



TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER EL PASO

Operating Policy and Procedure

HSCEP OP: 65.04, **Allowable Activities and Allowable Costs**

PURPOSE: The purpose of this Texas Tech University Health Sciences Center El Paso (TTUHSC El Paso) Operating Policy and Procedure (HSCEP OP) is to ensure compliance with federal guidelines for allowable activities and allowable direct costs charged to programs receiving financial support from external sources (sponsored programs).

REVIEW: This HSCEP OP will be reviewed May 15 of every odd-numbered year by the associate managing director of Contracts and Grants Accounting (CGA) and the directors of the Sponsored Programs (SP), with recommendations for revisions submitted to the vice president for research and the chief financial officer by June 1.

POLICY/PROCEDURES:

I. Definitions and Background:

- A. Direct Costs – The Federal Office of Management and Budget (OMB) 2 CFR Part 200.413 defines direct costs as “those costs that can be identified specifically with a particular final cost objective, such as a federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.”
- B. Costs being charged directly to a federally sponsored project fund must, in addition to any program guidelines or statute expense limitations, meet the following OMB 2 CFR Part 200 Subpart E- Cost Principles definitions:
 - 1) Allowable - A cost or activity is specifically permitted or not specifically prohibited by the terms and conditions of the award and institutional policy. A cost must meet the following general criteria in order to be allowable:
 - a. Be necessary, reasonable and allocable.
 - b. Conform to any limitations or exclusions in these principles or in the award.
 - c. Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the institution.
 - d. Be consistently treated.
 - e. Be in accordance with generally accepted accounting principles (GAAP).
 - f. Not be included as a cost or used to meet cost sharing or matching requirements of any other federal-financed program in either the current or prior period.
 - g. Be adequately documented.
 - h. Administrative closeout costs may be incurred until the due date of the final report (s), and charged to the final budget period of the award unless otherwise specified by the Federal agency. All other costs must be incurred during the approved budget period. At its discretion, the Federal agency is authorized to waive prior written approvals to carry forward the unobligated balances to subsequent budget periods.
 - 2) Allocable – A cost must be allocated to the award in proportion to the benefits received.

- 3) Reasonable – A cost must reflect what a “prudent person” would pay under similar circumstances.
- 4) Consistent – Treatment of similar costs within the accounting system should be consistent.
- 5) An unallowable cost cannot be charged to the award.

Refer to Attachment A for a sample list of allowable and unallowable costs.

Non-federally sponsored projects typically define allowable costs within the terms and conditions of the award notice. However, if specific guidance is not provided, then the cost principles provided in Section B (1-4) will apply.

II. Responsibilities:

A. Department - Principal Investigator (PI) or other designated departmental personnel:

- 1) Verify that only allowable charges are posted as direct charges to the sponsored project fund.
- 2) Signature or electronic approval by the PI or designated departmental personnel indicates:
 - a. Approval of the action requested.
 - b. Charges are directly related to the project scope.
 - c. Charges and activities are allowable according to the approved project budget and project requirements.
 - d. Charges have been incurred within the approved project period.
 - e. Documentation of sponsor approval for charges outside of the project period has been requested by SP and received from the sponsor.
 - f. Charges have been incurred in accordance with TTUHSC El Paso operating policies and are being treated consistently.
 - g. Charges on the sponsored project fund are reasonable as to their purpose and are recorded and allocated according to the benefits derived by the program.
 - h. Cost transfers and cost corrections are kept to a minimum to avoid audit concerns and are timely submitted to CGA to avoid reporting errors.

B. Contracts and Grants Accounting:

- 1) Secondary, general review of posted transactions to identify expenses that may be questionable. Per Section I Paragraph B.1 above, it is the responsibility of the PI or other designated departmental personnel to ensure that only allowable expenses are charged to the project fund.
- 2) Direct questions regarding the appropriateness of charges to the PI or other designated department personnel.
- 3) Request sufficient documentation and justification of charges to maintain proper financial account management and records.
- 4) Process cost transfers if any expenses are determined to fall outside of these guidelines. Such cost transfers should comply with HSCEP OP 50.18.