7. ACCOUNT SET-UP AND AWARD MANAGEMENT

7.1 Sponsored Programs Responsibilities

- Negotiate and accept, or recommend for acceptance, all awards.
- Administer all awards, including postaward changes, e.g. rebudgeting, no-cost time extensions, etc., and submission of miscellaneous reports, e.g. invention reports, small and disadvantaged business utilization (SADBU) reports, etc.
- If request for rebudgeting is made and such request includes costs that are normally indirect costs, such request much be accompanied by a Direct Charge Justification form. Sponsored Programs staff will review the proposed charges for compliance with OMB Circular A-21.
- Review all invention and creation disclosures whether sponsored or unsponsored; and disclose inventions and creations to sponsors other than those federal agencies that utilize i-Edison invention reporting system.
- Write and/or review, negotiate and administer subcontracts to lower tier contractors.
- Serve as liaison among principal investigators/researchers/staff and sponsors.

7.2 Sponsored Projects Accounting Responsibilities

- Establish all restricted WBS elements for sponsored projects and gift accounts
- that are not related to endowment funds.
- Provide accurate and timely invoices and financial reports to sponsors.
- Ensure the rapid collection of all monies owed to the university under these awards.
- Apply sponsored projects payments to the appropriate outstanding invoices or
- directly to the appropriate WBS elements.
- Provide regulatory guidance to Principal Investigators, Department Heads and
- departmental accounting staff.
- Request and distribute funds from federal agencies under letter of credit system.
- Act as primary point of contact for external audits.
- Provide sponsored projects accounting training to university personnel.

7.3 Principal Investigator (PI) Eligibility and Responsibilities

7.3.1 Eligibility

Persons who serve as principal investigators must be employees of the University—faculty or staff — and must be approved to serve in that capacity by the relevant department head(s) and dean(s)/director(s). They may be active, adjunct, or emeritus employees.

- Graduate students may serve only as co-principal investigators.
- Undergraduate students may not serve as principal or co-principal investigators.

7.3.2 Responsibilities

- Use his/her best efforts to perform project in accordance with approved statement of work.
- Ensure that all project staff are thoroughly trained and properly supervised.
- Maintain close oversight on all charges to a project's WBS element, including subcontractors' charges—making sure all charges are allowable, properly approved and processed in a timely manner. If postaward changes are needed, e.g. rebudgeting, time extensions, etc., it is the principal investigator's responsibility to obtain the necessary approvals of either the sponsor or the Office of Research, as applicable.
- If PI requests rebudgeting and such request includes costs that are normally indirect costs, he/she must attach to the request a Direct Charge Justification form (Link).
- Submit report(s)/deliverable(s) as required in award, including but not limited to, Small and Disadvantaged Business Utilization (SADBU) reports, interim and final technical reports (send a copy of the report transmittal letter or cover sheet to the Office of Research for its files), etc.
- Obtain and keep current all required regulatory compliance approvals, e.g. human subjects, animal welfare, biohazards, and biosafety, etc.
- Ensure that all persons who work on a project have completed Outside Interest Disclosure Forms and that they update their disclosures if circumstances change or at least annually, whichever is less, throughout the life of the project, as required by and in accordance with University policy FI0125 .
- Maintain project data, including research records necessary to support inventions and creations, in accordance with generally accepted principles.
- Disclose all inventions and creations to the Office of Research in accordance with University policy.

7.4 Fiscal Responsibilities

The Principal Investigator is primarily responsible for ensuring all costs are appropriate, allocable, allowable, reasonable, and within the project's period of performance to be charged to a project. However, ultimate fiscal responsibility falls upon the Principal Investigator's department. Please note that any disallowed expenditures will become the liability of the department.

It is highly recommended that those responsible for expending funds be aware of all regulations that may affect their award such as:

- UT's fiscal policy on sponsored projects (http://www.tennessee.edu/policy and search for "contracts")
- Federal OMB Circulars A-21 and A-110 available at http://www.whitehouse.gov/omb/circulars/index.html
- and their sponsor's own financial regulations.

It is recommended that the departmental accounting office have a copy of the award agreement to help ensure the proper charging for the award. Official fully executed award documents are kept in the Sponsored Projects Accounting office.

Ledgers need to be reviewed and reconciled on a monthly basis to ensure the project is being charged appropriately. If WBS elements are not properly reconciled, then the university risks either over charging or under billing a sponsor. Overcharging an award can lead to serious implications for the PI and University, especially if it is a federal award. The following is a link to Audit and Consulting Services website for information and proper instructions: http://audit.tennessee.edu/.

7.5 Establishing an Expenditure Account

7.5.1 Receipt of Fully Executed Agreement

Once Sponsored Projects Accounting (SPA) receives the fully executed award agreement from the Office of Research, a WBS element will be created, if needed. It is SPA's goal to create the WBS element(s) within 24 hours of receipt of the award agreement. Before the newly established WBS element is ready to be used, a budget must be added to the IRIS system. This can add an additional day or two before the new WBS element is open for posting.

7.5.2 Advance Accounts

The Controller's Office has developed a form that may be used to request an advance WBS element located online at http://controller.tennessee.edu/grants/. The sponsored project WBS element can be established in IRIS and released for posting before the signed award document is received from the sponsor. This mechanism is normally used for those projects that the PI and Department Head feel confident will be eventually awarded by the sponsor.

For example, UT may have unofficial correspondence, such as email, from sponsor program officers that confirms the funding. Or, the UT PI may have been doing this work for this sponsor every year for the last fifteen years; and there is every reason to be confident that year sixteen will be awarded.

The decision to begin incurring charges must be made based on the evaluation of the PI and Department. If the proposal is not funded by the sponsor, then any charges to an Advance WBS element must be transferred elsewhere within the department.

7.6 WBS Element General Ledger/Commitment Codes

Expenditures on sponsored program accounts, i.e. WBS elements, are restricted funds, i.e. the funds must be used as stipulated in the award from the sponsor.

During proposal review in OR, staff translate each proposal budget into university general ledger or commitment codes. Only after the budget has been entered into IRIS using general ledger or commitment codes can a WBS element be activated and expenditures can be recorded.

General ledger or commitment codes and code definitions can be found at http://controller.tennessee.edu/, General Accounting, IRIS General Ledger Account List and IRIS General Ledger Account Definitions.

7.7 Rebudgeting

Proposed budget revisions must be approved by the Office of Research either solely if the university has the authority to do so, approved and countersigned by the Office of Research if such request must be forwarded to and approved by the sponsor, or electronically in accordance with sponsor's guidelines. Each request for rebudgeting must contain or be accompanied by any necessary explanation(s) or supporting documentation, e.g. listing of general ledger codes showing how each general ledger code will be affected. The Office of Research must (1) ensure that the award has no other restrictions; (2) determine whether the request meets sponsor's guidelines; and (3) determine whether the proposed cost(s) is allocable, allowable, reasonable and necessary. If a proposed budget amendment includes cost(s) normally charged as indirect costs, the PI must complete and forward to the Office of Research a **Direct Charge Justification form**. The SP grant/contract administrator makes an initial determination whether the proposed cost(s) warrant(s) exception from OMB Circular A-21 coverage, and the final determination is made by an authorized OR official.

It is especially important to remember that moving funds from a general ledger code that does not incur F&A costs to one that does will result in fewer direct collars being available. For instance, moving $5,000 from equipment (a non-F&A incurring code) to travel (an F&A incurring code) under an off-campus research project would result in the following budget changes: $5,000 would be deducted from general ledger code 461000 (equipment); $3,968 would be added to general ledger code 431000 (travel); and $1,032 (26% x $3,968) would be added to general ledger code 501000 (F&A). Conversely, moving funds from a general ledger code that incurs F&A costs to one that does not would result in more direct dollars being available to the PI.

For instance, if a PI needed $5,000 in equipment and had at least $3,968 funds available in general ledger code 431000 (travel) one could make the following budget changes: $3,968 would be deducted from general ledger code 431000 (travel); $5,000 would be added to general ledger code 461000 (equipment); and $1,032 would be deducted from general ledger code 501000 (F&A).

Significant postaward rebudgeting, once approved by OR or the sponsor, will be made in IRIS changing the budget's general ledger codes; and documentation of rebudgeting approval will be maintained in the project file in the Sponsored Projects Accounting office. Note that budget revisions will not be made merely to tidy up a project WBS element.

7.8 Program Adjustments and Time Extensions

Sometimes a principal investigator finds it necessary to extend the performance period on a grant or contract. Extensions can be arranged fairly easily if the extension is fully justified and requested and approved in advance of the award expiration date. An extension should never be requested merely to utilize remaining funds.

To request an extension of a grant or contract <u>not under expanded authority</u>, the principal investigator should write a letter to the sponsor's grant or contract officer (perhaps but not generally the technical officer) stating the reason for the requested extension, the length of the extension, and the amount of funds remaining in the grant or contract account. The letter should be signed by the principal investigator and countersigned by an authorized official in OR. If approved by the sponsor, the University may receive either a modification to its grant or contract, or in some instances, the grant or contracting officer will countersign the University's request to signify approval. To request an extension of a grant or contract <u>under expanded authority and not electronic</u>, the principal investigator should complete an Expanded Authority Approval Form (Link) and forward it to OR. Once the authorized OR official has approved the request, OR will notify the sponsor and the University Sponsored Projects Accounting office that it has approved a no-cost time extension, and it will update the Coeus database to reflect the approved extension.

To request an extension of a National Science Foundation (NSF) grant that is administered via FastLane, the principal investigator should access FastLane, complete a request for an extension under the Notifications and Requests section, and submit the request to the sponsored research office (SRO), i.e. the Sponsored Programs section of OR. Upon approval, SP staff will forward the request to NSF for information or for review/approval. For extensions of other electronic awards, please contact the OR staff member who handles that sponsor's awards (Link).

7.9 Subawards

7.9.1 Overview

This section describes procedures for establishing and administering subcontracts for research, development, and services under prime grants and contracts awarded to The University of Tennessee. Responsibilities at various stages in the subcontracting process are shared by the principal investigator, the department head or chair, and OR, as indicated. The principal investigator is responsible for both the technical performance and fiscal oversight of each subcontractor on his/her sponsored project.

A subcontract is a legal document by which the university procures the services of another entity in support of a project for which the university has secured external funding. Throughout this section of the manual, the terms subcontract, subcontracting, and subcontractor are used in a general sense to refer to any possible type of subagreement, including subcontracts, subgrants, cooperative agreements, and others.

Both OR's subcontract files and the official fiscal files in Sponsored Projects Accounting are audited.

7.9.2 Types of Collaborations

When investigators at different institutions want to work together on a sponsored project, they must first decide how their project will be administered. Does it make sense to apply for individual project support, or should they all work together on a large contract with subcontracts? Will there be a lead institution overseeing the collaboration? Will some investigators be paid as consultants? If the decision is to apply for one contract, which institution is to be the grantee (also known as the prime contractor, or lead institution)? The other investigators' institutions will be collaborating institutions. The principal investigator at the grantee institution is responsible for preparing the grant application, while investigators at the collaborating institutions must prepare subcontract proposals to be incorporated into the application.

7.9.3 Consultants vs. Subcontracts

A consultant is a firm or individual who provides professional or highly technical advice or assistance to the university, over which the university controls the results but not the manner in which the service is performed. A consulting agreement may be appropriate in the following circumstances:

- the task is to be accomplished through the efforts of one person who is an established consultant, or employee of an established consulting firm and
- the task is singular in nature and is to be accomplished over a relatively short period of time.
- The University's Conflict of Interest Policy prevents any employee, the immediate family of an employee, or a firm in which an employee has an interest from serving as a consultant to a sponsored project administered by the University. A subcontractor is a firm or individual who provides professional or highly technical effort on a substantial portion of a project. The University may not control the manner in which the services are performed. A subcontracting agreement may be appropriate in the following circumstances:
- the work to be accomplished is a definite and identifiable segment of a project;
- the statement of work encompasses a variety of activities; and
- periodic reports or other deliverables must be furnished in accordance with a schedule required by the University's prime contract or by the University.
- Occasionally, a cooperative agreement will be appropriate. A cooperative agreement is a project in which the sponsor will have regular, continuing input regarding technical aspects and the plan of work.

7.9.4 Subcontract Types

The following mechanisms, as set forth in the Federal Acquisition Regulations (FAR), can be used to establish subcontracts. Although the majority of subcontracts issued by the University will be cost-reimbursement type, judgment must be exercised to determine which subcontract type is appropriate to a particular project. This section is intended to characterize those subcontract types most commonly utilized by the University.

If the prime agreement is a grant, the subagreement should be called a subgrant. A subgrant generally provides support of specified activities without specific end-products or deliverables except for reports describing the funded activities. If the prime agreement is a contract, the subagreement should be called a subcontract. A subcontract generally provides support of projects with identified end-products or deliverables specified in advance.

7.9.5 Cost-Reimbursement Subcontracts

Cost-reimbursement subcontracts provide for payments to the subcontractor of allowable costs incurred in the performance of, and to the extent prescribed in, the subcontract. The subcontract establishes an estimate of total costs for the purpose of (1) obligation of funds and (2) setting a funding ceiling which the subcontractor may not exceed (except at the subcontractor's own risk) without prior written approval of the University. There are three types of cost reimbursement subcontract.

7.9.5a Cost

A cost-reimbursement subcontract under which the subcontractor receives no fee.

7.9.5b Cost-plus-fixed-fee

A cost-reimbursement subcontract which provides for the payment of a fixed fee to the subcontractor. Once negotiated, the fixed fee does not vary with actual cost, but may be adjusted as a result of any subsequent changes in the work or services to be performed under the subcontract. Because the fixed fee does not vary in relation to the subcontractor's ability to control costs, the cost-plus-fixed-fee subcontract provides the subcontractor with only a minimum incentive for effective management control of costs.

7.9.5c Cost-sharing

A cost-reimbursement subcontract for use in research and development procurement actions under which the subcontractor is reimbursed only for an agreed-upon portion of allowable costs. The subcontractor agrees to cost share a portion of the direct and/or facilities and administrative (F&A) costs of performance in the expectation of substantial compensating benefits.

7.9.5d Firm Fixed-Price Subcontracts

Firm fixed-price subcontracts set a price that is not subject to any adjustment by reason of the cost experience of the subcontractor in the performance of the subcontract. This type of subcontract places minimum risk on the prime contractor. Because the subcontractor assumes full responsibility, in the form of profits or losses, for all costs under or over the firm fixed price, the subcontractor has a strong incentive for effective cost control and contract performance. This type of subcontract imposes a minimum administrative burden on both the University (as prime) and the subcontractor.

7.9.6 Subcontract Proposals

7.9.6a When UT is the Prime Contractor

If UT is the grantee institution, the UT principal investigator should prepare the proposal in the same manner as any other proposal (see Chapter 3). The PI should collect subcontract proposals from the collaborators, attach them to the full proposal, and incorporate the subcontract costs into the budget category "Contractual Costs." UT can charge facilities and administrative (F&A) costs only on the first $25,000 of any subcontract or consulting agreement. The $25,000 limit applies to the total of subcontract funds for the entire contract period (e.g., a three year contract involving $10,000 subcontracts in each of the years would warrant indirect cost on $25,000 of the total of $30,000 over the entire contract period).

In collecting subcontracts to append to a proposal, the UT PI should make sure that each subcontract contains a specific statement of work or line of scientific inquiry, a related budget, and the signature of a person authorized by the subcontracting organization to commit the subcontractor. In the event that a subcontract is contemplated subsequent to the University's receipt of a prime contract, the PI should follow the provisions of that prime award in seeking approval of the funding agency to issue a subcontract.

7.9.6b When UT is the Subcontractor

If UT is a subcontractor, the UT principal investigator should prepare a proposal as outlined above (and as specified in the contract RFP), and obtain institutional approval with the Yellow Sheet, as described in Chapter 5. The proposal must have institutional approval before being sent to the lead grantee institution; allow plenty of time for the approval process, and for transmission to the lead institution well before the deadline date.

Such proposal consists of the following:

Face page. Indicate the subcontracting ID number, animal or human subjects approval dates, the annual and total budgets for the subcontract, the subcontracting investigator's department, campus address and phone numbers, the subcontracting institution's research office address (electronic and postal) and phone number, and institutional signoff.

Budget. Include all relevant costs for the subcontract: personnel, fringe benefits, equipment, supplies, etc., and facilities and administrative (F&A) costs (listed under "Other"). The category "Total Direct Costs" should be renamed "Total Costs." A summary budget for all years of the proposed project should be included, using the same format.

Budget Justification. Explain how the budget figures were derived, and why charges are necessary.

Statement of Work. Describe what work will be done, where, and by whom. Checklist. Provide all the necessary assurances and indicate the facilities and administrative (F&A) cost rate and agreement date.

Other Information. This category can include bibliographies, vitae, facilities descriptions, and so on, as needed.

Once the subcontract proposal has been approved by OR, OR will prepare a letter of collaboration for transmittal of the proposal to the lead institution.

7.9.7 Establishing the Subcontract

7.9.7a When UT is the Prime Contractor

When UT receives a prime contract award, OR will be responsible for preparing the final subcontract documents for collaborating institutions. The subcontract administrator in OR gathers the necessary internal approvals for the issuance of a subcontract, audits the subcontractor's budget, secures a financial statement from the proposed subcontractor, negotiates the proposed subcontract, and drafts the subcontract document.

A. Initiating the Subcontract

The PI completes and signs an Approval of Subcontract form (Link), which contains the following information:

- Prime contracting agency
- Prime contract number
- UT WBS element
- UT principal investigator
- Legal name and address of subcontractor
- Amount to be paid
- Period of performance
- Reports
- Name of person to whom notices should be sent
- Deliverables

Signature of the principal investigator on this form indicates his/her approval of the subcontract and acknowledges his/her responsibilities regarding the administration of the subcontract.

a) The principal investigator evaluates the subcontractor's budget to determine if the budget is reasonable. Such a decision may be based upon the PI's experience of conducting research or the research experience of his/her colleagues.

b) The principal investigator completes the form, Justification for Non-Competitive Purchases, located at the Treasurer's Office Web site http://treasurer.tennessee.edu/contracts/Justification/default.htm and forwards it along with the Approval of Subcontract form and the subcontractor's proposal to OR.

c) The head or chair of the department which will maintain all fiscal records and oversee the technical effort of the subcontractor also signs the Approval of Subcontract and the Justification for Non-Competitive Purchases form which acknowledges his/her responsibilities regarding the subcontract.

B. Subcontractor Qualifications

a) **Financial Capability.** Prior to issuing the subcontract, the subcontract administrator requests that the subcontractor forward to OR a copy of its most recent audit report or a letter advising that a report is not available. This report is forwarded upon receipt to the Controller of the University who reviews the audit for financial strength and management capability.

b) **Technical Capability.** The subcontract administrator reviews the Justification for Non-Competitive Purchase written by the University's PI. Factors to consider include: the type of organization, past performance, required facilities, accounting policies and procedures, procurement procedures, and personnel practices.

c) **Independent Subcontractors.** Subcontracts should only be entered into with independent subcontractors. Independent subcontractors are individuals or firms that (1) are engaged to perform specific services for a stated fee or contracted amount, (2) provide services to the public, and (3) are subject to university control only as to the end results, and not the methods of obtaining them. Individuals who are not independent subcontractors should be placed on the University's payroll.

d) **Prohibition Against Employee-Owned Businesses.** Except as provided for in Fiscal Policy Statement No. 05 - Section 130 - Part 01, the University is prohibited from subcontracting to a company, firm, or corporation in which a University employee holds a controlling interest, which is defined as ownership or control of the largest number of outstanding shares owned by a single individual or corporation (T.C.A. 12-4-104).

e) **Final Determination.** The University must be satisfied that the proposed subcontractor is responsible, technically capable, and fiscally accountable.

C. Drafting the Subcontract

OR's subcontract administrator drafts the subcontract document, taking into consideration the flow-through provisions from the prime award as well as whether the subcontractor is an educational, non-profit, or for-profit institution or corporation. The subcontractor's proposal is referenced in and/or attached to the subcontract. The University has developed a standard short subcontract form which can be used in some instances (Link). Please note, however, the majority of subcontracts require flowdown provisions, reporting requirements, deliverables, certifications, etc., which the standard form does not address. OR has developed another, longer standard subcontract form to deal with some of these requirements (Link).

D. Review and Authorized Signature

Since University subcontracts have also been delegated to the campus level for signature, except for foreign agencies, three copies of the subcontract are drafted. One copy is sent to the University PI for his/her information and two copies are sent to the Associate Vice Chancellor for his/her signature. The subcontract is logged into the University's Contracting System where is it is given a "tracking number." If the subcontractor is a foreign agency then full review is required. Two originals of the subcontract are forwarded to the Treasurer's office where it is logged again into a contract tracking system and disseminated as follows: one original goes to the appropriate University attorney who reviews the subcontract for its legality, and the second original to the Treasurer's Office for fiscal review. When the subcontract has passed both legal and fiscal reviews, the Treasurer's office sends both originals to a University Vice President for signature. Then, the subcontracts are returned to the Treasurer's office for distribution back to OR.

OR forwards both originals to the subcontractor, along with any required certifications. The subcontractor is instructed to execute both subcontract documents and all certifications, retain one original and return the original with certifications to OR's subcontract administrator.

When the subcontract is returned to OR, it is forwarded to the university's official file which resides in the Treasurer's Office. The certifications are maintained on file in OR until the prime contract is terminated.

Every subcontract issued under a sponsored activity, and every subcontractor who performs that activity is recorded in the university's Coeus database.

7.9.8 Administering the Subcontract

The subcontract administrator monitors the reporting requirements of the subcontractor to ensure that patent reports and small business and small disadvantaged business plan reports are submitted. Further, the subcontract administrator evaluates the extent to which the subcontractor is achieving its stated goal to utilize small businesses or small disadvantaged businesses. He/she sets up a checklist for use in managing the details of the subcontract (Link). The principal investigator is responsible for overseeing the technical efforts of the subcontractor, including submission of progress reports required under the subcontract and other reports as required by the prime grant or contract or that the PI may determine are needed. In addition, the PI is responsible for approving subcontractor's invoices by initialing each invoice (see Chapter 7.9.8a). The head or chair of the department which is maintaining technical and fiscal oversight of the subcontract is responsible for all expenditures incurred as set forth in the university's fiscal policies and procedures statements.

7.9.8a Payment of Subcontractor Invoice

The University is responsible for promptly reimbursing a subcontractor for all allowable costs as set forth in the subcontract.

Invoice addressee -- Each subcontract should include the name and address of the appropriate university employee who should receive the subcontractor's invoices. This person is usually the bookkeeper/accountant who is responsible for maintaining all fiscal records for its sponsored activities within the project department.

Payment frequency -- The university is prohibited by law from making payments before expenditures are incurred by the subcontractor in its performance under a subcontract. The university will not make payments to a subcontractor more than once each month.

Principal investigator responsibilities -- The principal investigator should review and evaluate subcontractor's progress reports and should instruct the appropriate university personnel to withhold payment if the subcontractor has not provided services commensurate with the subcontract. The PI should approve each subcontractor invoice by initialing the invoice. Final payment to the subcontractor may not be paid until the university's PI has notified OR in writing that the subcontractor has successfully completed its obligations under the subcontract.

Bookkeeper/accountant responsibilities -- The bookkeeper/accountant should, in a timely manner, (1) check the accuracy and completeness of each invoice, (2) ascertain that the invoice is in compliance with the terms of the subcontract, (3) ascertain that sufficient funds are available for payment, (4) properly designate the expenditure object code, account name, and account number to be charged, and (5) secure signature approval by a person authorized to commit project funds. In most cases, this authorized person would be the department head.

7.9.8b Postaward Changes

Under Expanded Authority -- If a subcontractor is covered by the government's policy expanded authority (as are most universities), it is allowed to make changes to the subcontract to the same extent it would be allowed to do so under a prime contract from the federal government. In all cases, however, it must submit any changes to OR's subcontract administrator, who is identified in the subcontract.

Outside of Expanded Authority -- If a subcontractor is not covered by the government's policy of expanded authority, or if the subcontract is under a university prime contract which is non-federal, the subcontractor must submit a written request to make changes to OR's subcontract administrator. The subcontract administrator will consult with the PI and take the action necessary to affect the change if he/she determines that the proposed change is allowable and warranted.

7.9.8c Closing Out the Subcontract

Upon completion of the subcontract, the principal investigator is responsible for securing an acceptable final report and/or deliverable(s), notifying OR that the subcontractor has satisfactorily completed its obligations under the subcontract and that the subcontract is ready for close-out. In turn, the subcontract administrator (a) advises the subcontractor that it has completed its obligations under the subcontract, (b) requests that a final invention statement be completed and returned to OR (Link), and (c) asks that a final invoice be submitted within 60 days to the department administering the subcontract. If required, Sponsored Projects Accounting may submit additional close-out documents to the subcontractor. Such documents include forms for subcontractor assignment of rebates, refunds, etc., a subcontractor's release form, and a final inventory of property purchased under the subcontract (Link).

Flowdown Provisions -- When the university subcontracts part of the work it has agreed to perform for the federal government, the university must pass down to the subcontractor all applicable provisions in the prime agreement mandated by the government. This flowdown is generally expressed as a series of stated or implicit agreement clauses that apply to the prime agreement and subcontracts at any tier. Required flowdown provisions differ according to the funding level. The State of Tennessee also requires that some contract provisions flow down to subcontracts. For grants and contracts, sponsoring agencies often require flowdown of specific published agency regulations. For example, NSF requires flowdown of certain provisions contained in NSF Grant General Conditions, and NIH requires flowdown of certain provisions contained in the PHS Grants Policy Manual.

FAR Clauses Incorporated by Reference -- Provisions of the Federal Acquisition Regulations (FAR) are incorporated by reference in typical federal prime contracts. The University must flowdown the applicable provisions to all subcontractors under federal prime contracts, with exceptions and additional information as noted. Individual prime contracts vary as to the FAR provisions incorporated and the terms and conditions which must be passed on to subcontractors. For example, contracts from NASA, DOD, DOE, and other agencies with published FAR supplements (NASAFAR, DODFAR, and DEAR, respectively) will often add clauses from their supplement and substitute supplement clauses for regular FAR clauses.

7.10 Project Reports

When a copy of the grant or contract is received by the principal investigator, he/she should note the reporting requirements. If the reporting requirements are unsatisfactory, he/she should immediately notify Sponsored Programs staff so that SP can negotiate a change with the sponsor. The principal investigator is responsible for submitting technical reports and subcontracting plans, if required, to the sponsor. The principal investigator should send OR a copy of the letter transmitting an interim technical report or the face page of the report. Some agencies may require that an authorized University official sign a technical report. In this case, the principal investigator should prepare the report and send it directly to OR. After signature, OR will notify the principal investigator that the report has been signed and is ready to be picked up for mailing to the agency.

The principal investigator, in conjunction with his/her bookkeeper, should prepare the small and disadvantaged business subcontracting plan reports and forward them to OR for review and signature. After signature by an authorized official, OR will notify the principal investigator that the report has been signed and is ready to be picked up.

The Sponsored Projects Accounting office is responsible for submitting invoices and other financial reports to sponsors. The principal investigator should cooperate with Sponsored Projects Accounting office by furnishing information and documentation as requested. In addition, Sponsored Projects Accounting Office is responsible for submitting property reports and closeout documents to sponsors.

OR is responsible for preparing and submitting interim and final invention reports, and reviewing and approving subcontracting plan reports, if applicable.

7.11 Invention and Creation Disclosures

Intellectual property developed by University personnel in the course of their employment, stemming from a sponsored program administered by the University, or with the substantial use of University funds or facilities should be disclosed to the University in accordance with the University's "Statement of Policy on Patents, Copyrights, and Other Intellectual Property" http://utrf.tennessee.edu/tto/policy.html.

An Invention Disclosure Form is used to disclose materials of inventorship, such as materials or devices, and a Creation Disclosure Form is used to disclose materials of authorship, such as software. The inventor(s)/creator(s) should complete the appropriate UTRF form, submit the form and all back-up materials to their department head(s) and dean(s) for approval, then pass the form to OR.

After determining whether any grant or contract under which the invention or creation was developed prohibits the rights to the invention or creation being assigned to the University of Tennessee Research Foundation (UTRF), an OR authorized official will sign the form and pass it on to the Committee on Patents, Copyrights, & Other Intellectual Property (PCIP) for further review. PCIP will, in turn, recommend disposition of each invention or creation. The PCIP may (1) assign the rights of the invention or creation to UTRF, (2) assign the rights to the sponsor whose funds supported the invention or creation, (3) return the rights to the inventor(s) or creator(s), or (4) other.

Discussions with sponsors regarding contractual agreements for projects which may result in intellectual property should be coordinated through OR. Questions regarding patents, copyrights, and other intellectual property may be directed to Sponsored Programs staff within OR, or to the University of Tennessee Research Foundation, Suite 403, 1534 White Avenue, Knoxville, TN 37996-1527, (865) 974-1882.

Except for electronic disclosure of certain federally-funded inventions/creations by UTRF via i-Edison, OR is responsible for disclosing inventions to sponsors.

7.12 A-21 Cost Categories and Effort Distribution Reporting

See University Policy FI0205 at http://www.tennessee.edu/policy and search for "sponsored grants and contracts."

7.13 Property Control

The capital equipment threshold for UT is $5,000; however, UT is also required to maintain property records on select items costing $1,000 to $4,999. The select items (minor sensitive equipment) include computers, printers, audiovisual equipment, etc. The equipment to be purchased should be included in the proposal to the sponsor. If it was not, sponsor permission may be required before purchase. Also, equipment purchased in the last days of the award period could be questioned or disallowed. The PI should be prepared to justify the purchase should questions arise.

The Principal Investigator's department is responsible for equipment purchased by their sponsored projects and is required to verify the inventory annually. The Controller's Office maintains these records for the entire university. Here is a link to their website for further details: http://controller.tennessee.edu/

7.14 Awards – Management and Retention

The Sponsored Projects Accounting (SPA) maintains the official, fully executed award agreement. Once the project has ended and all associated WBS elements are closed, the file containing the award agreement, all financial reports and/or invoices, correspondence, and the award proposal is then microfilmed. Once the file is microfilmed, then it is sent to records management to be destroyed. To this date, SPA has records going back several years.

Please note that documentation for supporting expenditures posting to awards are not kept in the official file, but are maintained in departmental accounting offices. Documentation needs to be kept for audit purposes and may be reviewed by UT Audit department, State Audit or by the sponsor's audit. Please see the following website for retention of documentation: http://www.tennessee.edu/policy and search for "records management."

7.15 Scientific Records – Management and Retention of Data

Following generally accepted guidelines for management and retention of scientific data can protect your intellectual property rights by establishing priority, help you survive an agency audit, help settle issues of publication credits for contributions to a project, and enable you to defend yourself against allegations of research misconduct. In addition, many grant and contract agreements have stipulations about retention and use of data. All data on sponsored projects must be retained by the University for a reasonable period of time, and it is the PI's responsibility to do so. If a principal investigator transfers to another institution, he/she may take a copy of project data for continuance of his/her research program unless prohibited by the applicable agreement, but in every instance, he/she must leave the original data at the University.

7.16 Audits

The university is subject to several audits during the year. Annually, the university is audited as required per OMB Circular A-133. This audit is conducted by the Tennessee Comptroller, Division of State Audit and is coordinated by the Controller's Office. Additionally, the PI may be contacted by their sponsor for a "program review". Programs reviews may include a review of the financial activity of an award. Other times, a sponsor may want to conduct its own audit of the award. If at any time you are contacted by your sponsor for an audit or program review, please inform the Controller's Office and the Sponsored Projects Accounting Office. SPA will act as a liaison between the sponsor and the department on financial issues.

7.17 Closeout of a Sponsored Project

Once a project has expired, personnel from the Sponsored Projects Accounting office will contact the departmental accounting staff to coordinate the final expenditures for the project. SPA will then either prepare a final invoice and/or financial status report to the sponsor. Many sponsors have different deadlines by which to submit a final report and invoice. It is very critical that these deadlines are met as there can be a risk of not collecting monies due to UT. For federal sponsors, UT generally has ninety (90) days to final report expenditures and bill/collect funds. Other sponsors, such as the State of Tennessee, may vary on the final reporting/billing deadlines. In some cases, these deadlines can range from thirty (30) days to one hundred twenty (120) days after the project ends.

7.17.1 Cost Reimbursement Awards

The University is only allowed to bill and collect the actual expenditures that are allowable per the terms and conditions of the award. Therefore, when the account balance is zero (expenditures minus funds invoiced/received) and all encumbrances are removed, SPA will put the WBS element in a CIP (Closing in Process) status, which blocks further expenditures from posting.

7.17.2 Fixed Price Awards/Item Based Awards

All related expenditures must be posted to the project account. Once all appropriate expenditures have posted, then a final account balance is calculated and the terms and conditions of the award are reviewed. If the balance is in a deficit, then the responsible department will be charged and the WBS element closed. If a cash-on-hand balance remains, then the award would determine if UT can keep this balance or if UT is required to return the unused funds to the sponsor. If the remaining funds are to stay with UT, then SPA will coordinate with the department to move these unused funds to a departmental discretionary account. As a word of caution, UT is a not-for-profit entity; therefore, we want to be very careful that we are not purposely overpricing our proposed budgets, especially if federal funds are involved either directly or indirectly from the sponsor. All projects with more that 10% of funds remaining will be subject to review and funds may be returned to the sponsor.

7.18 Transfer of Award from the University

If a principal investigator of an active sponsored project transfers to another institution, the following choice of actions may be taken:

- the University may initiate transfer of award from the university to the new institution;
- the project may remain at the University and PI retains his/her status as PI in case of continued effort here at the university;
- the project may remain at the university and a substitute PI named (may be subject to sponsor approval); or
- the project remains at the university and a portion of the project is subcontracted to the PI's new institution for continued effort.

The appropriate action takes into account several factors, including PI's continued or lack of continued effort, i.e. status here at the university, graduate student theses/dissertations in progress, sponsor mandates, etc.

Equipment purchased under sponsored awards may be transferred to the PI's new institution or it may be retained by the university, subject to the recommendation of and approval by the PI's department head, dean and OR. The PI should prepare a list of equipment to be transferred, including name of manufacturer and common name of equipment, UT tag number, WBS element from which the equipment was purchased, and purchase price. The list should be approved by both the department head and dean and forwarded to OR. OR staff will review the list and confirm the information, and upon OR administrative approval, OR staff will send a letter containing the list to the new institution for acceptance. Note that equipment is not the property of the principal investigator. Note, too, that equipment or expendable supplies purchased with State-appropriated funds may be transferred to a PI's new institution **only** in accordance with the university's surplus property policy.