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Revisions to Policies Related to Sponsored Projects

The policies below have been updated to reflect current practices and to incorporate language under Title 2 of the Code of Federal Regulations, "Uniform Guidance", which combines and replaces federal circulars applicable to educational institutions, which previously governed the cost principles (A-21), administrative requirements (A-110) and audit obligations (A-133).

Linda Bucy, Assistant Vice President and Interim Director of the Office of Sponsored Programs and Ken Miller, Assistant Vice President for Finance & University Controller will discuss changes to these policies at a breakout session during the [Annual Seminar of Business Practices](#) hosted by Capital Assets and Financial Management on April 20, 2017.

Below are summary updates for each policy.

Policy 3240: Costing Principles for Sponsored Projects

<http://www.policies.vt.edu/3240.pdf>

The policy was retitled from "Consistency in Charging Administrative and Clerical Costs" to "Costing Principles for Sponsored Projects" because the Uniform Guidance includes significant changes regarding rules related to expenditures charged to sponsored projects with a much greater emphasis on internal controls over costs or expenditures charged to sponsored projects.

- **Direct costs** must be specifically identifiable with the objectives of the project/award, and this identification should be made with relative ease and a high degree of accuracy. Direct costs must meet the following criteria (2 CFR §200.413 (a)):
 - **Allowable** cost (expenditure) must (2 CFR §200.403):
 - Be necessary and reasonable for the performance of the sponsored award;
 - Not be designated as "unallowable" under federal or sponsored regulations;
 - Adhere to sponsor-specific policies and award-specific terms and conditions;
 - Adhere to state and university policies, procedures and regulations regarding specific items of cost;
 - Be given **consistent treatment**, i.e., a cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the federal award as a facilities and administrative (indirect, overhead) cost;
 - Not be included as a cost or used to meet cost sharing or matching requirements on any other federally financed project in either the current or a prior period; **and**
 - Be adequately documented.

- **Reasonable** cost (expenditure) must (2 CFR §200.404):
 - Be generally recognized as ordinary and necessary for the performance of the sponsored award;
 - Be reasonably priced based on sound business practices;
 - Be compliant with state and university procurement policies and procedures;
 - Be compliant with federal and state laws and regulations and terms and conditions of the sponsored award;
 - Be comparably priced for the geographic area; **and**
 - Be reasonable as determined by a prudent person.

- **Allocable** cost (expenditure) must (2 CFR §200.405):
 - Be incurred solely to advance the work funded under the sponsored award; **and**
 - Benefit the sponsored project and other work of the university in proportions that can be clearly documented through reasonable methods.
 - If a cost benefits two or more projects or activities in proportions that **can** be determined and documented without undue effort or expense, the cost must be allocated to the projects based on the proportional benefit.
 - If a cost benefits two or more projects or activities in proportions that **cannot** be determined with normal precision because of the interrelationship of the work involved, then the costs may be allocated or transferred to benefitted projects on any reasonably documented basis, such as the **Principal Investigator's documented estimate**.
 - Supplies and equipment may not be purchased simply to use an unobligated balance remaining at the end of a project or used to restock inventory to replenish supplies used during the life of the project.

- **Section 3.1 Administrative/Clerical Salary Support Integral to a Project** - The Uniform Guidance eliminated the major project criteria from circular A-21 for the direct charging of administrative and clerical salaries. The salaries of administrative and clerical staff should normally be treated as facilities and administrative costs. Direct charging of these costs may be appropriate **only if all of the following conditions are met** (2 CFR §200.413 (c) :
 - Administrative or clerical services are **integral** (essential, vital or fundamental) to a project or activity;
 - a) The definition of the term **"integral"** in this context means the nature and purpose of the sponsored project lends itself to administrative and clerical personnel being essential to the completion and fulfillment of the **stated aims and objectives**. This type of involvement of administrative and clerical personnel in direct support of the project deliverables is different, separate and apart from standard or routine levels of administrative support that are expected in the successful management of any sponsored award.
 - b) The duties/roles below are examples of normal administrative support **not** considered integral to a project or activity:
 - Assisting with proposal processing
 - Monitoring projects for fiscal and administrative compliance
 - Assisting with general correspondence internally and with collaborators
 - Assisting with technical/project reports
 - Ordering supplies/equipment

- Managing human resource responsibilities
- Making meeting/travel arrangements for research faculty and students
- Individuals involved can be specifically identified with the project or activity;
- Administrative/Clerical costs must be explicitly included in the proposal budget or have the prior written approval of the federal awarding agency; **and**
- The costs are **not** also recovered as F&A costs. It would be inappropriate to charge the cost of such activity directly to the award if the costs of performing the same type of activity are also included as allocable costs in the university's administrative cost pools.

Policy 3105: Effort Certification

<http://www.policies.vt.edu/3105.pdf>

Revisions to Policy 3105: Effort Certification also includes an emphasis on sound internal controls distinct to compensation charged to sponsored awards. The university must assure that the effort expended on sponsored projects justifies the salary charged to them. This is accomplished through certifying effort using the university's personnel activity report (PAR), which represents an employee's agreement that the salary charges shown on the report reasonably reflect the effort expended on sponsored projects and other activities for which they were compensated by Virginia Tech (2 CFR §200.430 (i)).

Highlights of the most important revisions include:

- Incorporating costing principles. Salaries and wages must be reasonable for the work performed, necessary for the performance of the project, allowable per sponsor and university policies, and allocable to the project.
- Clarifying who receives a PAR. PARs are required for all employees and students having any part of their effort funded by externally sponsored activity or university funded committed/required cost sharing.
- Certifying effort. Certification of effort and the allocation of effort should be completed by the individual faculty, staff or students performing the effort or by the Principal Investigator (PI). Only under **exceptional circumstances**, such as an employee leaving the university or on extended leave, should a responsible official certify effort on behalf of faculty or staff. Should this be necessary, **written after-the-fact confirmation from an individual having direct knowledge of the employee's total work effort** must be maintained with department records.
- Adding a chart identifying kinds of activities typically considered part of total university effort of a faculty member, Section 3.3 "Components of Effort".
- Adding language explaining it would be unusual for teaching and research faculty to have 100 percent of their effort charged to externally sponsored projects. This is because of the numerous types of activities performed by faculty (teaching class, serving on committees, preparing proposals to seek new funding) in addition to actual work performed on sponsored projects
- Adding language describing certification statements "yes" and "no".
 - Marking YES on the PAR and signing the certification statement confirms the distribution of activity represents a reasonable estimate of the effort expended by the employee during the reporting period.
 - If changes are needed to the funding distribution prior to final certification, the NO statement should be marked and a payroll funding change initiated, but the PAR

should still be signed and returned in a timely manner to avoid non-compliance. However, the effort is **NOT considered certified** until the funding change(s) have been posted to the Human Resource system, and the retro PAR has been completed by marking YES. As mentioned above, indicating YES on the PAR and signing the certification statement confirms the distribution of activity represents a reasonable estimate of the effort expended by the employee during the reporting period.

- Adjusting the fall PAR schedule to provide departments time to review/adjust fall semester payroll upon returning from winter break.
- Adding responsibilities for departing faculty members to review salary reports for themselves and those for which they are directly responsible to assure effort has been properly charged prior to departing.

Policy 3245: Cost Sharing on Sponsored Projects

<http://www.policies.vt.edu/3245.pdf>

Cost sharing refers to the portion of the total costs of a sponsored project borne by the university. The university will make a cost-sharing commitment only when required by the sponsor or by the competitive nature of the award and only to the extent necessary to meet the specific requirements of the sponsored project.

Key updates to the policy are listed below.

- To qualify as cost sharing, a cost must meet all of the following criteria:
 - Verifiable from the university's records
 - Not included as contributions for any other sponsored project. A given expenditure can only be used as committed cost sharing once, the total can be allocated among numerous projects, but can never be allocated in excess of the total cost;
 - Necessary and reasonable for proper and efficient accomplishment of the project or program objective; **and**
 - Provided for in the approved budget.

The following additional criteria apply to federal sponsored projects and are generally applied to nonfederal sponsored projects for consistency, unless the sponsor specifically approves an exception. Costs must be

- Allowable under the applicable federal regulations (Subpart E – Cost Principles under “2 CFR Part 200” or OMB Circulars A-21 and A-110), the terms of the agreement and university costing principles;
 - Not paid by the Federal Government under another Federal award except where authorized by federal statute; **and**
 - In conformance with other provisions of 2 CFR §200.306.
- Policy documents approval steps necessary prior to proposal submission
 - The principal investigator (PI) must include committed mandatory and committed voluntary cost-sharing amounts in the proposed project budget.
 - The PI is also responsible for obtaining appropriate approvals for cost-sharing commitments by the respective Department Heads, Deans, or Vice Presidents.
 - Cost sharing must be reviewed and approved by the Office of Sponsored Programs Pre-Award Associate prior to transmittal of the proposal to the funding agency.

- All voluntary committed cost sharing must be approved before proposal submission by the Assistant Vice President of Sponsored Programs or designee.
- Cost-sharing expenditures for all types of sponsored projects should be incurred and posted proportionally to the direct costs of the project throughout the award's period of performance.
- If cost-sharing commitments are not met, the sponsor may reduce their portion of the award proportionally.