UTC-Participant Support Costs: Processing Stipends or Fellowships on Sponsored projects
What is a Stipend or Fellowship???

- Under Federal Guidelines stipends or Fellowships are defined as support paid to or on the behalf of participants or trainees but not employees. They include, but are not limited to:
  - Subsistence Allowances,
  - Travel Allowances,
    - Meal Allowances
      » Housing Allowances,
      » Registration Fees,
      » Etc...
What is the UTC Process for processing stipends/fellowships on sponsored projects?

- In order to ensure compliance, the following methods must be used:
  - UTC Student Participants must be processed through Financial Aid. The funds provided will need to be reviewed as part of their allowable aid package. Financial Aid will determine the impact to the aid package for each participant.
  - Non-UTC Student Participants must be processed through A/P as a vendor. First, the student will need to be setup as a vendor through the PaymentWorks System, and a T-27 Form will be used to process the stipend payment in IRIS. These participants will be exempt from receiving a 1099 tax form from UT.
What steps were taken in developing this process?

- Approximately 35 universities across the country who receive Federal awards were reviewed for policies related to processing Stipends/Fellowships (PSC’s). In more than 30 of these universities, they followed the same process being implemented at UTK. Thus, UTC has decided to follow the same process as UTK.

- Various UT Offices; Treasurer’s Office, Tax Office, Human Resources Department, Financial Aid Office, Controller’s Office, Sponsored Projects Accounting Office, as well as the UT Financial Aid Office, consulted together after reviewing the Federal requirements, and determined this was the best approach based on our current systems.
Why is the University taking this process stance on PSC’s?

• In short, we have to take steps to ensure we are in compliance with all regulations.

• UTK was found to be in non-compliance of these regulations and received a Federal Financial Aid Audit Finding. Multiple conferences were attended by various people in the areas of Budget and Finance, Financial Aid, and Sponsored Projects Accounting, where it was made clear that Stipends/Fellowships could not be paid as wages through a payroll system.

• During an NSF audit, UTK encountered questions specifically related to processing participants through payroll.
Federal Guidelines prohibit paying participants as employees using support funds.

What are the Federal Guidelines:

- Uniform Guidance, CFR 200.75
- NSF REU/Participant Support Requirements
- Federal Student Aid Handbook
Uniform Guidance, CFR 200.75

- UG 200.75 Participant Support Costs, states they are used for items such as stipends or substance allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences, or training projects.
NSF REU/Participant Support Requirements

- The REU experience is a research training experience paid via a stipend, not employment (work) paid with a salary or wage. In this case, the student's training consists of closely mentored independent research. For administrative convenience, organizations may choose to issue payments to REU students using their normal payroll system. The funds received by students may be taxable income under the Internal Revenue Code of 1986 and may also be subject to state or local taxes. Please consult the Internal Revenue Service (IRS) for additional information. Students might find the IRS's "Tax Information for Students" website (https://www.irs.gov/individuals/students/students-page-higher-education) to be particularly helpful.

Federal Student Aid Handbook

- When classifying non-FSA sources of aid, if a student receives the award because of postsecondary enrollment (for example, a scholarship from a local social club that requires a student to be attending a postsecondary school), it counts as estimated financial assistance (EFA) if it is not considered wages for employment according to federal or state rules, or if it is considered wages and is based on need.
Why does the NSF award solicitations allow for issuing payments through normal payroll systems if it is convenient?

• NSF does allow for entities to process REU payments through a payroll system that is designed to show that the payments are not wage based, but they are instead stipends/fellowships.

• Our payroll system does not allow for distinction between wage payments and stipend payments.

• The only systems we have for properly processing stipend payments are our Financial Aid system for UTC students and our vendor system for non-UTC students.
Steps involved with processing payments.

UTC-Student Participants
• Paid through Financial Aid’s Scholarship Office.
• Because they are students we must calculate stipend payments into their overall Federal Award allowance.

Non-UTC Participants
• Paid through the Vendor System on T-27 form, where they are designated as participants in research activities.
• They don’t receive a W-2
• They must report the stipend to their home institution financial aid office.
Processing UTC-Students through Scholarship Office

- The department will contact the UTC Scholarship Office, Ken Scannapiego, to alert them of the need for student stipends to be issued from the Participant Support account.

- The Department will need to complete a “Scholarship Authorization Form” for each individual that needs to be issued a stipend.

- On the form, Departments will need to indicate the participant support R-account number to be charged, the students name and ID number, the amount to disbursed for each stipend, identify the semester, and the disbursement dates for the stipends. We suggest you disburse on a biweekly or monthly schedule.
UTC Student PSC processing cont...

- Upon receiving the form, the Scholarship Office will review the stipend payments in association with the student’s Federal Financial Aid package and communicate with the student on any effect the stipend may have on their aid.

- For the first payment, you should ensure that Financial Aid receives your initial Scholarship Authorization form, for each individual, 10 days prior to the payment date.

- The Scholarship Office will issue the payment through the student’s account in Banner and then the charge will be posted to the R account in IRIS.
Processing Non-UTC Students as a Vendor

- Departments will issue an invitation to the non-UTC student through PaymentWorks to initiate the process of being setup as a vendor.
- The student should make sure to let PaymentWorks know that they are to be receiving stipend as a research participant for the appropriate classification.
- Provide UTC Stipend Letter to participants
- **T-27:** Once set-up as a vendor and the service dates have passed, the T-27 form will need to be completed. In the “Notes” section, please include the phrase “Non-taxable, Research Experience Stipend.” Remember the document date (the date that you are filling out the form) cannot be prior to the last date of service. Also, the T-27 shouldn’t be entered into IRIS before the last date of service. Make sure your address on the T-27 matches the vendor address in IRIS! If it does not, it could be a typo or that the IRIS information may need updating through PaymentWorks. USE ONLY THE LAST FOUR DIGITS OF THE SOCIAL SECURITY NUMBER on the T-27 form.
Processing Travel for Participant Support

- For any active UTC student employees, travel will need to be processed through Concur under the student’s employee number.
- For any non-UTC students or students not under employment with UTC, travel should be processed as a Guest Traveler in Concur. The student will need to be setup as a guest traveler in IRIS first.
- The departmental administrative assistant may process the travel on behalf of the guest traveler.
- We suggest that all lodging and airfare cost be processed through a PI’s or Departmental Admin’s travel card, and only reimbursement for mileage and per diem be processed directly to the guest traveler or UTC student employee. A Group Travel Card may be obtained if a large group is traveling at the same time.
- Please contact the UTC Travel Department for assistance for Concur processing.