University of Kentucky

Office of the Vice President of Research

Policy for Soliciting, Receiving, Recording, and Administering Grants and Contracts for Sponsored Projects

I. Introduction

In meeting its obligations for instruction, research, and service, the University frequently enters into contractual arrangements with other entities such as the federal government, state and local governments, industry, and private foundations. University faculty and staff participate in these arrangements and University facilities are used.

The following policies and procedures shall govern all grants and contracts for sponsored projects undertaken by the University, with the following exceptions:

A. Formula grants from the U.S. Department of Agriculture to the Agricultural Experiment Station and the Agricultural Extension Services;

B. Earmarked or dedicated state taxes or appropriations;

C. Student aid funds (but not government-funded graduate fellowships, traineeships, assistantships, etc.);

D. Contracts with third party payers for patient care and related services; and

E. Projects as approved by the President.

II. Definition of Grants and Contracts for Sponsored Projects

A. Grants and Contracts

Grants and contracts for sponsored projects represent a contractual obligation between the grantor and the University for the performance of a specific activity through which the grantor, or sponsor, is entitled to receive some consideration or benefits. The contractual obligation is normally documented by a proposal and award combination, contract, or a written memorandum of agreement. Funds are classified as a grant or contract when any of the following characteristics or conditions exist:

1. The sponsor requires a detailed technical report of results from the sponsored activity.

2. Testing or evaluation of products is involved.

3. An activity results in the preparation, synthesis, or separation of a product.

4. Specific University obligations in providing consideration or benefits to the sponsor are identified.

5. An activity is directed to satisfying specific sponsor requirements (e.g., terms and conditions stating a specific scope of work to be done).

6. A specified period of performance is prescribed and termination is at the discretion of the sponsor.

B. Legal and Financial Requirements

The University assumes full legal responsibility for complying with all requirements imposed by the grantor or sponsor upon acceptance of grants and contracts for sponsored projects, including a requirement for a report of expenditures or a provision for an audit.

C. Restricted Charitable Gifts and Grants

As contrasted with grants and contracts for sponsored projects, restricted charitable gifts and grants are available for financing current operations, but are limited by donors or other external parties to specific expenditure purposes, programs, or organizational units, and for which the donor receives no direct benefits in exchange for the contribution. Policies and procedures for soliciting, receiving, recording, and acknowledging gifts are set forth in the Office of Philanthropy policy and procedures and in Business Procedures Manual.

III. Responsibilities

A. The Vice President for Research

The responsibility for the coordination of grants and contracts procurement and management, consistent with University policies and procedures, of all sponsored projects (except those listed in Section I) is assigned to the Vice President for Research (VPR).

B. Office of Sponsored Projects Administration

The Office of Sponsored Projects Administration (OSPA), a unit in the Office of the VPR, serves both the University and the University Research Foundation (UKRF) in the procurement, review, approval, and submission of proposals. OSPA also has responsibility for ensuring compliance with the terms and conditions of grants and

contracts, excluding financial reports, and for providing general grant and contract administration of project sponsors.

C. Director of the Office of Sponsored Projects Administration

1. The Director of OSPA is delegated the responsibilities of the Office as outlined in Section V and shall, for these purposes, be responsible to the VPR.

2. The Director of OSPA is delegated responsibility for negotiation of all grants and contracts for sponsored projects and is authorized to execute contractual documents and accept grants, after consultation when appropriate with the unit performing the work of the grant or contract, with the concurrence of the VPR.

3. This delegated responsibility and authority shall be performed in accordance with established policies and procedures of the University. The VPR is assigned responsibility for negotiation of Facilities and Administrative (F&A) cost rates relating to sponsored projects as calculated by the Office of the Treasurer and submitted to the cognizant federal agency and such other organizations as may be appropriate. Before finalization of F&A cost rates, the VPR shall consult with the Provost, and Executive Vice President for Finance and Administration or their designees, and obtain final approval of the Treasurer.

IV. Designation of the University of Kentucky Research Foundation (UKRF) as Agent

A. UKRF is designated as an organization through which funds may be received, invested, and expended in the interests of the University. It is the primary purpose of UKRF to act as the agent of the University in the receipt and disbursement of funds for grants and contracts. When appropriate, UKRF also may act as agent of the University on matters such as public service, scholarships, fellowships, training grants, publications, and the endowment of professorships, as well as for other purposes consistent with the University's *Governing Regulations*, *Administrative Regulations* and policies. All assets of UKRF are held for the benefit of the University. Should UKRF be dissolved, all of its assets would automatically be vested in the University.

B. UKRF shall act as the agent for the University in contracting with entities external to the University for the conduct of research and other sponsored projects (except for those excluded in Section I) to be carried out in whole or in part through the use of the University's facilities and personnel.

C. Preparation of annual budgets for UKRF shall be the responsibility of the Executive Director of UKRF. Prior to submission to the UKRF Board of Directors, proposed annual budgets shall be submitted to the Vice President for Planning, Budget and Policy and to the Office of the Treasurer for review.

D. UKRF shall pay to the University any and all funds received as reimbursement for F&A costs incurred in carrying out grants and contracts for sponsored projects, less

the amount of approved operating expenses.

V. Soliciting and Negotiating Grants and Contracts

A. OSPA, with the concurrence of the VPR and the individuals having responsibilities (e.g., human subjects, biohazards, etc.) named in Section V.C., and in support of the principal investigator or project director, shall submit all proposals for grants and contracts for sponsored projects in the name of the University or the UKRF, as appropriate. This policy does not prohibit the freedom of members of the faculty and staff to discuss possible research or other programs with potential sponsors; however, discussions with potential grantors or sponsors should be confined to professional and technical matters. University employees must exercise caution to avoid committing the University or UKRF to any action, as only the Director of OSPA, with the concurrence of the VPR, is authorized to execute contractual documents or accept grants or contracts.

B. The VPR shall establish procedures to ensure that all proposals for grants and contracts and projects not awarded on the basis of a formal proposal, are submitted through OSPA.

C. Funds for a sponsored project usually are awarded on the basis of a formal proposal prepared by a principal investigator. Such proposals shall be reviewed and endorsed on the Internal Approval Form by any affected department chair, center director, dean, or, appropriate senior administrator and then forwarded to OSPA for final review and submission to the sponsor. Proposals which include new courses, unusual financial commitments, new graduate degrees, additional space, experimental animals, human subjects, biohazards, etc., shall require approval by the appropriate University administrator or office with responsibility for each of these activities. To ensure review and submission, the final proposal and completed Internal Approval Form (IAF) shall be received by OSPA at least three (3) business days prior to the sponsor's deadline.

D. After a proposal has been received by the sponsor, OSPA shall conduct all negotiations regarding budget changes, etc., with the advice and assistance of the principal investigator and appropriate University officials.

E. The general policy governing grants and contracts for sponsored projects is that all costs are to be reimbursed by the grantor or sponsor, including salaries of faculty and staff working on the project, fringe benefits, all other direct costs, and full F&A costs as determined with established cost principles for educational institutions.

VI. Policy and Procedures for Approval of Sponsored Projects

A. All proposals for sponsored projects, including fixed-price agreements, shall include a complete budget reflecting full costs of the project. The principal investigator shall certify that the budget represents the best estimate of full costs, including all salaries of faculty and staff applicable to the project, fringe benefits, full F&A costs, facilities requirements, supplies, equipment, etc. All costs not to be reimbursed by the

sponsor shall be clearly indicated together with the internal sources of funds to cover these.

B. Chairs, center directors, college deans, and senior administrators as appropriate, shall certify that they have reviewed and approved the proposal, including the full cost budget and sources of internal funds as required to cover unreimbursed costs.

C. Awards or contracts that provide for reimbursement of full costs of the sponsored project may be accepted and approved by the Director of OSPA, under specific written delegation from the VPR.

D. Awards or contracts with matching requirements, those involving special competitive situations wherein the University makes significant concessions in cost sharing, and those involving significant contributions of space and equipment or obligations to continue a program beyond the extramural funding period must be approved by the VPR or designee.

E. All other awards or contracts that do not provide for reimbursement of full costs of the sponsored project may be accepted and approved by the VPR or designee.

F. Regular, full-time UK employees, including those on phased retirement, are eligible to serve as principal investigators on externally funded sponsored projects. Any exception requires a justification and approval by the appropriate chair, dean, and OSPA, and requires the individual have an employee/employer relationship with UK. An individual employed by Veterans Affairs and holding a University appointment may serve as a principal investigator in accordance with the policy outlined in Section XI of this policy.

VII. Acceptance

A. Upon receipt of contractual documents for grants and contracts, OSPA staff shall review the terms of the contract and compare them with the proposal originally submitted. The contract then shall be reviewed with the principal investigator and the appropriate University administrator(s), as necessary, at which time any unusual requirements shall be discussed and specific contract requirements brought to their attention. After this review, any changes shall be negotiated with the sponsor. Significant changes in scope of work, budget, or University cost sharing shall require the concurrence of those who initially reviewed and approved the proposal under this policy. When all points of disagreement are resolved to the mutual satisfaction of all parties, the contract shall be executed on behalf of the University and UKRF by the Director of OSPA.

B. Occasionally proposed contractual documents or contracts are not acceptable. If the differences cannot be negotiated with the sponsor, OSPA shall formally reject the project.

VIII. Administration of Grants and Contracts for Sponsored Projects

A. All grants and contracts involving sponsored projects shall be administered through the OSPA, unless otherwise approved by the President of the University.

B. Acceptance of a grant or contract for a sponsored project obligates the University, the principal investigator, and any affected department chair, director, college dean, Provost, vice president, executive vice president, or President to exercise full responsibility for pursuit of the project work.

C. OSPA is responsible for formally requesting and negotiating with the sponsor any changes in the terms and conditions of grants or contracts.

D. University policies and regulations shall be followed in the execution of grants and contracts for sponsored projects.

IX. Accounting for Grants and Contracts for Sponsored Projects

The Office of the Treasurer is assigned responsibility for financial accounting, establishing accounts, processing and auditing of all business transactions, financial reporting, and billings to grantors and sponsors. Grants and contracts with federal, state government, and all other agencies shall be accounted for in UKRF.

X. Fixed-Price Program Support Agreements and Program Support Residuals

A. General

Normally grants and contracts shall be of the cost-reimbursement type. However, fixed-price agreements may be used when the total direct and F&A costs of producing the required project, report or other benefits to the sponsor can be determined with reasonable assurance prior to initiation of the agreement. Such fixed-price agreements are frequently preferred by industrial sponsors and less frequently by government sponsors. Faculty and staff have the freedom and are encouraged to identify and cultivate possible sponsored projects with representatives of industry and other external parties. However, agreements are required to be negotiated through OSPA in accordance with established policies and procedures for grants and contracts for sponsored projects.

B. Procedures

1. If a grantor or sponsor solicits a formal proposal for a fixed-price agreement, it shall be prepared by the principal investigator for subsequent review and approval as required by existing regulations and procedures.

2. If a University employee is contacted by a grantor or sponsor who indicates an

interest in contracting for a fixed-price agreement without a formal proposal, but for which the grantor or sponsor expects to receive a certain product, report, or other benefit, the following guidelines shall be followed:

(a) The University employee shall notify and consult with the appropriate dean, director, or that administrator's designee, and with OSPA.

(b) In consultation with OSPA the University employee shall estimate the total direct and F&A costs of carrying out the project and together they shall determine the price to be quoted to the sponsor. Direct costs shall include salaries of faculty and staff working on the project, fringe benefits, and all other direct costs of executing the agreement. The F&A costs shall be based only on the total direct costs of the sponsored activity, with the exception of human clinical studies as described in Section D, below. The amount by which the agreed-upon fixed-price exceeds the total direct and F&A costs shall be defined as "fixed-price program support residual balance".

(c) A Fixed-Price Agreement Budget Form with Column A completed shall accompany the IAF. As indicated in section VI.A. of this AR "All proposals for sponsored projects, including fixed-price program support projects...shall include a complete budget reflecting full costs of the project..." Any anticipated program support residual balance shall also be noted on the form. The form may be obtained at the OSPA Forms webpage.

(d) OSPA shall negotiate the agreement and review the contractual documents with the University employee and also with other appropriate University administrator(s) as required by existing policy. When all points of disagreement are resolved, the contract shall be executed. If differences cannot be negotiated, OSPA shall formally reject the grant or contract.

C. Fixed-Price Program Support Residual Balances

1. When a fixed-price WBS Element (account number) is financially closed, Sponsored Projects Accounting will notify OSPA if more than $1,000 of program support residual balance remains. OSPA shall review the expenditures charged to the grant account for reasonableness in terms of the proposed project budget.

   All of the following conditions shall be met for remaining funds to be eligible to be transferred to an unrestricted cost center:

   (a) The Principal Investigator (PI) charged his/her effort to the WBS;

   (b) Full F&A was charged to the WBS. If a temporary waiver of F&A costs has been approved, the full applicable F&A rate will be charged up to the remaining account balance;

   (c) No project costs were cost shared; and

   (d) If a significant balance remains, a justification has been provided by the PI and approved by the Director of OSPA.

If all of the above conditions are met, and upon a certification by the Principal Investigator that total direct costs have been properly charged as provided herein, program support residual balances shall be transferred to a designated University unrestricted cost center. If all these conditions are not met, remaining funds will be transferred to the Provost Budget Office or to the appropriate fiscal office for units that do not report to the Provost.

2. Designated accounts for program support residual balances are classified as discretionary accounts and are established in the name of the University unit/principal investigator that generated the funds.

3. Unexpended balances in the designated accounts shall carry forward at the end of each fiscal year.

4. Expenditures from designated accounts are at the discretion of the University unit administrator or principal investigator, as appropriate, and may be for any purpose in support of the enrichment of academic and research programs of the University unit consistent with established University policies.

5. Expenditures that are personal in nature or represent personal gain to an individual shall not be permitted.

D. Human Clinical Studies

Human clinical studies usually test a drug or device, involve the use of human subjects, are of a short duration, may make use of shared support staff (i.e., technicians and nurses), and are hospital or clinic based. These studies are identified as a separate category due to these unique characteristics.

1. A "Fixed-Price Agreement Budget Form" with Column A completed shall accompany the IAF. The form shall reflect an estimate of the actual cost necessary to perform the study and any anticipated program support residual balance.

2. A grant account shall be established for each study and direct cost expenditures related to the project shall be charged to this account. For industry funded human clinical studies, full Facilities and Administrative (F&A) cost shall be charged in a way unique to this category. A flat rate, equivalent to the actual calculated off campus "Research" F&A rate, shall be assessed against actual cash received. (e.g. an off campus rate of 27.1% Modified Total Direct Cost (MTDC) converts to 21.3% of total receipts.) The off campus research rate is appropriate to this type of activity because the majority of the project is conducted in the hospital or clinic and because the off campus rate reflects the administrative portion of the full on campus rate. The charge shall be made against cash rather than expenditures for two reasons:

   (a) The majority of human clinical studies agreements are paid on a "per patient" basis. A price (including direct and F&A costs) is negotiated for each subject recruited into the project. Payment is received as subjects become available and the total number of subjects may be difficult to determine at the beginning of a project.

(b) Other appropriate sources of funds (i.e. cost centers funded by program support residual balances or by Kentucky Medical Services Foundation (KMSF)) may be used to support the study. Because F&A costs are not assessed against expenditures made to non-grant accounts, F&A shall be charged on the entire amount of cash received in the grant account.

3. At the conclusion of a human clinical study, any remaining program support residual balance shall be processed in accordance with Section X.C. of this policy If other allowable sources of funds have been utilized per the preceding paragraph, the PI's department shall attach a list of other appropriate account numbers used to complete the project and a detailed listing of the type and amount of expenditures incurred on those accounts.

XI. Investigators with VA-UK Appointments

The University has a number of faculty who have Veterans Affairs Medical Center (VAMC) and University (UK) appointments. The VAMC portion ranges from one-eighth to eight-eighths of the faculty member's appointment. This Section provides guidance on the percentage of university effort available for funded research activities and the appropriate documentation and approval required prior to submission of a proposal.

A. Investigators holding joint VAMC and UK appointments, regardless of the percentage effort at the VAMC (i.e., up to and including eight eighths), are eligible to submit grants through UKRF, following all appropriate reviews and approvals.

B. The VAMC bases employee commitments on a 40-hour week (e.g. a 1/8th appointment means a five-hour commitment). However, this does not limit the corresponding UK appointment to the difference between 40 hours and the VAMC commitment. A work week of up to 60 hours shall be considered reasonable.

C. Prior to submitting a proposal, investigators with joint appointments must have a Memorandum of Understanding (MOU) that specifies the title of the individual's appointment, the responsibilities at both the VA and UK, and the percentage effort available for research. The MOU reflects 100% of the individual's combined VA and UK responsibilities. It must be signed by the department chair, dean and appropriate VAMC officials and must be updated at least annually. The form includes a certification that there is no possibility of dual compensation for the same work or of an actual or apparent conflict of interest regarding such work. The completed and signed form shall be kept on file in the dean's office.

   A sample MOU is attached as Appendix A. In the sample, the investigator has a 20-hour commitment (or 4/8ths) to the VAMC and approximately 40 hours committed to UK. Ten hours of the UK appointment, or 16.7% of the combined VAMC-UK responsibilities, is designated for research activities and is available to commit to sponsored projects.

Faculty who have a VA appointment of less than 8/8ths shall document their university effort through the faculty effort reporting system. Faculty with 8/8ths VA appointments shall document their effort outside of the effort reporting system by way of written documentation (an information

only Distribution of Effort form is appropriate for this purpose). A copy shall be maintained in the chair's and dean's offices and a copy sent to Sponsored Projects Accounting in the Office of the Treasurer.

APPENDIX A

SAMPLE MEMORANDUM OF UNDERSTANDING

SUBJECT: Joint Appointment, University and Veterans Affairs Medical Center of Lexington and *Dr. Jane Brown, M.D.*.

The following schedule represents the distribution of total professional responsibilities for *Dr. Brown*, between the University (UK) and the Veterans Affairs Medical Center (VAMC) in Lexington, KY. The purpose of this form is to outline combined activities prior to applying for external funding through UKRF.

	VAMC		**UK**		**TOTAL**	
Official Title:	*Chief, Rheumatology*		*Associate Professor*			
	Hours/ week	%	Hours/ week	%	Hours/ week	%
INSTRUCTION	*5*	*8.3*	*1*	*16.7*	*15*	*25*
RESEARCH	*0*	*0*	*10*	*16.7*	*10*	*16.7*
SERVICE	*0*	*0*	*0*	*0*	*0*	*0*
ADMINISTRATION	*5*	*8.3*	*5*	*8.3*	*10*	*16.7*
CLINICAL	*10*	*16.7*	*15*	*25*	*25*	*41.6*
TOTAL	***20***	***33***	***40***	***67***	***60***	***100***

It is further certified that Dr. *Brown* receives partial salaries from both the VAMC and UK and that there is no dual compensation from these two sources for the same work, nor is there an actual or apparent conflict of interest regarding such work.

Chief of Staff, VAMC Signature and Date	Department Chair, UK Signature and Date
Associate Chief of Staff for Research, VAMC Signature and Date	Dean or Associate Dean, UK Signature and Date