

Author: Office of Sponsored Research & Programs - ORSP

Origin Date: August 31, 2023

Date Last Updated:

Sponsored Expenditures Guidance

I. INTRODUCTION –

This document provides guidance on appropriate budgeting and expenditures of sponsored funds, whether from federal or non-federal sources and whether directed toward research, training, or other purposes. The guidance in this document aligns with the federal requirements in [2CFR200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards \(Uniform Guidance, or UG\)](#) as applicable. Additionally, all University of Massachusetts Boston (UMB) expenditures must comply with UMB policies and follow UMB guidelines.

Who Should Follow This Guidance

All Principal Investigators (PIs) and administrators within all schools, units, divisions, affiliates, University-wide initiatives, and centers who are responsible for the administration and conduct of sponsored awards to UMB must comply with this guidance.

PIs are responsible for the overall management (both financial and technical) of their sponsored research awards. As such, the PIs or their designees must review and authorize transactions either through manual or electronic authorizations. A designee, such as a lab manager or project manager, may be used in cases where projects require a large number of routine transactions, or where the project is large enough to support its own financial administrator. We recommend that the PI send The Office of Research & Sponsored Programs (ORSP) a letter authorizing a designee, if applicable, and further include a statement by the PI that the designee has specific knowledge of the research project and University and sponsor requirements.

II. COST PRINCIPLES FOR FEDERAL AWARDS

This guidance is based on the interpretation of federal regulations, and adherence is required for all federal awards and cost share / companion accounts.

For any costs to be charged directly to a federal award the expense must be:

- **Allowable** under both the provisions of federal guidance and the terms of a specific award;
- **Allocable**: the expense can be associated to a project with a high degree of accuracy;
- **Reasonable**: the cost reflects what a “reasonably prudent person” would pay in a similar circumstance; and
- **Consistently** charged as direct expense (versus an indirect cost). Note that certain types of projects constitute exceptions to the consistency requirement.



Office of Research and Sponsored Programs

University Massachusetts Boston
100 Morrissey Boulevard, Boston, MA 02125-3393
P 617.287.5370 | www.umb.edu/ORSP

An expense is a “direct cost” if that expense can be identified specifically with a particular sponsored project or other activity with a high degree of accuracy. “Indirect costs” (sometimes referred to as facilities and administrative (F&A) costs or overhead), are costs that benefit many activities (e.g., building operations and maintenance, IT expenses, security, administrative personnel). F&A costs are recovered through the federally negotiated rates. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct expenses or indirect costs.

Cost Accounting Standards (CAS) 48 CFR §9905 et al

The Uniform Guidance incorporates four standards, disseminated by the Cost Accounting Standards Board, that apply to colleges and universities:

- Estimating, accumulating, and reporting costs (CAS 9905.501)
- Allocating costs incurred for the same purpose in like circumstances (CAS 9905.502)
- Accounting for unallowable costs (CAS 9905.505)
- Cost accounting periods (CAS 9905.506)

“Unlike Purpose and Circumstances” Criteria

The CAS consistency standard (CAS 502) states that costs must consistently be treated as direct costs or indirect costs when the costs are incurred for similar purposes and circumstances. Costs normally considered indirect costs – e.g., administrative salaries, postage (excluding HSPH) and express mail, telephone, copier expenses, general office supplies, and space-related costs – may be allowable as direct costs if they meet the following criteria:

- An unlike circumstance exists in which a sponsored project requires resources beyond those normally expected for a typical research project; and
- The cost can be associated with the specific sponsored project with a high degree of accuracy; and
- The expense is fully documented for this unlike purpose following all UMB policies and agency requirements, including obtaining sponsor prior approval as needed. It is a best practice to anticipate these types of expense needs **prior** to the award by including these types of expenses at proposal submission stage in the budget of the grant application.

Applicable Federal Regulations

Grants and Cooperative Agreements

The spending of any funds awarded by the federal government as grants and cooperative agreements to UMB are governed by 2 CFR §200 published by the Office of Management and Budget (OMB).

Contracts

Federal contracts include FAR (Federal Acquisition Regulations) clauses that govern the terms and conditions of the contract. The Department of Defense (DoD), GSA, and the National Aeronautics and Space Administration (NASA) jointly issue the Federal Acquisition Regulation (FAR) for use by executive agencies in acquiring goods and services. ORSP reviews and negotiates these terms when reviewing federal contracts. Note that federal contracts are a very small percentage of the portfolio; the vast majority of awards are grants



and fall under such guidance. Managing contracts requires knowledge of the specific terms and conditions negotiated for each individual contract.

III. COST PRINCIPLES FOR NON FEDERAL AWARDS

UMB receives funding from non-Federal sponsors, such as Foundations, Industry, Private Institutions, etc. Barring any sponsor or grant restrictions, the grant expenditures fall under general University policies. Proper stewardship of non-federal awards, both domestic and international, requires adherence to these key principles:

- **Allowable** under UMB policies and complies with the terms and conditions of the award;
- **Directly benefits the purpose of the award:** that is, the expense can be associated with, and is in support of, the project or program; and
- **Reasonable:** the expense reflects what a “prudent person” would pay in a similar circumstance.

Expenses on non-federal awards require the careful review of terms and conditions and any other supporting documentation (e.g., approved budget, sponsor guidance) in order to determine appropriateness of charges. Any questionable expenses, if not specifically captured in the approved budget, should be reviewed by the appropriate UMB or school/departmental authority prior to expending funds. Specific sponsor approval may also be required in some cases. School/Department/Division guidance and policies may be more restrictive on questionable expenses than those of the University, and it is important to involve your School/Department/Division contact when determining the allowability of an expense.

Direct and indirect (or overhead) costs on non-federal awards are dictated by the sponsor’s policies. Variability among non-federal sponsors’ policies and a lack of specificity in policies or award terms may require additional scrutiny and judgment. It is also important to consider that many non-federal sponsors pay a nominal indirect cost rate and it may be appropriate to direct charge certain costs that normally would not be direct-charged to a federal award that pays the full indirect rate (e.g. rent or space, administrative support staff, etc).

IV. DOCUMENTATION AND JUSTIFICATION FOR EXPENDITURES

Documentation is required to justify any expense charged to a sponsored award. The backup for expenditures should include:

- Clear description of what is being purchased;
- Information on how the expense provides a direct benefit to the award; and
- If needed, justification to support how the expense qualifies as “unlike purpose and circumstance” on a federal award

Special documentation is required under certain circumstances. Please refer to ORSP for individual requirements. Each transaction is a standalone document for audit purposes and should contain all appropriate information to demonstrate that at the time of approval the transaction was allowable to be direct charged.

Documentation and justification must be maintained according to the [Records Management Policy](#) on the Contracts & Compliance website.

V. TRANSACTION AUTHORIZATION AND APPROVAL

All transactions on Sponsored Awards should be authorized by the Principal Investigator or a delegate who has direct scientific knowledge of the project being charged. Authorization should include identification of the sponsored project to be charged. Documentation of authorization should be retained in the departmental records and be readily available during audits. Authorization should follow departmental practices of documentation which could include physical signature, email, forms, etc.

In addition to specific authorization, Principal Investigators should review each grant's overall financial status **no less frequently than quarterly**. For multiple Principle Investigator (MPI) projects, the faculty member responsible for his/her respective scope of the project (and related budget and grant account) should authorize the respective transactions. In addition to specific authorizations, the MPIs (including those at collaborating institutions) should communicate as a group on a consistent basis (e.g., quarterly or as noted in the MPI plan) to review the overall financial status of the project. If there are material new and/or unplanned expenses on the project, all of the MPIs should be informed and the group should concur on their reasonableness and allocation to the project prior to authorization.

Transaction review and approval is an important control activity. Approval of a transaction means that the approver has reviewed the supporting documentation and is satisfied that the transaction is appropriate, accurate, and complies with University policies and procedures.

Before a transaction is approved, approvers should:

- Review supporting documentation, ensuring that necessary information is present to justify the transaction;
- Verify the accuracy of the subclass/object (budget/object code);
- Question unusual items (vendors or transactions);
- Ensure "unallowable items" are not charged to grants or contracts, if applicable; and
- Ensure that the payee name and address on disbursement related transactions matches the supporting documentation.

Approval authority should only be given to individuals with sufficient authority and knowledge to recognize and challenge unusual transactions. All unusual transactions should be questioned.

Note that cost sharing expenditures are subject to the same sponsor and University policies as the sponsored research funds, even though these funds are often provided through a separate project account.

Financial reporting of sponsored research expenditures as required by the sponsor will be administered and completed by the ORSP Post Award office. The reports will be tracked using the milestone functionality in Peoplesoft (PS) and reports will be completed by Financial Research Administrators (FRA) in coordination with PI's and department administrators. Completed milestone reports will be reviewed on a monthly basis and sign off in accordance with this guide.



Roles and Responsibilities for Charging and Documenting Expenses

Charges to Sponsored Research Accounts	FRA	PI	ORSP
Initiates and approves requests. Ensures personnel, travel, materials and other items are necessary to carry out the project.		X	
Determines whether the cost can be appropriately charged to the sponsored research award under sponsor and University guidelines			X
Prepares and approves proper forms and documentation for the expense	X	X	
Guides expense request through proper University channels	X	X	X
ORSP or other central office approval			X