HSC OP: 65.04, Allowable Activities and Allowable Costs

PURPOSE: The purpose of this Health Sciences Center Operating Policy and Procedure (HSC OP) is to ensure compliance with Federal guidelines for allowable activities and allowable direct costs charged to programs receiving financial support from external sources (sponsored programs).

REVIEW: This HSC OP will be reviewed on May 15 of each odd-numbered year (ONY) by the Directors of Accounting Services and Sponsored Programs, with recommendations for revisions forwarded to the Senior Vice President for Research and the Vice President and Chief Financial Officer by June 1.

POLICY/PROCEDURES:

1. Definitions and Background:

   A. Direct Costs – The Federal Office of Management and Budget (OMB) 2 CFR 200 Subpart E - Cost Principles for Educational Institutions define direct expenses as “costs that can be identified specifically with a particular final cost objective, such as 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.”

   B. Costs being charged directly to a federally sponsored project fund must, in addition to any program guidelines or statute expense limitations, meet the following OMB 2 CFR 200 Subpart E summarized definitions:

      a. Allowable - costs must meet the following general criteria in order to be allowable:

         1. Be necessary, reasonable and allocable.
         2. Conform to any limitations or exclusions in these principles or in the award.
         3. Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the institution.
         4. Be consistently treated.
         5. Be in accordance with generally accepted accounting principles (GAAP).
         6. Not be included as a cost or used to meet cost sharing or matching requirements of any other federal-financed program in either the current or prior period.
         7. Be adequately documented.

      b. Allocable – A cost must be distributed in reasonable proportion to the benefits received by the grant being charged.

      c. Reasonable – A cost must reflect what a “prudent person” would pay under similar circumstances prevailing at the time the decision was made to incur the cost.

      d. Consistent – Treatment of costs within the accounting system should be consistent.

   C. Non-federally sponsored projects typically define allowable costs within the terms and conditions of the award notice however, if specific guidance is not provided then the cost principles provided in Section B (a-d) will apply.

2. Responsibilities:

   A. Department - Program Principle Investigator (PI) or other designated departmental personnel –

      a. Verify that only allowable charges are posted as direct charges to the sponsored project fund
b. Signature or electronic approval by the PI or designated departmental personnel indicates
   1. Approval of the action requested.
   2. Charges are directly related to the project scope.
   3. Charges and activities are allowable according to the approved project budget and
      project requirements.
   4. Charges have been incurred within the approved project period or documentation of
      sponsor approval for charges outside of the project period has been submitted to
      the Office of Sponsored Programs (OSP) or the Research Integrity Office (RIO) in
      the case of clinical trials involving humans.
   5. Charges have been incurred in accordance with TTUHSC operating policies and
      are being treated consistently.
   6. Charges on the sponsored project fund are reasonable as to their purpose and are
      recorded and allocated according to the benefits derived by the program
   7. Cost transfers and cost corrections are kept to a minimum to avoid audit concerns
      and are submitted via the Financial Transaction System (FITS) timely to avoid
      reporting errors.

B. Accounting Services –

a. Secondary, general review of posted transactions to identify expenses that may be
   questionable. Per Paragraph A.a. above, it is the responsibility of the PI or other
   designated departmental personnel to ensure that only allowable expenses are charged to
   the project fund.

b. Direct questions regarding the appropriateness of charges to the PI or other designated
   department personnel.

c. Request sufficient documentation and justification of charges to maintain proper financial
   account management.

d. Review and approve cost transfers if any expenses are determined to fall outside of these
   guidelines. Such cost transfers should comply with HSC OP 50.18.