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TEXAS SOUTHERN UNIVERSITY

OFFICE OF RESEARCH
Research Financial Services Department

DRAFT

SPONSORED PROGRAMS ADMINISTRATION GUIDE

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A21 COSTING PRACTICES

Texas Southern University's costing practices for federal sponsored agreements must comply with the Uniform Guidance (2.C.F.R. Part 200) and the following Cost Accounting Standards (CAS):

501 - Consistency in Estimating, Accumulating, and Reporting Costs

502 - Consistency in Allocating Costs Incurred for the Same Purpose

505 - Accounting for Unallowable Costs

506 - Cost Accounting Period

The purpose of this document is to provide guidance to staff to insure compliance with the federal requirements.

APPLICABILITY OF THIS POLICY

This policy applies to all federal and federal flow-through projects. Costs normally treated as indirect costs (now referred to as "facilities and administrative [F&A] costs") may be charged directly to nonfederal projects if permitted by the sponsor.

RESPONSIBILITY FOR COMPLIANCE

Responsibility for compliance with the Uniform Guidance (2 C.F.R. Part 200) lies primarily with the Principal Investigators. College Business Administrators, Department Business Administrators, and Research Financial Services are responsible for insuring compliance through review of budgets at the proposal stage and through final review of expenditure documents. DBAs and CBAs are responsible for compliance with Uniform Guidance (2 C.F.R. Part 200) prior to initiating any expenditure and also at the expenditure document preparation and review stage.

CONSISTENT TREATMENT OF COSTS

Consistent treatment of costs is a basic cost accounting principle and is specifically required by Uniform Guidance (2 C.F.R. Part 200) to insure that the same types of costs are not charged to federally sponsored agreements both as direct costs and as F&A costs. This concept is reinforced and emphasized in CAS 502. Consistency in this context means that costs incurred for the same purpose, in like circumstances, must be treated uniformly as either direct costs or as F&A costs. The size, nature, and complexity of federally sponsored projects, although not the final determining factors, are important considerations in determining circumstances

where exceptions are justified. Due to the unique requirements of each federally sponsored project, the existence of special circumstances must be evaluated on a case-by-case basis.

DIRECT COSTS

Uniform Guidance (2 C.F.R. Part 200) Subpart E: Cost Principles (200.413) Direct costs are those costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity, or that can be directly assigned to such activities with relative ease and with a high degree of accuracy.

Direct costs for a sponsored agreement are those costs that are necessary to meet the project's scientific and technical requirements. Direct costs charged to sponsored agreements must support the sponsor's programmatic intent, support the sponsored agreement's purpose and activity, and adhere to the sponsor's restrictions presented in the award document.

FACILITIES AND ADMINISTRATIVE COSTS

Uniform Guidance (2 C.F.R. Part 200) Subpart E: Cost Principles (200.414) Facilities and administrative costs are those that are 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 institutional activity.

ADMINISTRATIVE AND CLERICAL SALARIES

Uniform Guidance (2 C.F.R. Part 200) Subpart E: Cost Principles (200.413) Salaries of administrative and clerical staff should normally be treated as F&A costs, but may be allowable as direct costs if appropriately justified and if the charges meet all of the following criteria:

- Costs are required by the project's scope of work;
- Costs can be specifically and easily identified to this project; and
- Costs represent a special need that could be classified as an unlike circumstance.

Unlike circumstances occur when, because of their specific research purpose, the costs directly charged to a sponsored project are not the same as the costs included in the institution's F&A cost pools. It would be inappropriate to charge the cost of such activities directly to specific sponsored agreements if, in similar circumstances, the costs of performing the same type of activity for other sponsored agreements were included as allocable costs in the institution's F&A cost pools.

Direct charging of administrative and clerical salaries and fringe benefits may be appropriate when the scope of the project requires an extensive amount of administrative or clerical support that is significantly greater than

the routine level of such services provided by academic departments, and when the clerical/administrative personnel involved can be specifically identified with the project or activity. Such circumstances include:

- Administrative support required for a project defined as a major program or activity (program grants, centers, projects in remote locations, conference grants, and similar activities); or
- Administrative and clerical salaries required for specific research activities (data collection, statistical analyses, human subjects management, and literature searches) that include a minimum of ten percent (10%) effort charged to a specific project. Routine account monitoring, ordering of supplies, arrangement of meetings, or typing of general correspondence, manuscripts, and reports are not included in this definition.

The following examples are illustrative of circumstances where direct charging of the salaries and fringe benefits of administrative or clerical staff may be appropriate:

- Large, complex programs, such as general clinical research centers, primate centers, program projects, environmental research centers, engineering research centers, and other grants and contracts that require assembling and managing teams of investigators from a number of institutions.
- Projects that involve extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, searching literature, and reporting, such as epidemiological studies, clinical trials, and retrospective clinical record studies.
- Projects that require making travel and meeting arrangements for large numbers of participants, such as conference and seminar projects.
- A project whose principal focus is the preparation and production of manuals and large reports, books, and monographs (excluding routine progress and technical reports).
- Projects which are geographically inaccessible to normal departmental administrative services, such as seagoing research vessels, radio astronomy projects, and other research field sites that are remote from the campus.
- Individual projects requiring project-specific database management, individualized graphics or manuscript preparation, and multiple project-related investigator coordination and communication.

The above examples are not exhaustive, nor are they intended to imply that direct charging of administrative or clerical salaries would always be appropriate for the situations illustrated. Costs incurred for the same purpose in like circumstances must be consistently treated as direct costs for all activities.

The clerical/administrative personnel paid from a sponsored project must have responsibilities specifically related to the work of the project. The effort devoted to the project must be documented in Texas Southern University System's activity reporting system. In addition, we recommend that the DBA maintain a current list of accounts for which administrative and/or clerical positions, including student workers, have been approved. If administrative/clerical payroll is requested from a federal project for which approval has not been previously

obtained, Research Financial Services approval must be obtained. Guidelines for obtaining approval are located at the end of this document, under “Approval Procedures.”

NONLABOR COSTS CHARGED AS INDIRECT

Because of their general-purpose nature, office supplies, postage (including overnight carriers such as Federal Express, Airborne, etc.), memberships, subscriptions, and local telephone costs (defined as all costs other than long distance) are normally F&A costs and may be charged directly only under special circumstances. Facilities and administrative costs are those that are 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 institutional activity.

Costs normally charged as indirect may be allowable as direct costs if appropriately justified and if the charges meet all of the following criteria:

- Costs are required by the project’s scope of work;
- Costs can be specifically and easily identified to this project; and
- Costs represent a special need that could be classified as an unlike circumstance.

Unlike circumstances occur when, because of their specific research purpose, the costs directly charged to a sponsored project are not the same as the costs included in the institution’s F&A cost pools. It would be inappropriate to charge the cost of such activities directly to specific sponsored agreements if, in similar circumstances, the costs of performing the same type of activity for other sponsored agreements were included as allocable costs in the institution’s F&A cost pools.

Costs may be charged to a project in direct proportion to the amount of the item that will be consumed by the project. For instance, if a particular type of supply item can only be purchased in bulk quantities and only a portion of the purchase can be specifically allocated to the project, only that portion of the purchase can be paid from the project. The remainder of the cost would have to be paid from another source. A departmental log or some other defensible method that demonstrates the relationship of these costs to the project is necessary.

OFFICE SUPPLIES

General-purpose office supplies are usually considered facilities and administrative costs, and are therefore not allowed as direct costs. When items normally considered office supplies are purchased for technical or scientific use on a project, charges may be allowable as direct costs if appropriately justified and if the charges meet all of the following criteria:

- Costs are required by the project’s scope of work;

- Costs can be specifically and easily identified to this project; and
- Costs represent a special need which could be classified as an unlike circumstance.

DEFINITION OF OFFICE SUPPLIES

1. The definition of office supplies includes such items as paper, envelopes, paper clips, binder clips, binders/notebooks, transparencies, rubber bands, legal pads, pens, pencils, markers, post-it notes, liquid paper, staples/staplers, tape/tape dispensers, clocks, calendars, paper punches, University stationery, desk organizers, file cabinets, file folders, printer paper, printer ribbons, toner cartridges, diskettes, zip disks, etc. These items may be allowable as direct costs with justification of unlike circumstances. An example of a justification for paper, binders/notebooks, and inkjet cartridges is the requirement in the scope of work to produce a 300-page manual and distribute it to 200 participants.
2. The definition of office supplies also includes general-purpose software and site licenses (e.g., Word, Excel, GroupWise, etc.), and these items are normally not allowable as direct costs. Software is only allowable if it is purchased with the computer as the operational system, or if it is special-purpose software required for data acquisition or interpretation for a sponsored research project.
3. The definition of office supplies does not include laboratory notebooks, poster board, photographic supplies, videotapes, cassette tapes, plotter paper, plotter pens, or computer items such as computer parts, memory cards, cables, surge protectors, etc. These items are allowable as direct costs. A research reason for the purchase should be written on the expenditure document.

POSTAGE

Postage is usually considered a facilities and administrative cost, and is therefore not allowed as direct costs. Postage charges may be allowable as direct costs if appropriately justified and if the charges meet all of the following criteria:

- Costs are required by the project's scope of work;
 - Costs can be specifically and easily identified to this project; and
 - Costs represent a special need which could be classified as an unlike circumstance.
1. The justification for postage to be charged as a direct cost must demonstrate a need required by the scope of work. Examples include mail surveys, technical reports and deliverables, information to be reviewed by several project participants, and abstracts or publications.
 2. The shipping of samples, equipment, and parts through the mail or via other carriers is allowable as a direct cost without justification, and should be coded as shipping.

Local Telephone Costs (all costs other than long distance)

Local telephone costs (line charges, equipment rental, etc.) or cell phone costs are usually considered facilities and administrative costs, and are therefore not allowed as direct costs. Local telephone costs may be allowable as direct costs if appropriately justified and if the charges meet all of the following criteria:

- Costs are required by the project's scope of work;
- Costs can be specifically and easily identified to this project; and
- Costs represent a special need which could be classified as an unlike circumstance.

Line charges or equipment charges might be appropriate, with adequate justification, for projects that involve field work (i.e., research at a remote location).

Long distance calls necessary for the conduct of a sponsored project are allowable with proper documentation.

MEMBERSHIPS AND SUBSCRIPTIONS

Memberships and subscriptions are usually considered facilities and administrative costs, and are therefore not allowed as direct costs. However, membership and subscription costs may be allowable as direct costs if appropriately justified and if the charges meet all of the following criteria:

- Costs are required by the project's scope of work;
- Costs can be specifically and easily identified to the specific project; and
- Costs represent a special need which could be classified as an unlike circumstance.

APPROVAL PROCEDURES

Administrative/clerical salaries, office supplies, postage, local telephone costs, memberships, and subscriptions are usually considered F&A costs, and are therefore not allowed as direct costs. If costs normally considered F&A costs will be necessary for the conduct of a specific research project, the following procedure should be used to obtain approval for their consideration as a direct cost.

APPROVAL – PREAWARD UNIFORM GUIDANCE (2 C.F.R. PART 200) SUBPART C: PRE-AWARD REQUIREMENTS (200.458)

The charges should be anticipated at the proposal budget preparation stage and specifically identified and justified in the proposal's budget justification. Research Financial Services approval to allow these costs in a proposed budget must be requested by completion of a Budget Justification form.

Administrative salary justification should include (1) identification of the individual by name and title, (2) a clear justification of the duties and the direct relationship to the scope of work, (3) a reasonable level of effort commensurate with the scope of work, shown as hours or percentage, and (4) the name of the supervisor. Office supplies, postage, local telephone costs, memberships, and subscriptions should be specifically identified.

APPROVAL – POSTAWARD UNIFORM GUIDANCE (2 C.F.R. PART 200) SUBPART D: POST-AWARD REQUIREMENTS (200.308)

The Research Financial Services Department will check the proposal file during award set-up to determine if the sponsor approved the restricted categories. (This requires a written justification in the proposal. A budget category without a justification is not acceptable.) If an official budget was not sent to the sponsor (e.g., NIH Modular Grant), a Budget Justification form must be completed prior to Research Financial Services approval of restricted budget categories.

If a cost normally charged as indirect was not included and justified (with approval of the Research Financial Services Department) in the proposal budget, the cost may be charged directly to the project only if Texas Southern University has the authority to rebudget under the terms of the sponsored project. Research Financial Services approval to allow these costs in the project's budget must be requested by completion of a Budget Justification form. The justification must include the same information that would have been provided to the sponsoring agency in the proposed project budget. These costs will be authorized if Research Financial Services is satisfied that the sponsoring agency would have approved the cost had it been in the original budget.

If the approved budget for a restricted category is exceeded, the Department Business Administrator (DBA) should initiate a revised Budget Justification form for the additional costs.

ADMINISTRATIVE RESPONSIBILITIES

The Principal Investigator is responsible for the technical direction of the sponsored project and for the authorization of all expenditures to be charged to that project. The Principal Investigator is responsible for expending funds in compliance with agency, state and University regulations, and for ensuring that project-specific costs are reasonable, allocable and allowable on that project. To aid the Principal Investigator in meeting this responsibility, the Research Financial Services Department ensures that applicable restrictions are clearly defined in the Notice of Award for the sponsored award.

The Department and College Business Administrators, with the support of the Research Financial Services Department, serve in a stewardship capacity over sponsored research projects by monitoring expenditures for compliance with regulations.

The Office of Research is responsible for providing research administration compliance training to the Department and College Business Administrators and issuing certificates of completion to those who have completed the required courses, thereby enabling them to review expenditure requests for compliance with agency and university restrictions. Only administrators who have completed the research administration training are authorized to provide a certifying signature on expenditure documents. If a department does not have a certified administrator, the College Business Administrator is required to certify all of that department's expenditure documents.

All expenditure documents must be forwarded to Research Financial Services for approval. These documents include but are not limited to documents for the following purposes:

- Equipment purchases
- Consulting Service Agreements
- Payroll and Payroll Reallocations
- Expenditure Reallocation and Correction
- Authority to Travel and Travel Reimbursements

AGENCY-UNIVERSITY RELATIONSHIP

When an award for a sponsored project is made, the granting agency, whether federal, state or private, makes that award to Texas Southern University and not to the individual researcher. While the principal investigator develops and expresses the concept and details of the proposed project in a proposal, it is the University that submits the proposal to the sponsor, and it is the University that commits to the successful completion of the project. The infrastructure and support necessary to complete the project are the responsibility of the institution.

The authority to accept awards for Texas Southern University vests with the Board of Regents. The Board has delegated this authority to the President of the University, who has, in turn, delegated it to the Provost and Vice President for Academic Affairs and Research.

The Office of Research serves as the intermediary between the agency and the Principal Investigator for the purposes of award negotiation, changes in the project budget, modifications to the award, date extensions, and other matters. In addition, Research Financial Services has the responsibility of filing required fiscal reports and ensuring compliance with agency and state regulations and guidelines. The Principal Investigator has the

responsibility of directing the technical aspects of the project, conducting the research effort within the scope authorized by the agency and managing the financial aspects of the project, including authorizing all expenditures of award funds within administrative constraints imposed by the agency, state, and/or the University.

If a faculty member conducts research without a sponsored research agreement executed by a properly-authorized University signatory, he or she will incur certain liabilities, as listed below.

- If a faculty member conducts a sponsored research project outside the auspices of the University review, approval and oversight, as outlined above, that faculty member is acting in his or her own private capacity, and not as an employee or agent of the University with regard to liability insurance. In other words, the individual is not covered by the liability insurance afforded by the University to faculty or staff who are acting as University employees. Because the faculty member or staff person is acting outside the course and scope of his or her employment with the University, the individual faculty member or staff person will be personally liable for any claims by either the sponsor or subjects of the research project. In addition, the faculty or staff member may be subject to sanctions by the University for failure to follow these policy guidelines as University employees.
- A faculty member conducting a sponsored research project for which there is no approved agreement by the University, may not use the facilities, personnel, equipment or the name of the University for such activities. Any such activity is not a University-sponsored or endorsed activity and specific arrangements must be made by the individual to reimburse the University for any State Property being used in the conduct of that individual's private endeavors.
- If no agreement exists between the University and the sponsor of the project, the individual faculty member is solely and personally liable for necessary accounting reports and for dealing with any audit requested or required by the sponsor, as well as reimbursing the University for any State Resources used in connection with such reports or audits.
- If no agreement exists between the University and the sponsor of the project, and thus the faculty member is acting on his or her own behalf, the faculty member is not entitled to legal or administrative support from the University should a dispute or problem arise as a result of the research project.

AUDITS

Periodically, sponsored project accounts may be audited by external agencies or by Texas Southern University Internal Audit. Audits can be one of three types:

1. Audit of direct costs under general expenditure systems (e.g., Time and Effort Reporting, Prior Approval System, Procurement System);

2. Compliance audit under the Uniform Guidance (2 C.F.R. Part 200) Subpart F: Audit Requirements (200.500s) or
3. Individual award audit for all award expenditures.

Research Financial Services is responsible for coordinating each audit. If the audit team requires files, documentation or discussion with other campus personnel, arrangements are made through Research Financial Services. All questions regarding allow ability of expenditures, contract modifications, etc. are to be directed to Research Financial Services. If you are contacted directly by an auditor, refer the auditor to Research Financial Services. This is the best way to assure an accurate audit report.

During an audit it may be necessary for Research Financial Services to contact departments or Principal Investigators to request information about a specific contract or grant. It is the responsibility of the Principal Investigator and business manager to keep accurate records supporting all costs for a minimum of three years after the agency has accepted the final financial and/or audit report. Copies of progress reports, laboratory notes, and documentation of the selection process used to hire contractors and of time and effort expended must be maintained for the same amount of time. Therefore, Principal Investigators, Project Directors, and Business Managers should retain complete grant/contract files for a minimum of three years following project termination. After that date, contact Research Financial Services to ascertain whether a longer retention is necessary.

If there is a disallowance on a specific grant or contract, the disallowed charges must be moved to a non-sponsored project cost center.

COST SHARING

DEFINITION OF COST SHARING

In order to accomplish the goals or objectives of a research project, Texas Southern University will incur costs that may be covered by using funds that the sponsor has provided, by using University resources, or by using resources from individuals or agencies outside of the University and the sponsoring agency. All allowable costs incurred in the performance of a project, and all contributions made by TSU or by the third parties to accomplish the goals of the project are called project costs. Cost sharing and matching represent that portion of the project costs not paid for by the sponsor's funds. The federal government makes no distinction between the terms "cost sharing" and "matching." However, in general, Research Financial Services uses the term cost sharing when describing a University commitment of any size, and uses matching to describe a cost sharing commitment of a dollar for dollar contribution.

TYPES OF COST SHARING

Cost sharing can take the form of either cash contributions or in-kind contributions. Cash contributions are made when TSU spends non-sponsored project cash in support of a sponsored project. In kind contributions consist of the value of non-cash contributions provided by TSU or by non-Federal third parties, such as facilities or equipment use, personnel assigned from any private or non-sponsored source, indirect cost, or the value of goods and services directly benefiting and specifically identifiable with the project.

MANDATORY AND VOLUNTARY COMMITTED COST SHARING

Mandatory cost sharing is required by the sponsor in the proposal solicitation or in award negotiation as a condition of eligibility for receipt of the award.

Cost sharing is voluntary if it is committed by the P.I., with prior approval of TSU administration, in the proposal when no mandatory cost sharing requirement is included in the proposal solicitation, or if it is in excess of mandatory cost sharing requirements.

Whether cost sharing is required by the sponsor or is offered by the P.I. voluntarily in the proposal, once the award is accepted, all cost sharing becomes a commitment under the terms of the award, which must be fulfilled and documented. Both are forms of committed cost sharing.

Voluntary uncommitted cost sharing of faculty effort

The Uniform Guidance (2 C.F. R. Part 200) Subpart D: Post-Award Requirements (200.306) require that faculty documents, in the payroll accounting system, all compensated effort, including effort provided as mandatory or voluntary committed cost sharing. OMB defines voluntary uncommitted cost sharing effort as “university faculty (including senior researchers) effort that is over and above that which is committed and budgeted for a sponsored agreement.” This effort “is faculty-donated additional time above that agreed to as part of the award.” OMB has excluded voluntary uncommitted cost sharing effort from payroll accounting and reporting requirements. It is not considered to be part of the effort for which faculty are compensated by TSU. Therefore, there is no associated TSU cost criteria to use when deciding if costs can be accepted as cost sharing expenditures.

To be allowable as cost sharing, expenditures

- Must be necessary and reasonable for completion of proposed work effort and are therefore identifiable as a part of the project cost. The same standards apply to the use of non-federal cost sharing funds as apply to the use of federal funds.
- Must be allowable and allocable in accordance with the applicable federal cost principles and regulations governing cost sharing, or in accordance with the expenditure guidelines issued by the non-federal sponsor. In other words, if a cost is unallowable as a project cost, it is unallowable for cost sharing.
- Must be verifiable from the TSU’s records. All cost sharing contributions must be documented after the contribution has occurred.

- Cannot have been used as cost sharing for any other project.
- Cannot have been reimbursed by the federal government under another award, except where authorized by federal statute to be used for cost sharing or matching.
- Must have the agency's prior approval on a federal project if unrecovered indirect costs are to be included as part of cost sharing or matching.
- Must have been made within the project period.
- Must have been provided for in the approved budget when required. If prior approval is required to charge a cost to project funds, prior approval is also required to charge the cost as cost sharing. Additionally, a sponsor may restrict cost sharing by expense category and require prior approval to rebudget between categories. Rebudgeting limitations that apply to project funds also apply to non-project funds.

ALLOWABLE COSTS

- Salaries, purchases of supplies, equipment, etc., paid for with new, unrestricted funds that are earmarked for the project in question.
- Salaries, benefits of those who are funded from existing or new resources (such as state funds or gift funds) that were not earmarked for the project but do not restrict where the research effort is directed. TSU's assignment of these staff and researchers to work on the project qualifies these expenditures as cost sharing.
- The use of indirect cost as cost sharing would be considered in-kind cost sharing. If unrecovered indirect cost is to be used as cost sharing on a federal project, the agency's prior approval is required.

UNALLOWABLE COSTS

- Costs incurred in securing funding or negotiating an agreement.
- Depreciation on any item previously charged to the project as a direct cost.
- Previously expended research, development, or exploration costs.
- Waived fees, profits, or revenues.
- The value of patents and data contributed to the project.
- Allowable costs on another past, present, or future federal government contract or grant

DOCUMENTATION AND VALUATION REQUIREMENTS FOR COST SHARING

In general, cost sharing should be valued in accordance with the allow ability principles of the Uniform Guidance (2 C.F. R. Part 200) Subpart D: Post-Award Requirements (200.306) and/or the award terms. Under-recovery of allowable indirect costs may be included in cost sharing only with the written prior approval of the federal awarding agency. The basis for determining the valuation of cost sharing MUST be documented.

Documentation must reflect the fair market value of item that is being cost-shared, prorated over the period of use. For example, lease rates must reflect what is generally charged per square foot for that area, and the basis for the calculation of rates must be clear. If donated space is being cost shared, the number of square feet and going rate per square foot must be shown. All rates must be reasonable and verifiable. TSU will accept a letter from the donor stating the value of contribution, but the donor should have documentation, such as rate sheets, on file. In no case can the value of donated space exceed the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately owned building in the same locality.

The most common way of meeting cost-sharing requirements is in the contribution of academic year time and effort, usually of the Principal Investigator or co-Principal Investigators. It is important that the Principal Investigator realize that if he/she intends to meet cost-sharing requirements in the form of academic year time and effort, this option may only be utilized if it is in conformity with the college's current faculty workload policy. When cost-sharing is met by contributing time and effort, the University may, with written agency authorization, claim as cost-sharing the indirect costs that it would have collected had that time and effort been charged as a direct cost to the grant. Time and effort cost sharing is different from release time for sponsored project activity and does not result in an additional charge to departmental accounts. Documented time and effort of personnel must show the rate of pay and level of effort and must include a certification that the individual worked on behalf of the project by someone who had first-hand knowledge of individual's activity.

Cost sharing of operating expenses requires "hard-dollar" cost sharing, usually in terms of charges to departmental operating budgets for research supplies, equipment purchases or services in connection with award activities. The justification on the expenditure document must reference the project number for which this expense will serve as cost sharing.

Documentation of outside services and/or consultants must include an invoice that shows the dates of service, rate of pay, description of services, and names of individuals that did work. Rates must be current, verifiable amounts that that firm or individual charges to paying customers. If an employer other than TSU furnishes the services of an employee, the employee's regular rate of pay must be used to value the services.

Facilities charges may be used for cost sharing only if the firm or entity normally charges for facilities and you can obtain published rates. You must show dates of use and description of functions.

Rates for volunteer services must be consistent with those paid for similar work at TSU or with those paid in the normal labor market. Volunteer services may be counted as cost sharing or matching only if the service is an integral and necessary part of the project.

The value of donated supplies (expendable equipment, office supplies, lab supplies, or workshop and classroom supplies) must be reasonable and must not exceed the fair market value of the property at the time of the donation.

Donated equipment must be valued at the fair market value of equipment of the same age and condition. If equipment or computers are being contributed, either as 100% up front donation or a lease equivalent, values used must be backed up with quotes from a vendor who sells like models. The value of loaned equipment cannot exceed its fair rental value.

The department must document all cost sharing contributions, including third party in-kind contributions, and must provide this information to the Research Financial Services Department in a timely fashion so that RFS may include the information in the financial reports or invoices that they must submit to the sponsor. In order to adequately report cost sharing expenditures, each department or center must follow these steps:

- A “Cost Sharing” file must be created for each sponsored project, and copies of the expenditure documents that support the cost sharing must be kept in this file. Such documents may include timesheets, purchase requisitions, consultant contracts, etc.
- A spreadsheet must be created for each sponsored project in order to summarize the cost sharing expenditures to date. The spreadsheet should be identified by project and should include all of the key data elements to identify and describe the nature of each item of cost.
- By the 10th of each month, a copy of the cost sharing spreadsheet(s) should be sent, preferably as an email attachment, to the Manager of Fiscal Reporting. Usually, the spreadsheet will suffice for reporting purposes, but in the event the sponsor of the project requires the university to provide detailed documentation of cost sharing, you will be asked to also send copies of all of the documents added to your file during the most recent period.
- Immediately following the expiration of the sponsored project, a final review and reconciliation of the cost sharing expenses must be done. A final copy of the spreadsheet (and copies of supporting documents, if requested) must be provided to Research Financial Services.
- All of the cost sharing documents must be retained for a minimum of three years after the end of the project unless the Notice of Award specifies a longer retention period.

COST TRANSFERS

Costs to support a sponsored project must be charged to the cost center housing the costs for that project. However, in certain circumstances it may be necessary to correct the posting of an expense by making an after-

the-fact reallocation of a cost from one cost center to another. Federal regulations and university policy allow such transfers if adequate documentation is provided and if done in a timely manner.

The most common reasons for initiating cost transfers are either to correct an error or to manage a cost overrun.

Some examples of errors that might need corrections are

- Accounting errors, such as a transposition of numbers;
- Charges posted to wrong fund by service center providers; and
- Charges resulting from a misunderstanding of instructions from the P.I.

Such transfers must be documented with a complete and full explanation of how the error occurred. As with any other expenditure transaction, it is necessary to establish that it is appropriate to charge the cost to the receiving cost center. The charge must be allowable under sponsor and University policies, and it must be allocable and directly applicable to the activity represented by the cost center to be charged.

Cost centers should be carefully managed to ensure that overruns are not incurred. If this should happen, however, costs must be transferred to a non-sponsored project cost center unless it can be clearly documented that another sponsored project cost center also benefited from the cost. There must be specific documentation of the benefit. Cost overruns after the end date of a project may not be transferred to another sponsored project cost center.

Expenditures made pending receipt of a sponsored research grant or contract should never be charged to a sponsored project account in the interim. Instead, the P.I. should request interim funding for the expected project. This will eliminate the need for transfers of costs incurred in anticipation of the receipt of project funding.

The following cost transfers are unallowable:

- The transfer of charges from an overspent cost center to another sponsored project without clear and specific documentation of benefit;
- The transfer of costs to cost centers with an unexpended balance for the purpose of expending the remaining funds; and
- The transfer of charges incurred after the end date of a project to another sponsored project cost center.

The P.I. and his or her college/department are responsible for funding cost transfers which are disallowed due to failure to meet the time requirements. The department is also financially responsible if any cost transfers are later disallowed based on an audit.

ENCUMBRANCES NEAR TO AND AFTER TERMINATION DATE

Items not received during an award period are not considered by an agency to be of benefit to the project and are routinely disallowed on audit, even if they were legitimate charges at the time the order was placed. Therefore, orders for supplies and equipment should be placed well in advance (60-90 days) of the fund expiration date to ensure delivery and utilization prior to that expiration date.

Per the requirements of the Uniform Guidance (2 C.F. R. Part 200) Subpart E: Cost Principles: Factors Affecting Allowability of Costs(200.403), in order to be included as allowable/billable costs to the agency, all encumbrances on sponsored project accounts must be paid and liquidated within the specified closeout period following account expiration. In the case of most federal projects, this period is designated as 90 days. However, under some circumstances this time period is shorter. The number of days the Principal Investigator has to clear encumbrances is stated in the Notice of Award for the sponsored project. It is imperative that departments work closely with Accounts Payable concerning potential problems with outstanding purchase order encumbrances or with the appropriate on-campus service center for outstanding encumbrances in order to get them paid and liquidated within the time limitation.

Closing notices for sponsored research projects are sent to Principal Investigators and Department Business Administrators at 90, 60, and 30 days prior to project termination. These closing notices include a reminder to clear all encumbrances.

If a P. I. needs any additional time to complete reports or acquire supplies, he or she should contact Research Funding and Pre-Award Services for aid in securing a no-cost date extension or to make other arrangements.



TEXAS SOUTHERN UNIVERSITY

MANUAL OF ADMINISTRATIVE POLICIES AND PROCEDURES

SECTION: Academic Affairs

Policy 06.02.01

AREA: Research

SUBJECT: Policy on the Distribution of Recovered Facilities and Administrative Cost

I. PURPOSE AND SCOPE

It is the policy of Texas Southern University that all research and other academic and service programs, grants and contracts between the university and external sponsors are subject to facilities and administrative (FA) costs associated with the contract or grant activities.

The facilities and administrative costs rate for an institution is determined by prior negotiations with an agency of the federal government. The rate for Texas Southern University was negotiated with the Department of Health and Human Services. This rate covers all expenses incurred by the institution that cannot be directly attributable to the contract or grant. Such expenses include overhead expenses, supporting services and/or use of facilities. Funding sources indicate whether indirect costs are allowable.

II. POLICY PROVISIONS

- A. Twenty five percent (25%) of the total facilities and administrative costs funds to the university will be placed in a "General Funds Account" to be used for appropriate overhead expenses.
- B. Twenty percent (20%) of the total facilities and administrative costs funds to the university will be placed in a "Vice President for Research Account" in the provost's office for bridge funding, faculty development in form of startup packages for new hires, and for seed and travel grant awards.

- C. Twenty percent (20%) of the total facilities and administrative costs funds to the university will be placed in a "Research Account" in the Office of Research for research support activities.
- D. Ten percent (10%) of the total facilities and administrative costs funds to the university will be placed in a "Research Account" pool for all the schools and colleges. The amount of funds going to a particular school/college will be prorated on the basis of the percent of the total F&A funds generated by that school/college. At least fifty (50%) of these funds must be used as direct support for student scholarship.
- E. Ten percent (10%) of the total facilities and administrative costs funds to the university will be placed in a "Research Account" pool for all departments in a college or school. The amount of the funds going to the department will be prorated on the basis of the percentage of the total FA funds generated by grants from the investigators in that department.
- F. Fifteen percent (15%) of the total facilities and administrative costs funds to the university will be returned to all PIs/PDs whose grants generated F&A, but on a prorated basis. The funds must be used to support enrichment activities germane to the project.

III. REVIEW AND RESPONSIBILITIES

Responsible Party: Provost/Vice President for Academic Affairs and Research

Review: Every three years, on or before September 1

IV. APPROVAL

Provost/Vice President for Academic Affairs and Research

President

Effective Date:

FEDERAL FUNDS DISCLOSURE REQUIREMENT

The fiscal year 1997 omnibus appropriations bill requires recipients of grant funding from the Departments of Labor, Health and Human Services (including NIH), and/or Education to mention the funding source in press releases and public statements on projects or research funded in whole or in part with federal dollars. It states, "When issuing statements, press releases, requests for proposals, bid solicitations, and other documents describing projects or programs funded in whole or in part with federal money, all grantees receiving federal funds . . . shall clearly state (1) the percentage of the total costs of the program or project which will be financed with federal money, (2) the dollar amount of federal funds for the project or program, and (3) the percentage and dollar amount of the total costs of the project or program that will be financed by nongovernmental sources." This disclosure must be made when making public statements about the grant or research.

SPONSORED PROJECT FUNDING AND GIFTS

Both sponsored project and research gift funded activities are externally supported, with funds typically provided in response to a request or proposal. Research Financial Services is responsible for administering all sponsored projects activity on campus, with the exception of gifts, which are administered by the Office of University Advancement. Classification and processing of these awards is sometimes complex and requires the exercise of informed judgment, particularly in the many cases where the nature of an award is not immediately clear. The following discussion is intended to provide guidance on defining and distinguishing between sponsored projects and gifts.

Sponsored programs are defined as those activities, sponsored in whole or in part, by sources external to the University for which there is an expectation (implied or specifically stated) on the part of the sponsor for performance, deliverable or outcome. Sponsored projects enhance and expand the educational opportunities available to undergraduate and graduate students at the University, permit research, scholarly inquiry, and the development of new knowledge, contribute to the academic achievement and stature of the institution, and assist the University in fulfilling its responsibilities to the state and the nation. Sponsored programs are awarded through various mechanisms: grants, contracts, and cooperative agreements, and/or other legally binding means of transfer. The University may receive sponsored project funding for any of the key areas of its mission, i.e., research, instruction, or public service.

A research gift is defined as a flexible, irrevocable award of money, equipment, or other property of value given to the University by a donor who wishes to support the research of a faculty member or group of faculty members, but who expects nothing of significant value in return, other than the recognition and disposition of the gift in accordance with the donor's wishes. There are few or no conditions specified, there is no commitment of direct project personnel effort to accomplish the research, and no responsibility to provide the donor a product, service, technical or scientific report or intellectual property rights.

It is important to properly identify the differences between sponsored project funds and research gifts so that the funds are administered in accordance with University procedures. All funds provided by U.S. Government

agencies, at either the federal, state, or local level, in support of TSU activities, are treated as sponsored project funding. Government funds are not treated as gifts. Funding from voluntary health organizations or associations, such as the American Cancer Society or American Heart Association are also treated as sponsored projects. In cases where funding is being provided by corporations, foundations or other non- government sources, the distinction between research gifts and sponsored projects will be made based on the nature of the proposal, statement of work, and/or the terms of the agreement, taking into consideration the intent of the sponsor. TSU has developed guidance for making this distinction and this document, titled Texas Southern University Guidelines for Gifts, Grants, and Contracts, and is attached at the end of this document. The definitions in this document are based primarily on guidelines developed by the Governmental Accounting Standards Board, the National Council of University Research Administrators and the National Association of College and University Business Officers. In those cases where there is a question as to whether an activity for which external funding is sought constitutes a sponsored activity or a gift, the Office of Research and the Office of University Advancement will work in concert to determine what procedures should apply.

The following information further clarifies definitions relating to sponsored activities.

- Grants are a type of financial assistance awarded to an organization for the conduct of research or other program as specified in an approved proposal. The proposal typically defines a scope of work or performance. The sponsor makes an award, which may be based upon a competitive review, and establishes terms and conditions for performance. These terms may be generally stated, as in many federal awards, or may specifically describe allowable and unallowable activities and/or costs. Unless prohibited by sponsor regulations, performance under grant awards may be modified to adjust to project conditions. Such modifications may be approved internally by the University or may require sponsor authorization.
- A contract is a legally binding arrangement or performance agreement for carrying out a specific service or procuring a product that entails specific obligations for both sponsor and recipient. Contracts are a more restrictive mechanism than are grants, and may specify penalties for non-performance. A fixed cost or fee for service agreement is one in which one party pays the other party a predetermined price regardless of actual costs for services rendered. A cost-reimbursement agreement is one in which the sponsor pays for the full costs incurred in the conduct of the work up to an agreed-upon amount, and for which invoices containing backup information of costs incurred are generally required. Contracts may be awarded for research assessment, specific work performance, instruction, training, and/or similar activities. Generally contracts will define specific details of the legal relationship between the participating entities and will incorporate the description and cost of the work to be performed either as a legally binding attachment or embedded in the contract document. A purchase order may be a form of contract.
- A cooperative agreement is an award similar to a grant, but in which the sponsor's staff may be actively involved in proposal preparation, and anticipates having substantial involvement in research activities once the award has been made.

- Non-teaching consulting services: Faculty members may consult by addressing the technical and professional needs of communities, groups, agencies, businesses and other entities outside the University. These arrangements are governed by MAPP 02.02.08. Consulting services defined by this policy are not sponsored programs unless the faculty member is using TSU facilities to conduct the project and/or the University is the direct recipient of funds and is liable for the conduct of the activity performed by the University employee. In this instance, it is essential that these contracts be managed as sponsored programs, in that they involve coordination of faculty time and effort reporting, and determination of appropriate overload policy interpretation.
- Proposals for conducting training/workshops/non-credit teaching functions are considered to be “sponsored programs” if they meet any of the criteria stated in Texas Southern University Guidelines for Gifts, Grants and Contracts. In addition to these criteria, these activities are considered “sponsored programs” if:
 1. The sponsor provides a single payment in support of a collective activity (as opposed to fees charged to individuals to participate in such events)
 2. The sponsor is a federal or state entity
 3. The sponsor awards indirect/administrative costs as a part of the budget
 4. The activities are specifically academic in nature, as opposed to provision of auxiliary services.
 5. Matching funds are either required or promised
 6. Faculty time is devoted to the activity.

An internship is an externally supported opportunity for an individual (student or faculty member) to engage in an extended learning activity. If the University is the recipient of internship funds, and the funding mechanism contains specific details concerning the obligation of the institution and/or the intern, the activity is treated as a sponsored program and must be administered by Research Financial Services.

Misrepresenting the true nature of sponsored funding can create serious financial and legal liabilities for the University and individual faculty and staff. The classification of funding as a gift does not alter the legal risks and accountability associated with research, nor does it alter the treatment of research for cost accounting purposes. If they apply to a particular project, research compliance issues such as human subjects, animal research, radiation, safety, etc. are not deleted by classifying the award funds as a gift. In addition, University conflict of interest rules apply regardless of whether research is funded by a gift or a grant. The gift classification may not be used to bypass the conflict of interest review process, the need to comply with regulatory issues, or the obligation to pay indirect cost. It is for this reason that awards with these compliance issues are treated as sponsored projects.

Normally a gift transaction gives no opportunity to obtain indemnification from the provider of the funds for liability that TSU might incur in performing the research. It also gives no opportunity to clarify key issues regarding the allocation of rights, and there is no opportunity to limit risks arising from alleged “side

agreements” and informal understandings. Normally a true gift transaction would not result in the donor’s acquisition of any intellectual property rights. Gift transactions should be closely scrutinized to ensure that the institution’s rights are not limited and that there is no limitation on the institution’s publication rights.

Proper classification and processing of external funds assures the University’s ability to comply with any terms specified by the sponsor or donor, meet reporting requirements, properly recover its costs, both direct and indirect, and facilitate acceptable levels of accountability and stewardship for these funds.

GUIDELINES FOR GIFTS, GRANTS AND CONTRACTS

These guidelines were developed at the direction of the Associate Provost/Assistant Vice President for Research. They clarify the nature of any project receiving external support (including research, scholarly work, training, workshops, and services) that has defined performance requirements (hereinafter referred to as Sponsored Projects). For purposes of these guidelines, a gift is the voluntary provision of external support by a donor to the University, without any requirement for receipt of any economic or other tangible benefit in return.

Proper classification and processing of external funds (i.e., gifts, grants, and contracts) assures the University's ability to comply with any terms specified by the sponsor/donor, meet reporting requirements, properly recover its costs – both direct and indirect – and facilitate acceptable levels of accountability and stewardship for these funds. Classification and processing of these awards is sometimes complex and requires the exercise of informed judgment, particularly in the many cases where the nature of an award is not immediately clear.

The University defines a sponsored project to be any externally funded research, training, public service, or scholarly activity that has a defined scope of work or set of objectives, which provides a basis for sponsor expectations. Sponsored projects enhance and expand the educational opportunities available to undergraduate and graduate students at the University, permit research, scholarly inquiry, and the development of new knowledge, contribute to the academic achievement and stature of the institution, and assist the University in fulfilling its responsibilities to the state and the nation.

The following list of characteristics is provided as a means of further clarifying how external funds from non-governmental entities will be classified and processed at Texas Southern University. The existence of one factor alone may not determine whether projects should be channeled through the Office of Research. Multiple factors should be considered in order to decide whether a sponsored project exists and therefore would be processed through the Office of Research according to procedures set forth by that office.

SPONSORED PROJECTS

All sponsored projects - proposals, contracts, or grants, regardless of funding source – must be processed through Research Financial Services in order to assure compliance with Texas Southern University policies and

sponsor requirements. Activities generally considered to be sponsored projects may include any or all of the following characteristics:

- Sponsor requires specific deliverables (e.g., final technical or narrative report, evaluation, technical assistance, and training). This does not include minimal requirements generally related to required donor pledge payments and the University's commitment to effectuate the donor's intent (i.e., stewardship).
- Sponsor generally, although not always, requires return of unexpended funds.
- Award designates a sponsor employee (agent) as project technical monitor, as opposed to designating a contact person to improve communications.
- Award contains intellectual property rights provisions and/or technology transfer.
- Award restricts or monitors publications or use of results.
- Award payments are contingent upon programmatic or fiscal reporting (e.g., specific milestones, invoices).
- Award includes minimum terms and conditions imposed by the project sponsor or negotiated with the sponsor by the University.
- Award requires protection of sponsor and confidential information.
- Award contains an itemized budget, which requires sponsor approval to modify and/or that is subject to the provisions of federal cost accounting standards.
- Request for funding will be used to fulfill a matching or cost sharing commitment on another sponsored project or requires a matching, cost sharing or other financial commitment from the University.
- The project is linked to other sponsored research projects or contracts being conducted by faculty/researchers.
- Project involves the use of human subjects, vertebrate animals, radioisotopes on humans, radioactive materials, recombinant DNA, human body substances, etiologic agents or proprietary materials.
- Project involves foreign collaborators or is subject to Export Control policies.

GIFTS AND PRIVATE GRANTS

- Gifts, research gifts, and unrestricted private grants must be processed by the Office of University Advancement in order to comply with the Acceptance of Gifts and Property Policy (MAPP 07.01.01) at Texas Southern University. Activities supported by a donor that are generally not considered sponsored projects may include the following characteristics:

- Gift supports an unrestricted purpose or such activities as endowments (e.g., endowed chairs, professorships), capital projects (e.g., construction or renovation, equipment).
- Gift contains only minimal requirements, generally relating to required donor pledge payments and the University's commitment to comply with the donor's intent (i.e., stewardship).
- Gift requires only minimal reporting to the donor in the form of a general statement of how funds were used. Such confirmation may not be a technical or a formal financial report of any detail. However, if publications result, copies may be shared. In addition, confirmation of proper utilization of funds would be allowed such as in a "stewardship report" or "annual endowment report."
- Gifts are generally irrevocable.
- Unrestricted grants are awards not identified by the sponsors as specifically being a gift or charitable contribution; however, these awards have no strings attached - no statement of work, no deliverables such as technical reports, no intellectual property terms, etc.
- Research gifts may specify a purpose, but do not require specific deliverables and do not exhibit other aforementioned characteristics of a sponsored project. For proper stewardship of these awards, a separate restricted cost center should be established to deposit and manage these funds.

INVOICING, FINANCIAL REPORTING, AND SPONSOR PAYMENTS

Research Financial Services is responsible for all fiscal reporting functions on research projects. These functions include preparation of invoices, ensuring proper charging of indirect costs, processing of journal entries to correct F&A cost charge errors, reporting of required cost sharing, preparation of final fiscal reports, and submission of any other data required to close-out an account. Fiscal reports are prepared in accordance with the terms and conditions of the award. Each report is a joint effort between Research Financial Services, the Principal Investigator (P. I.) and the Department Business Administrator (DBA). There are times when the P. I. and/or the DBA may have to provide copies of expenditure documents, information to complete patent or invention statements, and documentation of cost sharing. It is critical that this information/documentation be provided to Research Financial Services in a timely fashion in order to meet agency-imposed deadlines for submission of the fiscal report.

When cost sharing other than time and effort reporting is required on an award, the documentation must be collected by the P. I.'s department and submitted to the Office of Research where it will be reported to the agency with the required fiscal reports. Documentation must be identified as cost sharing for a specific award.

Payments in support of sponsored projects must be made in U.S. dollars. Cash payments from sponsors are received by Research Financial Services and deposited with the Bursar's Office for credit to the appropriate grant fund.

PERSONNEL

All personnel involved in a sponsored project's effort, whether faculty, professional staff, clerical staff, or student (research assistant) must be paid in accordance with University guidelines. The salary and wage categories and job classifications for employees on sponsored project accounts are the same as those established for all other employees of the University. Salary rates and increments are therefore subject to the regulations applied to all other University employees.

VACATION AND SICK LEAVE ACCRUALS

If either full-time personnel or part-time continuing, benefits eligible personnel are employed on a grant or contract, they accrue vacation and sick leave time. Therefore, the grant or contract on which they are paid is responsible for payment of the accrued vacation at the time of the employee's termination. If the grant or contract does not have sufficient funds to pay the accrued vacation, it is the responsibility of the University to provide the necessary funding. It is the responsibility of the Principal Investigator to ensure that these employees accurately report their vacation time prior to the project's expiration.

Faculty members who accumulate vacation time as the result of appointments to contracts or grants at 100 percent FTE for a period of one year or more should utilize all vacation accumulations prior to returning to full-time instructional duties. It is the responsibility of the administrative department head to which the faculty member reports to see that the accumulated vacation time is used prior to the time the faculty member leaves the contract or grant. Department heads are encouraged to monitor accrued time closely and to encourage that vacation time is taken in a timely fashion. A faculty member whose appointment to a contract or grant is shared with a teaching appointment, or whose appointment covers only the summer session, does not accrue vacation.

OVERTIME AND PAYMENT IN EXCESS OF 100%

All University personnel should be paid through the University payroll system. All personnel in non-exempt positions should be paid time-and-a-half for hours worked in excess of 40 hours per week. However, it is recommended that compensatory time be used in lieu of cash payments. Refer to MAPP 02.02.03, in this regard. No exempt staff or faculty member may be hired to work on a grant or contract if that effort results in payment in excess of 100% FTE unless he/she has received the prior written approval of the sponsoring agency (when applicable), the chair of the department, the dean of the college, Research Financial Services, and the Provost and Vice President for Academic Affairs/Research. All faculty or staff members must be paid in accordance with their normal salary rate at the University.

PROGRAM INCOME

Program income is defined as recipient earned gross income that is directly generated by a supported activity or earned as a result of an award. Program income includes, but is not limited to, income from fees for services performed, the use of property acquired under federally funded projects, the sale of commodities or items fabricated under an award, or license fees. Program income does not include the receipt of principal on loans, rebates, credits, discounts, etc., or interest earned on any of them.

When program income is anticipated on federal awards, the sponsoring agency usually specifies in the award terms and conditions how the program income is to be used; it may be added to the funds committed to the project, deducted from the total project costs, or used as cost sharing. Federal regulations often require that program income be spent in support of the project before the University requests additional cash payments from the agency.

PROJECT ACCOUNTING

Principal investigators are responsible for assigning costs to the appropriate sponsored project cost center at the time the expenses are incurred. The charges must be allocated to the cost center(s) based on the project(s) receiving the benefit from the item or service. The PI's signature on expenditure documents certifies that the charge is reasonable, allocable, and allowable on the sponsored project that is paying the charge.

Project expenses are posted to the TSU (BANNER) accounting system. Each department has access to run its own project accounting reports and is responsible for the timely reconciliation of its project accounts and providing information to the Principal Investigator(s) regarding the financial condition of their projects. Department Business Administrators should request assistance from their College Business Administrator if they have any questions about how to reconcile their accounts. The Principal Investigator may request a copy of the report from the CBA or the DBA. Questions regarding any problem on the monthly accounting reports should be directed to Research Financial Services.

PROPERTY MANAGEMENT

The University's Property Management office is charged with records maintenance and control of all property purchased, fabricated or otherwise acquired. It is also the Property Manager's responsibility to report to the sponsoring agency all equipment purchased with grant/contract funds.

Principal Investigators share in this responsibility. In fulfilling these responsibilities, each Principal Investigator needs to fully understand the following information:

- a. Property is to be used only for the purpose for which it was acquired or furnished in accordance with the terms of the specific grant or contract;
- b. If a Principal Investigator wishes to acquire excess government property for use on a particular sponsored project, he/she should contact Texas Southern University Property Manager who will request clearance.
- c. The original copies of all equipment shipping documents are required by the Property Manager upon their receipt so that the Property Manager may submit the required reports;
- d. Property that is purchased or otherwise acquired on grants or contracts may not be loaned, sold, traded in, discarded, moved, or cannibalized without the prior approval of the Property Manager;
- e. Property which is in excess of the amount needed to perform a grant or contract must be immediately reported to the Property Manager;
- f. All property is inventoried as of August 31 each year, or more frequently as designated by the Property Manager;
- g. Losses, damage, destruction, returns, turn-in or trade-in of property must be reported to the Property Manager as it occurs;
- h. All property must be adequately cared for, maintained, and safe-guarded;
- i. University property, including contract or grant property and items rented or leased by the University, may be removed from campus when necessary to conduct official business of the University. However, the written approval of the Property Manager is required prior to removing such property from campus. The employee removing such equipment from campus must assume financial responsibility for the property unless he/she is specifically relieved of such responsibility;
- j. All reports pertaining to property accountability and inventories are prepared by the Property Manager. Therefore, all requests received by faculty which are of such a nature should be forwarded to the Property Manager;
- k. Upon termination, completion, or cancellation of a grant or contract, all property with title held by the sponsor must be returned immediately to the granting agency. To ensure that the University fulfills its responsibility in such cases, the Principal Investigator and Department Chairperson must cooperate with the Property Manager;
- l. If a P. I. is leaving Texas Southern University and wishes to take any equipment purchased from grant or contract funds to a new institution, the P. I. should contact Research Financial Services as soon as possible to ascertain the ownership of title to the equipment. If the sponsoring agency retains title, the equipment will be transferred with the grant or contract or will be returned to the agency upon its request. If title is vested in the University, the equipment may be transferred to the new institution if the department and college agree. The department chair and college dean must write a memorandum

on the P. I.'s behalf to the Property Manager via Research Financial Services. The memorandum should include:

1. A description of the equipment including tag number, cost center for original purchase, and estimated current value;
2. A statement certifying the equipment is surplus at that time to the needs of the department and college; and
3. A contact person and phone number, if known, for the institution to which the equipment is to be transferred.

The University is normally reimbursed for the fair market value of University-owned equipment and the Property Manager will arrange the sale of such equipment with the new institution.

Any person who attempts to transfer equipment without proper authorization will be subjected to punitive action.

RECORDS RETENTION

Regulations require the University to maintain for audit purposes all project-related records, both financial and technical (including technical reports, lab notes, and all institutional committee approvals such as human subject, animal care, radiation, etc.) for a minimum of three years (five years for Department of Education awards) AFTER the submission of the final financial and/or audit report. Therefore, Principal Investigators, Project Directors and Business Managers should retain complete grant/contract files for a minimum of five years after project termination. After that date, check with the Research Financial Services Department to ascertain whether longer retention is necessary.

SERVICE CONTRACTS

The use of consultant or professional services is an allowable cost for sponsored project activities unless specifically prohibited or limited by the sponsor. The use of consultant services must be in concert with the goals, scope and intent of the project or program for which they are proposed.

DEFINITIONS

“Consulting Services” are the practices of studying and advising in a manner not involving the traditional employee/employer relationship. To “study” means to consider some aspect of the agency in detail. To “advise” means to provide a recommendation or identify options with respect to some course of action. Generally, a true consultant delivers information or provides assistance that enables the University to take some course of action.

When a contract involves a mix of deliverables, it is considered a consulting contract only when consulting services, as defined above, are the primary objective of the contract.

“Professional Services” are those services directly related to the professional licensed practices such as accounting, architecture, landscape architecture, land surveying, medicine, optometry, professional engineering, real estate appraisal, or professional nursing. Services provided by professionals outside the scope of their profession, e.g., management-consulting services provided by accounting firms, are not considered professional services for the purposes of this policy. State law requires that selection and award of contracts for professional services be based on the professional’s demonstrated competence, the professional’s qualifications for the type of services to be performed, and a fair and reasonable price, rather than on the basis of competitive bids.

INDEPENDENT CONTRACTORS

It is important to distinguish between employees, consultants and independent contractors so that proper consulting or employment arrangements may be made. An individual is considered to be an employee when the department or unit for whom services are performed has the authority to control and direct the individual who performs the services. This includes the results to be accomplished as well as the details and means by which they are to be accomplished. Employee status is also characterized by the furnishing of equipment or supplies, and by the provision of a place to work.

The IRS defines an independent contractor or consultant as someone who gives professional advice or services. Generally, they are individuals who are in business for themselves, offer their services to the public, and have an investment in facilities. The IRS has determined that if 50% or more of the services performed by an individual during any pay period are services performed as an employee, then all funds for services must be treated as employee compensation, regardless of the type of services performed. It is also the position of the IRS that if two individuals have the same job description and one is considered an employee, then both are classified as employees. Typically, the IRS leans heavily toward the classification of an individual as an employee rather than as an independent contractor. The University could face serious penalties if the IRS were to determine that an individual had been misclassified. It is important to note that independent contractors who earn more than \$10,000 a year from a single employer and who do not perform services for any other employer are likely to be considered employees by the Internal Revenue Service.

The Principal Investigator is responsible for classifying an individual as either an employee or as an independent contractor and the college or division business manager is responsible for certifying the appropriateness of the working relationship with the individual. The IRS has identified twenty factors to aid in determining whether or not an employer/employee relationship exists for a particular individual. The importance of each factor varies depending on the occupation and the context in which the services are performed.

PAYMENT

Activities of private individuals who are not employees of TSU but who perform in a vendor capacity supplying TSU with goods or services, including consulting services, are normally administered through a TSU service contract. The University utilizes standard agreement forms for commonly contracted university services. When sponsored project funds are used for payment of these services, in whole or in part, the agreement must be approved by Research Financial Services prior to services being rendered and/or payment being made. This package constitutes the consulting agreement. The agreement is initiated by the P. I. and the authority to execute and process these arrangements falls within the purview and responsibility of the Office of Research, the Chief Financial Officer, the Provost and Vice President for Academic Affairs and Research, and the university's General Counsel.

The P. I. must sign all contracts to be paid from federal funds, certifying that:

- There are no qualified individuals at the University who are able and willing to perform the work that is to be procured from the consultant;
- A selection process has been employed to secure the most qualified person available;
- The charge is appropriate considering the qualifications of the contractor, his or her normal charges, and the nature of the services rendered; and
- A written activity report providing a description of services rendered and the results of those services will be completed by the contractor and attached to the purchase voucher/invoice for payment.

The completed form is sent to the Research Financial Services Department to be encumbered. Research Financial Services does not review the contracts except in the case of a deviation in the approved format of the contractual document. Payment is made by processing a PO voucher, with the fully executed contract and purchase order constituting the supporting documentation.

A contract is not valid if written approval has not been secured prior to services being rendered. Only the Provost and Vice President for Academic Affairs and Research, or his designee, can approve an after-the-fact contract, and this is done on a case-by-case basis.

State of Texas regulations prohibit consultant contracts with an individual who was employed by Texas Southern University within the last twelve months.

The daily rate charged by the consultant may not exceed that of a GS-15 federal employee or the consultant's actual daily rate, whichever is less.

HONORARIA

An honorarium is a one-time payment in the form of a gift or gratuitous payment made to an individual, who is not an employee of the University, for a special and non-recurring activity or event for which a fee is not legally or traditionally required. A payment of an honorarium from sponsored project funds must demonstrate a clear benefit to the project being charged and must be a legitimate part of the scope of the project. A payment for services rendered, however, such as a speaker's fee under a conference grant, the presentation of research results, the reading of papers, or the participation in workshops and seminars, would be allowable. The appropriate Texas Southern University forms must be completed and signed by both the speaker and by the University before the fee can be paid.

SPONSORED AGREEMENT NEGOTIATION

Many agencies require that the University sign an award document before the award can be effective. The Research Funding and Pre-Award Services Department is responsible for conducting the entire negotiation process. The key participants in the negotiation process are the Office of Research, the P. I. or project director, the sponsor's technical or program officer, and the sponsor's contracting specialist or officer.

The negotiation process includes a comprehensive evaluation of the requirements of the agreement to ensure and that the agreement is manageable and fits into the existing administrative infrastructure. The goal of the negotiation process is to arrive at an agreement mutually acceptable to both TSU and the sponsor.

The Provost and Vice President for Academic Affairs and Research, as the University's designated authorized organizational representative, is responsible for signing these documents and thereby legally binding the University to the agreement. Principal Investigators, Department Chairpersons, and Deans are not authorized to negotiate or sign on behalf of the University. In consultation with the P. I., Research Funding & Pre Award Services reviews the budget, terms, and conditions of the award before obtaining the Provost's signature and returns the document for the agency's signature, if necessary. When Research Funding & Pre Award Services receives a copy signed by the agency, the original is forwarded to the P. I. and Research Financial Services concurrently, to assign a cost center/ fund number and to ensure that the award is appropriately established in the University's financial accounting system.

SUB-RECIPIENT AGREEMENTS

Sponsored projects are normally conducted by TSU employees on the premises of the University. On occasion, however, some of the research may need to be performed by collaborators from other institutions, companies or organizations. The document that formalizes this third party relationship is called a sub-recipient agreement.

When a portion of the project is going to be carried out at another institution or organization, a written agreement is necessary to formalize the contractual relationship between TSU and the third party and to ensure

compliance with sponsor requirements. All sub-recipient agreements must be requested through the Office of Research, who will write and negotiate these agreements. These agreements can only be executed by the Provost and Vice President for Academic Affairs and Research or his designee. The Office of Research will negotiate all subcontracts and sub-recipient agreements in accordance with the prime agency's guidelines, standard business practices and, as appropriate, the Federal Acquisition Regulation and/or the Uniform Guidance (2 C.F. R. Part 200) Subpart D: Post-Award Requirements (200.300s) The agreements will comply with all standard and special provisions of individual awards.

A copy of the sub-recipient's negotiated rate agreement is required. If TSU's prime award is a contract, detailed pricing support data must be submitted. If the research to be done by the sub-recipient involves human subjects or the use of animals, the appropriate approvals from the sub-recipient should be attached. It is the responsibility of the P. I. to outline and justify in the Request to issue a Sub-Recipient agreement for selecting the sub-recipient. The most common methods used are either to make a selection based on a consideration of the technical merit and cost objectives of a number of solicited proposals, or to make a sole source selection by identifying the need for the particular subcontractor. Inclusion of a specific sub-recipient in a proposal, and subsequent approval of that proposal as written, is an acceptable basis for sole source.

F&A rates will be applied to the first \$25,000 of a sub-recipient agreement. The remainder of the subcontract is excluded from F&A. Different account codes must be used for each sub-recipient.

DEFINITIONS

A sub-recipient is an institution, company, or organization that receives, at any level, financial assistance that is passed down from the primary recipient of the prime sponsored agreement. The portion of work being performed by the sub-recipient constitutes a significant component of the research program, and the sub-recipient is required to provide the resources necessary to conduct that portion of the work. The work must be performed by the sub-recipient's personnel, using their facilities and support services, and the sub-recipient takes full responsibility, including intellectual leadership, for the subcontracted effort, which usually, but not always, is carried out at the sub-recipient's site.

A sub-recipient agreement is an agreement made by Texas Southern University in which a defined portion of the TSU work statement's intellectually significant activity is carried out by a non-TSU entity.

A vendor is an entity that receives a procurement contract for goods or services. The vendor's responsibility is to meet the requirements of the procurement contract. For purposes of this discussion, a vendor is an entity responsible for providing goods or services related to the objectives of TSU's prime award. Typically a vendor provides the goods or services within normal business operations, provides similar goods or services to many different purchasers, and operates in a competitive environment. Program compliance requirements do not pertain to the goods or services provided. Where TSU enters into a procurement contract to buy goods or services but where substantive scientific research is not involved, the other party to the contract is not a sub-recipient. In this case, the P. I.'s department will prepare and submit a purchase requisition and the

Procurement Department will ultimately convert this transaction into a purchase order to be issued to the respective vendor.

Activities of private individuals who are not employees of TSU but who supply TSU with goods or services, including consulting services, are normally administered through a TSU service contract. Guidelines and procedures for administering service contracts are included in the Manual of Administrative Policies and Procedures (MAPP 08.04.01) and in this guide under the heading "Service Contracts."

TECHNICAL MONITORING

As the prime award recipient, Texas Southern University assumes the ultimate responsibility for the conduct and completion of the project. The PI is responsible for ensuring that the sub-recipient satisfies its obligations under the sub-recipient agreement in an acceptable and timely manner. After the subcontract/sub-recipient agreement has been fully executed and work has commenced, it is the responsibility of the principal investigator to monitor the progress of the subcontractor/sub-recipient and to obtain all required deliverables from the subcontractor/sub-recipient. This normally involves verifying that the sub-recipient completes the scope of work as specified in the agreement, submits all required interim and final reports, and provides any other deliverables as agreed. Sub-recipient progress reports should be reviewed thoroughly by TSU's Project Director and discussed with the sub-recipient's Project Director as needed. The sub-recipient's progress report will usually be incorporated into the progress report submitted to the sponsor by TSU.

PAYMENT

The sub-recipient is required to submit periodic invoices to TSU for reimbursement and to report cost sharing. Those invoices are usually sent directly to Research Financial Services is responsible for promptly logging in the invoices, reviewing them for accuracy, for compliance with the budget, and routing them to the PI for approval, prior to submitting them for payment. Research Financial Services does not approve sub-recipient invoices for payment, since this is the role of the PI. The P.I. must review all invoices from the subcontractor/sub-recipient to determine that the charges are appropriate and that the amount of effort and technical progress of the project is consistent with the amount being invoiced after having verified that the sub-recipient has submitted all required reports and/or deliverables and that the sub-recipient has made acceptable progress toward the objectives of the scope of work. Normally, the P. I. would most likely be familiar with effort performed by the sub-recipient through telephone conversations, technical meetings, progress reports, or possibly site visits. If there are problems noted in the invoice, such as equipment purchased without approval or more labor charged than the TSU P. I. feels was expended, the P.I. should not approve the invoice but should contact Research Financial Services immediately for guidance.

Research Financial Services will encumber the funds for the agreement after the agreement is fully executed. The P.I. is responsible for approving the invoices for payment against the encumbrance.

Once an invoice has been approved by the PI, as evidenced by the initials or signature on the invoice, the Department Business Administrator will prepare a voucher referencing the sub-recipient agreement number and applicable purchase order number to pay the invoice amount to the sub-recipient using the appropriate account code. The PI is required to sign the voucher to authorize the payment. The Grant Accountant will ultimately verify that the invoice was paid promptly and correctly.

AMENDMENTS

Any changes to a sub-recipient agreement must be in the form of a written amendment to the agreement signed by both parties. The P.I. must send Research Financial Services a request in memorandum form to issue an amendment. The request should include the sub-recipient number, name of the sub-recipient, and the necessary information required to prepare the amendment. The Research Financial Services Department Research Administrator will initiate the amendment and route it for review and signatures. The PI does not have the unilateral authority to change or authorize a change in the scope of work, extend the end date of the agreement, or alter any of the terms of the agreement.

EARLY TERMINATION OF AGREEMENT

Should the P.I. determine that it is necessary to terminate a sub-recipient agreement, he or she should contact Research Funding and Pre-Award Services as soon as possible. Research Funding and Pre-Award Services will notify the sub-recipient in accordance with the agreement's termination clause, and will follow with a formal contract modification.

SUB-RECIPIENT MONITORING

TSU is responsible for ensuring that sponsor funds provided by the University to other organizations via sub-recipient agreements are spent in accordance with applicable laws and regulations. The Uniform Guidance (2 C.F. R. Part 200) Subpart D: Post-Award Requirements Subrecipient Monitoring and Management (200.330s) requires oversight responsibilities that place the University in much the same position as if it were a Federal agency dealing with its own primary recipients. TSU relies on Principal Investigators to be the primary control point for allow ability, allocability and reasonableness of research expenses. The P.I. should question costs which differ materially from the approved budget, or which appear unusual or unallowable. The P.I. monitors technical progress through objective assessment as a result of ongoing communication with the sub-recipient and monitors fiscal progress by reviewing the content of sub-recipient invoices submitted for reimbursement.

The Research Financial Services Department is responsible for ensuring that sub-recipients meet applicable audit requirements by reviewing their audit reports (the Uniform Guidance (2 C.F. R. Part 200) Subpart F: Audit Requirements (200.500s) and ensuring that corrective action is taken in instances of noncompliance with

Federal laws and regulations. The Compliance Office monitors sub-recipients according to the level of risk determined at the time an agreement is issued. If the sub-recipient agreement will not be renewed at the end of the indicated expiration date, the RFS Grant Accountant obtains final reports from the sub-recipient institution such as, but not limited to, patent and invention reports, property reports, HUB vendor reports, or other closeout reports as required. Research Financial Services will then submit copies to the funding agency.

TECHNICAL REPORTING

Most sponsored projects include a requirement to furnish the Sponsor with a technical report. The Principal Investigator bears the responsibility of preparing and submitting these reports. Reporting requirements will vary depending on the sponsoring agency, and specific report requirements will be included in the notice of award sent to the P.I. But in general, a technical report might include the following information:

- A complete heading, listing the identifying grant number, the Principal Investigator, the name of Texas Southern University, the project title, and the dates of the entire period of the grant;
- A statement of progress made toward achieving the stated aims;
- A list of the results, positive or negative, direct or indirect, considered significant by the P.I.;
- A list of publications; and
- A completed SF 298 for reports going to the Department of Defense.

The report may be mailed directly to the sponsor. It is imperative that technical reports be submitted on a timely basis. Failure to do so may jeopardize future funding for the University. A copy of each report must be sent to the Office of Research, either a paper or electronic copy. Internally funded research projects also require that a final report be submitted. It should describe the outcome of the project. It should also include information concerning external applications or awards submitted or received as a result of the funding. The submission date, the title of the project, inclusive dates, agency, total amount requested, and the status of each application should be included. Final reports should be submitted to the Office of Research. Electronic versions will also be accepted.

Final reports that are not submitted by the deadline date will preclude the principal investigator from receiving any additional internal funds.

TIME AND EFFORT REPORTING

The Uniform Guidance (2 C.F. R. Part 200) Subpart E: Cost Principles Compensation – Personal Services (200.430) requires that institutions document the time and effort that each employee expends on various University activities during a specified time period. Effort includes the time spent working on a sponsored project in which

salary is directly charged or contributed, as well as time spent on instruction, administration, and public service. Effort reporting is the method of certifying to the granting agencies that the effort charged or cost shared to each award has actually been completed.

THE TIME AND EFFORT REPORT

At Texas Southern University, the quarterly Time and Effort Report constitutes the primary basis for reimbursement to the University by the federal government of salaries applied directly to sponsored research, sponsored instruction, and other sponsored activities, as well as the basis for certain costs that are reimbursed as indirect costs. This report also provides the means of reflecting activity devoted to sponsored projects while the individual is being paid from institutional (i.e., non-sponsored projects) funds. Principal Investigators are urged to check Time and Effort Reports for all their employees on a quarterly basis to certify that all persons paid on a sponsored project did, in fact, work on that project for the amount of time indicated on the Time and Effort Report. The employee and the employee's supervisor must sign the time and effort report.

Each report will reflect after-the-fact certification of 100 percent of the activity for which the employee is being compensated and which is required in the fulfillment of the employee's obligations to the institution. It is important to note that the percentage of effort reported must always total 100 percent, regardless of the employee's total percentage full time equivalency (FTE). Effort certification must reflect actual work performed. Refer to MAPP 03.04.05 for the University policy on time and effort reporting.

Time and effort reports are subject to audit by both the federal government and by Internal Audit. Institutional disallowances can result if the effort report was certified by an individual other than the employee, the PI, or a responsible official using suitable means of verification that the work was performed. A disallowance may also result if the effort report does not encompass all of the activities performed by the employee under the terms of his or her employment, or if the levels of effort reported do not appear reasonable, given the responsibilities of the individual. Individual disallowances can result if the effort report certified by the individual is found to be falsified or if the levels of effort reported do not appear reasonable.

EXTERNAL CONSULTING

A faculty member's external consulting is not considered to be part of his or her total effort. The Uniform Guidance (2 C.F.R. Part 200) Subpart E: Cost Principles (200.400s) provides that professional services provided outside the institution for non-institutional compensation is not part of total effort for purposes of the requirement to document the time and effort that each employee expends on University activities.

CHANGE IN LEVEL OF EFFORT

The Uniform Guidance (2 C.F.R. Part 200) Subpart E: Cost Principles (200.407) requires grantees to obtain the sponsoring agency's approval in writing, if the P.I. or other key personnel specifically named in the Notice of Grant Award will withdraw from the project entirely, be absent from the project during any continuous period of three months or more, or reduce time devoted to the project by twenty-five percent or more from the level approved at the time of the award. It is important that the P.I. notify Research Financial Services if he or she anticipates a significant change in the level of effort to be devoted to a sponsored project.

CORRECTIONS AND ADJUSTMENTS

Excessive requests to correct or adjust time and effort reported may be indicative that an effort certification was prepared on some basis other than the actual effort expended on a sponsored project. However, if a supervisor or a department/college business administrator in the course of reconciliation discovers a discrepancy between departmental records and the employee's time sheet before the time sheet is submitted to Payroll, the supervisor shall resolve the discrepancy with the employee. If it is necessary to make corrections to time reported in a previous time period, a copy of the time sheet as previously submitted must be used. The revised time sheet requires the same approvals as the original time sheet. For more detailed information concerning retroactive changes, refer to MAPP 03.04.05.

TRAVEL

DOMESTIC TRAVEL

Texas Southern University's institutional travel policy generally governs the reimbursement of research-related domestic travel expenses. In some instances, however, the sponsoring agency may impose more restrictive travel regulations. If so, the agency's regulations must be followed. Only the contracting officer of the funding agency has the authority to allow any exceptions to agency policy. If a P.I. wishes to obtain the sponsor's approval of an exception to agency travel rules, he or she should write a letter requesting the exception and forward the letter to Research Financial Services for co-signature and processing.

FOREIGN TRAVEL

The definition of foreign travel may differ among sponsoring agencies. Therefore, each award must be examined for this definition. The award must also be examined for prior approval requirements, if any. Prior approval, when required, is often given only on a trip-by-trip basis. The P.I. who wishes to obtain the sponsor's

approval for foreign travel should submit a written request for approval to the sponsor, while simultaneously forwarding a copy of the request to Research Financial Services.

Texas Southern University's institutional travel policy (MAPP 03.02.11) generally governs the reimbursement of research-related foreign travel expenses. Each award must be examined, however, to see if the sponsor has specific regulations about the reimbursement of foreign travel expenses.

TRAVEL CHARGED - TWO OR MORE FUNDS

Auditors carefully review travel charges that are split between two or more budgets so as to be sure that charges have been properly allocated. When preparing your travel voucher, it is important to be clear about the purpose of the trip and the distribution of charges. The voucher must indicate the primary purpose of the trip along with the project or budget that was the primary beneficiary of the trip. This information is necessary to justify the division of transportation and per diem expenses. Additionally, each day's activities and expenses must be listed and correlated to a specific project.

TRAVEL ADVANCES

Under certain conditions, Texas Southern University will approve travel advances for group travel and for individual foreign travel. It is important to note that a sponsored project cost center should generally not be used to cover the amount of the advance.