grant provisions:**

- **Deduction of costs if authorized:**

If authorized by either agency regulations or the terms of the award, costs incident to generation of program income may be deducted from gross income to determine program income.

- **Unless regulations of the awarding agency or the terms of the award provide otherwise:**

- 1) There is no obligation regarding program income earned after the end of the project period;
- 2) Program income does not include the receipt of principal on loans, or rebates, credits, discounts, etc.
- 3) There is no obligation with respect to program income earned from license fees and royalties for copyrighted material, patents, patent applications, trademarks, and inventions produced under an award.

Note: Patent and Trademark Amendments (35 U.S.C. 18) apply to inventions made under an experimental, developmental, or research award.

### **Exclusions from Program Income:**

- Program income does not include interest on grant funds.

Note: There are, however, separate regulations that apply to interest on grant funds, such as requirements to maintain certain federal funds in interest bearing accounts, requirements to remit interest earned to the awarding agency, and requirements to minimize the time between advances/drawdowns and disbursements.

- Program income does not include proceeds of the sale of equipment or property.

Note: See OMB 2 CFR 200.311, 200.313, and 200.314 for regulations regarding proceeds from the sale of property.

### **Use of Program Income:**

- **Where agency regulations or contract/grant provisions specify:**

The regulations of the awarding agency or the terms of the grant/contract may provide for the use of program income in any of the following three ways:

- 1) **Added to project budget:** Program income is added to funds committed to the project by the federal awarding agency and the grantee, and is used to further eligible project or program objectives.  
*(If any program income limit is specified by the awarding agency, program income in excess of that limit is deducted from the total project or program allowable cost in determining the net allowable costs on which the Federal share of costs is based.)*
- 2) **To meet matching requirements:** Program income is used to finance the non-Federal share of the project or program.  
*(If any program income limit is specified by the awarding agency, program income in excess of that limit is deducted from the total project or program allowable cost in determining the net allowable costs on which the Federal share of costs is based.)*
- 3) **Deducted from federal grant outlay:** Program income is deducted from the total project or program allowable cost in determining the net allowable costs on which the Federal share of costs is based.

- **Where agency regulations and contract terms are silent:**

- 1) **For Research Awards:**  
Program income is added to the project budget (See above).
- 2) **For All Awards Other Than Research:**  
Program income is deducted from the federal grant outlay (See above).

### **Responsibility of PI:**

If program income is anticipated, it will usually be specified in the Award document. The PI is responsible for understanding what program income is, for identifying anticipated program income, reporting all program income to the AFO, and for working with his or her Grant Specialist for compliance with applicable Circulars, regulations and award provisions for the particular grant.

## 4.4 Project Changes

### A. 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. However, 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 Grant Specialist

The AFO works with the PI and the sponsor to implement any changes in the project which require University and sponsor approval (such as no-cost extensions, budget revisions, pre-award costs/account setup, key personnel identified in the notice of award, and other modifications of award terms and conditions). Requests for changes must be approved and signed by the PI, Dean/Chair, & Sponsored Research before submission to the sponsor. Use the Prior Approval Form located at [Prior Approval Form](#).

Project changes are of three basic types:

- programmatic
  - budgetary
  - administrative
- **Programmatic Changes**

Programmatic changes are necessary when the PI determines that the direction of the project must change based on the results obtained to date. Depending upon sponsor requirements, such changes may require prior 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 approval.

- **Budget Changes**

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. See Section 4.2D on Rebudgeting of Funds.

- **Administrative Changes**

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

- Changes in scope of work (see Programmatic Changes above)
- 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

## **B. Documenting Project Changes**

PIs are responsible for maintaining written justification that changes are necessary in terms of the science or programmatic needs and that expenditures are correlated to successful completion of the project.

## **C. Project Changes Allowability Checklist**

Project Changes Allowability Checklist -

Initial steps for PI 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 agency-specific requirements.

## **D. Change of PI or Reduction of Effort**

An award is based to a great extent on the qualifications and proposed level of effort of the named PI. Should a PI wish to withdraw from the project, substantially reduce his or her stated level of effort, be absent from the project for an extended period (3 months or more), such as sabbatical leave or illness, or sever his or her 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 PI or termination of the project. These recommendations must be forwarded through AFO to the sponsor for approval.

## **E. PI / Project Transfer to New Institution**

When a PI is moving to another institution and the PI as current sponsored projects, these projects may be either transferred to the new institution or they may be retained by Valparaiso University. Some project activities may be subcontracted back to Valparaiso University if the project is transferred to the new institution or, conversely, may be subcontracted to the new institution if the project is retained by Valparaiso University. Since sponsored project awards are made to institutions, and not directly to PIs, the University must agree to any transfer of a current award to the new institution. The PI and department chair will need to discuss this disposition and then decide upon the best solution for each project.

## **F. Other Post Award Changes**

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

- adding human subjects or animals if a change in scope
- sub awards
- initial no-cost extension

- additional funding

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

## **4.5 Subrecipients and Contractors**

### **A. Distinguishing Subrecipients from Contractors**

Services that are provided by organizations or by individuals employed by an organization may be either subrecipients or contractors. Neither of these categories are considered to be employees of the University. The distinction between the two categories is provided in OMB CFR 200 section 220.330 at Contractor Definition.

#### **Subrecipients**

A subrecipient will be performing as a partner for the project, will perform its own portion of the project work as specified in the proposal, will participate in decision making and in determining the direction of the project, and will participate in and contribute to the final products and/or report. The work will be performed at the subrecipient's own worksite. Subrecipients are often other universities, but other types of organizations may also be subrecipients. Individuals are almost never considered subrecipients. They may be considered employees of the University or they may be contractors. See the paragraph on Contractors in this Section. Subrecipient agreements are prepared by the AFO and submitted to the subrecipient organization for its approval and signature.

#### **Contractors**

Contractors are individuals (or their organizations) who provide services that they normally provide to other customers in the marketplace. While the services may be important to the project, or may even represent a large dollar amount, the providers of the services are not fully participating in the project as partners and decision makers. The services may be provided for any length of time during the project period. Services may be provided for a short period or periodically throughout the project. If the provider of services is an individual, it is important to apply the "20 factors test" provided by the IRS to determine if the person is an independent contractor or if the person is actually acting as an employee of the University.

#### **Consultants**

Consulting firms are frequently contractors, but may be subrecipients in certain cases, depending upon the nature of the work they are to perform and the criteria described in this Section of the Manual above.

### **B. Subrecipients (Subawards)**

#### **The Subaward**

Subaward documents, called subcontracts, subagreements, or subgrants, are prepared in the AFO and submitted to the subrecipient for its approval and signature. If a proposal from the subrecipient was not included in the proposal for the prime award submitted by the University, the PI should obtain an appropriate proposal or prepare a "scope of work" for the subrecipient activities, and provide that to the AFO as soon as possible after notification of the University's prime award sponsor. After confirming the cost, time period, scope of work, billing requirements, reporting requirements, appropriate subaward instrument, and special needs of the project, the

AFO will draft the subaward document and obtain authorized signatures. Subrecipients are issued on a cost-reimbursement basis. Payment is made only after the goods or services have been provided by the supplier, unless certain specific exceptions apply.

### **Flow-down requirements**

Usually, subrecipients must honor the same terms and conditions the sponsor imposes on the University. The subaward document establishes those requirements contractually. The general terms and conditions of the prime award, including laws and regulations incorporated by reference, are attached to and incorporated into the subaward document.

### **Invoices**

- **Documentation of costs**

Most grants received by the University are cost-reimbursement grants. Just as the University must have documentation to support all costs invoiced by it to the sponsor, the University must require subrecipients to do the same.

- **Cost Share Certification**

If the Subcontractor is required to contribute to any cost share requirements, the subrecipients must maintain documentation for its cost share expenses and must provide certification of these costs on a form provided by the AFO. Subcontractor cost share certification may be required each semester, with each invoice, or only at the end of the subcontractor's performance period.

- **Timeliness of final invoice**

If the subrecipient does not provide a properly documented final invoice within the subcontract's performance period or other time specified in the subaward document, the University may not be able to include the subrecipient costs in its final invoice and financial report to the sponsor. The subaward document should specify that the University may deny payment to the subrecipient if the University is not able to recover its costs due to late submission of an invoice or documentation by the subrecipient.

- **Costs incurred within performance period**

As with costs expended on the project by the University under its prime award, a subrecipient's costs are not reimbursable if they are not incurred within the performance period of the subaward, unless there are specific award terms which permit recovery of pre-award costs and/or unless an extension is approved by the prime sponsor and the University to permit recovery of costs incurred after original ending date of the award.

### **Subaward Modifications**

When changes in the University's prime award impact a subrecipient or when the needs of the project require changes in a subaward, the AFO will issue written modifications in the form of amendments to the subaward signed by both parties. Examples of possible modifications include:

- No cost extensions
- Reduction in Period of Performance and/or Subaward amount
- Increase in Award Amount for Existing Subaward Period
- New Subaward for a New Budget Period Authorization of carryover funds

- **No cost extensions**

If the University receives a No Cost Extension of its prime award, it may or may not extend the period of performance of the subaward (without additional funds). The decision to extend the subaward depends on the needs of the project and the terms and conditions of the

University's award. If a request to extend the subaward from the subrecipient's PI and authorized official is approved by the University's PI and the AFO, the AFO will issue an amendment to the subaward document extending the period of performance with no additional funding.

- **Reduction in Period of Performance and/or Subaward amount**

If the period of performance and/or amount of the prime grant to the University is reduced, it may be necessary to reduce the term, subaward amount/budget and/or scope of work of a subcontract. Upon written notification from the PI, including information on how the subaward is affected, the AFO will issue a modification to the subrecipient.

- **Increase in Award Amount for Existing Subaward Period**

If the University receives supplemental funding under a grant or otherwise has funds available to increase the amount of funds for a subaward, the AFO will issue an appropriate amendment to the subaward. An amendment to the scope of work to incorporate additional duties to be performed by the subrecipient may be needed from the PI.

- **Continuation Funding Available**

Under multi-year prime grants, funding is frequently awarded for one-year budget periods only. In such cases, subawards are also subject to continued availability of funds. When appropriate, and if continued funding is made available under the prime grant for activities in the subrecipient's scope of work, the AFO will issue a modification to the existing subaward agreement, extending the period and increasing the subaward. If the account for the prime grant under which the initial subaward was issued has been closed, however, a new subcontract will be needed, rather than an amendment to the prior year's subaward. If a proposal from the subrecipient for the new period was not included in the initial proposal or if changes in the scope of work or budget have become necessary, the PI must inform the Grant Specialist so that the appropriate changes can be made to the new or revised subaward.

- **Authorization of carryover funds**

If authorized carryover funds are to be used for subcontracted activities, the AFO will issue an appropriate award modification to the subrecipient. A new budget should be established for services performed in the new subaward period, including any remaining funds with approved carryover from the previous budget or performance period.

### **Subaward Close-out**

It is essential that the final invoices and the final program and financial reports are received from the subcontractor sufficiently in advance of the due date of the University's final reports to enable timely preparation and filing of the University's reports as required by the prime contract or grant. Either the term of the subaward must end thirty (30) days prior to the expiration date of the University's prime award, or the subaward document must require the subcontractor's final invoices and reports a minimum of fifteen (15) days, preferably thirty (30) days prior to the due date of the University's final reports. The Grant Specialist will include properly invoiced and documented subaward costs in the University's final financial report to the sponsor.

## **C. Contractors**

### **Bidding Requirements or Sole Source Selection Process**

If the amount of a vendor agreement equals or exceeds \$10,000, federal regulations and University policies require that a minimum of three (3) bids be reviewed before the contract is awarded. Process requirements can be found at [Bidding Requirements](#)

### **Prime award requirements**

Even though vendors are not subject to all regulations that are applicable to the University as a grantee under federal and state awards, certain laws and regulations do apply to vendors under these grants.

Examples:

- Certification regarding suspension or debarment.
- Non-discrimination
- Ownership of data and reservation of government rights to use intellectual property created with government funds.

### **Independent Contractor Agreements**

For individuals providing personal services, a standard Independent Contractor form developed by Purchasing is to be used. The PI can access this form online at [Independent Contractor Form](#).

### **Payments and Documentation**

Vendors are required to provide itemized invoices and justification for the amount billed. As is the case with subrecipients, the timeliness of the vendor's final invoice is critical, in order to assure that the University's costs for the vendor's services can be included in the University's final invoice and final financial report to the prime sponsor.

University policy and Indiana law governing expenditures of state funds require that payments under both vendor and subcontracts be made to the service provider only after performance of the services or delivery of the goods purchased, unless specific limited exceptions apply.

## **4.6 Project Reporting**

### **A. 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)

For further information, see the section on Close out Procedures under Account Administration/ General Administration.

### **B. 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 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. AFO does not require



a copy of the final report, but does require a signed and dated copy of the transmittal letter and first page or summary to document submission of the report for audit purposes.

## **C. 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. The PI is responsible for adhering to a sponsor's invention reporting.

At the completion of a project it is often necessary to certify whether an invention has been made during the course of the project. The AFO or the sponsor will notify the PI when invention reports are required and will supply the necessary forms. However, it is the responsibility of the PI to report an invention to avoid premature public disclosure.

## **D. Final Inventory of Equipment**

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

## **E. Interim and Final Financial Reports**

### **Interim Financial Reports**

Interim financial reports may be required by the sponsor. The award notice will provide such instructions.

The responsibility for preparing and submitting all interim and final financial reports rests with the AFO, however, timely reporting requires the assistance of the PI through input prior to the point that the report is prepared. It is important to note that the PI 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.

### **Final Financial Report**

The AFO is responsible for preparing and submitting all final financial reports and final invoices where required. However, the PI and his or her 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. For further information, see Section 4.2F on Close Out Procedures.

# **5 - Effort Reporting**

## **5.1 Policy/Procedures**

The effort reporting system at Valparaiso University is designed to provide a reasonable basis for determining and documenting salary and wages charged to sponsored programs.

## **5.2 Importance of Effort Reporting**

Compensation for personal services is the largest category of costs funded with grant dollars. All

colleges/universities that receive federally funded grants must maintain an effort reporting system that meets federal regulations. Valparaiso University is subject to annual audits for compliance with this requirement. Adverse audit findings can result in fines, penalties and loss of funding. Serious violations can lead to suspension or debarment from receiving government awards.

### **5.3 Effort Reporting and Cost-share**

Cost-share is the dollar amount or percentage of funding or in-kind contribution the University has committed to provide for a project funded by an outside sponsor. This is usually included in the budget for the grant proposal. Cost-share salary and wage expense (whether mandatory or voluntary) is subject to effort reporting requirements just as the expenditure of sponsor dollars for salary and wages are.

### **5.4 Effort Reporting Rules**

Valparaiso University uses a Time & Effort (T&E) document to certify grant related work efforts. The T&E form was developed to meet federal guidelines for grants. The OMB 2 CFR Subpart E, Part 200.430 defines the standards for documentation of personnel expenses. The form specifically satisfies the following reporting requirements:

- 200.430(i)(1) - Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:
- 200.430(i)(1)(ii) - Be incorporated into the official records of the non-Federal entity.
- 200.430(i)(1)(iii) - Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities.
- 200.430(i)(1)(vii) - Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.
- 200.430(i)(viii)(4) - Salaries and wages of employees used in meeting cost sharing or matching requirements on Federal awards must be supported in the same manner as salaries and wages claimed for reimbursement from Federal awards.

Failure to comply with time and effort reporting requirements could result in financial penalty (paying back the funds) or other sanction from our sponsors, as well as harm the University's reputation thereby putting future awards at risk.

### **5.5 Valparaiso University's Effort Reporting Procedures**

#### **A. Invoicing**

Invoices to the grant sponsor for cost reimbursement payments are based on the salary percentages reported on the T&E documentation after the costs are incurred. It is important that the T&E documents are accurate and timely.

#### **B. Effort Reporting Certification**

Valparaiso University faculty, professional staff, subgrantees, and students who have effort assigned to work on sponsored programs are required to certify each semester the percentage

of the total effort which is applied to one or more sponsored programs. If effort is put forth towards multiple grants within a semester, all need to be recorded on one T&E form and the total effort must sum to 100%.

The PI, the department chair, or another responsible official with a suitable means of verifying that the work was performed, may certify the percentage of an employee's effort on sponsored programs in lieu of certification made directly by the employee. This may apply, for example, when the employee is no longer available to certify his/her own effort when the data is available in the annual certification process.

### ***Effort certification for salary & hourly staff***

Detailed instructions and deadlines for reporting time & effort can be found on the Sponsored Research website at [T&E Reporting Requirements](#).

The AFO will identify each employee who needs to certify time on the monthly PI grant tracking spreadsheet that is sent to the PI near the 10<sup>th</sup> of each month. Timely compliance with effort reporting requirements is the responsibility of the employee and the PI. Failure to comply could lead to disallowed costs that will need to be reclassified to one of the PIs operating or restricted accounts.

## **6 - Other Compliance Areas**

### **6.1 Suspension and Debarment**

Debarment and suspension are actions taken by the federal government against organizations or individuals who have committed fraud or a criminal offense in violation of federal law. Persons and organizations who have been suspended or debarred are listed on the federal Excluded Parties list and may not be awarded a federal contract or grant. This restriction applies to the University as a grantee and to any subcontractors and vendors under grants awarded to the University. Grantees and subgrantees are required to report promptly any event that would cause suspension or debarment.

## **7 - Audits**

### **7.1 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's financial records for sponsor awards and, in some cases, may audit the project's program/research records and data. This section on "Audits" addresses only the annual audit of federal awards, since they are the most common audits to which the University is subjected. Other sponsors, however, can and occasionally do perform various other audits.

If the PI or the department is contacted directly regarding any type of audit concerning a sponsored project, the AFO should be informed immediately.