

System-wide Policy: FI0205 - Sponsored Projects	
Version: 11	Effective Date: 10/01/2017

FI0205 – Sponsored Projects

Topics:

General Policies	Account (WBS Element) Creation and Administration
Accounting Classifications	Procedures
General Obligations and Requirements	Forms
Grant Proposals and Applications	Contacts
Contract Proposals and Execution	Related Policies
Subawards	

Objective:

To provide policies and procedures for administering grants and contracts, including budgets, proposals and applications, cost sharing, subcontracts, and salary allocation.

Policy:

General Policies

1. The term "grant" designates funds the university receives from outside sources for the purpose of accomplishing instruction, research, public service, or other designated functions in a specific area of mutual interest to the university and the grantor. The governing documents furnished by the grantor at the time of such grant awards usually designate the funds as grants and specify the degree of accounting and reporting obligations for such funds. Grants may be exchange or non-exchange transactions. See the definition of exchange and non-exchange transaction below.

System-wide Policy: FI0205 - Sponsored Projects	
Version: 11	Effective Date: 10/01/2017

The term "contract" designates funds received by the university for specific services provided to agencies, corporations, or others under negotiated contracts. Contracts, including clinical trials, are always considered to be an exchange transaction.

2. Grants are classified as exchange or non-exchange transactions. This designation determines the method that the university uses to recognize revenue.
 - a. An **exchange transaction** is a reciprocal transfer in which each party receives and sacrifices something of approximately equal value. Revenue is deferred until it is earned.
 - b. A **non-exchange transaction** occurs when the grantor does not receive financial benefit equal to the amount granted. There is either no deliverable or the deliverable is of less value than the amount granted. Revenue is recognized in the accounting period in which all eligibility requirements are met.
3. The following policies apply to grants received and contracts entered into by the university. Because the volume of grant and contract transactions and funds varies widely and the administrative organization differs among the various university campuses and institutes, each campus and institute is responsible for providing additional written procedures necessary for maintaining adequate control of such funds within the framework of these policies.
4. Campus or institute procedures must provide for sufficient prior review of proposals, applications, and agreements to ensure that all personnel responsible for committing university resources (personnel, facilities, and equipment) and for administering the proposed agreements are fully aware of their obligations. In addition, the procedures should provide for coordination with the Controller's Office in activating WBS element numbers for grants and contracts.
5. The contracting process should allow sufficient time to have fully executed contracts prior to the starting date of the contract.

System-wide Policy: FI0205 - Sponsored Projects	
Version: 11	Effective Date: 10/01/2017

Accounting Classifications

6. For accounting purposes, grants and contracts are grouped into two major classifications.
 - a. **Restricted Grants and Contracts.** Practically all of the grant and contract funds received by the university are accounted for as Restricted Current Funds, which require that a separate WBS element be established for each grant or contract to document and account for the receipt and expenditure of such funds. Restricted grants and contracts processed through the university will have "R" WBS elements.
 - b. **Unrestricted Grants and Contracts.** General program support grants to university campuses and institutes, which do not require separate accounting for the expenditure of funds should be accounted for as General Current Funds/Unrestricted Revenue of the appropriate campus or institute when received. Documents indicating the source and nature of such funds must be sent to the Controller's Office when the request is made to establish an appropriate revenue cost center. Normally, the university receives relatively few "unrestricted" grants. An example is an Institutional Educational Allowance received to support graduate student instruction.

General Obligations and Requirements

7. The university is responsible for complying with the regulations, guidelines, technical and fiscal reporting and billing requirements, and management procedures as prescribed by the sponsoring agency. The majority of grant and contract awards received by the university are not more restrictive in accounting, reporting, and billing requirements than will be provided through the university's normal fiscal procedures.
8. The principal investigator is primarily responsible for administering the grant or contract. The following areas require the principal investigator's special attention.

System-wide Policy: FI0205 - Sponsored Projects	
Version: 11	Effective Date: 10/01/2017

- a. **Administrative Responsibilities.** The general administrative responsibilities for grants and contracts are as follows.
- i. *Performance Regulations.* The campus or institute preaward office is responsible for being fully aware of applicable regulations (particularly for federally sponsored projects) that must be followed in conducting such projects. This office is responsible for maintaining current information on such regulations; reviewing proposals, applications, and agreements to comply with current regulations; and disseminating information on such regulations to appropriate campus or institute staff.
 - ii. *University Obligations.* The department head and principal investigator of the grant or contract project must be thoroughly familiar with all obligations assumed by the university on grants and contracts under their administration and see that requirements are met, charges are processed promptly, and required technical reports are submitted on schedule (or that time extensions are obtained when necessary or appropriate). These personnel should also obtain advance approval for significant revisions to budget or program plans. In addition, the department head and principal investigator must ensure that project costs are reasonable, allocable to the grant or contract within the stated time period, allowable, and consistently charged. See item **10** below for more information on project costs.

Note: When developing contracts, employees should be aware of the university's policy on conflict of interests (see [FI0125 - Conflict of Interests \[Replaced by GE0002\]](#)).

- iii. *Fiscal Responsibility.* The Controller's Office is responsible for maintaining the official accounting records pertaining to all grants and contracts. This is accomplished through the establishment of

System-wide Policy: FI0205 - Sponsored Projects	
Version: 11	Effective Date: 10/01/2017

appropriate university WBS elements by the campus or institute business office in which all grant and contract expenditure and reimbursement transactions are recorded. The Controller's Office is also responsible for making available monthly accounting reports of the financial status of each grant and contract to principal investigators and other appropriate university officials to assist them in the financial management of these projects. The campus or institute pre-award or post-award office is responsible for maintaining the official sponsored project award agreements.

iv. *Grant and Contract Funding Methods.* The three methodologies for receiving monies from granting agencies to fund grant and contract expenditures are:

1. *Invoicing.* In order to receive monies owed the University for work performed on sponsored projects, one methodology is to submit invoices to the sponsor. Invoicing may be done based on actual costs (cost reimbursement) or be a fixed rate based on milestones or units completed. Invoices and financial reports are prepared by the campus or institute post-award office. However, in some circumstances, with approval by the campus or institute post-award office, invoicing by departments may be permitted when the campus or institute post-award office cannot practically comply with the contract terms. In these cases, the department will work with campus or institute post-award office to ensure billing is timely and the receivable is accurately recorded.
2. *Cash Drawdowns.* Agreements with certain federal agencies allow the university to obtain funds as needed to cover actual expenditures made prior to submitting detailed expenditure reports. After work on the project has begun and expenditures are incurred, the campus or institute business office may process a cash drawdown to cover the

System-wide Policy: FI0205 - Sponsored Projects	
Version: 11	Effective Date: 10/01/2017

university's expenses to date. Cash drawdowns should not be processed in advance of actual expenditures, and the amount of the drawdown should not exceed the actual expenditures for the applicable grant or contract on the funds transfer date. Granting agencies have individual rules pertaining to excessive cash transfers, and personnel responsible for processing drawdowns should be familiar and comply with applicable regulations. In the rare event that excess cash is drawn, the campus or institute post-award office will work with the Treasurer's Office on the refund amount plus applicable interest.

3. *Cash Advances.* Occasionally, grants or contracts are awarded for which funds are received in advance of expenses incurred by the university. The campus or institute post-award office will request the Controller's Office to remit any interest payments to the appropriate granting agency as required by law or contract. Private sponsored research funded in advance does not accrue interest earnings.
- b. **Timeliness in Charges and Adjustments.** So that required reporting and funding of sponsored projects are accomplished in a timely manner, all charges and adjustments to sponsored projects should be recorded on the official records as soon as possible. Department heads and project directors should promptly review the monthly The University of Tennessee LEDGER (ZFM_UT_Ledger). Departments may access this report online and print as needed. Sponsors and external auditors are extremely critical of late charges, late transfers, and late adjustments to WBS elements for sponsored projects. Charges or transfers delayed beyond the normal processing schedule must be accompanied by an explanation and justification. All charges should be processed against such accounts within 60 days after the project end date so that final financial reports can be submitted and the WBS elements closed on a

System-wide Policy: FI0205 - Sponsored Projects	
Version: 11	Effective Date: 10/01/2017

timely basis. For complete information about cost transfer requirements, see [FI0220 - Sponsored Projects - Cost Transfers](#).

- c. **The University of Tennessee LEDGER (ZFM_UT_Ledger).** The University of Tennessee LEDGER (ZFM_UT_Ledger), is an official accounting document for a particular project. The ledger sheet shows budget information for a particular project, direct expenditures and facilities and administrative (F&A) costs that have been charged to the project, and funding or invoicing activity. Auditors and others use this report to trace project charges to the original documents that support and contain detailed information about the recorded transactions. The report also serves as a management tool for the principal investigator. When the financial transactions are processed in a timely manner, the report will accurately indicate expenditures for project budget objectives and will be a helpful guide in planning and controlling further expenditures. Principal investigators should ensure that this report is reviewed monthly and appropriate action is taken. For example, expenditures should be reviewed for accuracy, applicability, and completeness. The budget should be updated if it does not match the contract or proposal, if there have been any changes to the award amount, or for any other planned spending changes as approved by the funding agency. Also, the principal investigator may want to initiate requests for project time extensions or additional funding based on R ledger information.
- d. **Budget Monitoring.** Expenditures require continuous internal monitoring by the department to prevent budget category overruns. Occasionally, line-item budget overruns require prior approval by the sponsor or are unallowable. Variances between actual and budgeted expenditures by category may result in additional F&A costs and may cause a WBS element to be overspent. Generally, invoicing and financial reporting cannot occur when a restricted WBS element is overspent. Principal investigators and/or department heads should ensure that over-expenditures are transferred quickly to an appropriate cost object since

System-wide Policy: FI0205 - Sponsored Projects	
Version: 11	Effective Date: 10/01/2017

the department is ultimately responsible for these costs and for any lost funding caused by late invoicing on overspent WBS elements.

- e. **Equipment Procured on Federally Sponsored Projects.** All research equipment costing \$5,000.00 or more and all general-purpose equipment (i.e., equipment that can be readily used other than for research) costing \$5,000.00 or more should be itemized in detail in the proposal and in the approved grant or contract. Otherwise, written approval may be required from the sponsor before purchasing such equipment. In addition, for equipment costing \$5,000.00 or more, an internal (within a campus or institute) and external (when applicable) search for available suitable equipment must be conducted. If suitable equipment is available, it must be used instead of purchasing additional equipment. All requisitions for the purchase of such equipment must contain a statement certifying that appropriate approvals and search for the requisitioned equipment have been completed. (Note: See [FI0605 - Equipment 15b](#) for a list of sensitive minor equipment costing \$1,000-4,999, which must be accounted for on university equipment inventory records.)
- f. **Other Federal Regulations Relating to Conflict of Interests, Protection of Human Subjects, Care of Animals, Inventions and Patents, Publications, Copyrights, etc.** Contact the campus or institute preaward office for assistance.
- g. **Unusual Requirements.** A grant or contract proposal with unusual procedural, reporting, or billing requirements beyond the university's normal policies or practices should not be accepted or recommended for approval until both the campus or institute research office and the principal investigator of the project have cleared the requirements with appropriate university officials.

Grant Proposals and Applications

- 9. University policy permits (1) the preparation and submission of grant proposals through campus or institute procedures as approved by the chancellor or

System-wide Policy: FI0205 - Sponsored Projects	
Version: 11	Effective Date: 10/01/2017

administrative head of each campus and institute and (2) the acceptance of such grants for purposes that are clearly within the stated mission of the campus or institute. The campus or institute chief business officer should approve any grant that contains cost-sharing or matching provisions. When any question exists as to whether the purpose of a prospective grant is outside the mission of the campus or institute, the appropriate vice president must approve the application before it is submitted. Some granting agencies require an official university acceptance of the award documents and, in such cases, the documents must be forwarded to the office delegated for review and signature (See [FI0420 - Contracts](#), 25).

Contract Proposals and Execution

10. Only authorized University officials are allowed to sign contracts on behalf of the University. ([University Bylaws, Article IV, Section I](#), and [FI0420 - Contracts](#)) specify the University officials who are authorized to sign contracts. A list of these officials is also available on the University of Tennessee System Administration's [contract office's website](#). Review and approval procedures specified in Contracts Fiscal Policy shall be followed for all contracts. This policy allows the following to be executed at the campus or institute level:
 - a. Proposals for contracts;
 - b. Domestic sponsored grants and contracts that are receivable agreements;
 - c. No-cost Material Transfer Agreements with domestic (U.S.) entities; and
 - d. No-cost Confidentiality/Non-Disclosure Agreements with domestic entities.
11. Although the above contracts do not have to follow the review and approval procedures detailed in University Contracts policy, only authorized officials may sign them. Further, University Research Offices are responsible for ensuring that all terms and conditions are acceptable under University Contracts policy and that no prohibited provisions remain in such contracts. The pre-award/post-

System-wide Policy: FI0205 - Sponsored Projects	
Version: 11	Effective Date: 10/01/2017

award offices are also responsible for retaining these original agreements in accordance with the [FI0120 - Records Management](#).

12. The contracting process should allow sufficient time to have fully executed contracts prior to the starting date of the contract.

Subawards

13. Subawards issued by the university under federal awards are subject to the direct costing rules described in [FI0206 - Sponsored Projects - Distinguishing Direct vs Indirect Costs](#). The funding and the regulations flow through the university to the subrecipient. The evaluation of subrecipient costs by principal investigators and academic departments should therefore include the same tests as described above for proper costing. Any subrecipient costs considered to be in violation of these rules should be disallowed from payment of the subrecipient's invoice. See [FI0230 - Sponsored Projects - Subaward Origination and Subrecipient Monitoring](#) for details on originating and monitoring subawards.

Account (WBS Element) Creation and Administration

14. Once a sponsored project is awarded, it is then routed to the designated administrative campus or institute post-award office for account creation. Each award is assigned a project definition and at least one WBS element for posting the financial activity of the award. Multiple WBS elements may be created depending on the circumstance of the award. For instance, the financial reporting requirements may dictate separate WBS elements for reporting the financial activity for a budget year. If the sponsored project has more than one Principal Investigator in different units or campuses, each may be assigned a separate WBS element to manage. Other examples for having multiple WBS elements for a sponsored project may be used for recording UT matching, recording costs at different F&A rates, or may be requested from the PI for project management purposes. Once the WBS element(s) is created, a budget must be entered into the official accounting system that reasonably reflects the

System-wide Policy: FI0205 - Sponsored Projects	
Version: 11	Effective Date: 10/01/2017

budget as awarded to the university. During the life of the award, budget revisions may be required based on sponsors' requirements. In some cases, spending outside of budget categories may be considered a change in the scope of the project and may require sponsor approval. It is important to read and understand each sponsor's award document and applicable policies and regulations.

There are times when work on the project must begin before the award document is received or before it is fully executed, and an advance account must be requested. Since this is a risk to the principal investigator and the university, proper approvals must be granted before an advance account is created. Campus/institution procedures for requesting advance WBS elements can be found [here](#). Advance WBS elements are preferred in order to avoid compliance risks associated with cost transfers. If the anticipated project ultimately is not funded, the department is responsible for the unfunded costs.

Sponsored project WBS element ledgers must be reviewed and reconciled each month. The department must ensure that all costs are in accordance with the sponsor's terms and conditions. Unallowable costs must be removed and overspent amounts cost shared. The PI and department must ensure that all cost share obligations are met. If additional funding or time extensions are needed, the PI must follow up timely with the appropriate office. See campus procedures for campus-specific information.

Closeout. To meet sponsors' final invoicing and reporting deadlines, expired sponsored projects WBS elements must be closed timely. While most federal awards require the university to file final expenditure reports within 90 days of the project end date, many sponsors have shorter deadlines. Failure to meet these deadlines can result in the university's inability to collect all applicable costs. Investigators should use supplies timely to avoid accumulating excess supplies at the termination of the project. If there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate value upon termination or completion of the project or program and the supplies are not needed for any

System-wide Policy: FI0205 - Sponsored Projects	
Version: 11	Effective Date: 10/01/2017

other Federal award, the non-Federal entity must retain the supplies for use on other activities or sell them, but must, in either case, compensate the Federal government for its share. See campus procedures for campus-specific information.

PROCEDURES:

To view links to campus policies and procedures, click here:

<https://policy.tennessee.edu/campus-policies-procedures/>

FORMS:

- [Additional Payment E-form Instructions](#)
- [Personnel Information Form - PIF](#)
- [Restricted Budget Form \(T-1\)](#)
- [Salary Transfer Voucher](#)

FOR MORE INFORMATION:

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Related Policies: [FI0210 - Sponsored Projects - Cost Sharing](#), [FI0206 - Sponsored Projects - Distinguishing Direct vs Indirect Costs](#), [FI0215 - Sponsored Projects - Effort Certification](#), [FI0220 - Sponsored Projects - Cost Transfers](#), [FI0125 - Conflict of Interests \[Replaced by GE0002\]](#), [FI0230 - Sponsored Projects - Subaward Origination and Subrecipient Monitoring](#), [FI0235 - Sponsored Projects - Program Income](#), [FI0420 - Contracts](#), [FI0605 - Equipment](#)