

Policy 9 - Expenditure Guidelines

General

Most federal and non-federal sponsoring agencies or organizations issue their own policy guidelines and directives defining acceptable costs for purposes of their program(s). Despite a great deal of commonality as to content, there are sufficient variations in policies to make it impractical to issue and maintain a policy compendium. Individual agency or organizational directives must be consulted for authoritative guidance.

The purpose of this section is not to repeat definitions of costs elements, but rather to provide clarification, guidance, or references as to University policy. Additionally, special considerations or problems will be highlighted.

To facilitate reference, arrangement of this section is alphabetical. For guidance on items not referenced, please consult sponsor policies or contact Grants and Contracts Accounting.

ALCOHOLIC BEVERAGES

Costs of alcoholic beverages are unallowable.

ALTERATIONS AND RENOVATIONS

Such costs are allowed only in exceptional cases and are subject to specific sponsor guidelines and limitations. Alterations and renovations are normally authorized only for specialized facility requirements and not for general purpose space such as administrative offices.

CONSULTANT SERVICES

Proposed consultant charges are subject to particular scrutiny by a sponsor. The federal government permits such charges if budgeted in advance and if it can be documented that such services are essential and will be obtained from the most qualified person at reasonable and normal rates.

All consulting services are to be obtained in concurrence with established University policy. Some of the established and more significant policy elements are as follows:

Full-time University and other State employees are not authorized to be paid consultant fees by the University. This restriction also applies to corporations and partnerships in which an employee of the University or faculty member serves as either a principal or employee.

Payments to former University employees for consultant services will be closely scrutinized and may require additional documentation to verify status as an independent contractor.

CONSULTANT TRAVEL

University policy permits both professional fees and travel expenses to be submitted separately, on a "Consulting and Professional Services Worksheet" and a "Travel Expense Report," respectively. This is the preferred method of handling such payments, providing the sponsor agency permits the processing of such payments in this manner.

CONTINGENCY FUNDS OR RESERVES

Separate budgetary cushions or allowances for unexpected expenditures are not allowable cost elements to federal agencies. This does not preclude the utilization of reasonable escalation factors applied to cost elements such as salaries and wages or supplies when preparing the budget.

ENCUMBRANCES NEAR TO AND AFTER TERMINATION DATE

Orders for supplies and equipment must be placed sixty to ninety (60-90) days prior to the account expiration date to ensure delivery and utilization. Items not received and/or utilized during the award period are routinely disallowed on an audit.

If additional time is needed to complete the research project, the principal investigator must contact Grants and Contracts Accounting for aid in securing fiscal information before submitting an official request for a no-cost date extension to the sponsor via the Office of Sponsored Research and Programs. Otherwise, the University must automatically cancel outstanding encumbrances thirty to sixty (30-60) days after termination to avoid disallowances on an audit.

ENTERTAINMENT

Costs of amusements, social activities, entertainment, and incidental costs related thereto are not allowed.

EQUIPMENT

Equipment is defined as an asset with a useful life of more than a year and a value (cost) of \$5,000 or more for each individual items (see Policy 11).

Purchases of specialized equipment are normally allowable with advance approval from the sponsoring agency. Purchases of general office equipment and furnishings, such as desks, chairs, tables, etc., will generally not be approved by a federal agency.

Whenever practical, equipment already in possession of the University will be utilized to meet research needs. Project funds are normally used to pay for only authorized equipment acquired sufficiently in advance of the ending date (prior to last 90 days) of the project period to be effectively used on that project. Purchases of equipment not meeting the effective utilization test, particularly if there is not a follow-on or continuation award, are usually questioned by auditors and generally result in a cost disallowance or exception.

HONORARIA

An honorarium payment is characterized by the primary intent to confer distinction upon an individual. Payments of this nature are not allowable charges to sponsored research. The term honoraria must not be used in reference to the procurement of consultant services.

PRE-AWARD COST

Incurrence of project costs prior to the effective date of an award must be avoided. Sponsored Projects should not be initiated prior to the effective date of an award with expectation that such costs will be allowed. Such charges will be permitted only in exceptional cases and must be approved in advance by the sponsor.

RETROACTIVE COST TRANSFERS

The federal guidelines for cost transfers state, "any cost allowable to a particular research agreement may not be shifted to other research agreements in order to meet deficiencies caused by overruns, to avoid restrictions, or for other reasons of convenience. (CIRCULAR A-21, Section C.4.b)" As a result, Grants and Contracts Accounting must screen all requests for transfer of expenditures to ensure compliance with these regulations. Federal regulations normally allow such transfers only within ninety (90) days of the original encumbrance.

When applying for a retroactive costs transfer (if it is allowable and within the granting period), send a memo to Grants and Contracts Accounting requesting the transfer. The memo must contain all details pertaining to the transfer. In addition, a full explanation and reason for the transfer should be given.

SALARIES AND WAGES

Salaries and wages are allowable as a direct cost to the extent that they are reasonable and conform to the established University salary and wage policy. All personnel involved in a sponsored project's effort, whether faculty, professional staff, clerical staff, or students (research assistants), must be paid in accordance with University, Federal and State guidelines. The salary and wage categories and job or position classifications on sponsored projects must be congruent with those established for all other employees of the University. Salary rates and increments are therefore subject to the regulations applied to all other University employees of the same classification. Exceptions only result in audit disallowances.

Salary and wage rates contained in a proposal, including projected increases, are budgetary figures. All personnel commitments are handled in conformity with established University salary and wage policies. Budgetary data contained in a proposal does not in any way supersede such policies.

All University personnel must be paid through the University payroll system. In addition, all students that are enrolled at the University and are being paid for services rendered must be paid through the University payroll system.

LEAVE BENEFITS

Personnel paid from a sponsored program account receive the same leave benefits as personnel paid from other University funds. Faculty and graduate assistants/associates on academic year appointments do not accrue vacation benefits and are not eligible to take vacation during days they are on the payroll for a sponsored program account.

Staff and fiscal year appointees are encouraged to utilize accrued vacation before the program's termination date. If the contract or grant does not have sufficient funds to pay the accrued vacation, it is the responsibility of the employing department or cost center to provide the necessary funding. It is the responsibility of the principal investigator to ensure that these employees accurately report their vacation time prior to the project's expiration.

SPACE RENTAL

In some cases a University department, school, or center may require rental space to house a sponsored project. If off-campus space is required, the Office of Sponsored Research and Programs must be contacted early in the proposal stage to assure that University and State regulations are followed. If rent is charged to the Funding agency, then the off-campus indirect cost rate should be used.

STIPENDS

Stipends for fellows and trainees are permissible only on training or fellowship grants. Individuals working on research projects are considered employees and their effort must be reflected on the time and effort certification report.

SUBCONTRACT AND SUBGRANT EFFORT

Some sponsored program projects require the University to collaborate with other institutions or contractors. Such effort must be defined in the proposal and approved by the sponsor agency in advance. Subcontract or subgrant documents must also be approved by the sponsor agency prior to finalization of any such agreement. During any programmatic discussions with potential subcontractors or subgrantees, financial commitments or arrangements must be coordinated with and approved by the Office of Sponsored Research and Programs. As audits are generally required for all subcontracts, the University's proposal must provide for the costs of such audits or contain assurances that the audit will be accomplished. Other universities are also subject to federal audit requirements and can generally provide needed audit information without the need for a separate subcontract audit. Contact the Office of Contracts and Grants for additional information and guidance on this requirement.

Except for the estimated cost for auditing a subcontract, all subcontract costs, regardless of their nature, are a composite direct cost as far as the University is concerned and should always be shown in the subcontract cost line of the proposal. Although it is expected that subcontract costs will be broken out and supported in the subcontractor's proposal to the University, subcontract costs should never be intermingled with Missouri State University cost elements. Each subcontractor that includes facilities and administrative costs as part of their overall budget needs to provide a copy of their most recently federally negotiated facilities and administrative costs rate agreement.

Where it is known in advance that specific organizational entities are essential to and will collaborate on a sponsored project, it is customary that estimated costs to be included in the proposal be corroborated by an official proposal from that organization prior to submission of the proposal.

SUPPLIES

Generally, grant and contract funds may be used to purchase supplies delivered on or after the beginning date of the project. Purchases made during the latter part of a project are subject to particular audit scrutiny and therefore must be sustainable from the view points of relevance and usefulness to the project. Failure to adhere to these stipulations can result in audit exceptions and costs disallowance. However, some sponsors restrict purchases to budget periods as opposed to multi-year project periods.

If supplies are not received prior to the termination of an award or contract, it will normally be necessary to utilize and charge the supplies to the continuation award, or to another active project which requires and can effectively utilize the supplies. Where the usage and charges for such supplies cannot be legitimately absorbed by another active project or departmental budget, prompt action should be taken to cancel outstanding orders and avoid the incurrence of a financial obligation not covered by an authorized budget.

TRAVEL

Travel expenses are allowable if authorized and in direct support of the project. All travel reimbursements, both to University and non-University employees, are subject to State and University policies except in those few instances where more restrictive policies and limitations may be imposed by a specific award. Federal travel regulations will apply when required by federal contracts.

UTILITY SERVICES

Utility costs, such as heat, light, water, air conditioning and local telephone service are recouped through the indirect cost rate and are not considered as direct costs. In unusual circumstances, where inordinate amounts of such services are required for a project, it may be appropriate to direct cost these items.