

Office of Sponsored Programs
Procedure 10009 Mandatory Disclosure and Unallowable Costs

Revision Date: 03/01/2016

TABLE OF CONTENTS

1.	INTRODUCTION	1
2.	SCOPE	1
3.	PROCEDURE STATEMENT	1
4.	REASON FOR THE PROCEDURE	2
5.	DEFINITIONS	2
6.	MANDATORY DISCLOSURE	3
7.	UNALLOWABLE COSTS	3
8.	REFERENCES	4
9.	CONTACTS	4
10.	ROLES AND RESPONSIBILITIES	4
11.	DISSEMINATION	4
12.	APPROVAL AND REVISIONS	4

1. Introduction

Responsible Officials: Assistant Vice President of Sponsored Programs

Effective Date: March 01, 2016

Revision Date:

IMPORTANT: For federal awards/subawards issued to Virginia Tech with a start date prior to December 26, 2014, 2 CFR Part 215 (OMB Circular A-110) and 2 CFR, Part 220 (OMB Circular A-21) apply. For all new funds (new awards and new monies, such as continuation awards, supplements, etc. received for existing awards) with a start date on or after December 26, 2014, these new funds are subject to 2 CFR Part 200 (commonly referred to as Uniform Guidance—Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards) but hereinafter referred to as “2 CFR Part 200”).

Due to the change in federal regulations the language in this procedure specific to the new regulations, 2 CFR Part 200, is highlighted in red font below.

2. Scope

This procedure outlines the principles and guidelines regarding expectations and treatment of unallowable costs and asserts university compliance with 2 CFR Part 200.113, Mandatory Disclosure.

The procedure applies to all university principal investigators, departments and offices that are involved in the administration, use or planned implementation of sponsored award agreements or subawards issued, regardless of the primary source of funding.

3. Procedure Statement

The Office of Sponsored Programs (OSP) functions as the steward of Virginia Tech’s research portfolio and is responsible for ensuring that all research proposals and projects comply with university, federal, and sponsor regulations, policies, and procedures. This procedure has been established to meet the compliance standard set forth in 2 CFR Part 200. The university's adherence

to these cost principles and practices set forth in the standard is necessary to prevent cost disallowances by the federal government. It is the primary responsibility of principal investigators, and secondary responsibility of department heads, and administrators to understand and comply with the guidelines set forth in this procedure.

4. Reason for the Procedure

Virginia Tech places high value upon its sponsored research activities and works to maintain full compliance with the components of its sponsored agreements and with federal, state, local and university laws, rules, regulations and policies.

It is critical that award activity be closely monitored to assure only allowable costs impact sponsored awards. Any false, fictitious, or fraudulent information, or the omission of any material fact, may subject the university to suspension or debarment and the university and/or its employees and associates to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729-3730 and 3801-3812). It is imperative that all university employees and associates with knowledge of financial activities in sponsored funds review them with due care to avoid unallowable costs (see [2 CFR Part 200.415](#)).

5. Definitions

Federal Award – in accordance with [2 CFR Part 200.39](#), “Federal award has the meaning, depending on the context: The federal financial assistance that a non-federal entity receives directly from a federal awarding agency or indirectly from a pass-through entity; or the cost-reimbursement contract under the Federal Acquisition Regulations that a non-federal entity receives directly from a federal awarding agency or indirectly from a pass-through entity. The instrument setting forth the terms and conditions is the grant agreement, cooperative agreement, other agreement for assistance covered in paragraph (b) of [2 CFR Part 200.40](#) Federal financial assistance, or the cost-reimbursement contract awarded under the Federal Acquisition Regulations. Federal award does not include other contracts that a federal agency uses to buy goods or services from a contractor or a contract to operate federal government owned, contractor operated facilities (GOCOs). (See also definitions of Federal Financial Assistance, grant agreement, and cooperative agreement.)” It is financial assistance that provides support or stimulation to accomplish a public purpose. Financial assistance is provided through granting of an award and is not considered a purchasing or procurement activity. The government is not buying something from the university when it gives the university an award; rather it is providing financial assistance necessary to help the university fulfill its own mission or to stimulate new activities of national interest at the university that is currently not being undertaken. An award is always made to accomplish a public purpose. Also referred to as grant or cooperative agreement.

Federal Financial Assistance – in accordance with [2 CFR Part 200.40](#), “Federal Financial Assistance means assistance that non-federal entities receive or administer in the form of: grants; cooperative agreements; non-cash contributions or donations of property (including donated surplus property); direct appropriations; food commodities; and other financial assistance.” It is defined as financial support to accomplish a public purpose or further the mission of the agency providing the support. Financial assistance is provided through awards (grants or cooperative agreements). It is

the purpose of the award rather than the service provided that distinguishes financial assistance from procurement.

Fraud – Deceptive acts perpetrated for profit or with reckless disregard for the truth which gain one or one’s organization some unfair or dishonest advantage. In accordance with [2 CFR Part 200.435](#), “Fraud means:

- (i) Acts of fraud or corruption or attempts to defraud the Federal Government or to corrupt its agents,
- (ii) Acts that constitute a cause for debarment or suspension (as specified in agency regulations), and
- (iii) Acts which violate the False Claims Act (31 U.S.C. 3729-3732) or the Anti-kickback Act (41 U.S.C. 1320a-7b(b)).”

Sponsor - refers to any third party that issues a grant, contract, or cooperative agreement directly to Virginia Tech. The award document is the agreement processed by the Sponsor and accepted by Virginia Tech specifying the terms and conditions under which the program will be conducted.

6. Mandatory Disclosure

Virginia Tech, as a recipient of federal awards, is obligated under [2 CFR Part 200.113](#), **Mandatory Disclosure**, to disclose to federal awarding agencies or pass-through entities **all** violations of federal criminal law involving fraud, bribery, or gratuity violations that could **potentially** affect one or more federal awards. This includes the activities of subrecipients of awards from Virginia Tech.

When the Office of Sponsored Programs (OSP) becomes aware of a possible violation, action will be taken in accordance with [Policy 1040, Reporting and Investigating Suspected Fraudulent Activities](#) and related federal laws and regulations. Should it be determined that violations of Federal criminal law have occurred, the university must disclose them, in a timely manner, in writing to the Federal awarding agency or pass-through entity. **Failure to make a required disclosure may result in any number of significant remedies, including suspension or debarment. For additional information regarding the law and possible remedies for non-compliance see Uniform Guidance 2 CFR Part 200.113 and/or 2 CFR Part 200.338, 2 CFR Part 200.180, 31 U.S.C. 3321, and 41 U.S.C. 2313.**

7. Unallowable Costs

Unallowable costs are regarded as improper use of federal award funds, thus it is critical that award activity be closely monitored to assure only allowable costs impact sponsored awards. All individuals associated with a sponsored award should accept responsibility for monitoring award activity. Should an unallowable cost be discovered, prompt action must be taken to remove the unallowable cost in accordance with [Policy 3255, Cost Transfers on Sponsored Projects](#). A list of allowable costs can be found in the **Uniform Guidance General Provisions for Selected Items of Cost** (sections 200.420-475). **The Uniform Guidance also contains many other references to allowable and unallowable costs which provide assistance whenever a question about a cost's allowability arises.** OSP strongly encourages principal investigators, or others involved in charging costs to sponsored awards, engage their assigned Post Award Associate whenever a cost's allowability comes into question.

8. References

- [2 CFR Part 200](#), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)
 - [Virginia Tech Policy 1040](#) Reporting and Investigating Suspected Fraudulent Activities
 - [Virginia Tech Policy 3255](#) Cost Transfers on Sponsored Projects
-

9. Contacts

- **Associate Director of Assurance and Outreach**
Office of Sponsored Programs
North End Center, Suite 4200
300 Turner Street NW
Blacksburg, VA 24061
540.231.0950
 - **OSP Sub Contracts Associate**
540.231.6624
 - **Senior Director of Post Award**
540.231.9372
 - **Assistant Vice President for Sponsored Programs**
540.231.5281
-

10. Roles and Responsibilities

- **Principal Investigators (PIs):** have the primary responsibility of award programmatic and financial activity, timely progress on reports and other deliverables, and assuring compliance with federal regulations and both prime and subrecipient award terms and conditions.
 - **Department Administrator/Business Support Center:** serve in a support role to the PI's in discharging their award and subaward oversight responsibilities and serve as a liaison to OSP.
 - **Office of Sponsored Programs:** monitors and administers award activity in accordance with university contractual obligations; specific compliance with [2 CFR Part 200](#); associated federal laws, rules and regulations; and university policies and procedures.
-

11. Dissemination

This procedure may be posted on a Virginia Tech internet accessible site. Open public dissemination of this procedure is allowable.

12. Approval and Revisions

Approved by Assistant Vice President for Sponsored Programs on March 01, 2016.

The official version of this information will only be maintained in an on-line web format.
Any and all printed copies of this material are dated as of the print date.
Please make certain to review the material on-line prior to placing reliance on a dated printed version.
