

# **Ann & Robert H. Lurie Children's Hospital of Chicago**

## **Non-Federal Sponsored Expenditures Policy** (effective date: 9/1/17)

### **Policy Statement**

The Ann & Robert H. Lurie Children's Hospital of Chicago (Lurie Children's) has established the following policy and procedures for budgeting and transacting on non-federal sponsored awards accepted for Lurie Children's by OSP. This is also applicable to faculty startup packages, SMCRI issued internal grants. It is not applicable to funds for general operating support and philanthropy accepted through the Lurie Children's Foundation.

### **Purpose**

Non-federal sponsored awards are governed by sponsor-specific terms and conditions; they are not governed by the Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). As such, the Sponsored Expenditures Policy outlines expectations for categorizing costs and establishes a timeline for financial transactions to ensure that all costs are allowable, allocable, and reasonable.

### **Eligibility**

This policy applies to all individuals involved with the administration and conduct of non-federally funded sponsored award activities, including central and departmental sponsored project administrators, principal investigators, and other research personnel.

### **Roles and Responsibilities**

#### **Principal Investigators (PIs)**

These individuals take primary responsibility for ensuring the proper allocation of funds, monitoring expenditures, and the timely processing of corrections all while ensuring compliance with sponsor terms and conditions.

#### **Local Level Unit Managers (LUMs)**

These are individuals at the local level who are responsible for managing sponsored funds. They work with RBMs to assist PIs with the timely review and reconciliation of expenditures, prepare correction forms and maintain adequate documentation of questionable costs, and ensure that all personnel engaged in the financial administration of sponsored awards are familiar with this policy. Since LUMs are more intimately involved with day-to-day aspects of each non-federal sponsored award, LUMs will confirm that proposed corrections are appropriate. LUMs are also responsible for first level approval of non-federal correction timeline exceptions if granted "authorized approver" designation.

#### **Research Business Managers (RBMs)**

These individuals work with LUMs and OSPA, providing oversight and advice on post-award sponsored project administration. RBMs will address questions and concerns from PIs and LUMs regarding corrections. RBMs will review the correction forms, determine if they are allowable, allocable, and reasonable, and submit to OSPA for approval and processing. In the absence of a LUM, they will also prepare correction forms, obtain approvals, and submit the forms to OSPA.

### **Authorized Approver(s)**

These are individuals approved by central finance and can only be assigned in local units with sufficient internal controls in place and no recent history of relevant internal or external audit findings. They have the authority to serve as first level approvers of non-federal correction timeline exceptions. In the absence of a local level authorized approver, the responsibility shifts to the DLO.

### **Division Level Officials (DLOs)**

These are individuals who provide oversight and are responsible for ensuring that local units abide by this policy and accompanying procedures when processing corrections. DLOs are also responsible for second level approval of non-federal correction timeline exceptions before submission to the RBMs and OSPA. In the absence of an Authorized Approver, the DLO will serve as first level approver. .

### **Office for Sponsored Programs (OSP)**

Individuals in this office are responsible for assisting PIs with budget preparation, ensuring compliance with sponsor requirements.

### **Office for Sponsored Programs Accounting (OSPA)**

Individuals in this office exercise the financial stewardship of sponsored awards in accordance with specific award terms and conditions. They will also ensure that the sponsored expenditure policy is being followed. OSPA serves as the final approver of corrections and retains all copies of justifications in accordance with Lurie Children's policies. OSPA will work closely with RBMs during the correction process and will consult with RBMs if additional information is needed. Furthermore, OSPA will work with RBMs to ensure that the local units receive proper training regarding this policy.

### **Procedures**

RBMs and/or LUMs must conduct a timely review of grant expenditures. A regular review of post-award expense transactions will reduce the need for corrections, and in most cases, submitting a correction within the same month of the original expense will immediately correct erroneous transactions.

Corrections can be processed via the **Payroll Correction Form**, **Transaction Correction Form**, and **PPR Other Payroll Recovery Form**.

### **Non-Federal Sponsored Award Key Principles**

Transactions posting to non-federal sponsored awards must adhere to three key principles:

- *Allowability*: The transactions must be allowable under Lurie Children's policies and sponsor terms and conditions
- *Allocability*: The transactions must directly benefit the award, helping to complete the project's scope of work
- *Reasonableness*: The transactions must reflect what a prudent person would pay in a similar circumstance

As with all sponsored awards, transactions posting to non-federal sponsored awards must adhere to the sponsor's terms and conditions, as well as Lurie Children's internal policies. Direct costs posting to non-federal sponsored awards, however, may differ from those posting to federally sponsored awards. Since many non-federal sponsors limit the indirect cost rate, Lurie Children's may direct charge expenses that would normally be treated as indirect costs on federal awards. Based upon sponsor requirements at the

proposal stage, OSP will determine what costs can be charged as direct expenses. After award, transactions in expense categories not specifically captured in the approved budget should be reviewed by RBMs prior to posting the transactions. In some cases, sponsor approval may be required.

### **Timeliness**

The timely processing of corrections involving non-federally sponsored awards are the responsibility of the PIs, LUMs, and RBMs. All should routinely monitor expenditures to evaluate if corrections are needed and then proceed with the corrections in a timely manner. Transactions posting to non-federal sponsored awards will follow the institution's financial transactions timelines, unless otherwise stated in the sponsor's terms and conditions. Lurie Children's allows for the processing of corrections within the current fiscal year, the period from September 1st through August 31st. If the sponsored award ends prior to fiscal year end, the correction should be submitted to the RBMs and processed by OSPA 15 days before the financial report is due to the sponsor (see Sponsored Financial Reporting and Closeout Policy). For industry sponsored awards with no defined end date, corrections must be submitted prior to issuance of the final invoice.

### **Closed Fiscal Years**

It is Lurie Children's position that a closed fiscal year's general ledger should not be changed unless absolutely necessary. As sponsored funds adhere to specific grant periods defined by sponsors and not Lurie Children's fiscal year, it is sometimes necessary to make adjustments to closed fiscal years. With respect to non-federal sponsored awards, posting a journal correction to a closed fiscal year is allowable only under the following circumstances:

- A late award notice was received
- An unallowable expense as defined by the sponsor was identified
- It is determined that the fund was charged in error
- There is a deficit on the fund

Exceptions to the non-federal correction timeline should be rare and they will only be granted when presented, in writing, by the LUM or RBM and when approved by OSPA. Such exceptions will be considered only in extenuating circumstances noted above and may require OSPA to request sponsor approval for an extension of the reporting deadline.

### **Related Forms**

Payroll Correction Form

Transaction Correction Form

PPR Other Payroll Recovery Form

### **Related Policies**

Sponsored Financial Reporting and Closeout Policy

Effort Reporting Policy (under development)

Cost Principles for Sponsored Awards (under development)

Indirect Cost Policy (under development)

Cost Transfer Policy