




Office of Research Services

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## MEMORANDUM

To: Senior Business Officers

From: Andrew Rudczynski   
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Subject: Authorization and Approval of Sponsored Projects Transactions;  
Cost Transfers to Correct Clerical or Bookkeeping Errors

Date: July 10, 2006

The purpose of this memo is to clarify University policies and provide guidance in the proper administration of awards as it pertains to the authorization and approval of transactions (salary and operating expenses) on sponsored projects. This clarification focuses on certain key elements of the following Sponsored Projects Policies (SPP): No. 2106, 2110, 2113, and 2134. All of these policies have a common theme in that the ultimate approval must be from the PI, documented and dated. Questions have arisen whether or not the PI must approve every transaction prior to its execution or if someone other than the PI can initiate a transaction. In addition, questions have arisen about the frequency of review of the monthly expense statements.

### **SPP No. 2106 – Financial Responsibilities**

**“The principal investigator is directly responsible for the management and administration of the sponsored project within the administrative constraints imposed by the sponsor and in accordance with University policy. In this capacity, the principal investigator authorizes all direct cost expenditures of project funds and is responsible for reviewing and approving all project related expenditures and cost transfers.”**

**“It is the responsibility of the principal investigator and his/her business administrator to review each monthly statement for accuracy and completeness and to initiate corrections, when appropriate, no later than 90 days from month end.”**

*We recommend as a best practice that expense statements be reviewed monthly and that this review be utilized as the basis for identification of errors and documentation of investigator approval of expenditures and cost transfers. At a minimum, review must occur on a quarterly basis to allow any necessary cost transfers to be effected within the*

*90 day limit. Errors identified after the 90 days must be removed and charged to an unrestricted fund source.*

#### **SPP No. 2110 - Federal Direct Cost Expenditures**

**“The principal investigator must authorize all expenditures of project funds.”**

*This policy does not require the PI to approve/initiate requests to purchase but rather requires the PI to authorize all expenditures. The PI may appoint/authorize (in writing) an individual to carry out the initiation or purchase of transactions necessary for the conduct of a sponsored project on their behalf. Designee authorization should be recertified annually or, minimally, at the start of each new award. Despite this delegated authority to purchase, the PI still retains overall responsibility for the conduct and management of the sponsored project. Therefore, we recommend that all transactions be reviewed and approved by the PI monthly. The PI can date, sign and certify directly on the monthly expense statement that he/she approves the charges to the fund. All methods of documented approval, whether by the method described, by email, or by other alternative methods, should be maintained in the grant file.*

#### **SPP No. 2113 – Cost Transfers and Payroll Reallocations**

**“The principal investigator is responsible for ensuring that transfers of costs to sponsored projects, which represent corrections of errors, are made promptly. Transfers must be supported by documentation which contains a full explanation of how the error occurred and a correlation of the charge to the project to which the transfer is being made. Explanations such as “to correct an error” or “to transfer to correct project” are unacceptable.”**

**“Cost transfers must be prepared and submitted within 90 days from month end in which the transaction appears on the fund.”**

*Federal regulations require that transfers to federally funded sponsored projects be timely and properly documented. Penn has adopted a period of 90 days from the month-end in which the expense was charged to the fund as “timely”.*

*To demonstrate that proper internal controls are in place, cost transfers should be kept to a minimum. Proper care should be exercised at the initiation of each transaction to ensure that it is initially charged to the appropriate fund. Timely review must occur to ensure that errors are identified in sufficient time to complete corrections within the 90 day limit. In the event that an error occurs, the transfer should be supported with a full explanation that answers the following questions:*

- *Why were the expense originally charged to the fund from which it is being transferred?*
- *If the receiving fund is a sponsored project: Why should the expense be transferred to the receiving fund? (i.e., how does this charge benefit or relate to the receiving fund?)*

*Also, cost transfers must be certified by the PI (who directs and authorizes the transfer) and the BA (who effects the transfer by generating the journal entry). This certification can be in the form of an email, a written and signed note on the reviewed monthly statement, or captured in other documented formats, and must be maintained in the grant files (both sides of the entry).*

### **SPP No. 2134 – Expense Approval and Documentation Requirements**

**“No charge may be made against a fund without the approval of the PI as is required by Sponsored Projects Policy No. 2110.**

*As described in the guidance under policy 2110, PI approval can be captured in several different ways. For example, approval may be documented directly on the monthly statements via signature and certification of accuracy and approval by the PI. Also, communication and documentation via email from the PI to the BA which certifies that all expenditures recorded on the monthly statement are accurate and approved is acceptable. Approval may also be documented directly on the monthly statements via signature and certification of accuracy and approval by the PI. These methods provide after-the-fact approval by the investigator. Additional examples of adequate documentation of approval include requests for purchases directly from the PI, documented either via email or in writing, PI email or written approval of a request for purchase. Evidence of approval, in any format, must be retained in a manner suitable for easy retrieval. Best practice suggests that the preponderance of evidence be maintained in the individual grant file.*

To summarize, the PI retains overall responsibility for the conduct and management of the sponsored project. The PI may appoint/authorize an individual to carry out the execution of transactions necessary for the progress of a sponsored project on behalf of the PI (meets SPP No. 2110). Should this authorization occur, the PI *must* review and approve all transactions on a timely basis (monthly review recommended) in order to be consistent with SPPs No. 2106 & 2134. Documentation supporting the approval of expenses by the PI must be maintained and all cost transfers made as a result of the review *must* occur within 90 days of month end in which the expense was posted to the fund (SPP No. 2113) and must be certified by the PI (SPP No. 2110) in order to be transferred to a new sponsored research fund source.

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