OPERATING POLICY/PROCEDURE

1. Policy Statement

It is the policy of Texas Tech University that sponsored projects and cost share funds will be monitored to ensure compliance with federal regulations, state law, agency/award terms and conditions, and institutional policy.

2. Federal Regulations

OMB Circular A-21, Cost Principles for Educational Institutions

a. To be allowable, costs must be reasonable, allocable, and given consistent treatment (C.2).

   • Reasonable costs are those in which the nature and amount of the expense reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made.
   • A cost is allocable to a particular project if it is incurred to advance the scope of work and is assignable to the project in proportion to the relative benefit received.
   • Consistent treatment refers to treating costs incurred for similar purposes in like circumstances in a like manner.

b. Costs, including those charged to cost share funds, also must conform to any limitations or exclusions specifically set forth in A-21 or in the sponsored project agreement. Costs that are expressly unallowable shall be identified and excluded from any billing, claim, application, or proposal applicable to a sponsored agreement (C.12.a).

3. Definitions

a. Direct Costs – Costs that can be identified specifically with a particular sponsored project or that can be directly assigned to such activities relatively easily and with a high degree of accuracy (A-21, D.1).
b. Facilities and Administrative Costs – Costs incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other activity (A-21, B.4).

4. Unacceptable Direct Charging Practices

- Purchasing items or transferring costs to projects to spend down unobligated balances;
- Charging an expense exclusively to a single project when the expense has also supported other projects/institutional activities;
- Allocating or charging budgeted amounts instead of actual amounts; and
- Charging costs to one project with the intent of transferring charges to another project when the award is received and budgeted.

5. Treatment of Specific Types of Costs

The costs of clerical and administrative salaries and benefits and certain general administrative expenses such as office supplies, postage, printing, data communication, and memberships normally cannot be charged as direct costs to federally funded projects. (F.6.b). However, these expenses may be charged to federal projects if there are scientific and/or technical needs and the costs are specifically included in the accepted project proposal, the award itself, or otherwise approved by the sponsor through written correspondence.

Approval from the sponsor does not necessarily indicate the charge is allocable and allowable as a direct charge on the sponsored project. The costs must solely benefit the project and no other research or academic activities. Additionally, justification for the charges must be documented on the Justification for Administrative Direct Charges form and approved by the Office of Research Service (ORS).

For projects funded from nonfederal sources, costs that can be identified specifically with the project may be budgeted and adequately justified in the project proposal.

a. Clerical and Administrative Salaries

Clerical and administrative salaries may be allowable on federally funded projects if the nature of the work performed requires extensive amounts of clerical or administrative effort that is significantly greater than the routine level of such services provided by academic departments. Exhibit C of Circular A-21 provides examples of “major projects” where direct charging of administrative or clerical salaries may be appropriate. These include:

- Large, complex programs that entail assembling and managing teams of investigators from a number of institutions;
- Projects that involve extensive data collection, management, and reporting;
- Projects that require making travel and meeting arrangements for large numbers of participants, such as conferences and seminars;
- Projects whose principal focus is the preparation and production of manuals and large reports, books, and monographs, excluding routine progress and technical reports;
- Projects that are geographically inaccessible to normal departmental administrative services such as research vessels, radio astronomy projects, and other research field sites that are remote from campus; and
• Individual projects requiring project-specific database management, individualized graphics, or manuscript preparation, human or animal protocols, and multiple project-related investigator coordination and communications.

To charge the costs directly to the project, the following criteria must be met:

• The costs can be identified specifically with the objectives of the project; and
• The costs are explicitly approved by the funding agency.

b. Office Supplies

Office supplies that are normally used in the general administrative support of a project may not be included in the budget or charged to the project. Office supplies that are used for project-specific activities outlined in the proposal may be included in the proposal and charged to the project. Because many office supply items are used for both general administrative support and project-specific activities, it is important that these items, when included in the budget, be justified in terms of their relevance to the project performance.

c. Postage

Postage for general administrative support of a project may not be included in the budget or charged to the project. Postage may be included in the budget and charged to the project when it is directly related to the conduct of the study, including correspondence with the sponsor and project participants. Additionally, postage for dissemination of surveys, materials, or deliverables produced as a result of the project activities may be included in the budget and charged to the project.

d. Printing

Ordinary printing costs for general administrative support of a project may not be included in the budget or charged to the project. If the printing cost is project-specific and can be tracked, it can be charged as a direct cost.

e. Data Communication

Data communication services and related infrastructure costs incurred to conduct routine business of the project may not be included in the budget or charged to the project. However, costs that can be directly attributable and allocated to a sponsored project (e.g., costs incurred to conduct surveys or maintain contact with project activities at remote locations) may be charged directly to the project if they are specifically budgeted and included in the project proposal approved by the awarding agency.

(1) Cell phone and pagers are usually considered “local telephone costs” and may not be included in the budget or charged to the project if they are used to conduct routine business of the project. Cell phone expenses may be charged directly to the project only in exceptional circumstances.

(2) Long distance telephone calls may be included in the budget and charged to the project; however, the PI must ensure that charges are directly related to project-specific activities.
f. Memberships

Memberships in professional and scientific organizations may not be included in the project budget or charged as direct costs. These expenses are captured as indirect costs of the institution. In the unlikely event that the membership is a mandatory requirement of the agreement or is part of a training program or conference fee directly related to trainee’s professional development for the project, the expenses may be charged directly to the project.

6. Documentation for Specific Types of Costs

a. Equipment

Equipment purchases from federal and federal pass-through funds must have prior approval from ORA via the appropriate federal equipment form in TechBuy. Refer to OP 65.14, Federal Equipment, for additional information.

b. Food and Beverages

Entertainment, tobacco, and alcohol generally are not allowed on sponsored projects. These types of costs may be allowable on non-federal funds if they are directly tied to the project scope. Food and beverage charges to sponsored projects will be allowed only to the extent they are incidental to a meeting or function directly related to the project scope and must otherwise comply with OP 72.05, Expenditures for Official Functions, Business Meetings, and Entertainment. A statement of the benefit to the project must accompany all meal receipts.

c. Travel

Travel on sponsored projects must be directly related to the scope of the project. A detailed statement describing the benefit to the project must be provided, and expenses must otherwise comply with university travel-related policies.

d. Fee Waivers

Teaching Assistant (TA), Research Assistant (RA), and Graduate Part-Time Instructor (GPTI) waivers generally are allowed on sponsored project funds. Fee waivers should be separately budgeted in the project proposal. Refer to OP 62.40, Graduate Tuition and Fee Waivers, for detailed procedures for submitting waiver forms to Student Business Services.

e. Research and Workshop Participants

Payments to research participants must be made in accordance with OP 62.25, Payments to Research Participants. Payments to workshop participants must be made in accordance with OP 62.37, Establishing Employee/Independent Contractor Status. The prescribed forms must accompany disbursement requests submitted to ORA.

7. Monitoring Direct Charges

The PI has primary responsibility for ensuring that charges to sponsored agreements are in accordance with federal, sponsor, and institutional policy. However, ORS and ORA provide additional oversight and accountability for funds throughout the award life cycle.
a. Principal Investigator

As the primary stewards of sponsored project funds, investigators are expected to:

(1) Maintain an understanding of federal regulations and institutional policies governing sponsored project administration, as well as any agency or sponsor-specific requirements outlined in the award documents;

(2) Work with ORS and ORA to ensure that proposals and budgets are established in accordance with the federal regulations, agency-specific requirements, and institutional policies;

(3) Review direct charges to his/her grants each month to ensure that the costs are:
   - Reasonable, allowable, and allocable to the project;
   - Within the performance period and directly benefit the project;
   - Accurate and fully supported with sufficient documentation; and
   - Within the limitations of the approved budget

(4) Provide ORA with alternative funding sources in the event of a cost overrun or when unallowable charges are identified;

(5) Review subrecipient invoices for the above-mentioned criteria and in accordance with additional requirements outlined in OP 65.05, Subrecipient Monitoring; and

(6) Monitor grant activity and fund balances on a monthly basis to ensure appropriate and maximum use of sponsored project funds

Investigators may delegate certain review tasks to administrators who are knowledgeable of the project; however, PIs remain accountable for the appropriate use of the funds.

b. Office of Research Services

As the initial point of contact with PIs in the award life cycle, ORS will:

(1) Assist the PI in preparing the proposal and proposal budget in accordance with the federal regulations, agency-specific requirements, and institutional policies;

(2) Assist investigators with interpreting federal cost principles and award terms;

(3) Assist investigators in obtaining approvals from sponsors; and

(4) Make the final determination on whether administrative costs will be allowed as direct costs to a sponsored project.

c. Office of Research Accounting

ORA is responsible for the fiscal administration of sponsored project and cost share funds and serves as an additional layer of review. To reduce the risk of noncompliance with federal regulations, terms of the award, and institutional policy, ORA will:
(1) Establish financial controls to reduce the risk for unallowable charges to sponsored projects;

(2) Perform an annual analysis of direct costs to sponsored projects and establish written risk-based review and monitoring procedures;

(3) Pre-approve all appointments, except undergraduate students, to sponsored projects for compliance with funding agency requirements;

(4) Assist investigators in obtaining approvals from sponsors;

(5) Perform risk-based review and monitoring procedures to ensure that direct charges are:
   - Reasonable, allowable, and allocable to the project;
   - Within the performance period and directly benefit the project;
   - Fully supported with sufficient documentation of the benefit to the project; and
   - Within the limitations of the approved budget

(6) Assist investigators with interpreting federal cost principles and award terms;

(7) Provide grant-level reporting to PIs to assist with ongoing grant management and monitoring activities; and

(8) Perform final grant closeout procedures.