Sponsored Research Accounting (SRA) Policies

Introduction

Expenditures
  Direct Costs
  Allowable & Unallowable Cost Chart
  PCard Purchases
  Indirect (F & A) Costs
  Indirect Cost Rate
  Fringe Benefits
  Fringe Benefit Rate
  Budget & Expenditure Monitoring

Financial Records
  Banner
  FOAPAL
  Frequently Used Account Codes
  Banner Research Funds
  Banner Access
  Year End Closing

Budget Revisions

Cost Transfers

Pre Award Costs

Record Retention

Subcontracts
  Consultants

Travel

Intellectual Property

Effort Policy

Appendices
  Controller’s Office Disbursement Approvals
Introduction

WPI certifies to the federal government that its faculty, staff and students, when accepting federal and sponsored funds, will comply with all government rules and regulations and follow established standards for charging expenses to sponsored projects.

These procedures have been established to meet the compliance standards as set forth in Office of Management and Budget (OMB) Circular A-21 (A-21) Cost Principles for Educational Institutions for defining, charging and accounting for direct and facilities and administrative (F&A or indirect) costs to sponsored funds.

Project costs consist of the allowable direct costs specifically related to the performance of the award (grant, cooperative agreement, or contract) plus the allocable portion of the allowable F & A costs of the organization, less applicable credits.

The WPI Sponsored Research Accounting (SRA) Office welcomes your questions and comments. Please feel free to contact our staff anytime.
Expenditures
It is the responsibility of the Principal Investigator (PI) to control expenditures within the limits of each award. All overruns or deficits must be authorized and absorbed promptly within existing budgets of department or college funds. Expenditure deficits may not be transferred from one award to another award simply because funds are available in the other award. An important factor in WPI’s continued ability to secure sponsored research funding is the maintenance of complete, accurate and timely supporting documentation and successful audits. Purchases should be supported by written authorization by the Principal Investigator (PI) for payment of invoices. SRA is responsible for reviewing and approving expenditures in accordance with federal guidelines. This review includes, but is not limited to, expense reports, check requests, payroll authorizations, PCard charges and all cost transfers.

The PI and department personnel should review the expenses charged to the sponsored program on a regular basis. This review can be done on line in the Banner Web Self Service system. Follow these instructions on How to Look at a Research Fund in Banner Web.

Direct Costs are expenses that are directly attributable and chargeable to a particular sponsored project relatively easily and with a high degree of accuracy. Direct costs include, but are not limited to: salaries, travel, equipment and supplies directly benefiting the supported project or activity.

Direct expenditure invoices must be attached to a WPI Check Request and contain the foapal and the PI’s signature. By approving payment of the invoice, the PI is verifying that the purchased item(s) or services have been received and certifying that the expense is both necessary and appropriate for the award being charged.
Allowable and Unallowable Costs on Sponsored Projects – Partial List

Note: For all sponsored projects, always refer to each award's specific terms and conditions, which may include additional restrictions on cost allowability - if there is any uncertainty, contact Sponsored Research Accounting (SRA)

<table>
<thead>
<tr>
<th>Type of Payment</th>
<th>Federal Sponsor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>Allowable when necessary to meet the specific requirements of the sponsored agreement (§200.421)</td>
</tr>
<tr>
<td>Alcoholic beverages</td>
<td>Unallowable (§200.423)</td>
</tr>
<tr>
<td>Books and journals</td>
<td>Allowable when necessary to meet the specific requirements of the sponsored agreement; otherwise provided as part of the University's library services (§200.453)</td>
</tr>
<tr>
<td>Consulting services</td>
<td>Costs of professional and consultant services rendered by individuals or companies with unique qualifications and that are not employees of WPI are allowable with a properly completed and authorized independent contractor agreement (§200.459)</td>
</tr>
<tr>
<td>Contributions and Donations</td>
<td>Unallowable (§200.434)</td>
</tr>
<tr>
<td>Entertainment</td>
<td>Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the Federal award or with prior written approval of the Federal awarding agency (§200.438)</td>
</tr>
<tr>
<td>Equipment</td>
<td>The following rules of allowability apply to equipment and other capital expenditures: (1) capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except with the prior written approval of the Federal awarding agency or pass-through entity, and (2) capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of $5,000 or more have the prior written approval of the Federal awarding agency or pass-through entity. It should be noted that, for purposes of allowability, a computing device is considered a supply if the acquisition cost is less than</td>
</tr>
<tr>
<td>Category</td>
<td>Description</td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>the lesser of the capitalization level</td>
<td>the lesser of the capitalization level established by the non-Federal entity for financial statement purposes or $5,000, regardless of the length of its useful life. (see §200.33, §200.89, §200.94, §200.439)</td>
</tr>
<tr>
<td>Goods and services for personal use</td>
<td>Unallowable; costs of housing (e.g., depreciation, maintenance, utilities, furnishings, rent), housing allowances, and personal living expenses are only allowable as direct costs if approved in advance by the Federal awarding agency (§200.445)</td>
</tr>
<tr>
<td>Insurance</td>
<td>Costs of insurance required or approved pursuant to the sponsored award are allowable; costs of other insurance in connection with the general conduct of activities are allowable subject to specific limitations - contact SRA for assistance in determining specific award allowability (§200.447)</td>
</tr>
<tr>
<td>Losses on other awards or contracts</td>
<td>Any excess of costs over income under any other award or contract of any nature is unallowable. This includes, but is not limited to, the non-Federal entity's contributed portion by reason of cost-sharing agreements or any under-recoveries through negotiation of flat amounts for indirect (F&amp;A) costs. Also, any excess of costs over authorized funding levels transferred from any award or contract to another award or contract is unallowable.</td>
</tr>
<tr>
<td>Materials and supplies, including costs of</td>
<td>Costs incurred for materials, supplies, and fabricated parts necessary to carry out the technical requirements of a Federal award are allowable as direct costs. Costs for General purpose materials and supplies, such as paper, pens, toner, etc. remain unallowable as a direct cost unless approved in advance by the Federal agency. In the specific case of computing devices, charging as direct costs is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of a Federal award (§200.453)</td>
</tr>
<tr>
<td>computing devices</td>
<td></td>
</tr>
<tr>
<td>Office Supplies</td>
<td>Unallowable as a direct cost except where extensive use of office supplies is necessary to meet the requirements of the sponsored agreement and this cost has been approved in advance by the sponsor (§200.453)</td>
</tr>
</tbody>
</table>
### Meetings and conferences
Conference costs paid for the purpose of sponsoring or hosting a conference that is necessary and reasonable for successful performance under a Federal award may include rental of facilities, speakers' fees, costs of meals and refreshments, local transportation, and other items incidental to such conferences unless further restricted by the terms and conditions of the Federal award. As needed, the costs of identifying, but not providing, locally available dependent-care resources are allowable (§200.432).

### Memberships, subscriptions, and professional activity costs
Generally unallowable as a direct cost except when necessary to meet the technical requirements of the award - contact SRA for determination. The cost of membership in any civic or community organization is unallowable (§200.454).

### Participant Support Costs
Participant support costs are allowable only with the prior approval of the Federal awarding agency (§200.75, §200.456).

### Personnel - Administrative and clerical staff
The salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs. Direct charging of these costs may be appropriate only if they are integral to a project or activity; individuals involved can be specifically identified with the project or activity, such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency, and the costs are not also recovered as indirect costs (§200.430).

### Personnel - Faculty and professional staff
Allowable provided the salary is reasonable, directly related to the work of the sponsored agreement, and documented in accordance with §200.430.

### Personnel - Faculty summer salary
Allowable at a rate not in excess of the base salary divided by the period to which the base salary relates. The base salary period used is the number of months covered by the faculty member's official academic year appointment. Other specific Federal agency requirements may apply - contact SRA for determination, if unsure (§200.430).

### Personnel - Graduate Assistant wages
Allowable provided the salary is reasonable, directly related to the work of the sponsored agreement, and documented in accordance with §200.430.
| Personnel - Graduate Teaching Assistants salary | Allowable only when the purpose of the sponsored agreement is instruction or training and the charge is approved in advance by the sponsor (§200.430, §200.466) |
| Personnel - Graduate Research Assistant stipend | Compensation paid as, or in lieu of, wages to students performing necessary work are allowable provided that: (1) the individual is conducting activities necessary to the Federal award; (2) support (including any related tuition remission) is provided in accordance with WPI's established policy; (3) during the academic period, the student is enrolled in an advanced degree program and the activities of the student in relation to the Federal award are related to the degree program; and (4) compensation for the work performed is conditioned explicitly upon the performance of necessary work (§200.430, §200.466) |
| Personnel - Postdoctoral associates | Allowable provided the salary is reasonable, directly related to the work of the sponsored agreement, and documented in accordance with §200.430 |
| Postage | Costs incurred for freight, express, cartage, postage, and other transportation services relating either to goods purchased, in process, or delivered, are allowable. When such costs can readily be identified with the items involved, they may be charged directly as transportation costs or added to the cost of such items. Where identification with the materials received cannot readily be made, inbound transportation cost may be charged to the appropriate indirect (F&A) cost accounts if the non-Federal entity follows a consistent, equitable procedure in this respect. Outbound freight, if reimbursable under the terms and conditions of the Federal award, should be treated as a direct cost. (200.473) |
| Proposal costs | Unallowable as a direct cost (including salaries, fringe benefits, and other related cost) on any Federal award (§200.460) |
| Prizes & Awards | Unallowable (§200.445) |
| Professional journal publications | Allowable where the article reports sponsor-supported work and the costs are levied impartially on all papers published by the journal (§200.461) |
| **Rearrangement and reconversion costs** | Costs incurred for ordinary and normal rearrangement and alteration of facilities are allowable as indirect costs. Special arrangements and alterations costs incurred specifically for a Federal award are allowable as a direct cost with the prior approval of the Federal awarding agency or pass-through entity. (§200.462) |
| **Scholarships - Merit** | Allowable only when the purpose of the sponsored agreement is to provide training to selected participants and the charge is approved by the sponsor (§200.466) |
| **Taxes** | Unallowable when exemptions are available to the University (e.g., sales tax) or are available to the University based on exemptions afforded the Federal government; Value Added Taxes (VAT) as a result of foreign transactions are normally allowable (§200.470) |
| **Telephone - local** | Unallowable as a direct cost (Note: Unlike OMB Circular A-21, the Uniform Guidance is silent on communications costs and we are awaiting clarification regarding allowability) |
| **Travel - domestic and foreign** | Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the University in its regular operations as the result of WPI’s written travel policy. In addition, if these costs are charged directly to a Federal award, documentation is required to justify that: (1) participation of the individual is necessary to the Federal award being charged and (2) the costs are reasonable and consistent with WPI’s established travel policy (§200.474) |
| **Tuition Remission (Graduate Research Assistants)** | Tuition remission paid as, or in lieu of, wages to students performing necessary work under a federal award is generally allowable (§200.466) |
**PCard Purchases**
Purchases made using a WPI PCard must be approved in WPI’s Works system by the PI or his/her Proxy. A copy of the receipt for the purchase made with a PCard must be sent to SRA. For more information, please see the WPI Procurement Card Guide.

**Indirect Costs**, also known as **Facilities & Administrative Costs**, are costs that are incurred by the Institute in general support and management of research, where these costs are not directly attributable to a specific project or activity. Facility & Administrative (F&A) costs are sometimes called indirect costs or overhead costs. *Examples of indirect costs include, but are not limited to:*

- Salaries of administrative and clerical staff;
- Office supplies;
- Depreciation of buildings and equipment
- Utilities
- Photocopying;
- Local telephone costs;
- Memberships and subscriptions
- General purpose computers – especially laptops can be used to support a variety of activities and are rarely dedicated to one specific purpose. As a result, laptops are typically F&A costs and are seldom proposed in budgets or directly charged to awards.

In general, expenses are chargeable as direct costs to sponsored awards only if they are:

- **Reasonable** - A prudent person would have purchased this item and paid this price.
- **Allocable** - Expenses can be allocated to the government activity based on benefit derived, cause and effect, or other equitable relationship.
- **Consistently Treated** - Like expenses must be treated the same in similar circumstances.
- **Allowable** - Allowable or not unallowable as specified by sponsor regulations. (A-21, Section J)

If an expense cannot meet the above criteria, it is not eligible to be charged directly to a grant or contract, no matter what its purpose.

NOTE: Agencies that sponsor grants and contracts use the term allowable to mean permitted as a direct cost under the terms of a specific grant or contract. Expenses which are generally allowable for sponsor reimbursement may not necessarily be permitted under the terms of a specific grant or contract. It is important that the PI read and understand any limitations placed upon specific awards.

**WPI’s Indirect Cost Rate**

**MTDC Base**
Indirect costs are generally calculated by applying the federally approved and sponsor-awarded rate to a modified total direct cost (MTDC) base. The MTDC base consists of all direct costs, excluding:

- Capital expenditures (equipment, building alterations and renovations)
- Scholarships and fellowships
- Tuition remission
- Rental costs
- Costs in excess of $25,000 for each subcontract

**Fringe Benefits**

Fringe benefits are charged as a percentage of faculty and staff salaries and wages, regardless of the specific benefits received by individuals. Fringe benefits cover the costs for insurance (health, unemployment, life, long-term disability), FICA, workman's compensation, pension, and scholarships for employee dependents.

WPI is required to use the current fringe benefit rate that has been negotiated periodically with the federal government.

**Fringe Benefit Rate**
Budget & Expenditure Monitoring

The Principal Investigator (PI) is responsible for carrying out a project as proposed. WPI expects the PI to use all reasonable "best efforts" to comply with the terms, conditions, and policies of both the sponsor and WPI. This includes routine monitoring of the administrative and financial aspects of his/her awards, timely submission of all required reports and processing of internal transactions. In summary, the principal investigator is responsible for:

• proper technical conduct of the research effort

• compliance with the terms and conditions of the sponsored agreement

• timely completion and submission of required technical reports

• complying with University and sponsor policies and procedures pertinent to the award

• monitoring budgets against the grant award amount

• reconciling outstanding invoices and encumbrances

• submission of cost transfers and corrections in a timely manner

• proper application of expenses to awards to ensure charges are:
  o allowable, allocable, reasonable, and consistently applied
  o are managed within the sponsor approved budget
  o occur during the time frame of the award

Sponsored Research Accounting reviews awards during the preparation of invoices/drawdowns and preparation of financial reports. SRA also runs reports on a scheduled basis to monitor budgets and review for unallowable costs.

The Banner Finance system is used to record the budget and expenses on the grant. The PI will be granted access to the Banner Finance system upon receipt of a sponsored project. PI’s should reference the Banner Finance Web Page for additional information.

Sponsored spending can be viewed using BannerWeb queries (Instructions) or Argos reports (Instructions).

The following Argos reports are available for sponsored awards:
• Summary by Dept or PI (one line per grant)
• Grant Status by Account Line Item
• Grant Status by Account Line Item Rollup (into sponsor budget categories)
• Grant Transaction Detail (includes payroll details)
• Billing Status
Financial Records

**BANNER**

BANNER is WPI's computerized Financial Accounting and Information Management System. Account numbers assigned to awards are called FOAPALS, an acronym that represents the six elements of the BANNER accounting structure: Fund, Organization, Account, Program, Activity and Location. The Fund, Org and Account and Program (FOAP) are required for a Sponsored program. The program code is a default based on the Fund or Org code and does not need to be included in charge numbers or financial queries.

For sponsored programs, the Fund number structure is:
- 20XXXX-National Science Foundation (NSF)
- 210XXX-Department of Health & Human Services (DHHS)
- 213XXX-NASA
- 214XXX-Department of Defense (DOD)
- 216XXX-Department of Education (DOEd)
- 217XXX-Department of Agriculture (USDA)
- 218XXX-Department of Energy (DOE)
- 219XXX-Other Federal Agencies
- 220XXX-State and Local Agencies
- 221XXX-228XXX Industry and Foundation Sponsored

The Sponsored Research Organization structure:
- 240010-Biomedical Engineering
- 241010-Chemical Engineering
- 242010-Civil & Environmental Engineering
- 243010-Electrical & Computer Engineering
- 244010-Mechanical Engineering
- 250010-Biology & Biotechnology
- 251010-Chemistry & Biochemistry
- 245020-Fire Protection Engineering
- 252010-Computer Science Engineering
- 253010-Mathematics
- 254010-Physics
- 26025-Interdisciplinary Global Studies Department (IGSD)
- 270010-Humanities & Arts
- 271010-Social Sciences
- 280010-Management

**FOAPAL’s**

The FOAPAL is the backbone of the Banner Finance Account structure. The FOAPAL is made up of six distinct components. These components are:
**Fund** – The fund code designates the source of funding.  
Example: Fund #200XXX is NSF funding, Fund 11001 is WPI Operations funding

**Organization** – The organization designates the department or sponsored research  
Example: Org #244000 is Mechanical Eng. Department, 244010 is ME Dept. 
Sponsored Research

**Account** – The account code is the line item (expense or revenue)  
Example: .7111 is supplies, .6110 is faculty salary

[Link to List of frequently used account codes]

**Program** – The program code is used by the Financial Services Office to group revenue and expenses for audit purposes. The Banner system will automatically default the program code, you do not need to code this on the check request.

**Activity** – This optional field can be used to gather transaction data by an activity.

**Location** – This optional field can be used to gather transaction data by location.

**Establishing a Research Fund in Banner**  
Upon notification from OSP, SRA establishes a fund when the award is fully executed.  
SRA assigns a fund number, establishes Banner Self Service security for the PI, Co-PI,  
Department Head and departmental assistant and informs all of the above constituents  
of the fund number. Once the fund number is established, the budget is created on  
various account (expense) lines as approved by the funding agency. Expenditures are  
charged to the fund by the PI or authorized individual.

**Access to Banner**  
Banner Finance Self Service can be used to retrieve and/or download summary and  
detail activity for sponsored funds. PI’s, Co-PI’s, Department Heads and Departmental  
Assistants can receive access to WPI’s Banner Finance Self Service system. If you do  
not currently have Banner access, you must complete a [Banner Finance Access Request Form](#) and send it to Sponsored Research Accounting.

[Link to How To Look at a Research Fund in Banner Web.]

**Year End Closing**  
The Banner Finance system rolls forward fiscal year end balances and allows research  
funds to be monitored via year-to-date or inception-to-date timeframes. After the fiscal  
year end, there are several stages to completing the fiscal year close. After step one, in  
mid July, the available balances will roll forward to the next fiscal year. In May, the  
Accounting Office website is updated to reflect the year end closing schedule.

**Budget Revisions**
The Principal Investigator (PI) and the Institute are responsible for adhering to the conditions of the sponsored agreement and obtaining required approvals should budget revisions be necessary. Examples of such revisions include rebudgeting of funds by expense classification, adding a sub award agreement, changing the timing and/or scope of the work, and changing effort expended by key personnel or a PI.

If a revision is needed, the PI is responsible for contacting the Sponsored Research Accounting Office (SRA) in writing or email. SRA will assist in determining if the revision can be approved internally or if sponsor approval is required. SRA will review the terms and conditions of the specific award as provided by the awarding agency to determine if sponsor approval is needed. Under the Office of Management and Budget’s “Expanded Authorities”, some revisions and budget adjustments may be approved internally by SRA without sponsor approval.

If it is determined that sponsor approval is needed, the PI and SRA will work with The Office of Sponsored Programs (OSP) to submit the proposed revision to the sponsor. Once a revision is approved, OSP will notify SRA. SRA will update the budget in Banner and a Notice of Award change will be issued. At this time, the PI can proceed with spending in accordance with the new budget.

**Cost Transfers on Sponsored Agreements**

**Overview:**

WPI faculty, staff and students must comply with all federal and other sponsor rules and regulations and follow established standards for determining when it is appropriate to initiate a cost transfer. WPI expects that costs be charged to the appropriate award when first incurred but acknowledges that there are circumstances where it may be necessary to transfer expenditures to another award subsequent to the initial recording of the charge.

These procedures have been established in accordance with the Office of Management and Budget (OMB) Circular A-21 (A-21) *Cost Principles for Educational Institutions*. A-21 provides guidance for determining the costs applicable to sponsored agreements.

Please read and comply with the following procedures and complete a Cost Transfer Explanation and Justification Form.

See Cost Transfer Justification Samples for examples of the appropriate detail required for a cost transfer on a research fund.

**Procedures for cost transfers:**

To be permissible, cost transfers must meet the criteria established for both timeliness and appropriateness. Cost transfers should be initiated as soon as possible after the original transaction, preferably within 90 days of incurring the expense. Requests for
transfers after 90 days will be considered after careful review. The Institute is obligated to immediately remove incorrect charges made to sponsored funds, regardless of time frame.

Typically, cost transfers are appropriate for allowable direct costs of the sponsored project and their purpose is to:
• correct errors in processing the original charges;
• move costs between funds for closely related work (as defined by the project scope) that is supported by more than one funding source;
• transfer pre-award costs in accordance with the provisions of OMB Circular A-110, Section C.25.

Inappropriate circumstances include, but are not limited to, the following:
• transfers solely for the purpose of utilizing an unexpended balance;
• transfers for the purpose of avoiding a cost overrun by charging another, unrelated sponsored agreement;
• transfers that circumvent pre- and/or post-award restrictions.

IMPORTANT NOTE:
A-21 C.4.b and C.4.c state:
“Any costs allocable to a particular sponsored agreement under the standards provided in this Circular may not be shifted to other sponsored agreements in order to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience.”
“Any costs allocable to activities sponsored by industry, foreign governments or other sponsors may not be shifted to federally sponsored agreements.”

Each cost transfer request must be clearly explained with supporting documentation. The person initiating the transaction has primary responsibility for fulfilling these requirements and maintaining the related records. All records must be retained in accordance with the record retention requirements of the sponsored agreement and the Institute.

Explanations such as “to correct a clerical error” or “to transfer to a correct project” are not adequate. Transfers of costs from one budget period to the next solely to cover cost overruns are not allowable. Generally, the older the charge the more involved the explanation of the transfer should be.

Cost Transfer Requests Not Subject to the 90 Day Period

1. Transfers of true overdrafts (from research awards to unrestricted funds). These transfers may be made in lump sum entries rather than identifying individual transactions. The federal government considers a true overdraft as cost sharing.
It is critical that the function of the fund absorbing the overdraft is consistent with the function of the fund being relieved of the overdraft.

2. Transfers of pre-award expenditures that were charged to a departmental fund, if the costs are allowable and allocable, and were incurred within 90 days before the beginning date of the award.

3. Transfers of expenditures incurred and charged to a departmental, unrestricted, or other fund while awaiting the fully executed sponsored agreement.

4. Transfer of an incorrect charge from a sponsored fund to a non-sponsored fund.

Cost Transfer Requests Subject to the 90 Day Period

1. Transfers to correct data entry or clerical errors to charge a research fund. Example: To correct data entry or transposition error: Fund 11104 should have been 22104.

2. Transfer of expenditures from one fund to an existing award. Example: To transfer project costs from the departmental fund to the sponsored fund because the sponsor issued a modification to the existing agreement rather than issuing a new award and therefore the fund number remained the same.

3. Recurring and routine transfers to allocate direct expenses, such as telephone toll charges and service center recharges. The costs must be allowable, charged in a timely manner, and allocated based on the benefit derived.

4. Transfers of expenditures from the prior year account to the competing or noncompeting continuation account if permitted by the terms of the award. The explanation should contain the sponsor fund number for both the prior year and the competing or non-competing continuation award.

Cost Transfers Made After the 90 Day Period

Cost transfers made after the 90 day period will be considered only after careful review and must include a justification for the lateness as well as an explanation indicating the measures that have been put in place to prevent future occurrences. A transfer of a charge to a sponsored fund made after 90 should contain the following statement:

“By authorizing the above, requestor certifies that the cost to be transferred is an appropriate expenditure for the sponsored fund charged and that the expenditure complies with the terms and conditions governing that sponsored fund.”

All requests must be authorized by the Principal Investigator or designee. Some circumstances which necessitate a late cost transfer include but are not limited to the following:
1. The official award document, including amendments or modifications, was received after the start date of the project, causing a delay in the establishment of a fund number.

2. The fund number assignment was delayed because of negotiation issues.

3. The official approval from the sponsor for specific expenditures was received after the expense transaction(s) was processed.

4. The official approval from the sponsor for specific actions, such as a no-cost extension, was received after the expense transaction(s) was processed.

**Pre Award Costs**

WPI discourages establishing a project fund number before an award is received, since expenditures incurred before award receipt are made at the Institute's risk. However, if effective and economical conduct of the project necessitates incurring expenditures prior to receipt of the award, the policy is as follows:

Principal Investigators should complete and submit an Institute [Prior Approval System (IPAS) form](#) to the Office of Sponsored Programs (OSP) to request an advance fund. OSP will minimize the Institute's risk by verifying the anticipated award amount and the performance period with the sponsor.

**Record Retention**

WPI will retain sponsored program files for seven years after the termination of the award.

**Subcontracts**

A subcontract is necessary when WPI requests another organization to perform a significant portion of the work under a sponsored award. Sponsor approval to enter into a subcontract is usually required, unless already approved in the award.

OSP is responsible for preparing and executing all subcontracts related to sponsored programs. OSP will work with the PI to obtain the information needed to prepare the subcontract.

A subcontract must incorporate all terms and conditions required by the prime grant or contract. A subcontractor is not authorized to begin work until a subcontract has been fully executed by an authorized representative from WPI and the subcontracting organization. All subcontract invoices are submitted through SRA for payment.
Consultants
Independent Contractor Policy and Procedures

All invoices for payment must be processed by the department and approved by SRA. Form W-9, documenting the consultant’s Taxpayer ID Number (TIN), must accompany the check request the first time the consultant is paid. The data contained on this form is used in the vendor creation process.

Travel
WPI’s Travel and Expense Reimbursement Policy provides guidelines for the accounting and reporting of travel and other business expenses. Please consult the policy for details regarding travel and expense reporting.

In general, the Institute will reimburse employees for reasonable expenditures incurred while traveling on Institute business. Expense reports for travel funded by a sponsored agreement must be approved by SRA as allowable under the project.

Please note the following are not allowed as direct charges to federal awards. Please code these below items to a non-federal fund.

- Upgrades – including seat preferences and add’l leg room (unless you have a documented medical reason)
- First Class or Business Class Tickets
- Wi-Fi access (unless you have a specific reason why you needed it to carry out work on only that one award)

Foreign Travel
Foreign travel may require sponsor prior approval, even when the funds for such travel were listed in the approved budget. You should contact SRA if you have any questions about what is required under a specific agreement.

All Foreign air transportation must comply with the Fly America Act or an Open Skies Agreement.

- If you are travelling internationally on a Department of Defense Award you MUST travel under the Fly America Act, meaning you must use a US Flag carrier (an airline owned by a US company)

- In order for a flight to be in compliance with the fly America Act, the code of a U.S. flag air carrier must be noted as part of the flight number on the airline ticket, flight coupon (boarding pass*), or passenger receipt. Each airline has a two letter alpha code. For example, United Airlines has a code of “UA”. On an airline ticket, boarding pass or passenger receipt, this two digit code is designated just to the left of the flight number. From this list, you will be able to compare airline codes on the ticket with those on the list and thereby be able to ascertain whether or not the flight is on a US Flag air carrier.

A list of common U.S. flag air carriers is below:
Airtran Airways (FL), Alaska Airlines (AS), American Airlines (AA), Continental Airlines (CO), Delta Airlines (DL), Frontier Airlines (F9), Hawaiian Airlines (HA), JetBlue Airways (B6), Midwest Express (YX), Southwest Airlines (WN), Spirit Airlines (NK), United Airlines (UA), USAirways (US)

- For all other non-DoD awards, the Open Skies Agreement can be used instead of the Fly American Act. There are links to open skies agreements in the Fly America and Open Skies document, published by the Department of Education. Open skies agreements list carriers owned by other countries that can be used.
- In rare cases, an exception can be made (if it is well documented). Allowable exceptions are listed in the Fly America and Open Skies document. Unfortunately a lower price doesn’t count as a reason.
- If you book with a US or other Open Skies Carrier, and they transfer you to another airline (but you still are ticketed using the original carrier) that’s ok. For example, American Airlines flight 6117 (ticketed as AA6117), but operated by Cathay Pacific Airways, is considered a U.S. carrier.

Please see: http://www.gsa.gov/portal/content/103191 for a full discussion of the Fly-America Act and links to other helpful resources.

Intellectual Property

WPI's Intellectual Property Policy relates to technology developed by WPI faculty, staff, and others participating in WPI programs. The term “technology” is broadly defined and includes technical innovations, improvements, inventions, and discoveries, as well as writings, computer software, and other information in various forms.

The policy defines the ownership, distribution, and commercialization rights associated with such technology in the form of intellectual property, e.g., patents, copyrights, trademarks, and mask works. It also defines policies and procedures that govern use and distribution of the technology in its tangible form. The policy also sets forth a distribution formula for royalties received by WPI from technology/intellectual property licenses.

Effort Reporting Policy

Summary

The University is required by Federal Regulations (OMB Circular A-21) to maintain an Effort Reporting System as a means to ensure salaries and wages charged or cost-shared to sponsored research awards (for a specific period) reasonably reflect actual time devoted to the project.
Any individual involved in overseeing, administering, or participating in any portion of an externally sponsored award should have knowledge of this policy. This includes, but is not limited to Principal Investigators (PIs), Department Grant Administrators, Deans, Department Heads, and representatives from administration, including the Office of Sponsored Programs, Controller's Office, Sponsored Research Accounting and Human Resources.

**Effort Reporting System Overview and Responsibilities**

All faculty and staff who are involved in allocating salaries and wages to sponsored awards, managing sponsored awards, or completing effort reports are required to understand how their salary charges are distributed and to verify that his/her salary distribution reasonably reflects the actual effort devoted to the projects being charged. In addition, PIs are expected to provide reasonable estimates of the percent of effort necessary to carry out each proposed project, including effort related to cost sharing commitments, and to obtain appropriate prior approvals for significant changes as required by sponsor awards and regulations.

Reported effort is the proportion of time expended to accomplish the individual’s University’s activities, regardless of the actual number of hours expended on those activities. Total reported effort for an individual must equal 100%. 100% effort is not defined as a single, standard number of hours or days per week. The number of hours implicit in an employee’s “100%” must be reasonable and supportable to department, university and external reviewers, if requested. In most circumstances, a minimum of 40 hours (assuming a full-time schedule) and a maximum of 80 hours would be considered a reasonable average work week. Effort does not include effort resulting in compensation from sources other than the University, such as individual consulting fee compensation.

**Time and Effort Recording**

The University uses the After-the-fact Activity Records approach to certify the effort of all salaries and wages paid to faculty, professional and non-professional employees.

Exempt and professional staff time is charged on the basis of information on the most recent approved Change in Personnel Status Form (PSF) or Electronic Personnel Action Form (EPAF). This creates the initial distribution of effort to be certified on the semi-annual effort report or modified as necessary to present an accurate record of how the time charged is spent.

- Prospective modifications can be made via PSF or EPAF.
- Retroactive changes are made via the effort certification process (see section titled “Effort Distribution Adjustments”).

Non-exempt personnel report their effort on a bi-weekly basis using time sheets.
Effort Certification System and Procedures

Exempt employees (faculty and professionals) who have devoted effort to sponsored awards, in part or in full, certify their effort semi-annually via the Online Employee Distributions Report (effort report). These reports include pre-populated effort percentages based on payroll distributions. These percentages and amounts paid are used as a starting point for reviewing and certifying effort. The effort reports are produced twice a year and must be reviewed, adjusted as necessary, and certified electronically. Reports should be certified within ten business days after receipt.

- July 1 through December 31 - sent late January
- January 1 through June 30 - sent late July

Effort reports for each employee having devoted time on a sponsored award are generated in the Banner Effort System. He/she is responsible for ensuring the reports are reviewed, changed if necessary, and certified electronically.

All effort reports should be certified by the employee or a responsible person with suitable means of verification that the work was performed.

Non-exempt employees (undergraduate and graduate students, and non-exempt staff), who are paid bi-weekly, report their hours worked on time sheet approved by the employee and the employee’s supervisor. Certification of effort for these employees will be done when the time reports are completed and reviewed for submission to Human Resources.

Effort Distribution Adjustments

Effort distribution adjustments (payroll reallocations) are required when there are changes in effort of five percent (5%) or more between sponsored research awards. All changes must be certified by either the employee or other responsible person who has suitable means to verify the effort expended or work performed.

Retroactive Adjustment for Exempt Employees:

1. Sponsored Research Accounting will receive notification that an effort report needs a retroactive change.
2. The Department will complete a Change in Personnel Status Form (PSF) or Electronic Personnel Action Form (EPAF).
3. Human Resources will enter the adjustment(s) between sponsored research awards in the Banner Human Resources System.

Retroactive Adjustments for Non-Exempt Employees (bi-weekly):
1. Time sheets are sent to departments with pre-printed FOAPALs.
2. The department will either certify to this pre-printed distribution or change the
   Grants and/or FOAPALS.
3. Time sheets are forwarded to Human Resources on the due date by the
   departments.
4. Human Resources will process the time report by charging the distribution as
   noted on the form.

Contact Personnel

Sponsored Research Accounting is responsible for administering the University's Effort
Reporting System. Questions about the Effort Reporting System and procedures should
be addressed to:

Heather Bilotta, Mgr, Sponsored Research Accounting, ext. 5422 or hbilotta@wpi.edu
Charlene Bellows, University Controller, ext.5577 or cbellows@wpi.edu

Things to Remember:

- Any changes in labor distribution must be made and submitted in a timely
  manner to reduce the number of payroll reallocations to be made on effort
  reports (exempt) and to have the correct FOAPAL numbers on time sheets (non-
  exempt).
- After effort reports have been certified no additional changes can be made to the
  labor distribution for that six-month period.

Effort Reporting Frequently Asked Questions (FAQs)

1. What is effort and effort reporting?
   Effort is the proportion of compensated time devoted toward any University activity; it is
   expressed as a percentage of the total institutional activities of the employee. Effort
   reporting is a process required by the federal government in OMB Circular A-21,
   “Principles for Determining Costs Applicable to Grants, Contracts, and Other
   Agreements with Educational Institutions,” as a means of verifying that compensation or
   cost sharing charged to sponsored projects is reasonable and reflects actual work
   performed. Effort reporting provides a means of verifying that:

   - Effort compensated by a sponsored project has been devoted, as promised
     (direct charge), and
   - Effort expended on a sponsored project, but compensated by the University
     (cost sharing), has been devoted, as promised.
As prescribed in OMB Circular A-21, personnel activity reports must account for all effort for which the University compensates the individual. This includes all effort expended on sponsored projects, administration, business development, instruction and non-sponsored scholarly activity, clinical activity, and other activity. It does not include effort for which the employee receives compensation directly from another entity (i.e., independent consulting work). It is important to consider that effort is not calculated on either a 37.5 or 40 hour workweek or other University approved standard workweek. Thus, even when the number of hours of effort the employee expends during the period reported substantially exceeds the "normal" workweek of 37.5 or 40 hours, the total effort expended by the employee must account for all the work performed by the employee and cannot exceed 100%.

Example: If the employee worked 40 hours in one week on a sponsored project and 20 hours in the same week on an unrelated University project, then the employee's effort report should show 67% effort devoted to the sponsored project (40 hours divided by 60 total-effort hours) and 33% on the unrelated University project -- regardless of the fact that the employee's normal work week might be 40 hours. Effort is expressed as a percentage based on the total number of hours worked by the individual and is not reflected as hours. The total effort expended cannot be more than – or less than – 100%.

2. Why is effort reporting important?
Certified effort reports provide auditable documentation to confirm that WPI personnel did, in fact, commit the level of effort described in a proposal as awarded to the University. Both direct (salary and fringe benefits) and indirect costs may be disallowed and penalties imposed if the federal government finds such documentation to be inadequate. In addition, individuals may be subject to criminal penalties for knowingly falsifying the certification of effort on a report. Finally, audit findings can and often do make headlines, which the University must avoid.

3. Who is subject to effort certification requirements?
Any individual, who works any portion of his or her time on sponsored projects or activities whether compensated or uncompensated by that project, is required to certify effort in accordance with the procedures in the WPI Effort Reporting Policy. WPI faculty and professional staff will certify their effort on sponsored activities two times per year (July – December and January - June). WPI personnel paid via timecards will continue to provide the required certification of their effort through completion and signature of new timecards, which require supervisor and/or department head signature and approval. Signed timecards provide auditable documentation of an employee’s certified effort.

4. Is it necessary to certify effort associated with other compensation?
When an employee receives compensation directly from another entity (i.e., outside consulting work), this effort need not be considered.

5. Who should certify effort reports?
Federal effort reporting guidelines require that either the individual or someone having first-hand knowledge of the activities performed by the employee must certify effort reports. OMB Circular A-21 provides that the person signing the effort report must have "suitable means of verification that the work was performed." In most cases, this will be the employee performing the work. In the employee's absence, the principal investigator or other staff member with first-hand knowledge of the work may also certify the effort report. The certifier must be able to verify that persons listed on sponsored projects performed the work.

6. How often do I need to certify effort?
For faculty members and professional staff, effort certification is required two times per year (July – December and January – June). Other employees will use time cards to document effort on a bi-weekly basis.

7. When is it necessary to make adjustments to effort or payroll distribution?
Anytime that payroll does not reasonably reflect how the employee spent his/her time on the certified effort report by a margin of +/- 5%, a retroactive adjustment to effort and payroll distribution is necessary. OMB Circular A-21 recognizes that activities that comprise an individual's total effort (teaching, research, service, administration, etc) are often difficult to separate and that "an exact assessment of factors that contribute to costs is not always feasible, nor is it expected." Certification must rely on a reasonable estimate of effort during a specified time period, and when estimating, a degree of tolerance is acceptable and appropriate. WPI recognizes this degree of tolerance to be no more than +/- 5%.

8. How do I determine if my effort is a direct charge or cost sharing?
Cost sharing is a commitment of institutional funding or resources for which the University is not reimbursed by the external sponsor. As a general rule, anytime an individual’s level of effort exceeds the amount of equivalent payroll distributed as a direct charge to a sponsored project, the result is cost sharing (i.e., when effort exceeds pay, the University must pay for the difference out of its own funds) because this cost is not paid by the sponsor. There are two types of cost sharing (committed has two components):

- Committed Cost Sharing
  - Mandatory Committed - This type of cost sharing is required by a sponsor as a condition of award. Mandatory cost sharing results either from statutory requirements or from agency policy requirements.
  - Voluntary Committed - This type of cost sharing is not required by the sponsor, but is offered by an institution as a demonstration of its commitment to the project. When voluntary cost sharing is included in a proposal budget or elsewhere in the text of a proposal, it becomes committed cost sharing once the award has been made.
- **Uncommitted Cost Sharing** - This type of cost sharing results from contributions made toward a sponsored program above the amount committed and budgeted for in an award. Uncommitted cost sharing does not have to be tracked, documented, or reported to federal sponsors, and is not included on effort reports. This type of cost sharing occurs when effort exceeds compensation.

9. **My sponsoring agency requires that I express my effort in terms of person-months, but I must certify my effort in terms of % effort. How do I convert person-months to % effort?**

To convert person-months to % effort, divide the number of person-months by the total number of months in the period.

**Example:**

1.5 person-months in the summer:

\[
\frac{1.5 \text{ (person-months)}}{6 \text{ (total number of months in the July – Dec. effort period)}} = 25\% \text{ effort}
\]

3.5 person-months in the second half of the semester:

\[
\frac{3.5 \text{ (person-months)}}{6 \text{ (total number of months in the Jan. to June effort period)}} = 58.33\% \text{ effort}
\]

10. **If a 9-month employee is awarded salary for 100% of their effort during the summer term, as approved in advance by the Provost, can they still participate in non-grant related activities during the summer term? Take a vacation? Write and submit proposals?**

No. If an employee has been awarded 3-months (i.e., 100%) of their summer salary by an extramural agency, the agency expects that individual to devote 100% of her/his effort on the funded project(s). This means that normal academic year activities (i.e., teaching, advising, committee service, proposal writing, etc.) should be discontinued during the summer months. This also means that vacation time off is not allowed during the summer months.

11. **If I am the PI on a grant that pays 100% of my summer effort, can I direct students working on my research?**

Yes. To the extent that effort associated with directing the research of students working on the PI's research is required to complete an approved scope of work, it is an allowable activity.
Appendix

Controller’s Office Disbursement Approvals

- Disbursements include check requests, wire transfers, pcards, and expense reports
- Controller’s Office approval occurs after departmental approvals
- No approval required for amounts < $100 except for Research
- Sole Source/Vendor Justification Form required for purchases ≥ $10,000
- Receipts for expense reports to be verified by Deb for proper documentation before forwarding for approval
- Approvers to verify invoice amount, business purpose, description, account numbers, and financial manager/supervisors
- Accounts payable to verify remit to, invoice # and due date upon entry into Banner

<table>
<thead>
<tr>
<th></th>
<th>Research Funds 20/21/22</th>
<th>Operating Funds 11001</th>
<th>All Other Funds</th>
<th>Expense Reports (not Research)</th>
<th>Travel Advances</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤$3,000</td>
<td>Jenn/Karen</td>
<td>Joyce</td>
<td>Lauren</td>
<td>Joyce</td>
<td>Charlene</td>
</tr>
<tr>
<td>&gt;$3,000 - $5,000</td>
<td>Jenn/Karen</td>
<td>Lauren</td>
<td>Lauren</td>
<td>Joyce</td>
<td>Charlene</td>
</tr>
<tr>
<td>&gt;$5,000 - &lt;$10,000</td>
<td>Jenn/Karen</td>
<td>Lauren</td>
<td>Pat</td>
<td>Pat</td>
<td>Charlene</td>
</tr>
<tr>
<td>≥$10,000 - &lt;$50,000</td>
<td>Heather</td>
<td>Charlene</td>
<td>Charlene</td>
<td>Charlene</td>
<td>Charlene</td>
</tr>
<tr>
<td>≥$50,000</td>
<td>Heather &amp; Amy</td>
<td>Amy</td>
<td>Amy</td>
<td>Amy</td>
<td>Amy</td>
</tr>
</tbody>
</table>

Approvals by fund/fund type to be managed by Heather and Charlene

Controller’s Office IDT Approvals

<table>
<thead>
<tr>
<th></th>
<th>Research Funds 20/21/22</th>
<th>Operating Funds</th>
<th>All Other Funds</th>
<th>Transfers (a/c 8*)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$10,000</td>
<td>Jenn/Karen</td>
<td>Lauren</td>
<td>Lauren</td>
<td>Charlene</td>
</tr>
<tr>
<td>≥$10,000 - &lt;$50,000</td>
<td>Heather</td>
<td>Charlene</td>
<td>Charlene</td>
<td>Charlene</td>
</tr>
<tr>
<td>≥$50,000</td>
<td>Heather &amp; Amy</td>
<td>Amy</td>
<td>Amy</td>
<td>Amy</td>
</tr>
</tbody>
</table>

Approvals by fund/fund type to be managed by Heather and Charlene