



VANDERBILT
UNIVERSITY

Pocket Financial Compliance Guide for
**Sponsored
Projects**

Confidential Help Lines
For VU Matters 615-322-5162
For VUMC Matters 615-343-2777

**Prepared by the Office of Contract and Grant Accounting
(OCGA) in consultation with the Division of Sponsored
Research (DSR) and the Office of the Associate Provost for
Research.**

Vanderbilt University is committed to adhering to the highest ethical standards in the conduct of scholarly research. The Principal Investigator (PI) is responsible for ALL aspects of the sponsored project both for the scholarly activity and the proper fiscal administration. In conjunction with the PI, the University is responsible for establishing administrative systems, processes and procedures. PIs, participating faculty, and administrative officers should follow these best practices.

GRANTS MANAGEMENT BEST PRACTICES

The PI coordinates proposal submission, project planning, operation during the life of the award and closeout activities with the departmental administrator.

1. Proposal Planning/Submission

In this phase, the PI must:

- Be aware of University, sponsor or other important project related due dates requiring attention.
- Work with the departmental administrator to develop a proposal development plan that includes sufficient time for any needed review by the IRB, IACUC, Environmental Health and Safety (EHS), department, school, and institutional review (for University Central proposals, this is the Division of Sponsored Research).
- When proposing a new project, determine that the level of effort required to complete the project can be met relative to existing effort commitments.
- Recognize that his/her signature on submitted proposals demonstrates that he/she has made a commitment to the sponsoring agency to adhere to its requirements
- Recognize that administrative requirements placed on departmental administrators and sponsored program administrators are part of their responsibility also.

For Additional information regarding Proposal Planning/Submission contact the Division of Sponsored Research (DSR) at 322-2631 or go to <http://www.vanderbilt.edu/dsr/dsrhome.php>

2. Award/Account Set-Up/Documentation

The following information should be maintained for each award during the life of the project.

- **Award Documents:** This includes the grant or contract documents from the sponsor which specify requirements such as start and end dates of the project, any special requirements, deliverables, and how any balance remaining at the end of the project is to be handled.
- **Communications:** Correspondence among offices at Vanderbilt, the sponsor, and other parties (such as a subrecipient) that relate to the award.
- **Expenditure Documentation:** Documentation of expenditures charged to the project that demonstrates that expenditures have been authorized by the PI or designee and that the expenditures are allowable, allocable, and reasonable (the allowability criteria is defined in Office of Management and Budget OMB Circular A-21). It is critical that documentation for any unusual expenditure be maintained in the event of an audit.
- **Financial Accounting:** Documentation of spending patterns and commitments to monitor over or under spending.

For Additional information regarding Award/Account Set-Up contact the Division of Sponsored Research (DSR) at 322-2631 or the Office of Contract and Grant Accounting (OCGA) at 343-6655.

3. Operations During the Life of the Award

- The PI must develop and maintain a check list that lists important project dates such as due dates for interim and final progress reports and competitive renewals
- The departmental Business Office or departmental administrator on a monthly basis reconciles award expenditures for review and approval by the PI.
- The PI is aware of available funds to support the sponsored project.
- The departmental administrator prepares and maintains adequate documentation of project changes for review and approval by PI. **Note:** Certain project changes require written approval from the sponsoring agency. These include changes in key personnel, the absence of the PI from the project for more than 3 months, significant reduction in PI effort, and changes in the scope or direction of the project.

4. Award Close-Out

When sponsored projects end, certain administrative actions are required to ensure an orderly close-out. The requirements for close-out vary by sponsor. The following are necessary for most projects:

- Final Technical Report
- Final Report of Inventions
- Final Inventory of Equipment
- Final Financial Report

At least 3 months prior to the expiration of the budget period, the PI and departmental administrator should carefully review the project's financial status. All necessary adjustments (e.g. journal entries, payroll reallocations) should be made during the course of the budget period and must be made before the end of the budget period. Important considerations include:

- Ensuring completeness, accuracy, and allowability of all direct costs before the close of the budget period.
- Planning for updates to payroll and procurement to ensure a smooth transition of financial activities to a new center number or funding source during the closeout phase.
- It is critical that expenditures are reviewed by the PI and departmental administrator throughout the life of the project to avoid adjustments which add costs to the project in the last 90 days of the project. **Such adjustments are subject to special audit scrutiny and difficult to defend.**

For Additional information regarding Award Close-Out contact the Office of Contract and Grant Accounting (OCGA) at 343-6655. Additional guidance on close-outs is available at <http://www.vanderbilt.edu/ocga/vupolicies/vupolicies.htm>

Effort Reporting

Research universities are required to maintain an acceptable effort reporting system that ensures that individuals paid from federal sponsored programs reasonably certify the portion of the total effort expended in support of each project. Vanderbilt's policy requires that all individuals who work on federally sponsored programs certify their effort.

- Effort reports are to be completed using reasonable estimates of actual effort, not payroll distributions. At Vanderbilt, payroll distributions are used to initially estimate effort. They are then confirmed by certifying the next time a change in effort occurs, or they are certified annually if no change occurs. When certification occurs this means that the person performing the effort has reviewed his/her salary distribution and is confirming that is correct. If it is not, then the distribution must be changed to reflect how the effort was performed.
- Effort certification must include all university compensated activities, but does not include activities from sources outside the university such as outside consulting or work performed at the Veterans Administration (VA).
- Effort reported must total 100%, regardless of the number of hours worked or the appointment status of the individual.
- Effort must be certified by the individual performing the effort or, in the absence of this person, their supervisor.
- NIH awards set caps on the salary that can be paid from its awards which may result in cost sharing. More information on this can be found at <http://www.vanderbilt.edu/ocga/vupolicies/nihsalarycap/nihsalarycap.htm>

For Additional information regarding effort reporting contact the Office of Contract and Grant Accounting (OCGA) at 343-6655. Additional guidance on effort reporting is available at <http://www.vanderbilt.edu/ocga/vupolicies/vupolicies.htm>

Direct Costs

OCGA Guidelines for Budgeting and Charging Direct Costs on Sponsored Projects, available at <http://www.vanderbilt.edu/ocga/vupolicies/directcost/directcost.htm>, describes the requirements for charging project expenditures directly to sponsored projects. Some costs can never be charged to federal projects while others can only be charged in certain circumstances (see http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html#j for the complete list).

In general:

- Direct costs must be **specifically identifiable** with a particular project.
- Direct costs must be **allocable (charged in proportion to the benefit)** to the project.
- Direct costs must be **reasonable**, reflecting the conservative actions that a “prudent person” would take under similar circumstances.
- Direct costs must be **allowable**, and not prohibited by law, regulation, policy or the award terms.
- Direct costs must be charged in a timely fashion - cost transfers must be processed when an error is discovered or within 90 days from the date of the original transaction date. Additional guidance regarding cost transfers is available at: <http://www.vanderbilt.edu/ocga/vupolicies/costtransfers/costtransfer.htm>
- Direct costs cannot include costs normally charged as indirect costs such as administrative and clerical salaries, office supplies, postage, local telephone costs, and memberships. There are exceptional circumstances when these costs can be directly charged. Refer to <http://www.vanderbilt.edu/ocga/vupolicies/vupolicies.htm> for additional guidance.

For Additional information regarding direct cost charging contact the Office of Contract and Grant Accounting (OCGA) at 343-6655.

Cost Sharing

- Cost sharing refers to the portion of project costs that are not funded by the award; cost sharing cannot generally be funded by a federal award.
- If cost sharing is required in the award, it must be provided and documented in Vanderbilt’s general ledger.
- Cost sharing that was offered voluntarily in the proposal must be provided and documented in Vanderbilt’s general ledger if the proposal is awarded.
- Cost sharing expenses must meet the allowability criteria (reasonable, allocable and consistently treated) to be considered as legitimate.

For additional information regarding cost sharing contact the Office of Contract and Grant Accounting (OCGA) at 343-6655. Vanderbilt’s cost sharing policy is available at: <http://www.vanderbilt.edu/ocga/vupolicies/costsharing/costsharing.htm>

Record Retention

Records and documents related to sponsored agreements must be maintained in accordance with Vanderbilt's record retention policy, which is available at:

<http://www.vanderbilt.edu/accounting/PolProcForms/policy216.htm>

Subrecipient Monitoring

Vanderbilt is responsible for the programmatic and financial monitoring of its sponsored research award recipients. A subrecipient is defined as a third-party organization performing a part of Vanderbilt externally funded research projects.

- PIs have primary responsibility for monitoring subrecipients to ensure compliance with federal regulations. This includes receipt and review of technical performance reports.
- Departmental administrators have responsibility for assisting PIs by reviewing subrecipient invoices and questioning expenditures if necessary. This includes the routine review comparing expenses to the approved subrecipient budget.
- The central research administration offices have responsibility for ensuring that Vanderbilt's subrecipient monitoring policies are compliant with applicable federal regulations.

Valuable Resources

Internal Resources

For University Sponsored Projects:

Division of Sponsored Research

615-322-2631

<http://www.vanderbilt.edu/dsr/dsrhome.php>

Office of Contract and Grant Accounting (OCGA)

615-343-6655

<http://www.vanderbilt.edu/ocga/>

Office of Compliance

615-322-8363

<http://www.vanderbilt.edu/compliance/>

For Medical Center Sponsored Projects:

Office of Research

<http://www.vanderbilt.edu/oor/about/contact.php>

Research Support Services

615-322-7343

<http://www.mc.vanderbilt.edu/root/vumc.php?site=support&doc=3421>

Grants and Contracts Management

615-322-2281

<http://www.vanderbilt.edu/oor/gcm/>

Department of Finance, Academic and Research Enterprise

615-322-5155

<http://finweb.mc.vanderbilt.edu/AcadRes/index.asp>

Medical Center Office of Compliance

615-343-7266

<http://www.mc.vanderbilt.edu/compliance/>

Other Internal Resources

Office of General Council

For University Matters 615-322-5155

For Medical Center Matters 615-936-0323

<http://www.vanderbilt.edu/generalcounsel/index.html>

Institutional Review Board

615-322-2918

<http://www.mc.vanderbilt.edu/irb/>

Environmental Health and Safety

615-322-2057

<http://www.safety.vanderbilt.edu/>

External Resources

OMB Circulars

<http://www.whitehouse.gov/omb/circulars/index-education.html>

NIH Grants Policy Statement

http://grants.nih.gov/grants/policy/nihgps_2003/index.htm

NSF Grants Award and Administration Web Site

http://www.nsf.gov/publications/pub_summ.jsp?ods_key=papp