



Update on Policies Related to Sponsored Projects

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AGENDA

Reason for Policy Revisions

Policy 3240: Costing Principles for Sponsored Projects

Policy 3105: Effort Certification

Policy 3245: Cost Sharing on Sponsored Projects

Resource for Future Assistance

Policies Currently in Review

Reasons for Policy Revisions

- Incorporate language under Title 2 of the Code of Federal Regulations, “Uniform Guidance”
 - 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).
- Reflect current practices.

Per Uniform Guidance

Recipients of Federal funding must:

- Establish and maintain effective **internal controls** that provide reasonable assurance that Virginia Tech is managing its awards in compliance with Federal statutes, regulations and the terms and conditions of the award.
- Evaluate and monitor compliance and take prompt action when instances of non-compliance are identified.

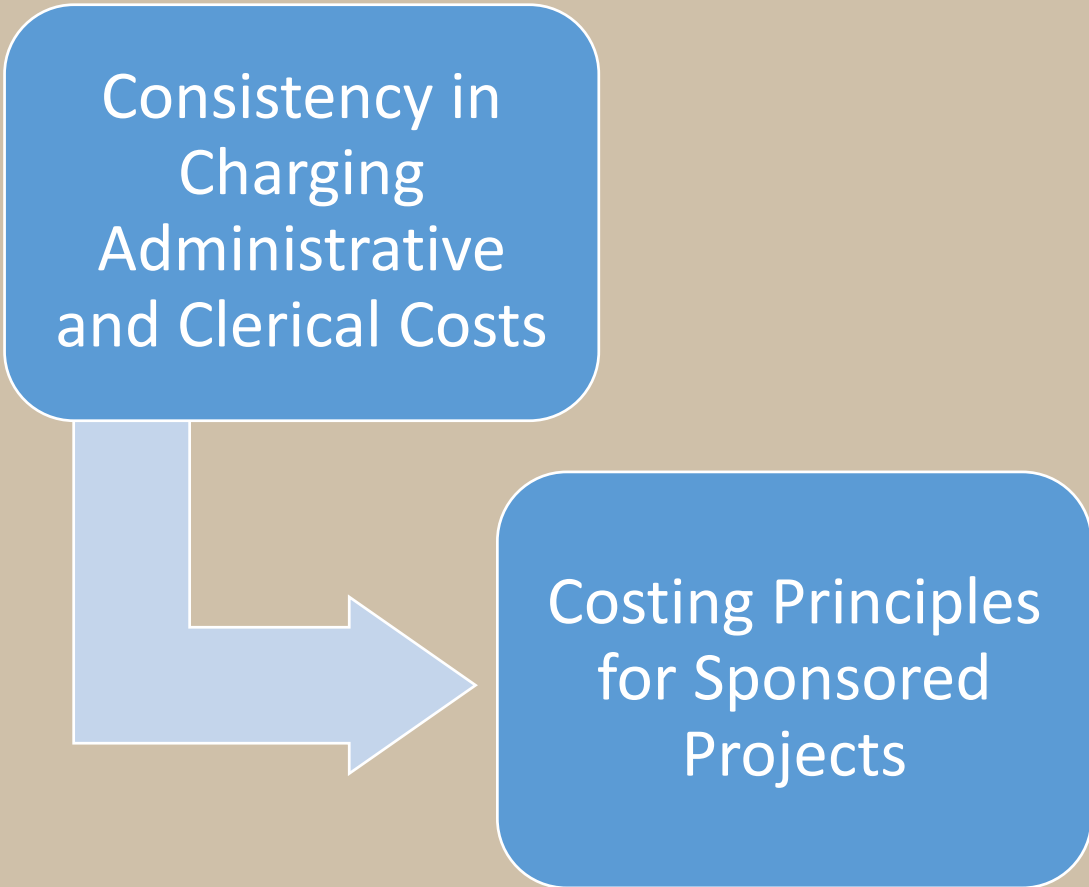
The UG emphasizes the importance of having **documented** internal controls.

2 CFR §200.303

Policy 3240:

Costing Principles for Sponsored Projects

Policy retitled 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.



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graph TD; A[Consistency in Charging Administrative and Clerical Costs] --> B[Costing Principles for Sponsored Projects]
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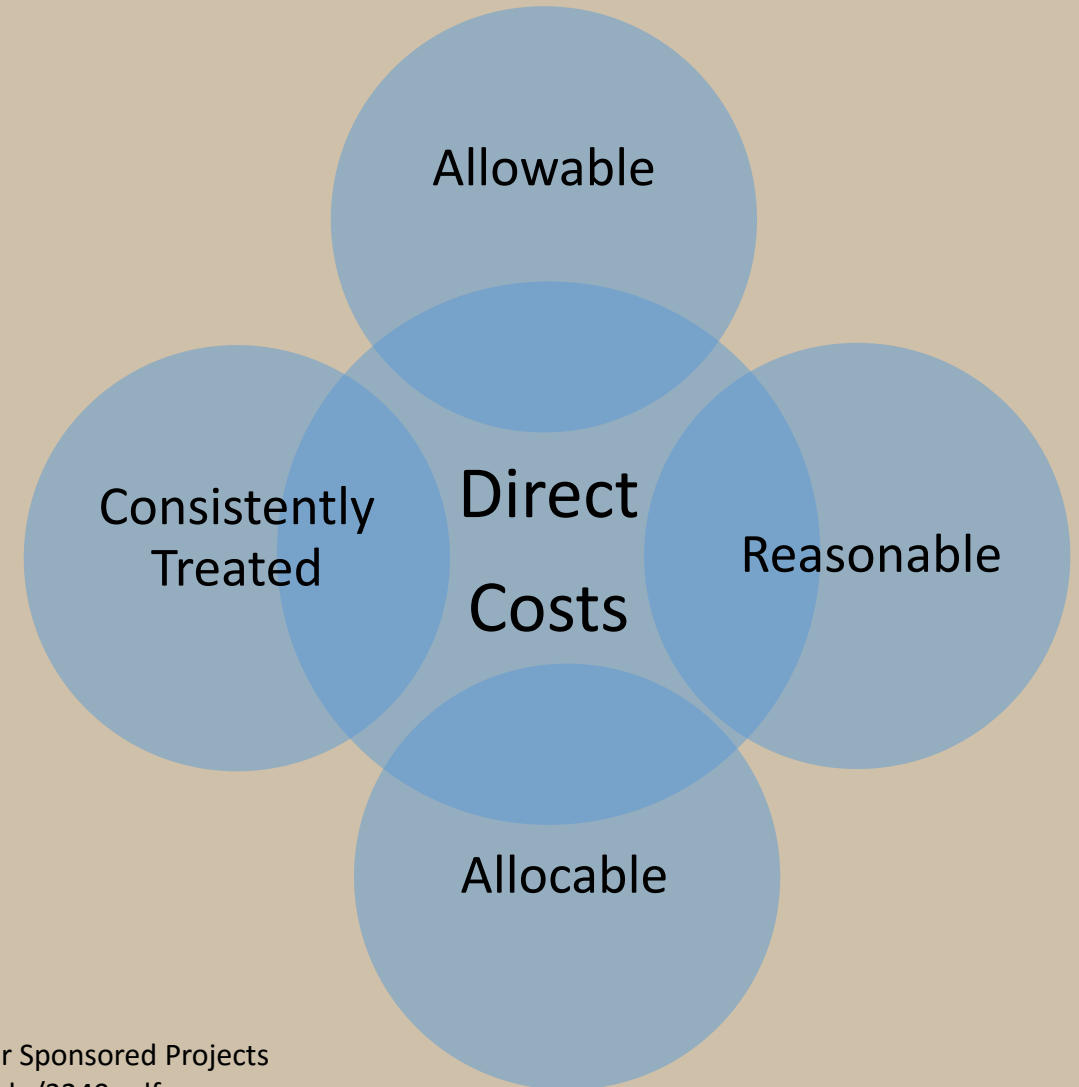
Consistency in
Charging
Administrative
and Clerical Costs

Costing Principles
for Sponsored
Projects

Criteria for 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.

2 CFR §200.413 (a)



Allowable Cost (Expenditure) Must

- 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;

2 CFR §200.403

Policy 3240: Costing Principles for Sponsored Projects
<http://www.policies.vt.edu/3240.pdf>

Allowable Cost (Expenditure) Must (continued)

- 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.

2 CFR §200.403

Reasonable Cost (Expenditure) Must

- 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.

2 CFR §200.404

Allocable Cost (Expenditure) Must

- 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.

2 CFR §200.405

Allocable Cost (Expenditure) Must (continued)

- 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.

2 CFR §200.405

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.**
- Criteria for an exception must be **extraordinary.**

2 CFR §200.413 (c)

Direct charging of administrative/clerical costs may be appropriate only if ALL of the following conditions are met:

1. Administrative or clerical services are **integral** (essential, vital or fundamental) to a project or activity;
 - 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.

2 CFR §200.413 (c)

Direct charging of administrative/clerical costs may be appropriate only if ALL of the following conditions are met:

1. Administrative or clerical services are **integral** (essential, vital or fundamental) to a project or activity (**continued**);
 - 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

2 CFR §200.413 (c)

Direct charging of administrative/clerical costs may be appropriate only if ALL of the following conditions are met:

2. Individuals involved can be specifically identified with the project or activity;
3. Administrative/Clerical costs must be explicitly included in the proposal budget or have the prior written approval of the federal awarding agency; **and**
4. 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.

2 CFR §200.413 (c)

Policy 3105: Effort Certification

- 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)

Policy 3105: Effort Certification

Highlights 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.

2 CFR §200.430 (i)

Policy 3105: Effort Certification Highlights Include

- 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.

2 CFR §200.430 (i)

Policy 3105: Effort Certification

Highlights Include

- Adding a chart identifying kinds of activities typically considered part of total university effort of a faculty member, Section 3.3 “Components of Effort”.

Activities INCLUDED in total university effort	Activities OUTSIDE of total university effort
<ul style="list-style-type: none">● Instruction and Departmental Research● Organized (Externally Sponsored) Research● Public Service /Outreach● All activities coordinated through the Virginia Agricultural Experiment Station● Departmental Administration	<ul style="list-style-type: none">● Consulting and other outside compensated professional work including service on Scientific Advisory boards or similar boards.● Volunteer individual community or public service, not directly related to one’s work (serving on local parent teacher organizations or as a Boy Scout troop leader).● Other activities over and above or separate from assigned responsibilities in the primary position (e.g. serving as a primary editor of a journal), particularly if one is directly compensated by an outside party

Policy 3105: Effort Certification

Activities INCLUDED in total university effort

Instruction & Departmental Research

- Instruction
 - Teaching classes
 - Presentations to students/trainee groups
 - Mentoring students or trainees (unless specifically part of a sponsored project)
 - Student advising
 - Teaching credit classes in special off-campus or distance learning program
- Departmental Research
 - Voluntary participation in study sections
 - Peer review of manuscripts, or unfunded effort on externally sponsored research
 - Effort expended on preparing proposals for sponsored projects (**cannot** be charged to existing externally funded projects)

Policy 3105: Effort Certification

Activities INCLUDED in total university effort

Organized Research (Externally Sponsored)

- Reasonable amounts of activities contributing and directly related to work under a sponsored agreement, including
 - delivering special presentation about specific aspects of the ongoing activity
 - writing reports and articles
 - developing and maintaining protocols (human, animal, etc.)
 - Managing substances/chemicals, managing and securing project-specific data
 - Coordinating research subjects
 - Participating in appropriate seminars
 - Collaborating with colleagues and graduate student
 - Attending meetings and conferences

Policy 3105: Effort Certification

Activities INCLUDED in total university effort

Public Service/Outreach

- Effort on behalf of the university including working with
 - Community groups/organizations
 - Businesses
 - Governmental entities
 - Teaching non-credit professional continuing education
 - Voluntary service in external professional organization and societies related to one's work

Virginia Agricultural Experiment Station

- Activities coordinated through this effort

Policy 3105: Effort Certification

Activities INCLUDED in total university effort

Departmental Administration

- Includes a variety of administrative and service activities
 - Department Chair or Program Director
 - Service on department, college or university committees
 - Participation in searches or other departmental activities
 - Faculty advisory boards

Policy 3105: Effort Certification

Highlights Include

- 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

2 CFR §200.430 (i)

Policy 3105: Effort Certification

Highlights Include

- 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.

2 CFR §200.430 (i)

Policy 3105: Effort Certification

Highlights Include

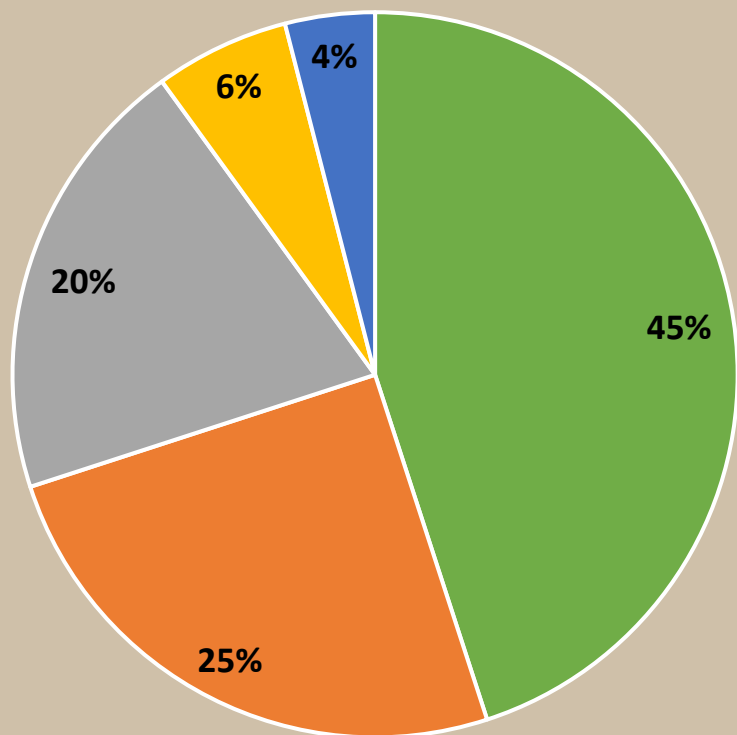
- Adjusting the fall PAR schedule to provide departments time to review/adjust fall semester payroll upon returning from winter break.
- Adding responsibilities for departing faculty members to review salary reports for themselves and those for which they are directly responsible to assure effort has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

2 CFR §200.430 (i)

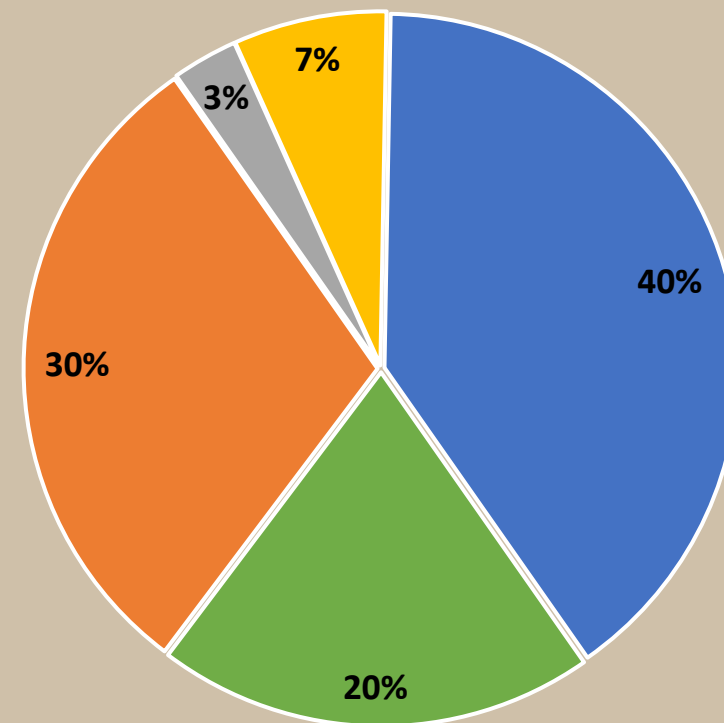
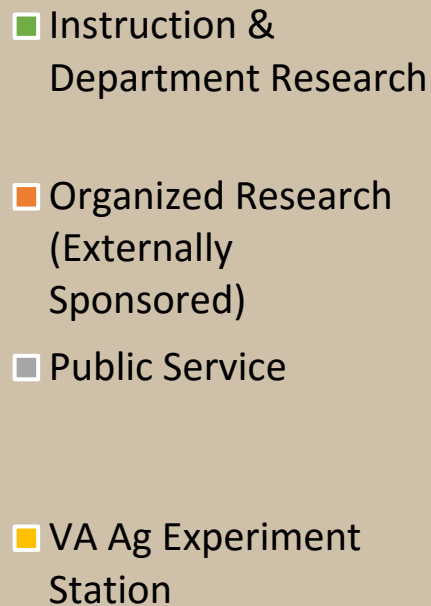
Distribution Example

Components of Total University Effort

- Effort is 100% of paid time
- Can't make the pie bigger or smaller
- Can determine which piece to increase or decrease based on your time commitments for the time semester.



Example 1



Example 2

Policy 3245: Cost Sharing on Sponsored Projects

- 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.

Policy 3245: Cost Sharing on Sponsored Projects

Key Updates

- 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.

2 CFR §200.306

Policy 3245: Cost Sharing on Sponsored Projects

Key Updates

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 3245: Cost Sharing on Sponsored Projects

Key Updates

- 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.

Policy 3245: Cost Sharing on Sponsored Projects

Key Updates

- 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.

Resource for Future Assistance

- Office of Sponsored Programs Compliance Team
 - Divya Amin, Associate Director of Assurance & Outreach
amind@vt.edu or 540-231-0950
 - Emmett Wright, Assistant Compliance Manager
emwright@vt.edu or 540-231-5606

Policy Revisions Coming Soon

- 3010 Maintenance of Internal Controls
- 3100 Fiscal Responsibility
- 3200 Disbursements
- 3250 Service Centers
- 3255 Cost Transfers on Sponsored Projects
- 3605 Accounts Receivable
- 3630 Definition and Deposit of Private Funds
- 3950 Fixed Asset Accounting
- 3951 Transfer of Equipment from the University to Other Domestic Institutions