

Office of Sponsored Programs  
 Procedure 30010 Sponsored Award Expenditure  
 General Guidelines (Allowable Costs)



Revision Date: 12/04/2023

Table of Contents

1.	INTRODUCTION .....	2
2.	SCOPE .....	2
3.	PROCEDURE STATEMENT.....	3
4.	REASON FOR THE PROCEDURE.....	3
5.	DEFINITIONS.....	4
6.	KEY COST PRINCIPLES FOR FEDERAL OR FEDERAL FLOW-THROUGH AWARDS.....	4
7.	KEY COST PRINCIPLES FOR NON-FEDERAL AWARDS.....	4
8.	HANDLING SPONSORED EXPENDITURES QUESTIONS .....	5
9.	COST PRINCIPLES FOR FEDERAL AWARDS.....	6
a)	<i>Applicability to Federal Awards</i> .....	6
b)	<i>Cost Accounting Standards</i> .....	6
c)	<i>“Like Circumstances” Criteria</i> .....	6
10.	DOCUMENTATION, JUSTIFICATION, AND RECORD RETENTION OF EXPENDITURES .....	7
11.	TREATMENT OF SPECIFIC TYPES OF EXPENSES FOR FEDERAL AWARDS.....	7
a)	<i>Administrative and Clerical Salaries</i> .....	8
b)	<i>Advertising and Public Relations</i> .....	8
c)	<i>Alcoholic Beverages and Business Meal Reimbursements</i> .....	8
d)	<i>Bad Debts</i> .....	10
e)	<i>Compensation—Extra Service Pay, Fringe Benefits, Leave, Severance</i> .....	10
f)	<i>Communication Expenses—cell phones or internet access—mobile communication devices</i> .....	12
g)	<i>Conferences</i> .....	12
h)	<i>Contributions and Donations</i> .....	13
i)	<i>Depreciation</i> .....	13
j)	<i>Equipment</i> .....	14
k)	<i>Exchange Rates</i> .....	15
l)	<i>Fines, Penalties or Settlements</i> .....	15
m)	<i>Materials &amp; Supplies (books, journals, periodicals and subscriptions, computing devices, copier charges and copy cards)</i> .....	15
n)	<i>Memberships, Dues and Professional Activity Expenses</i> .....	17
o)	<i>Participant Support Costs (excluding training grants)</i> .....	18
p)	<i>Postage, Freight, Cartage, and Express Delivery</i> .....	20
q)	<i>Professional Service Expenses</i> .....	20
r)	<i>Recruiting Expenses (including Short-term visas)</i> .....	20
s)	<i>Relocation Costs of Employees</i> .....	22
t)	<i>Specialized Service Facilities or Service Centers</i> .....	22
u)	<i>Taxes</i> .....	22
v)	<i>Travel and Related Expenses</i> .....	23
w)	<i>Air Travel</i> .....	24
12.	PRIOR WRITTEN APPROVAL .....	28
13.	OTHER RELATED INFORMATION.....	29
a)	<i>Collection of Improper Payments</i> .....	29
b)	<i>Cost Sharing</i> .....	30

c)	Pre Award Expenses.....	30
d)	Procurement .....	30
e)	Unallowable Expenses.....	31
14.	COST ALLOCATION METHODOLOGIES .....	31
a)	Allocation Methodology Criteria.....	31
b)	Documentation .....	32
c)	Allocation Methodology Best Practices.....	32
d)	Some Acceptable Allocation Methodologies (and examples).....	32
e)	Some Unacceptable Allocation Methodologies .....	33
15.	REFERENCES.....	34
16.	CONTACTS .....	35
17.	ROLES AND RESPONSIBILITIES.....	35
18.	DISSEMINATION .....	36
19.	APPROVAL AND REVISIONS .....	36

---

## 1. Introduction

**Responsible Officials:** Associate Vice President for Research and Innovation, Sponsored Programs

**Effective Date:** August 01, 2016

**Revision Date:** October 30, 2023

**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 university’s position regarding expenditures on sponsored awards as [2 CFR Part 200](#) (commonly referred to as Uniform Guidance—Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards).

This document provides guidance on budgeting and expenditures of sponsored awards, regardless of source, federal or non-federal, and whether used in research, training, or other purposes.

All federal awards issued after December 26, 2014 must comply with [2 CFR Part 200](#), the basis for this document. Most awards issued before that date must comply with [OMB Circular A21](#) (unless the agency has notified Virginia Tech of adoption of the new guidelines). There are a limited

number of areas where [2 CFR Part 200](#) differs from previous federal regulations, specifically [OMB Circular A-21](#). These include, but are not limited to, administrative and clerical expenses, direct charges of computing devices, visa costs for recruiting purposes, and expenses relating to fluctuations in exchange rates.

The procedure applies to all university principal investigators, departments, and offices that are involved by any means in charging, administering, using or part of the planned implementation of sponsored award agreements or subawards issued, regardless of the primary source of funding.

[Back to top](#)

---

### 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.

The university's adherence to these cost principles and practices set forth in [2 CFR Part 200](#) (or [OMB Circular A-21](#) if still applicable) 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 expenditure guidelines set forth in this procedure.

[Back to top](#)

---

### 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.

The following guidelines and explanations provide resources to determine:

- allowability of costs,
- certain applicable cost accounting standards,
- required documentation,
- types of expense categories,
- handling of improper payments
- considerations concerning cost sharing
- proper charging of pre award expenses
- special considerations concerning procurement
- specific unallowable expenses
- federal training grant considerations and
- service center/core facility or similar allocation methodologies for sponsored awards.

[Back to top](#)

## 5. Definitions

Due to the specialized documentation within this procedure, definitions are not gathered together in this section to avoid repetition and excessive length. Definitions are contained within the applicable sections below and noted as such within this procedure.

[Back to top](#)

---

## 6. Key Cost Principles for Federal or Federal Flow-Through Awards

Adherence to these principles is required for all federal awards. This guidance is based on the interpretation of federal regulations.

For any costs charged directly to a federal (or federal flow-through) award the expense must be:

- **Allowable** under both the provisions of federal guidance and the terms of a specific award.
- **Allocable** such that the expense can be associated to an award with a high degree of accuracy.
- **Reasonable** so the cost reflects what a “prudent person” would pay in a similar circumstance.
- **Consistently** charged as direct expense (versus an indirect cost). Note that certain types of projects constitute exceptions to the consistency requirement as referenced below in [Cost Principles for Federal Awards](#).

An expense is a “direct cost” if that expense can be identified specifically with a particular sponsored project or other activity with a high degree of accuracy. “Indirect costs” (sometimes referred to as facilities and administrative (F&A) costs or overhead), are costs that benefit many activities (e.g., building operations and maintenance, information technology (IT) expenses, security or administrative personnel such as grant managers, etc.). F&A costs are recovered through the federally negotiated rate. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct expenses or indirect costs.

[Back to top](#)

---

## 7. Key Cost Principles for Non-Federal Awards

Barring any sponsor or grant restrictions, non-federal award expenditures are managed under general university policies. See Controller’s [Procedure 10305a: Review of Financial Activities](#).

Proper stewardship of non-federal awards, including those from non-US governmental sponsors, requires adherence to these key principles:

- **Allowable** under Virginia Tech policies and procedures, and complies with the terms and conditions of the award.
- **Directly benefits the purpose of the award** such that the expense can be associated with, and is in support of, the project or program.
- **Reasonable** so the expense reflects what a “prudent person” would pay in a similar circumstance.

Expenses on non-federal awards require the careful review of terms and conditions and any other supporting documentation (e.g., approved budget, sponsor guidance) in order to determine appropriateness of charges. Any questionable expenses (e.g., alcohol), if not specifically captured in the approved budget, should be reviewed by the appropriate OSP Award Associate prior to expending funds. Specific sponsor approval may also be required—and must be documented.

Direct and indirect (or overhead) costs on non-federal awards are dictated by the sponsor’s policies. Variability among non-federal sponsors’ policies and a lack of specificity in policies or award terms may require additional scrutiny and judgment in determining what costs can be charged as direct expenses that may normally be considered indirect costs when associated with federal awards (e.g., rent or space, administrative support staff). It is also important to consider that many non-federal sponsors pay a nominal indirect cost rate and it may be appropriate to direct charge costs that normally would not be direct-charged to a federal award that pays the full indirect rate. *Please consult with your OSP Award Associate for clarification in determining appropriate cost allocation regarding specific sponsor policies.*

[Back to top](#)

---

## 8. Handling Sponsored Expenditures Questions

This procedure regarding Sponsored Award Expenditure Guidelines provides general and specific guidance regarding allowability of charges to federal and non-federal awards. There may be situations where a Principal Investigator (PI) and the local department or research administration staff have questions or do not agree on the treatment of specific expenses.

The first step is to seek guidance from your department’s research administration staff or group responsible for reviewing allowability of costs. If further clarification will help, please contact your assigned OSP Award Associate for assistance. The question will be escalated, if necessary, through OSP’s management structure as appropriate. Be aware some questions may take a few days to determine a response depending on the complexity and uniqueness of the query. In some cases OSP may need to contact the sponsor directly for clarification which may extend the response to weeks depending on the nimbleness of the sponsor. In most cases OSP will respond to the question in writing for clarity and documentation.

[Back to top](#)

## 9. Cost Principles for Federal Awards

The spending of any funds awarded by the federal government to Virginia Tech is governed by [2 CFR Part 200](#). This guidance includes four standards, listed below and promulgated by the Cost Accounting Standards Board, that apply to colleges and universities. Much of this documentation is taken directly from [2 CFR Part 200](#). Links to the appropriate sections in the guidance are included where possible. Also additional references to university policies and procedures are hyperlinked and repeated in the [References](#) section.

### a) Applicability to Federal Awards

[2 CFR Part 200.101](#) The cost principles in [Subpart E—Cost principles](#) and the audit requirements in [Subpart F—Audit Requirements](#) of the Uniform Guidance are applicable to **all** federal awards. All Virginia Tech expenditures must be charged in compliance with [2 CFR Part 200](#) and fully comply with university policies and procedures.

### b) Cost Accounting Standards

[2 CFR Part 200.419](#) In addition to the Uniform Guidance, Virginia Tech must comply with federal [Cost Accounting Standards \(CAS\)](#) located in 48 CFR [9905.501](#), [9905.502](#), [9905.505](#), and [9905.506](#). The purpose of the CAS is to ensure consistency in:

- Estimating, accumulating, and reporting costs ([CAS 501](#))
- Allocating costs incurred for the same purpose in like circumstances ([CAS 502](#))
- Accounting for unallowable costs ([CAS 505](#))
- Cost accounting periods ([CAS 506](#))

### c) “Like Circumstances” Criteria

The CAS consistency standard ([CAS 502](#)) states that costs must consistently be treated as direct expenses or indirect costs when the costs are incurred for similar (“like”) purposes and circumstances. Costs normally considered indirect costs – e.g., administrative salaries, postage and express mail, telephone, copier expenses, general office supplies, and space-related costs – may be allowable as direct costs if they meet all three of the following criteria:

- An **unlike circumstance** exists in which a sponsored project requires resources beyond those normally expected for a typical research project;
- The cost can be associated with the specific sponsored project with a high degree of accuracy; and
- The awarding agency has approved the cost, if significant, as a direct expense in the awarded budget. If the expense was not included in the awarded budget, sponsor approval should be obtained prior to expenditure for any significant expense.

[Back to top](#)

## 10. Documentation, Justification, and Record Retention of Expenditures

Documentation is required to justify any expense charged to a sponsored award. The backup for expenditures should be adequate to support and justify that:

- The expense provides a direct benefit to the award
- The expense complies with any award restrictions and approval requirements outlined in the terms and conditions of the award
- If needed, the expense qualifies as “[unlike circumstances](#)” on a federal award

Special documentation is required under certain circumstances. Please refer to specific sections below for individual requirements.

Documentation and justification must be maintained according to university policy: [Management of University Records \(2000\)](#) and with [2 CFR Part 200.334](#) Retention Requirements for Records.

Typically this requires financial records, supporting documents, statistical records, and all other non-federal entity records pertinent to a federal award be retained for a period of three years from the date of submission of the final expenditure report or, for federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the federal awarding agency or pass-through entity in the case of a subrecipient.

Other factors may extend the date of retention, which are also outlined in [2 CFR Part 200.334](#).

[Back to top](#)

---

## 11. Treatment of Specific Types of Expenses for Federal Awards

This section provides guidance for some of the more common types of costs associated with federal research expenditures. Refer to the Cost Principles in [Subpart E—Cost principles](#) of the Uniform Guidance for the full listing of types of costs. Please contact your departmental research administrator or OSP Award Associate with any specific questions.

In general, there are three categories of expenses:

- **Direct Expenses** – These expenses can normally be directly charged to federal awards. However, the terms and conditions of the sponsored award must be reviewed prior to determining the appropriateness of expenses for each individual project as these terms and conditions take precedence.
- **Indirect Costs** – Sometimes referred to as facilities and administrative (F&A) costs or overhead, these expenses may not be charged as direct expenses to federal awards unless the costs meet the “[unlike circumstances](#)” criteria noted above.
- **Unallowable Expenses** – These costs may not be charged to a federal award either as a direct charge or indirectly as recovered through the F&A rate.

[Back to top](#)

---

**a) Administrative and Clerical Salaries**

([2 CFR Part 200.413\(c\)](#))

*Definition:* Administrative and clerical personnel provide non-technical support services that benefit departmental, institute, center, or departmental activities. The services of these individuals could include: clerical support, financial management, procurement of materials and services, budget and planning, and personnel management.

The salaries of administrative and clerical personnel are normally treated as an indirect cost unless they meet the definition of “[unlike circumstances](#)” and are integral to the project. The salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs. Direct charging of these costs may be appropriate only if all of the following conditions are met:

- Administrative or clerical services are integral to a project or activity;
- Individuals involved can be specifically identified with the project or activity;
- Such costs are explicitly included in the budget or have the prior written approval of the federal awarding agency; and
- The costs are not also recovered as indirect costs.

The university policy governing these costs is [Consistency in Charging Administrative and Clerical Costs \(3240\)](#).

[Back to top](#)

**b) Advertising and Public Relations**

([2 CFR Part 200.421](#))

*Definition:* The costs of advertising media, including magazines, newspapers, radio and television, direct mail, exhibits, electronic or computer transmittals, and related administrative expenses.

Advertising/media expenses are only allowable as a direct charge if used solely for one of the following uses:

- The recruitment of personnel/participants/subjects required for performance of a federal award (subject to the requirements in the [Recruiting](#) section and [2 CFR Part 200.463](#));
- The procurement of goods and services for the performance of a federal award; or
- Program outreach and other specific purposes necessary to meet the requirements of the award.

[Back to top](#)

**c) Alcoholic Beverages and Business Meal Reimbursements**

([2 CFR Part 200.423](#) and [Procedure 20310a: Business Meals and Refreshments](#))



Alcoholic beverages and related expenses are unallowable costs and can only be charged to a federal award if alcohol is specifically necessary for the aim and scope of the project and the agency has provided specific approval in the award notice or if they are approved in writing by the sponsor. The instances where alcohol is approved in the budget are extremely rare. Unless allowed by the sponsor, alcohol purchased during meals, travel, conferences or meetings should be deducted from the amount to be charged to a sponsored research award.

In order to charge a business meal on a federal award, the procedures outlined in [Procedure 20310a: Business Meals and Refreshments](#) on the Controller's Office website apply. Alcohol is never an appropriate expenditure on State funds and all university funds are considered to be public funds, and therefore governed by Commonwealth of Virginia law and university guidelines. Sponsor policies, guidelines or requirements would have ascendancy over university guidelines where the sponsor is more restrictive.

**Local Business Meals** are business meals consumed in the local environs and are rarely allowed to be charged to federal awards.

The [Procedure 20310a: Business Meals and Refreshments](#) may permit the expenditure of university funds for these types of circumstances, but they are generally unallowable on federal awards. In these cases, the expense should be charged to a faculty or departmental discretionary fund or other appropriate non-sponsored fund.

Examples of food charges that should not be directly charged:

- Researchers and/or staff meeting to discuss progress on the grant.
- PI has lunch/dinner with a colleague to discuss research (the meal of the visitor, if they are on travel status, may be charged to the award).

Local business meals may be directly charged to an award if they are linked to a formal meeting or conference at which technical information directly related to the award is being shared or disseminated. Note that specific federal sponsors may have varying terms and conditions that differ from the federal definitions. Please refer to the award's terms and conditions for any specific treatment of expenses. Your OSP Award Associate is also an excellent resource when planning charges to federal awards for business meals to assist with avoiding later cost disallowances of the business meal.

Examples of meal charges that may be allowed as a direct expense:

- Lunch and refreshments are provided for a periodic all-day meeting with collaborators on a program project where technical information closely related to that project is being shared. There is a formal agenda and documented attendee list.
- A researcher is being recruited to fill an open position on a research grant and travels to Virginia Tech local environs for the meal. Only the researcher's meal may be charged to the grant since he/she is on travel status.

- Certain meals that are an integral and necessary part of a conference (i.e. working meal where business is transacted) and are associated with a sponsored research award that has been designated as a Conference Grant by the sponsor are allowable. Meals that are provided to key participants during an all-day scheduled meeting with an agenda are allowable. A conference is generally defined as "A symposium, seminar, workshop, or any other organized and formal meeting lasting one or more days where persons assemble to exchange information or clarify a defined subject. Meals for guests not attending the conference are unallowable

[Back to top](#)

**d) Bad Debts**

([2 CFR Part 200.426](#))

Bad debt or uncollected billings, including losses (whether actual or estimated) from uncollectable accounts and other claims, are unallowable and may not be charged to a federal award. Collections and legal expenses related to bad debt are also unallowable.

[Back to top](#)

**e) Compensation—Extra Service Pay, Fringe Benefits, Leave, Severance**

([2 CFR Part 200.430](#), [200.431](#) or [200.440](#))

*Definition:* Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits which are addressed in [2 CFR Part 200.431](#)  
Compensation—fringe benefits.

**Compensation costs** are generally allowable as a direct expense when the paid effort provides a direct benefit to the award and when the amount is within the federally allowable limits (e.g., agency-specific salary caps).

Special considerations:

- Level of compensation may not increase solely due to an increase in available sponsored funding.
- Payments to supplement a fellowship are unallowable on any federal award.
- All Virginia Tech employees must be budgeted as salary and cannot be included as consultants or vendors.

**Extra Service Pay** ([2 CFR Part 200.430](#) and [OSP 10013: Institutional Base Salary for Sponsored Awards Incentive](#)), which is overload pay or bonuses, normally represents compensation for any services above and beyond an employee's university appointment or position and its associated

Institutional Base Salary (IBS). Extra Service Pay for faculty or staff can be charged to awards if all of the following criteria are met:

- Payment is part of a performance based bonus program available to all employees, or groups of employees of the university;
- The overall compensation to the individual is reasonable; and
- The bonus program is consistently applied and allocated based on proportional benefit.

**Fringe benefits** ([2 CFR Part 200.431\(a\)](#)) are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave (vacation, family-related, sick or military), employee insurance, pensions, and unemployment benefit plans. Except as provided elsewhere in the uniform guidance, the costs of fringe benefits are allowable provided that the benefits are reasonable and are required by law, part of a university employee agreement, or an established policy of the university. Fringe benefits are charged as part of a federally approved and negotiated rate. See the OSP [website](#) for current rates.

**Leave** ([2 CFR Part 200.431\(b\)](#)) is a cost associated with fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, family-related leave, sick leave, holidays, court leave, military leave, administrative leave, and other similar benefits (maternity leave is not mentioned specifically, but is treated as either sick, short-term disability or other university authorized leave and is allowable as such), are allowable if all of the following criteria are met:

- They are provided under established university written leave policies, and
- The costs are equitably allocated to all related activities, including federal awards.

**Severance** ([2 CFR Part 200.431\(i\)\(1\)](#))

*Definition:* Severance pay is compensation in addition to regular salary and wages paid by an institution to employees whose services are being terminated.

Under extremely rare circumstances, severance pay may be charged to sponsored awards. Severance payments must be allocated to all activities and are allowable only to the extent that such payments are required by law, or by Virginia Tech employee agreement, or by established policy and available for specific categories of employees or all employees at the university. Refer to the [Severance Benefits Policy for University Employees \(4245\)](#).

### **Handbooks**

The employee handbooks of the university provide further guidance and insight into the various rules, guidelines, expectations and procedures governing compensation, extra service pay, fringe benefits, and leave: [Faculty Handbook](#) and [Classified and University Staff Policies and Handbook](#).

[Back to top](#)

**f) Communication Expenses—cell phones or internet access—mobile communication devices**

(2 CFR Part 200 Appendix IV.B.3.b.4.¶2—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations)

Due to the difficulty in identifying portions of a communications bill to a specific award or other university activity with a high degree of accuracy and certainty, communication expenses are generally included in the indirect cost (F&A) calculations and treated as indirect costs. Only when a communication expense meets the “[unlike circumstances](#)” criteria noted above can they be directly charged to a sponsored award.

Communication expenses charged as indirect costs include the following:

- Charges for landline telephone services
- Cell phones, tablets, smart phones, or other personal digital assistant, “PDA,” device charges
- On-campus or home Internet access or network connectivity fees

Communication costs that may be charged as a direct expense must be those communication expenses that can be linked to a specific sponsored award with a high degree of accuracy and are used primarily for the sponsored award may be charged as a direct expense. Examples of communication expenses that may be charged as a direct cost include the following:

- Itemized long distance telephone charges for communication related specifically to an award.
- Communication devices used exclusively for conducting surveys.
- Phones, Tablets, and PDAs used exclusively to manage a multi-site research project.
- Dedicated telephone lines set up to receive data feeds from the field or conduct surveys.
- Hotel and airline Internet fees during travel related to an award.
- Incremental expenses for international coverage for university employees in travel status.
- Cell phones in remote locations where communication infrastructure is limited.

Please contact your OSP Award Associate for assistance in direct charging any communication costs. As additional reference, there is a university policy governing [Mobile Communication Devices \(3960\)](#).

[Back to top](#)

**g) Conferences**

(2 CFR Part 200.432)

A conference fee may be charged as a direct expense if one of the following circumstances is met:

- The researcher and /or research team are presenting results of the research obtained during the course of their work on the project;
- The researcher can confirm that the purpose of the conference is directly related to that of the award being charged; or
- An aim of the award is for the PI to host a conference to disseminate information from the sponsored award.

Conference fees are treated as an indirect cost when the employee attends the conference to gain a general understanding of the topics presented, rather than to receive or present specific information related to a sponsored award. Conference fees are also considered an indirect cost when the PI is attending merely to fulfill continuing education requirements. Conference fees that are not specifically related to an award should be charged to a faculty discretionary, departmental or overhead fund.

Conferences held in university facilities are governed by [University Facilities Usage and Event Approval \(5000\)](#).

Information regarding membership fees associated with conference registrations is found in the [Membership](#) section.

[Back to top](#)

#### **h) Contributions and Donations**

[\(2 CFR Part 200.434\)](#)

The value (either monetary or in-kind) of donated services and property is unallowable and may not be charged as either a direct expense or an indirect cost. Contributions and donations are handled through university policies: [Definition and Deposit of Private funds \(3630\)](#), [Accepting and Reporting Gifts-in-Kind \(12115\)](#), and [Handling Virginia Tech Foundation Funds \(12110\)](#); and Virginia Tech Foundation procedure on [Donations](#).

[Back to top](#)

#### **i) Depreciation**

[\(2 CFR Part 200.436\)](#)

Depreciation should not be charged directly to an award. Virginia Tech is compensated for the use of its buildings, capital improvements, equipment, and software projects capitalized in accordance with the Generally Accepted Accounting Principles (GAAP) through the F&A rate.

Depreciation may be included in specialized service facility or service center rates in accordance with the university policy governing [Service Centers \(3250\)](#).

[Back to top](#)

**j) Equipment**

([2 CFR Part 200.439](#), [200.1](#), [200.452](#), [200.453](#))

See the university’s capital equipment policy, [Fixed Asset Accounting \(3950\)](#) and [OSP 10001, Computers, Peripheral Devices, Software or Intangibles Purchased Using Sponsored Awards](#) for a further discussion of equipment purchased on sponsored awards.

Under [2 CFR Part 200.452](#), equipment, including fabrications, with a total acquisition cost of \$5,000 or greater is considered capital equipment and may only be charged as a direct expense when it is necessary for the performance of the sponsored award. Although federal regulations allow for a capitalization threshold of \$5,000, the university’s capitalization threshold is currently **\$2,000**. Items (excluding software) above that amount will be coded as equipment and must be justified in the budget. Software with a development or acquisition cost of greater than \$50,000 should be capitalized and justified. Computing devices or software under these threshold amounts are budgeted as materials and supplies (see [OSP 10001, Computers, Peripheral Devices, Software or Intangibles Purchased Using Sponsored Awards](#)).

“Special purpose equipment” is equipment that is used only for research, medical, scientific, or other technical activities. Examples of special purpose equipment include microscopes, genomic sequencers, imaging equipment, and spectrometers.

“General purpose equipment” is equipment which is not limited to research, medical, scientific or other technical activities. Examples include office equipment and furnishings, telephone networks, information technology equipment and systems, air conditioning equipment, and reproduction and printing equipment.

General purpose equipment is generally treated as an indirect cost because it cannot be easily linked to a particular project objective. Equipment types that are typically considered “general purpose” may only be appropriate as a direct expense when the PI is able to justify that the equipment is necessary for the unique scientific/technical tasks of the specific agreement, not already available, and will be initially utilized almost exclusively for the award objectives.

**Equipment Repairs**

Routine repair and maintenance of general purpose equipment is normally treated as an indirect cost. Service, repairs or warranty costs for special purpose equipment dedicated to a sponsored project may be charged directly.

**Equipment Purchases at the End of Award**

Equipment purchases charged directly to an award must be necessary for performance on the project; therefore, equipment purchases near the end of an award period should and will have additional scrutiny and may be subject to project-specific justification and/or sponsor approval.

[Back to top](#)

**k) Exchange Rates**

([2 CFR Part 200.440](#))

Expense increases for fluctuations in exchange rates can be treated as a direct expense when existing funding is available to cover the difference. Prior approval from the sponsoring agency for exchange rate fluctuations is required only when the change results in the need for additional federal funding or the increased costs result in the need to significantly reduce the scope of the project. Adequate source documentation from a commonly used source in effect at the time the expense was made must be available to support the exchange rate expense.

[Back to top](#)

**l) Fines, Penalties or Settlements**

([2 CFR Part 200.441](#))

Expenses resulting from violations (or alleged violations) of, or failure to comply with, federal, state, local or foreign laws and regulations are unallowable. Examples of items that may not be charged to a federal award include:

- Parking ticket or traffic violation
- Regulatory violation fines
- Late returned book fee

In very rare situations, if the expense is incurred as the result of complying with a specific provision of the federal award or with prior written approval from the federal awarding agency, the expense may be directly charged to the award. See also [2 CFR Part 200.435](#) Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements.

[Back to top](#)

**m) Materials & Supplies (books, journals, periodicals and subscriptions, computing devices, copier charges and copy cards)**

([2 CFR Part 200.453](#), [200.1](#))

General purpose materials and supplies purchased and used by departments for all activities should not be directly charged to federal awards. Examples include copy paper, office supplies, and cleaning materials.

Items purchased specifically for one or more research projects may be charged as direct expenses. If the use of the items is shared among projects or labs, a reasonable allocation methodology should be created, documented and periodically reviewed. See [Cost Allocation Methodologies](#) below. It is not appropriate to use remaining funds at the end of a project to

build up a surplus of supplies and materials. If there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate value upon termination or completion of the project and the supplies are not needed for any other federal award, the university is required to reimburse the project or the federal government for its share.

Examples of office supplies that may be charged as a direct expense include:

- Office supplies specifically purchased for a program project or a survey funded by a sponsored award.
- Material required for poster or publication preparation (poster board, photographic supplies, colored paper for a presentation that is directly attributed to the sponsored award)
- Computing devices – see section below.

**Books, Journals, Periodicals and Subscriptions** ([2 CFR Part 200.454](#)) are normally treated as indirect costs. Examples of unallowable charges:

- General or reference texts, including medical dictionaries
- Books, manuals, reprints that generally assist the PI in keeping up with his/her field of research
- Publications that provide a general benefit to research and teaching activities
- Subscriptions to journals

These expenditures may be charged as direct expenses only in unusual circumstances. Examples include:

- The book or journal is not available in the library and can be associated specifically with the sponsored award
- The book or journal is available from the library but is utilized so frequently for a specific award that a library copy is not sufficient
- A book contains a specific research technique or information that will introduce efficiencies to the research or improve the quality of results

**Computing Devices** ([2 CFR Part 200.452](#), [200.1](#), [200.1](#), [200.1](#), university's capital equipment policy, [Fixed Asset Accounting \(3950\)](#) and [OSP 10001, Computers, Peripheral Devices, Software or Intangibles Purchased Using Sponsored Awards](#))

*Definition:* Computing Device: a programmable electronic device designed to accept data, perform prescribed mathematical and logical operations at high speed, and display the results of these operations. Mainframes, desktop and laptop computers, tablets, and smartphones are some of the different types of computing devices. This phrase is used throughout this procedure to refer to computers, peripheral devices, computer software or related intangible items.

Computing devices that cost less than \$2,000, and are essential and allocable to the performance of an award, may be charged directly either as a purchase or a lease. For computing devices costing greater than \$2,000, systems or equipment fabrications, please see the capital equipment



policy, [Fixed Asset Accounting \(3950\)](#) and [OSP 10001, Computers, Peripheral Devices, Software or Intangibles Purchased Using Sponsored Awards](#).

Examples of computing devices that can be charged as direct expenses include:

- A tablet specifically needed to record data in field research.
- A computer physically attached to another piece of scientific equipment and/or required for collection and analysis of information/data.
- A laptop used primarily on the designated sponsored award.

Computing devices may be allocated to multiple sponsored awards or other sources of funding if the project's portion of the use can be reasonably estimated and is directed by the PI. The expense should be properly allocated to all benefitting activities.

- If a computing device will be used only in part for an award's activities, the award may only be charged for a portion of the device's expense.
- University-funded activities such as instruction and administration should bear at least their fair share of the acquisition expense.
- De Minimis use of the device for other activities is allowed as long as the device is used primarily on the sponsored awards(s).

See [Cost Allocation Methodologies](#) below.

**Copier Charges and Copy Cards** use for general administrative support of a project should not be charged as a direct expense.

Copy charges may only be an appropriate direct charge in cases when all of the following criteria are met:

- The sponsor agency has approved the direct charge in the awarded budget or there is subsequent agency approval.
- The copy expenses associated with an award are extraordinary and meet the “[unlike circumstance](#)” criteria.
- The copy expenses are an integral part of the specific tasks associated with the sponsored award.
- The copy expenses can and are separately tracked.

[Back to top](#)

#### **n) Memberships, Dues and Professional Activity Expenses** ([2 CFR Part 200.454](#))

Dues and memberships in professional or civic organizations are normally charged as indirect costs because their purpose is more general in nature – i.e., furthering a PI's knowledge in his/her field – and cannot be identified with a high degree of specificity to an individual research

project. Memberships may be charged if it is required for conference attendance where the researcher is presenting his or her research or obtaining, circulating, or distributing information to advance the performance of the project. Costs of membership in any civic or community organization require prior approval by the federal awarding agency or pass-through entity and must be integral to the performance of the project.

Note: the membership fee is allowable as a direct cost to the project if it reduces the total cost of attending the conference.

[Back to top](#)

**o) Participant Support Costs (excluding training grants)**

([2 CFR Part 200.456](#), [200.1](#))

*Definition:* Participant support costs are direct expenses for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences or training.

Participant support costs are allowed if all of the following criteria are met:

- The costs are programmatically justified;
- The costs are explicitly included in the budget and the budget is approved or prior written approval is received from the Federal awarding agency; and
- The expense cannot be charged indirect costs.

Note: NIH will only allow participant support costs charged as direct expenses where they are approved in the original solicitation for proposal.

**Participant:** *Definition:* A Participant is a non-Virginia Tech employee who is the recipient, not the provider, of training associated with a workshop, conference, seminar, symposium, or other short-term instructional or information sharing activity. Participants are not required to provide any deliverable to the university and they are not subject to Virginia Tech human resources policies (e.g., they cannot be terminated for failure to perform). Participants may include students, scholars, and scientists from other institutions, representatives of private sector companies, teachers, and state or local government agency personnel.

**Participant Support Costs that can be included as direct expenses:** Participant support costs include expenditures for items such as the following:

- **Stipend:** A stipend is a set amount of money to be paid directly to the participant in connection with a short-term training activity. Note that short-term means the appointment period approved by the sponsor.
- **Travel:** Travel includes the costs of transportation and associated costs and must follow sponsor guidelines (e.g., US flag carrier, coach class, most direct route) as well as Virginia

Tech’s travel policies and guidelines. The sole purpose of the trip must be to participate in the award activity. If a training activity involves field trips, the cost of transportation for participants may be allowable.

- **Subsistence allowance:** The cost of a participant’s housing and per diem expenses necessary for the individual to participate in the project are generally allowed, provided these expenses are reasonable and limited to the days of attendance. Although they may participate in meals and snacks provided at the meeting or conference, participants who live in the local area are not entitled to subsistence payments.
- **Fees:** The fees paid by a participant in connection with meetings, conferences, symposia, or training projects are generally allowable costs. These fees may include laboratory fees, passport or visa fees for foreign participants, and registration fees.
- **Other:** Certain other costs paid on behalf of or to the participant as required for their involvement may be allowable, including training materials, laboratory supplies, and insurance.

**Participant Support Costs that cannot be included as direct costs:** Participant support costs do not include the following types of payments:

- Honoraria paid to a guest speaker or lecturer.
- Conference support costs such as facility rentals, media equipment rentals, or conference food.
- Subaward to a provider for multiple training events (i.e., an ongoing contract with specific terms and conditions).
- Agreements with employers (e.g., public school system) to reimburse the employer for the costs related to sending its employee to a conference or workshop. It is recommended that the PI inform participants prior to the initiation of the project about any costs associated with their participation in the project that are not covered.
- Expenses for collaborators to meet at a single destination and discuss a research project’s progress and direction. Such expenses should be budgeted under travel or other expenses as allowed by the sponsor.
- An incentive payment to encourage an individual to participate as a human subject in a research study is not a participant support cost and should be budgeted as an “other direct costs” bearing full overhead.

**Rebudgeting:** ([2 CFR Part 200.308\(c\)\(5\)](#)), prior sponsor approval is required to transfer funds budgeted for participant support costs to other categories of expenses.

[Back to top](#)

**p) Postage, Freight, Cartage, and Express Delivery**

([2 CFR Part 200.474](#))

Postage, freight, cartage, or express mailing/delivery expenses are generally treated as indirect costs.

If the expenses are required for an award and can be linked to that specific award, the cost may be charged as a direct expense. Examples of expenses that may be charged as direct costs:

- Shipping specimens to a lab facility for processing,
- Postage for surveys,
- Shipment of animals for use on a specific project,
- Sharing model organisms as required by the terms and conditions on the award, and
- Shipping research presentation materials for a conference.

[Back to top](#)

**q) Professional Service Expenses**

([2 CFR Part 200.459](#), [200.435](#))

Costs of professional and consultant services are allowable as direct expenses when all of the following conditions are met:

- The service has been determined as allowable and necessary for the federal award;
- The professional or consultant is not an employee of Virginia Tech; and
- The expenses are reasonable in relation to the services rendered (i.e., the service cannot be performed more economically by direct employment).

All Virginia Tech employees must be budgeted as salary and cannot be included as consultants, advisors or vendors.

Additional guidelines for consultant services can be found on the university's Procurement website: [Consulting Services Guidelines](#).

Retainer fees for professional services must be supported by evidence of bona fide services available or rendered. Any professional service costs related to defense and prosecution in criminal and civil proceedings are unallowable.

[Back to top](#)

**r) Recruiting Expenses (including Short-term visas)**

([2 CFR Part 200.463](#))

*Definition:* Recruiting expenses are those associated with the hiring of staff and are not normally allowed as direct charges.

Recruiting expenses, for all potential candidates, can be directly charged when the hiring of the individual is essential to achieving the objectives of the award. In this circumstance, the following costs may be allowed as direct charges:

- The expense of employee recruitment directly related to the project including position advertisement.
- Travel expenses of applicants for interviews.
- Meals and lodging associated with the applicants.
- In some circumstances, lodging and travel expenses of the interviewer to attend the interview with the applicants.

Please see the [Procedure 20335a: Travel Overview](#).b.5 for specific reimbursement information regarding recruitment at Virginia Tech.

Recruiting costs not allowed as a direct expense include:

- Special payments
- Gifts
- Fringe benefits
- Salary allowances incurred to attract professional personnel that do not meet the test of reasonableness

Additionally, where recruitment costs incurred have been funded in whole or in part as a direct expense on a federal award, but the newly hired employee resigns within 12 months after hire, Virginia Tech is required to refund or credit the federal share of those recruitment expenses back to the federal award and transfer the expense to a non-sponsored fund.

**Short-Term Visas for Recruiting** ([2 CFR Part 200.463.d](#)) expenses, in certain justifiable circumstances and only when associated with recruiting, may be charged as a direct expense on a sponsored award. Short-term visas differ from longer-term immigration visas in that they are issued for a specific period and purpose and therefore can be clearly identified as directly connected to recruitment of personnel for a federal award. For the expenditure to be directly charged to a federal award, the individual applying for the visa must meet both of the following criteria:

- Is critical and necessary for the performance of the project; and
- Is working on the project funding the visa expense when they are hired.

Additionally, where visa costs incurred have been funded in whole or in part as a direct expense on a federal award but the newly hired employee resigns within 12 months after hire, Virginia Tech is required to refund or credit the federal share of the visa expenses and transfer the expense to a non-sponsored fund.

[Back to top](#)

**s) Relocation Costs of Employees**

([2 CFR Part 200.464](#))

Relocation costs are allowable as direct expenses if there is a permanent change of assignment of an existing employee or upon recruitment of a new employee. If the relocation of the employee directly benefits and is essential to the award(s), then the costs can be charged as direct expenses to the award(s).

Considerations when evaluating the allowability of relocation expenses of an individual include the following:

- The work performed will directly benefit the objectives of the award.
- Reimbursement to the employee is in accordance with university policies.
- The reimbursement does not exceed the employee's actual (or reasonably estimated) expenses.

See the [Procedure 20345: Moving and Relocation Expenses](#) for more information.

[Back to top](#)

**t) Specialized Service Facilities or Service Centers**

([2 CFR Part 200.468](#))

See the university policy [Service Centers \(3250\)](#).

Service Center fees and charges are allowable as a direct charge on a federal award when all the following criteria are met:

- The service center charges are based on actual usage;
- The service provided is directly applicable to the award;
- The charge is based on an established rate schedule or methodology that does not discriminate between activities on federal awards and is designed to recover only the aggregate costs of the services; and
- The charge is compliant with university policy [Service Centers \(3250\)](#).

[Back to top](#)

**u) Taxes**

([2 CFR Part 200.470](#))

There are allowable federal taxes that Virginia Tech is required to pay; in most circumstances, these costs are treated as indirect costs.

In certain instances, taxes, including sales taxes (normally those paid to other states) and Value Added Taxes (VAT), are legally required and are associated with expenditures on federal awards.

These taxes can be charged as direct expenses on the associated federal award. When a refund can be requested, due to exemptions, the original charge should not be charged to a federal award.

See the university's [Sales and Use Tax Exemption Form](#).

[Back to top](#)

#### v) **Travel and Related Expenses**

[\(2 CFR Part 200.474-475\)](#)

See the Controller's [Procedure 20335a: Travel Overview](#) and the [Fly America Act](#).

Travel-related expenses are allowable as direct expenses when they provide a direct benefit to the sponsored award.

Unallowable travel expenses include:

- Limousines
- Commuting or travel expenses when not on business travel status
- Airfare above lowest economy fare class (coach or equivalent)

Domestic and foreign travel charged to a sponsored project must follow these guidelines as well as Virginia Tech [travel policies](#) and funding agency requirements, whichever imposes the greater restrictions. All travel on sponsored awards needs to meet the cost principles to be allowable, allocable (benefiting the specific grant paying for the travel) and reasonable.

Travel expenses that directly support the sponsored award will be charged on an actual expense basis except for personal vehicle use, meals and incidentals. The university uses per diem for meals and incidentals, and mileage rates for personal vehicles in lieu of actual expenses.

**Business meals** must follow the University Controller's [Procedure 20335c: Meals & Incidental Expenses](#) to be reimbursed on a federal award. Alcohol costs may not be charged to a federal award nor any tip or gratuity cost associated with the alcohol.

**Rental car** upgrades and auto insurance purchased from the rental company are normally not allowed on sponsored funds. If appropriate, provide justification as to why an upgrade is necessary. Virginia Tech employees and students traveling for university business are covered when renting a car under the university's insurance policy; therefore, additional auto insurance should be declined. Please see [Procedure 20335d: Automobile Travel](#) for further information on rental cars. Non-Virginia Tech employees are not covered under our insurance policy and may elect to purchase rental car insurance.

International Note – If the individual is traveling outside the territorial United States, Canada, or Puerto Rico, the individual is required to purchase and will be reimbursed for CDW and LDW rental car insurance. International rental car insurance is allowable to charge on a sponsored fund.

Other types of insurance offered such as trip cancellation, personal health, or life insurance are not reimbursable.

**Parking fees and tolls** may be claimed for reimbursement when specifically related to travel costs on a sponsored award. The name of the facility should be listed on the reimbursement request, and receipts included with the reimbursement request in order to be reimbursed for any expenses greater than \$75.00. The names and reasons for inclusion of a charge for passengers must be listed. See [Procedure 20335d: Automobile Travel](#) for additional information.

**Passports and Visas**, reimbursement may be permitted for actual passport and visa fees for business travel; however, the expense may not be eligible as a direct cost to a sponsored program. Since a passport can be used for multiple trips over several years, the cost is not a project specific expense and therefore is not allowed on most sponsored projects as a direct cost. Visas are generally required in relation to a specific trip and therefore the cost is generally allowable as a direct cost for a sponsored project.

**Agency Pre-Approval**, many agencies require 45 days advance notice and preapproval for foreign travel even if it is specified in the Statement of Work, Budget and Award document. More than 45 days should be allowed, if possible, because it may be impossible to cancel prospective travel at the last minute without incurring significant expenses that that would then require reimbursement on a non-sponsored fund.

[Back to top](#)

#### w) Air Travel

([2 CFR Part 200.475.3\(e and f\)](#))

See the Controller's [Procedure 20335e: Air Transportation](#) and the [Fly America Act](#).

**Lowest Economy Fare Class:** Federal regulations require travelers to incur the lowest possible expense to the federal award; in most circumstances, this is a non-refundable (restricted) economy class airfare.

Federal regulations require that airfare costs in excess of the lowest economy fare class are unallowable except when such accommodations would:

- Require circuitous routing,
- Require travel during unreasonable hours,
- Excessively prolong travel,



- Result in additional costs that would offset the transportation savings, or
- Offer accommodations not reasonably adequate for the traveler's medical needs.

Complementary (no-cost) upgrades to the lowest economy fare class are allowed.

There may be circumstances where there is a high likelihood that the itinerary may change; in these situations it is appropriate to purchase a refundable (unrestricted) ticket. Reason for the business purpose of the cost of the refundable ticket should be noted on the reimbursement request.

Flights should not be booked based on an individual's frequent flyer program affiliation but based upon obtaining the lowest economy fare class.

**Business Class Airfare or Upgraded Economy** is allowed under the Controller's [Procedure 20335e: Air Transportation](#), but the upgraded flight fees cannot be charged to the federal award. The traveler may still fly business class or upgraded economy; however, the difference in fare between the least expensive economy fare class and the business class fare must be charged to a non-sponsored account. Business class airfare can only be charged to a federal award if one of the federal exceptions noted above is met. There are no exceptions to this rule.

An example would be the university's exemption to fly Business Class when a required business meeting regarding the sponsored award (the traveler is charging travel costs to the sponsored award) occurs within three hours of landing. In this case the additional charge for the business class portion of the ticket must be charged to a non-sponsored fund and documentation provided on the reimbursement request to support the breakdown of costs between the sponsored and non-sponsored funds.

**Upgrades** are not allowable on sponsored funds. This includes, but is not limited to, upgrades in class, early-bird check in, priority access, seating, upgrades for preferred seats, etc. NOTE – "Anytime", "Senior" and "Business Select" airfare on Southwest Airlines are upgraded fares and are considered upgraded fares and are not allowable on sponsored funds.

**Airfare change fees** are rarely allowed on sponsored funds and require detailed justification for unusual circumstances. Additional airfare charges associated with changing a flight are also not allowable unless sufficient justification is presented and approved by the appropriate OSP Award Associate.

Reasonable **baggage fees** charged by the airlines are allowable charges to sponsored funds. These are mandatory fees imposed on all travelers checking baggage.

**Exceptions:** there are many exceptions that arise when booking travel. If you have a travel situation that might qualify for an exception, print screens should be obtained to document the facts at the time of booking. If a flight is booked and does not meet the criteria for charging to

a sponsored fund, the cost of the flight may be limited to a comparable flight found at the time of reimbursement or may not be allowable on the sponsored fund at all depending on the situation. It is best to research, compare and document at the time of booking to avoid costly mistakes at the time of reimbursement. When in doubt, contact your OSP Award Associate or the Controller's Office Travel Group for assistance.

[Fly America Act](#) requires all air travel charged against federal awards to use US Flag Carriers, even when a less costly foreign flag carrier is available. 49 U.S.C. 40118, commonly referred to as the "Fly America Act," requires use of a U.S. flag air carrier service for all air travel funded by the U.S. Government, except as provided in §§301-10.136 and 301-10.137 or when one of the following exceptions applies:

- Use of a foreign air carrier is determined to be a matter of necessity in accordance with §301-10.138; or
- The transportation is provided under a bilateral or multilateral air transportation agreement to which the United States Government and the government of a foreign country are parties, and which the Department of Transportation has determined meets the requirements of the Fly America Act; or
- You are an officer or employee of the Department of State, United States Information Agency, United States International Development Cooperation Agency, or the Arms Control Disarmament Agency, and your travel is paid with funds appropriated to one of these agencies, and your travel is between two places outside the United States; or
- No U.S. flag air carrier provides service on a particular leg of the route, in which case foreign air carrier service may be used, but only to or from the nearest interchange point on a usually traveled route to connect with U.S. flag air carrier service; or
- A U.S. flag air carrier involuntarily reroutes your travel on a foreign air carrier; or
- Service on a foreign air carrier would be three hours or less, and use of the U.S. flag air carrier would at least double your inflight travel time; or

There are certain documents or special certifications required if a foreign air carrier is used under §301-10.141. The certification is required in §301-10.142 and other documents may be required by your sponsoring agency. The sponsored award cannot be charged for your foreign air carrier fare without the required certification.

Under §301-10.142 the certification must include:

- Your name;
- The dates that you traveled;
- The origin and the destination of your travel;
- A detailed itinerary of your travel, name of the air carrier and flight number for each leg of the trip; and
- A statement explaining why you met one of the exceptions in §301-10.135, 301-10.136, or 301-10.137 or a copy of your agency's written approval that foreign air carrier service was deemed a matter of necessity in accordance with §301-10.138.

\*\* Boarding pass without passenger receipt is not acceptable for reimbursement.

A list of the major commercial U.S. flag air carriers is available through the [Department of Transportation](#).

The [Open Skies Agreement](#) is an exception to the [Fly America Act](#) requirement and it allows travelers to fly on airlines from the European Union, Australia, Switzerland and Japan under certain circumstances. To determine if a flight meets the [Open Skies Agreement](#) criteria, check the [Fly America Act and Open Skies Agreements Decision Tree](#).

Specific countries in the [Open Skies Agreement](#) as of 07/25/2012:

- United States (US) Government and the European Union (EU)
- United States (US) and Australia
- United States (US) and Switzerland
- United States (US) and Japan

NOTE: Open Skies does not apply to Department of Defense or Branches of the Military contracts and grants.

More information is available at the [GSA Fly America Act](#) website.

**Examples of allowable air travel expenses on federal awards:**

- A researcher purchased an economy fare and it was upgraded to business class for free (no additional costs)
- A research fellow traveled on a foreign airline but the ticket has a US carrier code (code share) next to the flight numbers

**Examples of unallowable air travel expenses on federal awards:**

- A PI purchased a nonstop business class ticket for domestic travel because the coach class fare was not available and there were alternative flights available (the documented difference between the cost of the nonstop business class ticket and the economy class ticket must be charged to a non-sponsored fund).
- A PI booked a business class ticket for an 8 hour international flight on a US carrier and charged the full fare to the federal award without any written documentation of an exception (the documented difference between the cost of the nonstop business class ticket and the economy class ticket must be charged to a non-sponsored fund).
- A Co-PI booked the lowest available economy class fare for a flight from Boston to Amsterdam on a European carrier with the business purpose to present a paper on a Department of Defense funded award (this ticket may not be charged to the federal

award as it violates the [Fly America Act](#) and the entire ticket cost must be charged to a non-sponsored award).

- A post-doc purchased a ticket from a US Airlines website for attending a conference in Vancouver, but the ticket has a foreign carrier's code (code share) next to the flight numbers—the seat does not qualify as US flag carrier (this ticket may not be charged to the federal award as it violates the [Fly America Act](#) and the entire ticket cost must be charged to a non-sponsored award).

### **Airline Incidentals**

- Reasonable project related use of airline internet service during travel related to an award are generally allowable costs on federal awards.
- Inflight entertainment fees (e.g., in-flight movie) and alcohol cannot be charged to a federal award.

[Back to top](#)

---

## **12. Prior Written Approval**

([2 CFR Part 200.407](#))

Under any given federal award, the reasonableness and allocability of certain items of cost may be difficult to determine. In order to avoid subsequent disallowance or dispute based on unreasonableness or non-allocability, Virginia Tech may seek the prior written approval of the awarding agency in advance of the incurrence of special, or unusual, costs. Prior written approval should include the timeframe or scope of the agreement. The absence of prior written approval on any element of cost will not, in itself, affect the reasonableness or allocability of that element, unless prior approval is specifically required for allowability as described below.

Items requiring prior approval must be requested specifically and approved in the proposal budget or must be requested, in writing, before the expense is charged to the award. Written approval from the program officer may not be sufficient; refer to the terms and conditions of the award for information regarding who can authorize changes to the award budget.

Per the Uniform Guidance, prior written approval from the sponsor is explicitly required for:

- Change of key personnel ([200.308\(c\)\(2\)](#))
- Change of scope ([200.308\(c\)\(1\)](#))
- Cost sharing or matching ([200.308\(c\)\(7\)](#))
- Effort reduction of key personnel greater than 25% or PI disengagement from project of greater than three months ([200.308\(c\)\(3\)](#))
- Equipment and other capital expenditures ([200.313](#), [200.439](#))
- Exchange rates ([200.440](#))

- Fines, penalties, damages and other settlements ([200.441](#))
- Fixed amount subawards ([200.333](#))
- Fund raising and investment management expenses ([200.442](#))
- Goods or services for personal use – housing only ([200.445](#))
- Memberships in any civic or community organization ([200.457\(c\)](#))
- Organization costs ([200.455](#))
- Participant support costs, any transfer of budget ([200.308\(c\)\(5\)](#)) and ([200.456](#))
- Rearrangement and reconversion expenses (Renovations) ([200.462](#))
- Selling and marketing costs ([200.467](#))
- Travel costs ([200.475\(c\)\(2\)](#))
- Use of program income ([200.307](#))

The following require either inclusion in the proposal budget OR prior approval from the sponsor if not originally budgeted:

- Administrative expenses ([200.413\(c\)](#))
- Entertainment costs ([200.438](#))
- Subawards, any changes or transfers ([200.308\(c\)\(6\)](#))
- Supplemental compensation for incidental activities ([200.430\(h\)\(ii\)](#))

The following may require prior approval or be allowable under the expanded authorities granted to Virginia Tech by certain federal agencies:

- Carry forward ([200.308\(d\)\(3\)](#))
- No cost extension ([200.308\(d\)\(2\)](#))
- Pre award expenses ([200.458](#))

[Back to top](#)

---

## 13. Other Related Information

### a) Collection of Improper Payments

([2 CFR Part 200.470](#) and [OSP 10009: Mandatory Disclosure and Unallowable Costs](#))

*Definition:* An Improper Payment is any payment that should not have been made including those made in an incorrect amount, made to an ineligible party, made for an ineligible good or service, made in duplicate, made for a good or service not received, made without account for credit of applicable discounts, or made with insufficient or lack of documentation.

The costs to recover improper payments are unallowable expenses. If an improper payment has been charged to an award, it should be immediately removed from the sponsored fund.

See [OSP 10009: Mandatory Disclosure and Unallowable Costs](#) for additional information.

[Back to top](#)

**b) Cost Sharing**

([2 CFR Part 200.306](#), [200.1](#), [200.1](#) and [Cost Sharing on Sponsored Programs \(3245\)](#))

Principal Investigators (PI) and Virginia Tech commit to contribute university resources towards the performance of the project. Expenses incurred to meet cost-sharing commitments require the same accounting, financial, legal, and regulatory burdens as expenses charged directly to Virginia Tech sponsored awards. Expenditures recorded as cost sharing must follow the guidance in this document.

See the university policy, [Cost Sharing on Sponsored Programs \(3245\)](#), for more information.

[Back to top](#)

**c) Pre Award Expenses**

([2 CFR Part 200.210](#) and [OSP 10003: Letter of Guarantee](#))

Pre-award expenses are expenses incurred on grant awards typically during the 90 days prior to the award start date that are necessary for effective execution of the project. These expenses require sponsor approval and follow the same cost principles as expenses charged during the project period. For some federal sponsors with awards under expanded authorities, such as NSF and NIH, the incurrence of pre award expenses, up to 90 days, is allowed without sponsor approval.

Any expenditure incurred while an account is in advance of 90 days prior to the award start date is made at the department's or college's risk. See the [OSP 10003: Letter of Guarantee](#) for more information.

**d) Procurement**

Refers to purchases of goods and services to accomplish a purpose, and the mechanism for procurement is usually a contract. It is the purpose of the award rather than the service provided that distinguishes financial assistance from procurement

It is a compliance requirement to follow the university procurement guidelines and procedures when procuring goods and services using sponsored funds. Additionally, pay attention to individual sponsor award terms and conditions to ensure that award procurement requirements are noted and followed. University procurement guidelines can be found [here](#).

Changes to federal procurement standards as a result of the Uniform Guidance are currently under review; please refer to the OSP [website](#) and [procedures](#) pages for more information.

The Uniform Guidance ([2 CFR Part 200](#)), in effect 12/26/14, allows for Virginia Tech to follow previous Office of Management and Budget (OMB) guidance (superseded by this part as

described in [2 CFR Part 200.104](#)) and existing university procurement standards for an additional time before implementing Uniform Guidance procurement standards, as described in [2 CFR Part 200.317 - 200.327](#). Virginia Tech is taking advantage of this opportunity to follow previous guidance and implement new procurement standards as outlined in the Uniform Guidance.

[Back to top](#)

**e) Unallowable Expenses**

([2 CFR Part 200.410](#) and [OSP 10009: Mandatory Disclosure and Unallowable Costs](#))

Payments made for costs determined to be unallowable (either as direct or indirect) must be refunded to the federal government. Departments are responsible for working with OSP to ensure that direct and indirect funds relating to unallowable expenditures are either returned to the federal government or removed from the sponsored award to a non-sponsored fund.

See [OSP 10009: Mandatory Disclosure and Unallowable Costs](#) for additional information.

[Back to top](#)

---

## 14. Cost Allocation Methodologies

Whenever possible, specific expenses should be individually charged to a specific sponsored award. When it is not possible or efficient to determine how much of the cost is used for each award, allocation of the expenses is allowable. Allocation is the process of assigning a cost to one or more awards in reasonable and realistic proportion to the benefit provided to the individual projects.

See the university policies [Service Centers \(3250\)](#), and [Cost Transfers on Sponsored Projects \(3255\)](#).

**a) Allocation Methodology Criteria**

At Virginia Tech, allocation methodologies must meet ALL of the following criteria:

- The allocation must provide a reasonable linkage between the cost incurred and the benefit to individual sponsored agreements,
- The allocation methodology must be identified in advance for the allocation of expenses and documented in a way that a person unfamiliar with grants management would understand,
- Each methodology should be applied consistently for similar costs that meet the criteria of the allocation methodology, and
- Allocation methodology must be reviewed and adjusted periodically.

[Back to top](#)

## **b) Documentation**

Once the allocation methodology has been determined, it needs to be documented and copies of the documentation retained within the department/center. Documentation should include the costs to be allocated and the basis for distribution.

If the allocation requires a calculation for each distribution, this backup should be attached to each periodic/monthly/quarterly allocation journal entry. Such documentation is not required if the journal entry contains all the information necessary to support the expenditure, provided that the standard methodology is on file in the departmental and reviewed periodically.

[Back to top](#)

## **c) Allocation Methodology Best Practices**

- Assure that the allocation methodology is documented prior to, or contemporaneously with, the costs being incurred and allocated.
- Document how measures, such as headcount, logically relate to the costs being allocated and the benefit received by the awards.
- Retain the supporting documentation in the department (in accordance with the university policy, [Management of University Records \(2000\)](#)) so it is available for review and audit.
- Review allocation methodologies periodically to assure they are reasonable (see [Service Centers \(3250\)](#)).
- Do not use allocation methodologies that result in an over- or under-recovery of expense. An over-recovery of expense may result in a refund to the sponsor while an under-recovery may need to be funded by the department as cost sharing.
- Do not use any allocation methodology that is based on available sponsored funds, budgets, or to avoid restrictions imposed by law, terms of the sponsored award, or for other reasons of convenience
- Do not allocate expenses after the fact by use of journal entries and/or cost transfers without appropriate documentation (see [Cost Transfers on Sponsored Projects \(3255\)](#)).

[Back to top](#)

## **d) Some Acceptable Allocation Methodologies (and examples)**

Different allocation methodologies may be required for different types of expenses.



**Allocation based on FTEs:** Acetone purchased for use in a laboratory is needed for the technicians working concurrently on Projects A, B, and C in the amount of \$500/month. There is one technician working on Project A, two working on Project B, and three working on Project C. The expense allocated to Project A is \$83/month (1 technician / 6 total technicians x \$500/month). The expense allocated to Project B is \$167/month (2 technicians / 6 total technicians x \$500/month). The expense allocated to Project C is \$250/month (3 technicians / 6 total technicians x \$500/month).

**Allocation based on usage:** The monthly cost of supplies/expendables to maintain a lab computer system is \$1,000. The computer system is solely used for Projects A and B. The computer operating system keeps a log of users and their time on the system. A reasonable base to allocate the expense would be computer user hours (hrs). Project A assistants have 100 combined user hours a month and Project B assistants have 80 combined user hours a month. The expense allocated to project A is \$560 (100 user hrs / 180 total user hrs x \$1,000). The expense to Project B would be \$440 (80 user hrs / 180 total user hrs x \$1,000).

**Allocation based on effort:** A research assistant spends 80% effort on Project A and 20% effort on Project B. The research assistant uses supplies totaling \$3,000/month on the two projects. Usage is directly related to the amount of effort devoted to each project. Therefore, \$2,400 (80% of \$3,000) is charged to Project A and \$600 (20% of \$3,000) is charged to Project B.

[Back to top](#)

#### e) Some Unacceptable Allocation Methodologies

The following direct costing practices are generally unacceptable because they do not meet the standard for a high degree of accuracy in the assignment of costs to sponsored projects.

- Rotation of charges among sponsored projects by month without establishing that the rotation schedule credibly reflects the relative benefit to each sponsored project.
- Assigning charges to the sponsored project with the largest remaining balance.
- Setting the allocation based on the budgeted amount in contrast to charging an amount based on actual usage.
- Assigning charges to a sponsored project in advance of the time the actual expense is incurred.
- Charging expenses exclusively to sponsored projects, when the expense also supports non-sponsored activities.
- Assigning charges that are part of normal administrative support (indirect costs) for sponsored projects (e.g., computer charges, administrative salaries, office supplies, etc.).

[Back to top](#)

## 15. References

- [2 CFR Part 200](#), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)
- [OMB Circular A21](#), Cost Principles for Educational Institutions
- [Cost Accounting Standards \(CAS\)](#), Title 48, Chapter 99, Subchapter B, Part 9905, Cost Accounting Standards for Educational Institutions
- [NIH Research Training FAQs](#)
- [Virginia Tech Policy 2000](#), Management of University Records
- [Virginia Tech Policy 3240](#), Consistency in Charging Administrative and Clerical Costs
- [Virginia Tech Policy 3245](#), Cost Sharing on Sponsored Programs
- [Virginia Tech Policy 3250](#), Service Centers
- [Virginia Tech Policy 3255](#), Cost Transfers on Sponsored Projects
- [Virginia Tech Policy 3950](#), Fixed Asset Accounting
- [Virginia Tech Policy 3960](#), Mobile Communication Devices
- [Virginia Tech Policy 3630](#), Definition and Deposit of Private funds
- [Virginia Tech Policy 4245](#), Severance Benefits Policy for University Employees
- [Virginia Tech Policy 5000](#), University Facilities Usage and Event Approval
- [Virginia Tech Policy 12115](#), Accepting and Reporting Gifts-in-Kind,
- [Virginia Tech Policy 12110](#), Handling Virginia Tech Foundation Funds
- [Faculty Handbook](#)
- [Classified and University Staff Policies and Handbook](#)
- Virginia Tech Foundation Procedure: [Donations](#)
- [Controller 10305a](#), Review of Financial Activities
- [Controller 20310a](#), Business Meals and Refreshments
- [Controller 20335a](#), Travel Overview
- [Controller 20335c](#), Meals & Incidental Expenses
- [Controller 20335d](#), Automobile Travel
- [Controller 20335e](#), Air Transportation
- [Controller 20345](#), Moving and Relocation Expenses
- [Controller website](#)
- [OSP 10001](#), Computers, Peripheral Devices, Software or Intangibles Purchased Using Sponsored Awards
- [OSP 10003](#), Letter of Guarantee
- [OSP 10009](#), Mandatory Disclosure and Unallowable Costs
- [OSP 10013](#), Institutional Base Salary for Sponsored Awards Incentive
- [OSP website](#)
- Procurement: [Consulting Services Guidelines](#)

- Procurement: [Sales and Use Tax Exemption Form](#)
- [Procurement website](#)

[Back to top](#)

---

## 16. Contacts

- **Senior Director of Sponsored Programs - Post Award**  
Office of Sponsored Programs  
North End Center, Suite 4200  
300 Turner Street NW  
Blacksburg, VA 24061  
540.231.9372
- **Director of Pre Award**  
540.231.8054
- **Director of Contracts and Agreements**  
540.231.1216
- **Director for Financial Compliance and Integrity**  
540.231.0950
- **Associate Vice President for Research and Innovations, Sponsored Programs**  
540.231.5281

[Back to top](#)

---

## 17. Roles and Responsibilities

- **Deans, Department Heads, Organizational Unit Leaders or other Hiring Officials:** assure university policy, procedures, guidelines are implemented and followed. Assure federal and state guidelines, regulations and laws are implemented and followed. Assure departmental activities are in accordance with university policies, procedures and handbooks.
- **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, state and university regulations and both prime and subrecipient award terms and conditions. This includes adherence to the guidelines held within the Uniform Guidance, [2 CFR Part 200](#) and sponsor agency specific guidance.
- **Department Administrator/Business Support Center (DA):** serve in a support role to the PI's in discharging their award and subaward oversight responsibilities and serve as a liaison to OSP. The DA assures the proposal budgets include requests.

- **Office of Sponsored Programs:** monitors and administers award activity in accordance with university contractual obligations; specific compliance with [2 CFR Part 200](#); sponsor agency specific guidance; associated federal laws, rules and regulations; and applicable state and university policies and procedures.

[Back to top](#)

---

## 18. Dissemination

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

---

## 19. Approval and Revisions

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

Revision approved by Associate Vice President for Research and Innovation, Sponsored Programs on 2/17/21. This update is for Uniform Guidance sections numbers.

Revision approved by Associate Vice President for Research and Innovation, Sponsored Programs on 10/30/23. This update is to correct minor grammar errors and update logo.

---

Revision approved by Associate Vice President for Research and Innovation, Sponsor Programs on 12/4/2023. This update removed "Travel charged to sponsored funds should not be for professional development (i.e., travel to conferences that benefit the general knowledge base of the individual in their professional area of expertise but not necessarily benefiting a specific aim of a specific project)." from section (v) and replaced it with, "All travel on sponsored awards needs to meet the cost principles to be allowable, allocable (benefiting the specific grant paying for the travel) and reasonable."

---

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.

---