

# UC Davis Policy and Procedure Manual

## Chapter 230, Sponsored Programs

### Section 01, Private Support of Research

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Responsible Department: Office of Research

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#### I. Purpose

This section outlines the basic policies and procedures governing privately sponsored research and sets forth definitions, procedures for approval, processing, budgeting, and accounting for research funded from private sources.

#### II. Background

Research is one of the three critical components of the University's constitutionally mandated mission of teaching, research, and public service, including patient care. Collaboration between UC Davis investigators and private sponsors is a critical component of the UC Davis research program. Through such collaboration UCD investigators obtain support for their research and access to expertise and materials uniquely available from private sponsors. In contrast to most other forms of sponsored research, funding for privately sponsored research can result in residual funds that under certain circumstances may be retained by the University.

Research shall be considered privately sponsored--and therefore subject to the terms of this policy--when it is funded wholly or partially by private funds not considered a gift under Section 260-15.

Researchers must be especially mindful of potential conflicts of interest and/or commitment in the pursuit of privately sponsored activities. A conflict of interest may arise when a principal investigator (PI) has an ownership or other financial interest in a company that is providing private support for a research activity. A conflict of commitment may arise when a PI devotes significant effort during University time toward the pursuit of activities for private sponsors that result in direct or indirect financial gain or remuneration of some sort for the researcher. (For additional information on University policies and guidelines pertaining to conflict of interest and commitment, see Academic Personnel Manual Sections 025 and 028, UC Business & Finance Bulletin G-39, and UCD Policy & Procedure Manual Section 380-16.)

#### III. Definitions

- A. Research--any systematic investigation designed to develop or contribute to generalized knowledge. The term encompasses basic and applied research inclusive of product analysis and research development.
- B. Sponsored research--an externally funded research activity that is governed by specific terms and conditions set by the University and the funding source. Sponsored research may include research grants, research contracts, cooperative agreements for research, or other research-related activities associated with furthering generalized knowledge or with product refinement or development. Typically, funding received that is subject to performance of a research task satisfying specific donor requirements and/or provision of a quid pro quo, whether implicitly or explicitly defined; imposition of limitations on or control over expenditures; requirements of technical, clinical, invention, or other exclusive reports to the donor; reservation by donor of patent privileges; a period of performance for individual research tasks or provision for termination at the discretion of the donor and/or return of unspent funds to donor; or reservation

by donor of right to audit is deemed sponsored research.

- C. Privately sponsored research--a research activity funded in whole or in part from a private source of funds.
- D. Residual funds--funds remaining from a privately sponsored research activity that exceed the University's full direct and indirect (facilities and administrative--F&A) costs of performing the University's agreement with the sponsor. Research funds may not be designated as residual funds until full F&A (indirect costs) have been paid on the award.
- E. Unit head--an academic or administrative leader with programmatic, managerial, and fiscal responsibilities for a designated area, such as a department, division, school, or center. A unit head typically reports directly to a dean or vice chancellor.
- F. Principal investigator/study director--the individual primarily responsible for and in charge of a research activity as defined in Section 330-31. In order to be named a PI, the individual must have an active role in the project that reflects the PI's scientific or administrative direction of the project. For informational and cross-referencing purposes, it should be noted here that the U.S. Food and Drug Administration (FDA) defines a study director as a PI.
- G. Study coordinator--the individual, typically in a clinical trial setting, who coordinates all aspects of the investigation and gathers data and information, under the direct supervision of a PI.
- H. Effort or work--in connection with a project budget, the percentage of actual time to be spent on any activity expressed as a ratio of the total appointment of an individual. Total effort for an employee may not exceed 100% (+/-1 due to rounding).
- I. Direct costs--costs that can readily and consistently be identified specifically with the activities necessary to fulfill the terms of an agreement covering a project. Direct costs include, but are not limited to, salaries and benefits, supplies and materials, acquisition of permanent equipment, travel, patient care costs, third-party or consultant contracts, publication costs, rate-supported services of an academic or service unit, and alterations or renovations.
- J. Facilities and administrative (indirect) costs--costs that are incurred by the University in support of common or collective institutional objectives. Such costs are not uniquely identified with specific services or activities, but instead provide indirect support for all F&A services and activities. The costs are negotiated periodically by the campus with the federal government and are published to the campus by the Vice Chancellor--Research.
- K. Facilities and administrative (indirect) cost rates--the rates set in F&A cost agreements between the University and the federal government. Privately sponsored projects are subject to the full federally negotiated F&A cost rates unless an exception has been approved through the Office of Research.
- L. Allowable costs--costs for which an institution may be reimbursed under a research support agreement with the federal government. The determination of allowable costs for educational institutions is governed by cost principles published as federal Office of Management and Budget (OMB) Circular A-21.

#### **IV. Policy**

- A. Agreements

1. The acceptance of support from private sources for research activities commits the University to specific deliverables. The University will not accept research awards from private sponsors unless and until a formal agreement, including scope of work and an itemized project budget, has been submitted to, and reviewed and approved by, the Office of Research.
2. Privately sponsored research is subject to the same policies and procedures for administration and financial record keeping as those funded by public agencies. All privately sponsored research activities must be separately budgeted and accounted for, consistent with University policies and subject to the terms of the sponsoring organization.
3. Proposals for agreements with private sponsors shall provide for full recovery of costs including F&A costs at the full, approved rate. Private sponsors must be made aware of the reality of F&A costs as an actual expense and the need for the University to recover such costs.

**B. Financial requirements**

1. Each privately sponsored research activity shall have a separate account established through Extramural Accounting with a specified project end date. All privately sponsored research accounts will be closed six months after the stated end date.
2. Residual funds remaining at the close of the account after all costs, including F&A costs, have been recovered will be transferred to a departmental, unit, or dean's account designated to record and receive residual funds. These funds shall be expended in support of the teaching, research, and public service mission of the University, in accordance with established department or school practices.
3. Residual funds in excess of 20% of each privately sponsored research activity budget will require a written explanation by the PI attesting to the nature and reason for the excess funds. Explanations shall be submitted to the unit head, dean, or Vice Chancellor--Research as the next higher level of authority with confirmation that the residual funds have been deposited in the designated account.
4. All residual funds in excess of 20% of project budget are subject to monitoring and potential audit review.

**V. Procedures**

**A. Eligibility**

Eligibility to submit a privately sponsored proposal shall be as defined in the UC Contract and Grant Manual, Section 1-530. In general, members of the Academic Senate and appointees in other eligible title groups listed in the policy may submit proposals. With the approval of the Chancellor, the Vice Chancellor--Research, a vice president, or the UC Dean of University Extension, University personnel with other faculty and staff titles not listed may submit proposals, subject to certain conditions.

**B. Authority and responsibilities**

Participants in privately sponsored research must comply with the responsibilities for the

conduct of sponsored research as described in Section 330-31. In addition, with respect to privately sponsored research, the Office of Research is the designated recipient of all extramurally funded sponsored research agreements, both public and/or privately funded. The following responsibilities apply:

1. Office of Research. The Office of Research provides institutional oversight for acceptance of awards and is delegated authority to negotiate terms and conditions of all research agreements to ensure compliance with University policy.
2. Dean. The dean has responsibility for local oversight of residual funds retained. In the event the PI directly reports to the dean, the dean is responsible for attesting to the validity of the proposed privately sponsored activity, its departmental compatibility, and its appropriateness in terms of budget, space, and equipment, as well as for monitoring transfer and receipt of residual funds to the dean's or departmental account.
3. Unit/department head. The unit head has responsibility for monitoring and distribution of residual funds.
4. Principal investigator. The PI is the primary individual in charge of a privately sponsored research activity and as such is accountable for all deliverables, transactions, and activities performed in conjunction with the project. In addition, the PI is responsible for:
  - a. Preparing and submitting disclosure forms in connection with all privately sponsored research.
  - b. Identifying all residual funds, initiating the notification process, and proposing the allocation of residual funds.
  - c. Reporting and explaining residual funds in excess of 20% of program budget.
5. Extramural Funds Division, Accounting & Financial Services. With regard to privately sponsored research activities, the Extramural Funds Division is responsible for:
  - a. Establishing unique accounts for approved and awarded privately sponsored research consistent with established policies and procedures for receipt of extramurally funded awards.
  - b. Assuring all established accounts reflect a designated award end date.
  - c. Closing established privately sponsored research accounts six months after the stated end date.
  - d. Transferring residual funds to applicable and appropriately approved departmental accounts at the direction of the PI.
  - e. Monitoring and reporting on levels of residual amounts in closed project accounts to PI, unit head, dean, and Internal Audit Services.

C. Pricing and budgeting

Project budgets demonstrate that the project will recover from the sponsor the University's full costs of fulfilling the terms of its agreement with the sponsor. The following information is

provided as general guidance for budgeting of privately sponsored research. Costing guidelines and principles for privately sponsored research should generally comply with federal requirements as defined in OMB Circular A-21 and UC policies as outlined in Contract and Grant Manual Chapter 7.

1. Direct costs

In general, acceptable and common categories of direct costs include (but are not limited to):

- a. Salaries and wages.
- b. Employee benefits.
- c. Supplies and materials.
- d. Permanent equipment.
- e. Consultant costs.
- f. Other contractual or third party costs/subcontracts.
- g. Travel.
- h. Patient care costs.
- i. Alterations and renovations.
- j. Publication costs.
- k. Participant support.
- l. Other direct costs.

2. Facilities & administrative costs

F&A costs are a separate line item in the project budget. These costs are calculated as a percentage of direct costs by applying the F&A cost rate.

3. California National Primate Research Center (CNPRC)

Units such as the CNPRC may be only partially funded by the sponsoring agency and must be partially self-supporting for the remainder of their costs. To that end, for privately sponsored research at the CNPRC, budgets may include as direct costs the following items that are generally regarded as F&A costs to recover costs not included in the CNPRC base grant funding for provision of facilities and equipment to privately funded studies:

- a. Building use (depreciation).
- b. Equipment use (depreciation).

c. Department administration.

These costs must be budgeted to studies on the basis of a standard costing methodology, consistently applied, and based on actual costs for the distribution of these components of administrative overhead. This methodology is reviewed and approved by the Vice Chancellor--Research and the Vice Chancellor--Administration during the quadrennial negotiation of the CNPRC F&A cost rate for federally sponsored projects.

**VI. References and Related Policy**

A. Academic Personnel Manual:

1. Section APM-025, Conflict of Commitment and Outside Professional Activities of Faculty Members.
2. Section APM-028, Disclosure of Financial Interest in Private Sponsors of Research.
3. Section UCD-025, Reporting Outside Professional Activities.

B. UC Business & Finance Bulletin G-39, Conflict of Interest Policy and Compendium of Specialized University Policies, Guidelines, and Regulations Related to Conflict of Interest (<http://www.ucop.edu/ucophome/policies/bfb/g39.html>).

C. UC Contract and Grant Manual:

1. Chapter 1, Section 1-530, Who May Submit Proposals.
2. Chapter 7, Budgets and Expenditures.
3. Chapter 19, Section 19-400, Agreements with Private Sponsors.

D. UCD Policy & Procedure Manual:

1. Section 260-15, Solicitation and Acceptance of Gifts.
2. Section 330-05, Business Contracts.
3. Section 330-31, Administration of Contract and Grants Projects.
4. Section 330-50, Sales of University Supplies and Services.
5. Section 340-05, Cost Recovery for Sales of Goods and Services to Non-University Clientele.
6. Section 380-16, Conflict of Interest.

E. U.S. Code of Federal Regulations (FDA) (<http://www.access.gpo.gov/nara/cfr/index.html>):

1. 21 CFR 56.102(h), Definitions.
2. 21 CFR 58.3(m), Definitions.

3. 21 CFR 58.33, Study Director.
- F. Federal Office of Management and Budget Circular A-21, Cost Principles for Educational Institutions.
- G. Accounting & Financial Services--Extramural Funds Accounting: Charging Practices for Federally Funded Grants and Contracts, 1997.