



TEXAS TECH UNIVERSITY

Operating Policy and Procedure

OP 65.08: Direct Charging to Sponsored Projects and Cost Share Funds

DATE: February 5, 2018

PURPOSE: The purpose of this Operating Policy/Procedure (OP) is to set forth institutional policy for costs charged directly to sponsored projects and any associated cost share and/or program income funds.

REVIEW: This OP will be reviewed in January of even-numbered years by the Managing Director of the Office of Accounting Services (AS) and Managing Director of the Office of Research Services (ORS) with substantive changes forwarded to the Vice President for Research and the Vice President for Administration & Finance and Chief Financial Officer.

POLICY/PROCEDURE

1. Policy Statement

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

2. Federal Regulations

[2 CFR Part 200 Subpart E](#) (*Applies to new and modified awards issued on or after 12/26/2014*)
[OMB Circular A-21](#) (*Applies to awards issued prior to 12/26/2014*)

- a. To be allowable, costs must be reasonable, allocable, and given consistent treatment.
 - **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 and program income funds, also must conform to any limitations or exclusions specifically set forth in federal regulations or in the sponsored project agreement.
- c. Costs that are expressly unallowable shall be identified and excluded from any billing, claim, application, or proposal applicable to a sponsored agreement.

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.
- 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.

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.

6. Documentation for Specific Types of Costs

a. Equipment

Equipment purchases on federal projects must have prior approval from AS 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](#).

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. Refer to [OP 79.08, Reimbursement of Travel Expenses](#).

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](#).

e. Research Participants

Payments to research participants must be made in accordance with [OP 62.25, Participant Payments](#).

f. Research Service Providers

Services of independent contractors on sponsored projects are generally allowed, which includes guest speakers and individuals collaborating on research. Procurement of such services must comply with [OP 72.17, Procurement of Independent Contractors](#). Current TTU employees may not be paid as independent contractors.

g. Subaward Payments

Subaward payments are made to entities (subrecipients) who are accountable to TTU for the use of funds provided in carrying out a portion of the scope of work of a project. Subawards are issued and monitored in accordance with [OP 65.05, Subrecipient Monitoring](#).

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

c. Accounting Services

AS is responsible for the fiscal administration of sponsored project and cost share funds. To reduce the risk of noncompliance with federal regulations, terms of the award, and institutional policy, AS will:

- (1) Establish financial controls to reduce the risk for unallowable charges to sponsored projects;
- (2) Pre-approve all appointments, except undergraduate students, to sponsored projects for compliance with funding agency requirements;
- (3) Approve all capital equipment purchases
- (4) Assist investigators in obtaining approvals from sponsors;
- (5) Assist investigators with interpreting federal cost principles and award terms; and
- (6) Perform final grant closeout procedures.