Procurement on Sponsored Projects

Objectives & Key Roles

- **Objectives**
  - How to apply the cost principles
  - How to review specific types of purchases
  - Identify available resources

- **Key Roles**
  - Grant Accounting Office (GAO)
  - Principal Investigator (PI)
  - Department Administrator

Procurement on Sponsored Projects

- Sponsored project procurement must align with the award terms, sponsor requirements, University of Iowa policies, and applicable federal requirements.
- Direct costs charged to sponsored projects must be allowable, consistently treated, reasonable and necessary, and allocated based on proportional benefit to the project.
- Procurement decisions can affect budget preparation, award management, F&A treatment, subaward processing, and closeout.

Cost Principles

- Sponsored projects should be charged directly only for costs that are allowable under the sponsored agreement.
- Costs must be consistently treated as direct costs under like circumstances.
- Costs must be reasonable and necessary for the performance of the sponsored agreement.
- Costs must be allocated based on the proportional benefit to the project.

Allocation and Documentation

- Allocation means charging a cost, or group of costs, to the funding sources that receive the benefit of the goods or services purchased.
- If a cost benefits a single project, the expense should be allocated and directly charged to that project.
- If a cost benefits multiple projects, the cost must be allocated based on proportional benefit when proportions can be determined.
- Documentation should show allowability, reasonableness, allocability, and traceability to the general ledger.

Proposal Stage - Budgeting

- A sponsored project budget is the financial plan for an award that the sponsor approves during the award process or through later amendments.
- The budget justification provides detail for expenses and explains the need for items or costs listed in the budget.
- Proposal budgets should be developed according to sponsor requirements and consistent with University policy.
- Other anticipated direct costs necessary for carrying out the research should be itemized for approval.
- Costs being included at proposal stage does not mean they are allowable, they will still need to meet the cost principles and may require prior approval.

Equipment and Supplies

- Equipment is tangible property, including information technology systems, with a useful life of more than one year and a per-unit acquisition cost of $5,000 or greater.
- Each major item of equipment should be described in the budget, with justification for its use.
- Freight and installation costs should be included in the estimated purchase price.
- Expendable equipment and supplies costing less than $5,000 should be identified with estimated costs.
- Generally, sponsor approval is required to purchase equipment.

Consultant and Professional Services

- Consultant or lecturer fees, travel, and subsistence may generally be included in a budget if the sponsor does not disallow the charges.
- Federal employees cannot be paid through federal grants.
- Professional services performed by a consultant should be coordinated with UI Purchasing. A Professional Services Agreement is used for consulting services when the consultant is expected to be paid more than $5,000 in a year.
- Questions about the PSA and procurement process should be directed to UI Purchasing.

Subaward, Consultant, or Contractor?

- A research project may involve contractors, consultants, and subrecipients.
- The pass-through entity is responsible for deciding whether an arrangement is a subaward or a contractor agreement.
- Determining the correct relationship at proposal stage is critical for compliance requirements. Misclassification may delay subaward processing, affect F&A calculations, and require sponsor approval.

Competitive Bidding

The University of Iowa, as a state entity, uses a competitive bidding system as required under state and federal law. This process must also comply with Uniform Guidance procurement standards.

- For grant-funded purchases, competitive procurement helps demonstrate:
- Fair and open competition
- Reasonableness of price
- Proper stewardship of federal funds
- Compliance with 2 CFR 200 procurement requirements

Competitive Bidding

The University's purchasing policy includes provisions for:

- Waiver of bid requirements
- Sole-source procurements
- Special purchases requiring Regent approval or special handling

Key Takeaways

- Confirm the correct relationship type: subaward, consultant, professional services, contractor, or fee-for-service.
- Maintain documentation supporting allowability, allocability, reasonableness, and proportional benefit.
- Use the Quick Reference Guide for Sponsored Project Expenditures for direct-cost treatment guidance.
- Refer procurement-process questions involving consultants, PSAs, competitive bidding, and fee-for-service arrangements to UI Purchasing as indicated in University guidance.

References and additional information

- **DSP website**
    - Budget Preparation Information
- **GAO website**
    - Quick Reference Guide for Sponsored Project Expenditures

- **Contact us**
    - dsp.research.uiowa.edu/about-dsp/staff-directory-contacts
    - gao.fo.uiowa.edu/contact-us

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