

East Tennessee State University

Policy Title: Sponsored Program Costs
 Issued: 4/30/14
 Responsible Official: Vice Provost for Research and Sponsored Programs
 Responsible Office: Office of Research and Sponsored Programs

Policy Statement

In accepting government sponsored projects such as grants, contracts, and other types of agreements, ETSU agrees to abide by government regulations regarding the use of those funds. The Uniform Guidance (2 CFR 200.403) - sets forth general criteria for determining the allowability of direct costs on government sponsored projects at educational institutions. Many government agencies publish additional cost guidelines specific to those agencies.

ETSU will charge costs to sponsored agreements in compliance with Federal regulations in order to ensure all costs are reasonable, allocable, consistent and allowable. This policy details consistent practices for defining and charging direct costs, treatment of costs in like/unlike circumstances, treatment of unallowable costs, and indirect costs (referred to as Facilities and Administrative costs or F&A costs) to sponsored agreements.

Purpose

To establish consistent practices for defining and charging direct costs and indirect costs to sponsored projects at ETSU.

Definitions

Cost Sharing	Cost sharing or matching means the portion of project costs not paid by Federal funds (unless otherwise authorized by Federal statute). 2 CFR 200.29
Direct Costs (Allowable)	<p>Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. 2 CFR 200.413</p> <p>The following are typical costs normally budgeted and charged as direct costs:</p> <ul style="list-style-type: none"> • Salaries for personnel directly engaged in the activity charged • Employee Benefits • Travel • Operating Expenses • Consulting Services • Lab Supplies (not Office Supplies) • Animal Care Charges • Subcontracts/subawards • Graduate Assistant Tuition and/or Fee Remissions
Indirect Costs (Facilities and Administrative Costs or F&A)	<i>Indirect (F&A) costs</i> means those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools should be distributed to benefitted cost objectives on

	<p>bases that will produce an equitable result in consideration of relative benefits derived. 2 CFR 200.56</p> <p>Excluded from Indirect Costs:</p> <ul style="list-style-type: none"> • Capital Equipment (\$5,000 or more) • Sub-Award costs after the first \$25,000 (Per each Sub-Award Agreement for the life of the project) • Tuition Remission • Patient Care Costs • Alterations/Renovations • Scholarship/Fellowship • Rental cost offsite facility
<p>Indirect Cost Rate (Facilities & Administrative Cost Rate)</p>	<p>A composite rate applied to sponsored agreements as a percentage of the sponsored agreement's direct costs. The federally negotiated indirect cost rates for instruction, organized research, and other sponsored activities are developed by the University in accordance with the Office of Management and Budget and the Federal Acquisition Regulation, and negotiated with the Department of Health and Human Services, Division of Cost Allocation, and the University's federal cognizant audit agency. ETSU charges indirect costs on all sponsored projects according to its federally negotiated indirect cost rate agreement.</p>
<p>Instruction</p>	<p>Instruction means the teaching and training activities of an institution, except for research training as described herein. Instruction includes all teaching and training activities, whether they are offered for credits toward a degree or certificate or on a non-credit basis, and whether they are offered through regular academic departments or separate divisions (2 CFR 200 Appendix 3).</p> <p>Examples of Instruction include:</p> <ul style="list-style-type: none"> • Instructing ETSU students, faculty, or staff • Instructing teachers or students in elementary or secondary schools • Instructing the general public • Curriculum development projects, including evaluation of curriculum or teaching methods • Projects involving ETSU students in community service activities for which they are receiving academic credit • Fellowship support for pre-doctoral and post-doctoral training activities, which may include grants to fund dissertation work and travel in relation to a dissertation <p>It does not include the development of training materials for a project that would otherwise fall under Other Sponsored Activity.</p>
<p>Like and Unlike Circumstances</p>	<p>Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs. Where an institution treats a particular type of cost as a direct cost of sponsored projects, all costs incurred for the same purpose in like circumstances shall be treated as direct costs of all activities of the institution.</p>

	<p>Unlike circumstances are instances in which a cost normally considered to be an indirect cost meets the criteria for a Direct Cost. The cost can then be charged directly to the sponsor.</p>
Modified Total Direct Costs (MTDC) Base	<p><i>MTDC</i> means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and subawards and subcontracts up to the first \$25,000 of each subaward or subcontract (regardless of the period of performance of the subawards and subcontracts under the award). <i>MTDC</i> excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward and subcontract in excess of \$25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs.</p>
Off-Campus	<p>“Off-campus” projects are conducted at facilities that are not owned, or are leased and maintained by the University. If the project is conducted in leased space and the lease costs are directly charged to the project, the off-campus rate must be used. If the project involves both on-campus and off-campus sites, either the on-campus or off-campus rate generally should be applied, consistent with where the majority of the work is to be performed as measured by salary cost. The use of both on- and off-campus rates may be justified if both rates can be clearly identified with a significant portion of project salaries, meaning 25% or more of total salary/wage costs and the project's total salary/wage costs exceed \$250,000.</p>
On-Campus	<p>“On-campus” projects are conducted in University-owned facilities, or those leased and maintained by the University. If a project is conducted off-site but incur no lease or use fees, the project is considered to be “on campus” for the purposes of indirect cost calculations.</p>
Organized Research	<p>This means all research and development activities that are sponsored by Federal and non-Federal agencies and organizations. This term includes activities involving the training of individuals in research techniques (commonly called research training) where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function (2 CFR 200 Appendix 3 A.1.b).</p> <p>Examples of Organized Research include:</p> <ul style="list-style-type: none"> • Basic and/or applied research activities • Maintenance of facilities, equipment and/or operation of a facility which will be used for research • Training of individuals in research techniques (research training) • Publishing research results • Data collection, evaluation, analysis and/or reporting
Other Sponsored Activities	<p>This means programs and projects financed by Federal and non-Federal agencies and organizations which involve the performance of work other than instruction and organized research (2 CFR 200 Appendix 3).</p>

	<p>Examples of Other Sponsored Activities include:</p> <ul style="list-style-type: none"> • Performing a service (e.g., production of goods or materials) for an outside entity, unless ETSU is a subawardee on the entity's prime award that is primarily for research or instruction/training • Travel grants • Support for conferences, seminars, or workshops • Support for ETSU public events • Support for projects involving ETSU students in community service activities for which they are not receiving academic credit • Support for projects pertaining to museum or library collections, acquisitions, bibliographies, or cataloging • Programs to enhance institutional resources, such as computer enhancements, etc. • Health services projects
Period of Performance	<p><i>Period of performance</i> means the time during which the non-Federal entity may incur new obligations to carry out the work authorized under the Federal award. The Federal awarding agency or pass-through entity must include start and end dates of the period of performance in the Federal award.</p>
Research	<p>A systematic investigation, study or experiment designed to develop or contribute to generalizable knowledge. The term encompasses basic and applied research (<i>e.g.</i>, a published article, book or book chapter) and product development (<i>e.g.</i>, a diagnostic test or drug).</p>
Sponsored Project	<p>Projects funded by federal and nonfederal agencies and administered by the Office of Research and Sponsored Programs and Grant Accounting. Sponsored projects include grants, contracts and cooperative agreements for research, training, instruction and public service activities. Sponsored projects are assigned to restricted funds.</p>
Unallowable Costs	<p>Unallowable costs are costs that are not eligible for reimbursement on sponsored projects as either direct or indirect costs (2 CFR 200.410).</p> <p>Unallowable costs include:</p> <ul style="list-style-type: none"> • Advertising • Public Relations Costs • Alcohol • Alumni Activity Costs • Bad Debts • Local Civil Defense Project Costs not on Institution's Premises • Commencement and Convocation Costs • Institution Furnished Automobile Costs for Personal Use • Contingency Provision Costs • Defense and Prosecution of Criminal and Civil Proceedings, Claims, Appeals and Patent Infringement Costs • Depreciation Reserves Costs • Donations or Contributions • Entertainment Costs (includes amusement, diversion & social activities) • Executive Lobbying Costs

	<ul style="list-style-type: none"> • Fines and Penalties (including late fees) • Goods and Services for Personal Use • Housing and Personal Living Costs • Insurance Costs to Protect against Defects in Institution's Materials or Workmanship • Interest, Fund-Raising and Investment Management Costs • Lobbying Costs • Losses on Other Sponsored Agreements • Membership Costs in Civic Clubs, Community Organizations, Country Clubs, Social or Dining Clubs or Organizations • Preagreement Costs Prior to Effective Date of Agreement • Selling and Marketing Costs of Products or Services of the Institution • Severance Costs in Excess of Institution's Normal Severance Pay • Specialized Service Facilities Charges in an amount More than Aggregate Costs of Service Over a Long-Term Period • Student Activity Costs • Airfare Travel Costs in Excess of Lowest Available Commercial Discount Airfare or Customary Standard Coach Airfare
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Procedures

Determining Allowability of Direct Costs

Principal Investigators, department business officers and grant administrators should be familiar with the criteria used to define allowable direct costs, for purposes of determining whether it would be appropriate to budget or charge a certain direct cost to a sponsored project (includes all sponsored programs with Federal flow-thru funds). The criteria to determine the allowability of direct costs are that all costs must be reasonable, allocable and consistent. The Uniform Guidance sets forth the criteria and is summarized below:

A. Reasonableness
A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved, 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 (2 CFR 200.404).

B. Allocability
A cost is allocable to a particular cost objective (i.e., sponsored agreement) if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received (2 CFR 200.405).

C. Consistency
Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs. Where an institution treats a particular type of cost as a direct cost of sponsored agreements, all costs incurred for the same purpose in like circumstances shall be treated as direct costs of all activities of the institution (2 CFR 200.403).

<p>Budgeting Indirect Costs</p>	<p>ETSU's Indirect Cost Rate Agreement provides composite rates to apply to sponsored projects as a percentage of the sponsored project's direct costs based on the nature of the activity to be funded (organized research, instruction, or other sponsored activity) and whether the proposed activity is conducted on-campus or off-campus. Indirect costs are budgeted for and requested on all sponsored projects according to the current Indirect Cost Rate Agreement. Exceptions may be made when the sponsor has a written policy that the indirect cost rate is <i>fixed</i> at a lower rate or does not allow them at all.</p> <p>Only under certain circumstances will the institution allow a voluntary waiver or reduction in indirect costs on a sponsored project. In these cases, a request must be made in writing and be approved by the Vice Provost for Research and Sponsored Programs.</p> <p>See also the ETSU Policy on Cost Sharing.</p>
<p>Budgeting Personnel Costs for Sponsored Projects</p>	<p>Levels of effort proposed in any sponsored project application should be consistent with the actual effort that each individual is expected to expend on the project during the relevant project period(s). The amount of salary support requested should normally be determined by multiplying the proposed level of effort by the individual's Institutional Base Salary (IBS).</p> <p>Some sponsors, most notably NIH, impose limitations on the amount of IBS that may be used as a basis for charging salary to their projects. Where such limitations apply, the requested salary support is determined by multiplying the proposed level of effort by the maximum IBS allowed, or the salary cap.</p> <p>It is each faculty member's responsibility to be aware of his/her level of effort and to communicate any significant changes in level of effort to his/her respective business officer/grants accountant to ensure that salary distributions are reviewed and updated on a timely basis.</p> <p>Fringe benefits should be charged to the sponsored project at the same proportion as the salary. Fringe benefits are calculated as the sum of two separate components: 1) FICA, FICA-med and retirement (figured as a percent of requested salary), and 2) the employer portion of medical insurance premiums (based on the current family premium, plus 10%, times the percent of salary requested).</p> <p>See also the ETSU Policy on Personnel Compensation on Sponsored Projects.</p>
<p>Treatment of Unallowable Costs</p>	<p>Unallowable costs cannot be charged to sponsored projects. In compliance with federal regulations ETSU will:</p> <ul style="list-style-type: none"> • Identify costs specifically considered unallowable; • Transfer unallowable costs from sponsored projects; and, • Exclude costs from any billing or claim applicable to a sponsored project.

Roles and Responsibilities			
Program Director/Principal Investigator (PD/PI)	<ul style="list-style-type: none"> • Prepare project proposal and develop budget in accordance with this policy; • Direct and manage fiscal and programmatic aspects of sponsored project; • Initiate Fiscal Year Salary Allocation forms for grant-funded personnel; • Review costs on a monthly basis to ensure the appropriateness of costs budgeted and charged, in accordance with all regulations; • Prepare and submit Progress Reports, Final Progress Report and Final Invention Statement, if applicable. 		
Department/College	<ul style="list-style-type: none"> • Provide guidance/assistance to PD/PI's regarding the development of the proposed budget and project expenditures; • Review costs on a monthly basis for reasonableness, allocability, consistency and allowability to ensure compliance with federal and sponsor regulations. 		
Office of Research and Sponsored Programs Administration (ORSPA)	<ul style="list-style-type: none"> • Assist PD/PI to develop proposal budgets consistent with this policy and the PD/PI's programmatic objectives; • Ensure the appropriateness of costs budgeted, in accordance with all regulations; • Review and approve proposed budgets for like and unlike circumstances. 		
Grant Accounting	<ul style="list-style-type: none"> • Provide guidance/assistance to PD/PI and department business officers regarding the appropriateness of costs budgeted and charged; • Establish new sponsored program indexes in Banner; • Review charges for reasonableness, allocability, consistency and allowability to ensure compliance with sponsor regulations and award documents; • Remove charges from the grant determined to be unallowable, and move to a non-sponsored account. Notify the Principal Investigator; • Prepare and submit financial invoices to external sponsors, including the final financial report, in a timely manner; • Ensure financial reports are based on the University accounting system Banner, in accordance with the terms and conditions of the sponsored award, and generally accepted accounting principles (GAAP). 		
Related Forms			
Fiscal Salary Allocation Form			
Revision Dates			
4/24/15			
Subject Areas			
Academic	Research	Finance	Human Resources
✓	✓	✓	✓