

Pocket Guide for Financial Compliance of Sponsored Research/Projects

Office of Sponsored Research (OSR)



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Research is intellectually rewarding and challenging and successful projects advance our academic mission and society. The Principal Investigator (PI) is ultimately responsible for ALL aspects of the sponsored research/project—both the scholarly activity and proper fiscal administration. In addition to being responsible for the scientific rigor of the project, the PI is also responsible to the funder for appropriate utilization of external funding. The Office of Sponsored Research (OSR) is the designated University unit with institutional signature authority to enter into legal agreements involving sponsored research. OSR works with the PI to support the fiscal requirements from the time of submission to the funder through the life of the project. This pocket guide provides a brief fiscal framework for conducting sponsored research at the University of North Carolina at Chapel Hill.

SPONSORED PROJECTS BEST PRACTICES

The PI coordinates project planning, proposal submission, award administration, and closeout activities with the departmental administrator (DA).

1. Project Planning/Proposal Submission

The PI assures that project financial needs are budgeted as accurately as possible following sponsor-specific requirements:

- Before starting to write the grant, carefully read the funder's specific guidelines, paying close attention to any funding/budgetary restrictions.

- Proposals to federal agencies must adhere to Office of Management Budget (OMB) [Circular A-21](#) cost principles and requirements imposed by the federal Cost Accounting Standards (CAS). Consult with your DA for these guidelines on direct versus indirect (facilities and administrative) costs allowable on projects.
- Prepare a detailed budget and budget justification that reflects the text of the proposal and outlines the necessary personnel and non-personnel needs of the project. Include justification for any expenses that are unique or may require specific approval (e.g., project specific computers, administrative salaries, or equipment).
- When proposing a new project, determine if the level of effort required to complete the project can be met relative to existing and proposed effort commitments.
- Establish a proposal development plan with the DA that includes sufficient time for necessary routing for review and approval from compliance offices (e.g., Research Compliance Program, OACU, IRB, and EHS), collaborating Departments/Schools, and Institutional Authorized Officials (e.g., OSR, SPO, OCT) that may need additional time to negotiate subcontracts and consulting agreements.
- Recognize that, by certifying the proposal in Research Administration Management System and eSubmission (RAMSeS), the PI has ultimate responsibility for the scientific, fiscal, and ethical conduct of the project in accordance with the terms of the sponsoring agency.

For more information, see OSR Policies Section 300: Proposal Development & Submission



2. Award/Account Set-Up & Documentation

When an award is received by OSR, it is assigned a university financial account number for tracking budget and expenditures. Awards are often made without deviation from the proposal. However, in the event there are cuts to the budget, the PI should work with the DA to review the award terms and conditions, scope of work, deliverables, and budget to verify the feasibility of performing the work within the limits of the award. If the scope of work needs to be modified, OSR will work with you and the funder to address the requested changes. At the award set-up stage, it is essential to confirm that the correct key personnel are funded as proposed.

Many award documents are accessible through RAMSeS, and can be uploaded by the OSR, the PI, or the DA. The following information should be maintained for each award during the life of the project:

- Notice of Award: Specifies requirements such as a) whether project changes are allowable, b) the project deliverables, c) whether remaining balances must be returned to the sponsor or carried over to future years, and d) program income.
- Communications: Any communications between the University and the funder relative to the administrative management of a sponsored project should be coordinated through the OSR. Retain records of communication with the funder and other appropriate parties (e.g., sub-contract recipients) related to the award.
- Expenditure Documentation: Documentation of expenditures applied to the award that demonstrates that all expenditures have been appropriately authorized by the PI and that they are allowable, allocable, and reasonable.
- Financial Accounting: Documentation of spending patterns and commitments to monitor potential over-spending or under-spending.

3. Operations

While day-to-day operations of project finances may be delegated to staff members under the direction of the PI, the PI accepts ultimate accountability for compliance to UNC-CH policy and sponsor requirements. Operational activities include:

- The PI and the DA should plan operations on a regular basis by communicating prospective needs, such as personnel actions, buying equipment, and carryover funds to the subsequent year.
- The PI and the DA should note important grant dates and activities, such as due dates for periodic and final progress reports, technical reports, and competitive renewals.
- The DA should reconcile award expenditures to the University's financial system on a monthly basis for review and verification by the PI.
- The PI should be aware of the funds available to support the sponsored research/project.
- If the project includes subcontracts, the PI is responsible for monitoring the subrecipient's performance and spending, and must approve all invoices.
- The PI maintains adequate documentation of project changes and informs the DA. Note that some changes require prior approval from the funder through OSR, such as a) changes in key personnel, b) the absence of the PI from the project for more than 3 months, c) significant reduction in the PI's effort, and d) changes in the scope or direction of the project.

For more information on award/account set-up and documentation, see OSR Policies Section 400: Award Acceptance & Establishment.

For more information on operations, see OSR Policies Section 500: Award Management.

4. Award Close-Out

When a sponsored project ends, certain administrative actions are required to close-out an award. While these requirements vary by sponsor, the following are necessary for most projects:

- ✓ Final Technical Report
- ✓ Final Report of Inventions
- ✓ Final Inventory of Equipment
- ✓ Final Financial Report (including cost-sharing)

At least 3 months prior to expiration of the budget period, the PI and the DA 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 adjustment period (typically 60 days after the budget period end date).

Important considerations include:

- Disposition of equipment or supplies to which the funder may have retained rights.
- Ensure completeness, accuracy, and allowability of all categories of direct costs before the close of the budget period.
- Plan for updates to the payroll and procurement systems to ensure a smooth transition of financial activities to a new account number or funding source during the close-out phase.
- An award is not officially closed until its balance is zero in the University's financial system.
- Timely processing and approval of layoff and leave payout plans for employees that will be separated as a result of project close-out.



DIRECT COSTS

OSR Policies [300.6](#), [300.7](#), and [300.8](#) describe the general requirements for charging project expenditures directly to sponsored research/projects. Some types of costs can never be charged to federal awards while others only can be charged in certain circumstances (see [OMB A-21](#), Section J).

In general, direct costs must be:

- Specifically identified with a particular project;
- Allocable, or charged in proportion to their benefit to a project;
- Reasonable, reflecting the conservative actions of a “prudent person;”
- Allowable, and not explicitly prohibited by law, regulation, policy, or the award terms;
- Charged to the appropriate project in a timely manner; if charged in error, the cost must be transferred within 90 days of discovery.

Direct costs usually cannot include:

- Costs normally charged as indirect costs, such as administrative and clerical salaries, or office supplies. University policies and sponsors may, in certain circumstances, permit the direct charging of these costs.

COST SHARING

- Cost sharing refers to the portion of project costs that are not funded by the award; generally, cost sharing cannot be funded by a Federal award.
- If cost sharing is required in the award notice, it must be provided—and the cost sharing must have been authorized by UNC-CH. Voluntary cost sharing is not recommended.
- Unallowable costs cannot be included in committed cost sharing.
- Costs used to provide a direct benefit to one project cannot also be considered cost sharing on a second project (double counting).

FINANCIAL RECORDS RETENTION

- Financial records and supporting documents should be retained for at least 3 years after submission of the final financial reports to the funder (unless the funder requires additional time).
- Records may be retained in hard copy or electronically.
- Litigation requires retention until all matters have resolved.
- With agency approval, copies can be substituted for original records.
- Access to records by agency, inspector general, auditor, or comptroller generally is allowable but should be coordinated through the OSR.

EFFORT REPORTING

The University must maintain an acceptable effort reporting system that allows responsible individuals to reasonably certify the portion of total effort expended in support of each project. UNC-CH certifies effort for all individuals who work on sponsored research/projects using the Effort Certification and Reporting Technology (ecrt) system.

- Effort reports should be completed using reasonable estimates of actual effort, and is based on payroll distributions.
- Effort reports must include all University compensated activities, but not activities for which the individual is paid from sources outside the University.
- Effort reports must total 100%, regardless of the number of hours worked or the appointment status of the individual.
- Effort certification must be completed by the individual whose effort is being reported. If the employee is unable to certify his or her own effort, another employee, PI, or other responsible official with first-hand knowledge of the employee's effort (or who has suitable means of verifying that the work was performed) may be designated as a proxy certifier.
- Some sponsored projects set restrictions on the salary that can be paid from the award, which may result in cost sharing. Any cost-shared effort must also be certified.



RESPONSIBLE CONDUCT OF RESEARCH

UNC-CH's commitment to research faculty and sponsors includes adopting procedures for educating research personnel and promoting responsible conduct of research. Based on governing laws, regulations, and policy, UNC-CH has outlined guidelines in 17 areas for education, training, certification, and compliance:

- Investigator Responsibilities
- Mentor/Trainee Responsibilities
- Scientific Misconduct in Research
- Conflict of Interest and Commitment
- Financial Compliance
- Collaborative Research
- Data Management, Sharing, and Ownership
- Publication and Notification Requirements
- Peer Review
- Intellectual Property
- Human Subjects in Research
- Requirements for Data Security and Privacy, Including HIPAA Guidelines
- Use of Vertebrate Animals in Research
- Safe Use of Hazardous Materials in Research
- Recombinant DNA and Human Gene Transfer Experiments
- Export Control/Shipping
- Stem Cells

Training in Responsible Conduct of Research (RCR) is an essential component of the professional development of investigators at all career levels, and is required by many federal funding agencies. For more information, go to the Research Compliance Program website:

<http://research.unc.edu/offices/research-compliance-program/policies-procedures/responsible-conduct-of-research/index.htm>

Go to Responsible Conduct of Research (<http://research.unc.edu/offices/research-compliance-program/policies-procedures/responsible-conduct-of-research/index.htm>) to read the entire brochure.



VALUABLE RESOURCES

1. Internal Resources

Office of Sponsored Research (OSR)

(919) 966-3411

<http://research.unc.edu/offices/sponsored-research/index.htm>

OSR Policies: Table of OSR policies referenced in this guide

<http://research.unc.edu/offices/sponsored-research/policies-procedures/index.htm>

School of Medicine Sponsored Program Office

(919) 962-3950

<http://www.med.unc.edu/spo>

Research Compliance Program

(919) 843-9953

<http://research.unc.edu/offices/research-compliance-program/index.htm>

Office of Human Research Ethics (IRB)

(919) 966-3113

<http://research.unc.edu/offices/human-research-ethics/index.htm>

Institutional Animal Care and Use Committee (IACUC)

(919) 966-5569

<http://research.unc.edu/offices/iacuc/index.htm>

Environment, Health & Safety

(919) 962-5507

<http://ehs.unc.edu/>

Office of Clinical Trials

(919) 843-2698

<http://research.unc.edu/offices/clinical-trials/index.htm>

Office of Technology Development

(919) 966-3929

<http://otd.unc.edu>

Compliance Line

(for making confidential reports regarding research compliance concerns)

(866) 294-8688

https://secure.ethicspoint.com/domain/en/report_company.asp

Research Administration Management System and eSubmission (RAMSeS)

[http://research.unc.edu/Offices/research-info-systems/enterprise-applications/DATA_RES_ORIS RAMSeS](http://research.unc.edu/Offices/research-info-systems/enterprise-applications/DATA_RES_ORIS_RAMSeS)

Effort reporting

The website for the effort certification project is: <http://ecrt.unc.edu>

UNC Office of University Development, Corporate and Foundation Relations

<http://giving.unc.edu/index.htm>

2. External Resources

Office of Management Budget (OMB) Circulars

www.whitehouse.gov/omb/circulars/index.html

National Institutes of Health (NIH) Grants Policy Statement

<http://grants.nih.gov/grants/policy/policy.htm>

National Science Foundation (NSF) Web Site

<http://www.nsf.gov/index.jsp>