



# Office of Sponsored Programs

## Procedure 30010 Sponsored Award Expenditure General Guidelines (Allowable Costs)

Revision Date: 01/15/2025

### Table of Contents

- Introduction** ..... 2
- Procedure Statement** ..... 2
- Definitions** ..... 2
- Key Cost Principles for Federal or Federal Flow-Through Awards** ..... 2
- Key Cost Principles for Non-Federal Awards** ..... 3
- Handling Sponsored Expenditures Questions** ..... 3
- Documentation and Justification of Expenditures** ..... 3
- Record Retention** ..... 3
- Period of Performance, Guideline for All Expenses** ..... 4
  - A. Supplies and Materials Received After the Period of Performance ..... 4
  - B. Travel that Occurs after the Period of Performance (Flights, Registrations, etc.) ..... 4
  - C. Services that Fully or Partially Occur After the POP ..... 4
  - D. Supplies Ordered Within the Final 90 Days of the Award ..... 4
- Treatment of Specific Types of Expenses** ..... 5
  - A. Administrative and Clerical Salaries ..... 5
  - B. Advertising and Public Relations ..... 5
  - C. Business Meal Reimbursements and Alcohol ..... 5
  - D. Bad Debts ..... 5
  - E. Compensation—Extra Service Pay, Fringe Benefits, Leave, Severance ..... 6
  - F. Communication Expenses ..... 6
  - G. Contributions and Donations ..... 7
  - H. Depreciation ..... 7
  - I. Equipment ..... 7
  - J. Fines, Penalties or Settlements ..... 8
  - K. Materials & Supplies ..... 8
  - L. Publication Expense Allocation Guidelines ..... 8
  - M. Reference Materials: Books, Journals, Periodicals and Subscriptions ..... 9
  - N. Computing Devices ..... 9
  - O. Copier Charges ..... 9
  - P. Memberships, Dues and Professional Activity Expenses ..... 10
  - Q. Participant Support Costs (excluding training awards) ..... 10
  - R. Postage, Freight, Cartage, and Express Delivery ..... 11
  - S. Professional Service Expenses ..... 11
  - T. Recruiting Expenses (including Short-term visas) ..... 12
  - U. Relocation Costs of Employees ..... 13
  - V. Specialized Service Facilities or Service Centers ..... 13
  - W. Taxes ..... 13
  - X. Travel-Related Expenses on Sponsored Awards ..... 14
  - Y. Air Travel ..... 16
- Prior Written Approval** ..... 17
- Other Related Information** ..... 18
  - A. Collection of Improper Payments ..... 18
  - B. Cost Sharing ..... 18
  - C. Pre-Award Expenses ..... 18
  - D. Procurement ..... 18
  - E. Unallowable Expenses ..... 19
- Cost Allocation Methodologies** ..... 19
- References** ..... 20
- Contacts** ..... 21
- Roles and Responsibilities** ..... 21
- Dissemination** ..... 22
- Approval and Revisions** ..... 22

## Introduction

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

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This procedure outlines the Office of Sponsored Programs position regarding expenditures on sponsored awards, considering previous audits, sponsor guidelines, and 2 CFR Part 200.

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## 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. Sponsor policies, guidelines, or requirements would have ascendancy over university guidelines, where the sponsor is more restrictive.

When the Controller's Office approves expenses, they do not differentiate between university funds and sponsored funds. 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 OSP procedures.

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## Definitions

Due to the specialized documentation within this procedure, definitions are not documented in this section to avoid repetition. Definitions can be found in [OSP Procedure 10000](#), Defined Terms.

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

All awards issued after December 26, 2014 must comply with [2 CFR Part 200](#). Most awards issued before that date must comply with [OMB Circular A21](#).

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 the 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** treated as direct expenses.

**Direct Costs** are expenses that can be clearly traced to a specific project or activity. These include expenditures such as materials, equipment, or salaries directly tied to the project.

**Indirect Costs** (also called Facilities & Administrative (F&A) Costs, or overhead), are expenses that support multiple projects or activities, such as building maintenance, IT support, or administrative staff. These costs are not tied to a specific project but are necessary for general operations.

According to CAS 502, costs must be consistently treated as either direct or indirect expenses when incurred under similar circumstances.

Some costs that are usually indirect may be charged as direct costs if they meet **all** the following criteria:

- Unique circumstances: The project requires more resources than a typical project.
  - Accurate association: The cost can be clearly linked to the specific project.
  - Sponsor approval: The sponsoring agency has approved the cost as a direct expense, either in the award budget or in writing, before incurring the expense.
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### **Key Cost Principles for Non-Federal Awards**

While non-federal awards may not be bound by federal regulations, to create consistency OSP will generally monitor allowable cost using federal guidelines.

Direct and indirect costs on non-federal awards follow the sponsor's policies. Expenditures related to non-federal awards are managed according to OSP procedures, university policies, and sponsor or award restrictions.

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### **Handling Sponsored Expenditures Questions**

This procedure outlines the guidelines for determining the allowability of charges on both federal and non-federal awards. The Office of Sponsored Programs will inquire about questionable expenses that are found during monthly reviews. If an expense is later deemed to be inappropriate, the expense will be removed from the award.

If there are questions or disagreements about specific expenses, the process for resolving them is as follows:

1. The first step is to seek guidance from the grant coordinator within your department. They can help to refer you to the appropriate policies and procedures.
  2. If further clarification is needed, reach out to the OSP Grant Manager that is assigned to the award. If necessary, the issue will be escalated within OSP for resolution.
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### **Documentation and Justification of Expenditures**

Documentation is required to justify any expense charged to a sponsored award. The supporting documentation must clearly demonstrate that:

- The expense directly benefits the award.
- The expense complies with the award's terms, including any restrictions and approval requirements.
- If applicable, the expense meets the criteria for "unlike circumstances."

In certain situations, additional documentation may be required. Please refer to specific sections below for detailed requirements.

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### **Record Retention**

The retention period is generally 5-10 years after the award ends. [Refer to OSP Procedure 10014: Records Retention](#), and CFR Part 200.334 for further details.

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## Period of Performance, Guideline for All Expenses

When determining whether an expense can be charged to a sponsored award, it is essential to ensure that the expense occurs within the Period of Performance (POP) outlined in the award agreement. The POP is the timeframe during which the project is actively being conducted, and it dictates the allowable window for incurring project-related costs.

### A. Supplies and Materials Received After the Period of Performance

Supplies or materials that are received after the Period of Performance are unallowable because they will not be able to benefit the award. Even if they were ordered during the POP.

**Example:** If an order for lab supplies is placed on October 15<sup>th</sup>, but the supplies are not received until November 1<sup>st</sup> (after the award ended on October 31<sup>st</sup>), those supplies are not allowable.

### B. Travel that Occurs after the Period of Performance (Flights, Registrations, etc.)

Travel that occurs after the POP is not deemed relevant to the project goals or objectives. As such, travel expenses (e.g., airfare, hotel accommodations, conference registration fees, etc.), that occur after the POP are not allowable, even if the travel was booked within the POP.

In some cases, the sponsor will approve travel after the POP for dissemination. This is only allowable if it is approved by the sponsor in writing, **prior** to the expense. The sponsor's approval must be attached to the financial transaction, and in the Award Management System.

### C. Services that Fully or Partially Occur After the POP

Any software, or service-related purchase, where the service dates fully or partially extend beyond the POP are generally not allowable.

- **Proration:** If a service/software occurs after the POP, only the portion corresponding to the POP is allowable. The portion after the POP should be charged to non-sponsored funds.
- **Example:** You purchase a software license for a year-long subscription starting in December, and the award ends on March 31<sup>st</sup>. Only the portion of the service that occurs during the POP is allowed to be charged to the sponsored award. For this instance, only four months of the subscription would be allowable: December, January, February, and March.

### D. Supplies Ordered Within the Final 90 Days of the Award

- Costs incurred during the final phase of the award will face heightened scrutiny due to the limited time remaining to utilize the items for the project's benefit. If there is any doubt regarding whether purchases near the award's end are allowable, consult with the OSP grant manager.
  - Restocking costs for general lab supplies (e.g., office supplies, reagents, or other materials) that are not specifically used for the research in the final period may be questioned.
  - Documentation is essential to justify that the quantity and types of materials restocked were consistent with the actual usage and needs of the award.
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## Treatment of Specific Types of Expenses

This section provides guidance on common types of research-related expenses. For a full list of cost types, refer to the Cost Principles in Subpart E of the Uniform Guidance. For specific questions, contact your departmental research administration or OSP Grant Manager.

### A. Administrative and Clerical Salaries

(2 CFR Part 200.413(c)) & [VT Policy 3240: Consistency in Charging Administrative and Clerical Costs](#).

**Definition:** Administrative and clerical personnel provide non-technical support services that benefit departmental, institute, or center activities. Their tasks may include clerical support, financial management, procurement, budgeting, and personnel management.

**General Rule:** Salaries for administrative and clerical staff are typically considered indirect costs. However, they may be charged as direct costs if they meet all of the following criteria:

1. Integral to the project: Administrative or clerical services must be essential to the project.
2. Specific identification: The individuals must be clearly identified as working on the project.
3. Budget approval: The costs must be included in the project budget or have prior written approval from the sponsor.
4. No double recovery: The costs cannot be reimbursed as indirect costs elsewhere.

### B. Advertising and Public Relations

(2 CFR Part 200.421) & (2 CFR Part 200.463)

Advertising costs include expenses for media such as magazines, newspapers, radio, TV, direct mail, exhibits, electronic transmissions, and related administrative costs.

Advertising/media expenses can only be charged as direct costs if they are used for one of the following purposes related to the award:

1. Recruitment: Advertising to recruit personnel, participants, or subjects needed for the project.
2. Procurement: Advertising for the procurement of goods and services necessary to carry out the award.
3. Program Outreach: Advertising for program outreach or other purposes directly required by the award.

### C. Business Meal Reimbursements and Alcohol

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

**Alcoholic beverages** and related expenses are generally unallowable. They can only be charged to an award if they are specifically necessary for the project, and the sponsor has provided formal approval.

#### **Business Meals:**

Meals are allowable only up to the base General Services Administration (GSA) rate for the specific travel location. Any meal expenses above the GSA rate are considered unallowable. The business meal per diem exceptions listed under the Controller's office Procedure 20310a, do not apply to sponsored funds.

### D. Bad Debts

([2 CFR Part 200.426](#))

Bad debts, including uncollected billings, collections, legal expenses, and losses from uncollectible accounts or other claims, are unallowable and cannot be charged to an award.

**E. Compensation—Extra Service Pay, Fringe Benefits, Leave, Severance**  
([2 CFR Part 200.430](#), [200.431](#) or [200.440](#)) & University Employee Handbooks

Compensation costs are generally allowable as direct expenses when the employee's effort directly benefits the award, and when the amount is within allowable limits (e.g., salary caps specific to the agency).

**Special Considerations:**

- Compensation cannot increase just because additional sponsored funding is available.
- Payments to supplement a fellowship are not allowed on any award.
- Virginia Tech employees must be budgeted as salaries. They cannot be treated as consultants or vendors.

**Extra service pay** (overload pay or bonuses) for services beyond an employee's regular university position is addressed in 2 CFR Part 200.430 and OSP 10013 (Institutional Base Salary for Sponsored Awards Incentive).

**Fringe Benefits** are additional compensation provided by the employer, such as leave, employee insurance, pensions, and unemployment benefits. These costs are generally allowable if

- The benefits are reasonable.
- They are required by law, part of a university employee agreement, or established university policy.
- Fringe benefits are charged as part of the university's federally approved rate.

**Leave benefits** such as vacation, sick leave, family-related leave, and military leave, are allowable if

- They are provided under established university leave policies.
- The costs are fairly allocated to all related activities, including sponsored awards.

**Maternity/paternity leave** is generally treated as sick leave or short-term disability and is allowable if following university policies.

**Severance Pay** is additional compensation paid to employees when their services are terminated. Severance pay may only be charged to a sponsored award under rare circumstances if

- It is required by law, university employee agreements, or university policy.
- The payments are allocated fairly to all activities, including sponsored awards.

**F. Communication Expenses—Cell Phones, Internet Access, and Mobile Communication Devices**  
(2 CFR Part 200 Appendix IV.B.3.b.4¶2)

**General Rule:**

Communication expenses are typically treated as indirect costs because it is difficult to assign specific portions of these expenses to a particular award with high accuracy.

Communication expenses that may be charged as direct costs must be linked to a specific sponsored award and primarily used for that project. Examples include the following:

- 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 for receiving data feeds or conducting surveys.

- Hotel and airline internet fees during travel related to the award.
- Incremental expenses for international mobile coverage, while traveling for the award.
- Cell phones used in remote locations with limited communication infrastructure.

#### **G. Contributions and Donations**

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

The value of donated services or property (either monetary or in-kind) is unallowable and cannot be charged as either a direct or indirect cost to a sponsored award. For more details, refer to the Virginia Tech Foundation procedure on Donations.

#### **H. 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 established indirect rate.

#### **I. Equipment**

[\(2 CFR Part 200.439, 200.1, 200.452, 200.453\)](#), [VT Policy 3950, Fixed Asset Accounting and OSP Procedure 10001](#).

##### **Capital Equipment:**

- Equipment with an acquisition cost of \$10,000 or greater is considered capital equipment under federal regulations. The university's threshold is \$2,000 for equipment items (excluding software).
- Capital equipment must be necessary for the performance of the sponsored award and should be included in the approved budget.
- Software with an acquisition cost greater than \$50,000 should also be capitalized.
- Computing devices or software under these thresholds are generally budgeted as materials and supplies.

##### **Special Purpose Equipment:**

Equipment used only for research, medical, scientific, or technical activities (e.g., microscopes, genomic sequencers, imaging equipment). This equipment can generally be charged directly to the award.

##### **General Purpose Equipment:**

Equipment that is not limited to research activities (e.g., office equipment, furniture, telephones, IT systems). These are usually considered indirect costs since they are not easily tied to a specific project objective. However, they may be charged directly if the PI can justify the equipment is essential for the project, is not already available, and will be used almost exclusively for the award.

##### **Equipment Repairs:**

- Routine repairs for general-purpose equipment are treated as indirect costs.
- Repairs for special-purpose equipment dedicated to a sponsored project may be charged directly.

**Equipment Purchases at the End of an Award:**

Equipment purchases made near the end of an award are subject to additional scrutiny and will require justification and/or sponsor approval.

**J. Fines, Penalties or Settlements**

([2 CFR Part 200.441](#))

Expenses resulting from violations (or alleged violations) of federal, state, local, or foreign laws and regulations are unallowable and cannot be charged to an award. Examples include regulatory violation fines, late return fees, parking and traffic violations.

**K. Materials & Supplies**

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

- **General-purpose materials and supplies** (e.g., copy paper, office supplies, cleaning materials) should not be charged directly to awards. These are considered routine departmental expenses.
- **Project-specific materials and supplies** purchased for research can be charged as direct expenses. If items are used across multiple projects or labs, a reasonable [Cost Allocation Methodology](#) must be developed, documented, and periodically reviewed.
- **Surplus supplies:** It is not acceptable to build up a surplus of materials at the end of a project. If unused supplies exceed \$5,000 in total value upon project completion, it must be reported to the sponsor (or OSP grant manager?)
- **Supplies or materials that are received after the Period of Performance are unallowable** because they will not benefit the award. Even if they were ordered during the POP.

**L. Publication Expense Allocation Guidelines**

When charging publications to sponsored awards, it is crucial to ensure that the methodology used to allocate costs is well documented.

**Key Guidelines**

- If an award is not acknowledged in the publication, then the expense cannot be charged to that award. Only awards explicitly mentioned in the publication are eligible for allocation.
  - If the sponsor has requested not be acknowledged, attach that documentation to the financial transaction
- Allocation among multiple awards: If a publication mentions multiple awards, each award should be charged a share of the publication costs, based on its contribution to the work.
  - If you can't allocate part of the expense to an acknowledged award, charge that portion to a non-sponsored fund to avoid overcharging the other sponsors.

**Documentation**

- Utilize account code [124ZK](#).
- Attach all necessary documentation to the financial transaction before submission:
  - The full title of publication.
  - A PDF copy of the publication, (links can expire).
  - If split funded, the allocation method that was utilized.

With sponsor approval, publications can be charged after the POP, but prior to the start of closeout.



**M. Reference Materials: Books, Journals, Periodicals and Subscriptions** ([2 CFR Part 200.454](#))

- Generally treated as indirect costs and cannot typically be charged directly to an award.
- Unallowable charges include general reference texts (e.g., medical dictionaries), books, manuals, items that help the PI stay current in their field, subscriptions to journals, publications with a general benefit to research and teaching.

**N. 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:** A computing device is any programmable electronic device, such as desktops, laptops, tablets, smartphones, or other devices used for data processing.

- Computing devices costing less than \$2,000 may be charged directly to an award if they are essential and allocable to the project.
- Computing devices costing \$2,000 or more must comply with the university's capital equipment policy and be justified in the award budget

Examples of direct chargeable devices:

- A tablet used for field data collection
- A computer attached to scientific equipment for data analysis
- A laptop used primarily for the award's activities

Allocating computing devices:

- Devices used for multiple projects should have their costs allocated based on the proportion of use.
- If a device is used partially for the award, only the portion of the expense that benefits the award can be charged.
- University-funded activities (e.g., instruction or administration) must bear a fair share of the cost.

**O. Copier Charges**

(2 CFR Part 200.453)

General administrative support costs for copier charges and copy cards should not be charged as direct expenses.

Direct charges for copier use may only be allowed if all the following criteria are met:

- **Sponsor approval:** The sponsor has approved copier charges as a direct expense.
- **Extraordinary expenses:** The copy charges are significant and meet the "unlike circumstances" criteria.
- **Integral to project tasks:** The copy expenses are essential and directly related to specific tasks of the award.
- **Tracking:** The expenses must be separately tracked to ensure accurate allocation and justification.

**P. Memberships, Dues and Professional Activity Expenses**

[\(2 CFR Part 200.454\)](#)

Membership dues and fees for professional or civic organizations are generally charged as indirect costs because they are considered a general benefit to the PI's professional development and cannot be specifically tied to a research project.

A membership may be directly charged if it is either required for conference attendance, or if the membership reduces the overall cost of attending a conference, and a cost comparison is provided to justify the charge. Utilize account number 12890, so that the expense can easily be associated with conference attendance.

**Civic or Community Organizations:**

Memberships in civic or community organizations require prior approval from the sponsoring agency or pass-through entity and must be essential to the project's objectives.

**Q. Participant Support Costs (excluding training awards)**

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

A participant is a non-Virginia Tech employee receiving training through a short-term program (e.g., conference, seminar). They are not required to provide deliverables and are not subject to university HR policies.

Participant support costs are direct expenses for stipends, travel, and registration fees, provided in connection with training activities, conferences, or workshops.

**Re-budgeting:** [\(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.

**Participant Support Costs are Allowable if:**

They are programmatically justified & either included in the approved budget or approved in writing by the awarding agency.

NIH awards: participant support costs are allowed only if approved in the original solicitation or proposal.

**Allowable Participant Support Costs:**

- **Stipends:** A fixed amount of money paid directly to participants for short-term training activities (as defined by the sponsor).
- **Travel Expenses:** That are directly related to the award activity.
- **Fees:** Registration and associated fees for meetings, conferences, symposia, or training events.
- **Other:** Such as training materials, laboratory supplies and insurance required for participation, if directly related to the participant's involvement in the project.

**Unallowable Participant Support Cost:**

- **Honoraria:** Payments to guest speakers or lecturers for their time and expertise.
- **Conference Support:** Costs associated with organizing or hosting a conference, such as facility rental fees, media or audio-visual equipment rentals, food or catering for conference attendees.

- **Subawards for Ongoing Training Programs:** Subawards given to a provider for multiple training events, such as ongoing contracts with specific terms and conditions, cannot be charged as participant support costs. These are typically treated as Subaward Costs and require separate justification.
- **Agreements with Employers:** Agreements with employers (e.g., school systems or businesses) to reimburse them for sending employees to conferences or workshops are not allowable as participant support costs. It's advisable for the PI to inform participants about any costs that will not be covered before the project begins.
- **Collaborative Meetings:** Costs for research collaborators to meet and discuss a project's progress or direction at a single destination should not be charged as participant support costs. These should be budgeted as Travel or Other Direct Costs, depending on the sponsor's guidelines.
- **Incentive Payments to Human Subjects:**
  - Incentive payments made to individuals participating as human subjects in a research study are not considered participant support costs. These should be budgeted under Other Direct Costs, which may be subject to full overhead costs.
  - 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 cost" bearing full overhead.

## R. Postage, Freight, Cartage, and Express Delivery

([2 CFR Part 200.474](#))

Expenses for general administrative shipping, freight, and delivery are typically indirect costs. These expenses may be charged directly to a sponsored award if they are clearly necessary for the direct execution of the project and can be specifically tied to the award activities.

Examples of expenses that may be charged as direct costs:

- Shipping specimens for processing.
- Postage for surveys.
- Shipment of animals for research.
- Sharing model organisms.
- Shipping research presentation materials for a conference.

## S. Professional Service Expenses

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

Professional services, including those provided by consultants, are allowable as direct expenses to a sponsored award under certain conditions. These costs are only allowable if they meet specific criteria outlined by the federal regulations and university policies.

### Conditions for Allowability of Professional Service Expenses:

**Necessary and Allowable for the Award:** Must be essential for the performance of the award and be deemed necessary to carry out the project's goals.

**The Professional or Consultant is Not a Virginia Tech Employee:** Virginia Tech employees cannot be paid as consultants, advisors, or vendors for the same services they are already providing as part of their employment. If the individual is employed by Virginia Tech, the costs should be budgeted under salary rather than as a consultant or vendor service.

**Reasonableness of the Expense:** The professional service must be reasonable in relation to the work being performed. The cost of using an external consultant must not exceed what it would cost to employ an individual to perform the same work.

**Additional Considerations:** The consulting agreement should provide clear documentation that outlines the scope of the services provided, the deliverables, and the terms of compensation.

**Defense and Prosecution Costs:** Are unallowable and cannot be charged to an award.

#### **T. Recruiting Expenses (including Short-term visas)**

([2 CFR Part 200.463](#)) Procedure 20335a: Travel Overview.b.5.

Recruiting expenses are typically unallowable as direct charges to awards unless specific circumstances are met. Under federal guidelines, recruiting costs can be charged to a sponsored award only if they are directly related to achieving the objectives of the award.

##### **Allowable Recruiting Expenses:**

- The cost of advertising a position that directly relates to the award.
- Travel costs for applicants who are invited for interviews (e.g., transportation, lodging, etc.).
- Travel Expenses for Interviewers: In some cases, travel expenses for the interviewer to attend the interview with applicants may be directly charged to the award if the interview is critical to the success of the project.

##### **Unallowable Recruiting Costs:**

- Payments not directly related to the recruitment process, such as hiring bonuses or relocation incentives.
- Any gifts given to applicants or employees as part of the recruitment process.
- Fringe benefits are typically covered under a separate category and may not be charged as part of recruiting costs.
- Salary allowances offered to attract professional personnel that are deemed unreasonable for the position or the award's objectives.
- Costs associated with obtaining passports are considered personal expenses and cannot be charged to the award.

##### **Refund or Credit of Recruitment Costs:**

If recruitment costs are charged to a sponsored award, but the newly hired employee resigns within 12 months of being hired, Virginia Tech is required to refund those recruitment expenses back to the award.

##### **Short-Term Visas for Recruiting (2 CFR Part 200.463(d)):**

In certain cases, short-term visa costs may be directly charged to a federal award if they are essential for recruitment. This applies to cases where a short-term visa is issued for a specific purpose related to recruiting staff for the award.

To be eligible for direct charging, all of the following conditions must be met:

- The individual applying for the visa must be critical and necessary for the project.
- The individual must be working on the specific project funding the visa expense when they are hired.

#### U. Relocation Costs of Employees

([2 CFR Part 200.464](#)), [Procedure 20345: Moving and Relocation Expenses](#)

Relocation costs, which are expenses incurred to move an employee from one location to another due to a permanent change of assignment or recruitment, may be allowable as direct expenses to a sponsored award under the following conditions:

- The work performed will directly benefit the objectives of the award.
- Reimbursement to the employee is in accordance with university policies.

#### V. Specialized Service Facilities or Service Centers

([2 CFR Part 200.468](#)), [Service Centers \(3250\)](#).

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

- a) The service is directly applicable to the award, and not typically categorized under indirect costs;
- b) The service center must provide an itemized bill or receipt for the services rendered. The itemization should clearly indicate the number of units or hours billed, and the rates used to calculate the invoiced amount;
- c) The service center charges are based on actual usage;
- d) The charge is based on an established rate schedule or methodology, that does not discriminate between activities on awards, and is designed to recover only the aggregate costs of the services; and
- e) The charge is compliant with university policy.

#### W. Taxes

([2 CFR Part 200.470](#)), [Procedure 20310](#))

In general, federal taxes, including sales taxes and Value Added Taxes (VAT), are treated as indirect costs because they are often part of the overall cost of doing business, and not specifically tied to a particular project or award. Virginia Sales Tax Exemption form (ST-12), can be obtained from Procurement.

**Federal Taxes:** These are typically taxes that Virginia Tech is required to pay under federal law (e.g., federal payroll taxes, federal excise taxes, etc.). In most cases, federal taxes are treated as indirect.

**Value Added Taxes (VAT):** VAT is a type of tax that may apply to purchases made in foreign countries. If the tax is specifically required by local law and applies to purchases made in connection with a federally sponsored award, VAT can be charged as a direct expense to the award.

**P-Cards:** Sales tax is generally not allowable on University issued P-Cards. The cardholder is responsible for contacting the vendor to request a credit.

**State Sales Taxes:** The University is exempt from Virginia sales tax.

**Unallowable sales taxes**

- Online purchases shipped to a Virginia address.
- Items reimbursed via personal reimbursement, that could have been procured with a purchase order or a university issued purchase card.

**Allowable State sales taxes**

- In person, out of state purchases, where Virginia Tech does not have tax-exempt status.
- Taxes for lodging, mass transit and vehicle fuel.

**X. Travel-Related Expenses on Sponsored Awards**

([2 CFR Part 200.474-475](#)), [Procedure 20335a: Travel Overview](#), [Procedure 20335c: Meals & Incidental Expenses](#), Procedure 20335v: Travel and Meal Expense Reimbursement, Request, Policy 20335f: 60-Day Limitation for Business Expense Reporting, [Fly America Act](#).

Travel must directly benefit the specific sponsored project. This means that the travel must be related to project tasks, such as attending a conference where research is presented, visiting a research site, or conducting fieldwork.

Travel that occurs after the POP is not deemed relevant to the project goals or objectives. As such, travel expenses (e.g., airfare, hotel accommodations, conference registration fees, etc.), that occur after the POP are not allowable, even if the travel was booked within the POP.

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 need to meet the cost principles to be allowable, allocable, and reasonable.

Reimbursement request should be submitted within thirty days of the expense date, or the travel end date. For continuous travel, reimbursements should be submitted every thirty days. If reimbursement request are submitted after 60 days, the traveler will be subject to tax withholding at the supplemental tax rate, reducing the total amount received, (Policy 20335f).

**Canceled Travel Expenses on Sponsored Awards:**

If travel expenses (flights, conference fees, memberships, etc.), were booked and subsequently canceled, those costs cannot be charged to a sponsored award. If the canceled travel expense was originally charged to a sponsored award, it must be credited.

**Lodging:** Is allowable only up to the base General Services Administration (GSA) rate for the specific travel location. Any lodging expense above the GSA rate is considered unallowable. The lodging guideline exceptions listed under the Controller's office Procedure 20335b, do not apply to sponsored funds.

**Per Diem (Meals and Incidentals):** Travel expenses for meals and incidentals are generally charged on a per diem basis, consistent with GSA rates. This approach simplifies reimbursement and is preferred over charging actual expenses for meals and incidental costs.

**Unallowable travel expenses include:**

- a) Any expenditure without an itemized receipt
- b) Travel/flight Insurance
- c) Travel/flight convenience fees (early check in, seat selections, etc.)
- d) Passport expenses
- e) Luxury services such as Uber Black, limousines, or other premium transportation
- f) Reimbursement for meals that are provided, either with a paid registration fee, or at no cost
- g) No cost lodging payments, as permitted by Virginia Tech Procedure 20335b

**Conference fees** are allowable if one of the following conditions is met:

1. Research Presentation at the Conference:
  - The researcher, or research team, is presenting the results of their research that is funded by the sponsored award.
  - The presentation should identify the specific award that supported the research being presented (a requirement of some federal sponsors).
  - The names of travelers are included in the annual report, to document allocability by identifying all award-related travel.
2. Conference Is Directly Related to the Award's Objectives:
  - The conference directly supports the objectives of the sponsored award.
  - For example, if the conference aligns with the scientific goals or activities outlined in the award proposal, the related expenses may be eligible as a direct cost.
3. Award's Objective Includes Hosting a Conference:
  - If the sponsored award's goal includes organizing or hosting a conference to disseminate information or results from the sponsored project, the associated conference fees are allowable.

For information on membership fees associated with conference registrations, refer to the Membership section.

**Travel Exceptions and Documentation:** When booking travel for a sponsored award, exceptions may arise that impact the allowability of certain expenses. To avoid issues at the time of reimbursement, it is important to document and justify any exceptions upfront.

**Agenda:** An agenda is required as part of the travel documentation. The agenda is necessary to justify the travel expenses and to ensure compliance with the sponsor's guidelines and federal regulations.

The agenda should be submitted in PDF or JPEG format to avoid issues with expired or inaccessible web links and also include

- A clear outline of the business purpose for each day of travel. This should explain how the activities or meetings contribute to the objectives of the sponsored award.
  - Information about individual sessions is not necessary.
- Ensure the agenda clearly identifies which meals were covered by the event to avoid double reimbursement.

**Rental Vehicles:** Follow Procedure 20335d: Automobile Travel. In addition, cost above that of a large sedan will require documentation of the business purpose.



**Parking fees and tolls:** Itemized receipts are required by some sponsors for all expenses. These receipts must clearly show the specific dollar amounts paid, the date of the expense, and the location.

**Ground Transportation (Taxi, Uber, Lyft, etc.):** Follow Procedure 20335d, Ground Transportation. In addition, itemized receipts are required for all transportation expenses on sponsored funds.

**Visa fees** related to business travel for a sponsored project are generally allowable as a direct cost if they are specifically required for a particular trip in connection with the project's activities.

**Passport** fees are not allowable as a direct expense for a sponsored project. Since passports are used for multiple trips over an extended period, the cost is not considered project-specific and therefore cannot be charged to an award.

**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.

**Security Clearance**, if the traveler has been granted security clearance, they are required to check with export controls prior to travel.

#### Y. Air Travel

([2 CFR Part 200.475.3\(e and f\)](#)), [Procedure 20335e: Air Transportation](#) and the [Fly America Act](#).

**Documentation Requirements for Flight Expenses:** When submitting travel expenses for reimbursement on a sponsored award, it is essential to provide comprehensive documentation to ensure compliance with university and sponsor guidelines. Specifically, an itemized receipt must be attached to the expense that includes all of the following:

- name of the traveler
- airline name,
- ticket number,
- class of transportation,
- amount of airfare,
- origin and destination,
- dates of travel
- proof of payment.

**Lowest Economy Fare Class:** The traveler should incur the lowest possible expense to the award; in most circumstances, this is non-refundable (restricted) basic economy class airfare.

Upgrades listed under the Controller's office Procedure 20335e, Air Transportation, are not allowable on sponsored funds. When upgrades occur, the difference in price between the lowest economy fare, and the upgraded fare must be charged to a non-sponsored fund.

This procedure ensures that all travel costs charged to sponsored awards remain in line with the principles of allowability, allocability, and reasonableness.



### **Two Exceptions to Lowest Economy Fare Class:**

1. **ADA Accommodation** (Americans with Disabilities Act):

If an ADA accommodation is required, and there is an ADA accommodation on file with the university's ADA office, an upgrade to a higher class of airfare may be allowable. This would be based on the traveler's medical or disability needs, as documented in the accommodation request.

2. **Complementary Upgrades:**

If the airfare upgrade is complementary (e.g., provided by the airline for free or as part of a loyalty program), the upgrade may be allowed, provided it can be substantiated with documentation.

### **Examples:**

A researcher books a flight for \$1,200, but the lowest available economy fare was \$800. The researcher upgrades to business class for an additional \$400.

- Allowable: \$800, the lowest economy fare can be charged to the sponsored award.
- Unallowable: \$400, the upgrade must be either paid by the traveler or charged to a non-sponsored fund.

**Convenience Upgrades** are not allowable on sponsored funds. This includes, but is not limited to, upgrades in class, early-bird check in, priority access seating, seat selection fees, Airfare change fees, etc.

Reasonable baggage fees charged by the airlines are allowable. If more than one bag is checked, justification is required to demonstrate that additional baggage is necessary for the performance of the award.

[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. See OSP Procedure 40002 for specific details.

### **Airline Incidentals**

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

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## **Prior Written Approval**

[\(2 CFR Part 200.407\)](#)

Determining the reasonableness and allocability of costs on sponsored awards can often be complex. To prevent disputes regarding the allowability of certain expenses, it is important to seek prior written approval from the awarding agency before incurring unusual costs.

### **When Prior Approval is Needed:**

For certain special or unusual costs, the OSP Award Manager may need to request prior written approval from the awarding agency before the expense is incurred. This is to ensure that the costs will be deemed allowable, allocable, and reasonable under the award.

### **Impact of Not Obtaining Prior Approval:**

If the award terms and conditions specify that prior approval is required for an item of cost, and the approval is not obtained, that cost may be deemed unallowable for reimbursement, even if it is reasonable or allocable to the award.

**Examples of Costs That May Require Prior Approval:**

- Significant budget changes (e.g., reallocation of funds between categories).
  - Substantial changes in scope of work or project objectives.
  - Unusual or specialized purchases (e.g., large equipment, participant support costs, foreign travel).
  - Consultant fees or professional services not initially included in the budget.
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**Other Related Information**

**A. Collection of Improper Payments**

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

An Improper Payment is any payment made under an award that does not meet the proper requirements outlined by the awarding agency, federal regulations, or the terms and conditions of the award.

Improper payments include, but are not limited to: payment that should not have been made, including those made for 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.

Any instances of improper payments, especially if they involve significant amounts, must be disclosed to the awarding agency and may require additional documentation or reporting to demonstrate corrective actions taken.

**B. Cost Sharing**

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

**C. Pre-Award Expenses**

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

Pre-award expenses refer to costs incurred up to 90 days prior to the official start date of a sponsored award that are necessary to ensure the effective and efficient execution of the project once the award is active. These expenses are allowable under certain conditions, but often require prior approval from the sponsor.

If an expenditure is incurred more than 90 days before the official award start date, and prior approval from the sponsor is not obtained, the department or college is responsible for the costs.

**D. Procurement**

To ensure proper stewardship of sponsored funds and compliance with federal, state, and institutional requirements, all procurements made using sponsored funds must adhere to Virginia Tech's procurement policies. These guidelines are designed to ensure transparency, fairness, and accountability in the procurement process. University procurement guidelines can be accessed on the Procurement Website.

## E. Unallowable Expenses

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

When payments are made for costs that are later determined to be unallowable, whether classified as direct or indirect costs, the university is required to take corrective action to ensure that those funds are appropriately removed from the sponsored award.

University departments have a responsibility to ensure that all expenditures charged to sponsored awards are properly recorded and compliant with the applicable cost principles at the time the original transaction is posted to the university's financial system (Banner). Accurate recording of costs at the outset helps ensure the financial integrity of the award and reduces the need for corrections later in the project lifecycle.

If costs are determined to be unallowable, non-allocable, or improperly charged, the Office of Sponsored Programs (OSP) has the authority remove these costs from the sponsored award and move them to the department's default fund.

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## Cost Allocation Methodologies

[Service Centers \(3250\)](#) | [Cost Transfers on Sponsored Projects \(3255\)](#).

When it is not practical or efficient to assign a specific expense to one award, allocations are used to assign the expense to multiple awards, in a manner that reflects the benefit provided to each project. An allocation methodology must meet specific criteria to ensure fairness, consistency, and compliance with cost principles. Below are the key allocation methodology criteria that must be followed:

### Allocation Methodology Criteria

The allocation methodology must clearly establish a reasonable connection between the incurred cost and the benefit derived from the expenditure for each individual award. For example, if a piece of equipment is used across multiple projects, the cost should be allocated based on the percentage of time or usage dedicated to each project.

The allocation methodology must be identified in advance for any expenses that will be allocated across multiple projects. This methodology should be clearly documented in a manner that would be understandable to someone unfamiliar with awards management.

### Documentation for Allocation Methodology

Proper documentation of the allocation methodology is crucial to ensure transparency, compliance with university and sponsor guidelines, and accurate financial reporting. Once the methodology is determined, it should be clearly documented and attached to each financial transaction.

### Acceptable Allocation Methodologies include:

- Time-based allocation: If salaries are allocated based on time spent on different projects, this should be supported with records of the percentage of time devoted to each project.
- Space-based allocation: Documentation should include square footage or room usage logs.
- Usage-based allocation: If equipment or supplies are shared, allocation should be based on the actual usage per project, with supporting records.

### Unacceptable Allocation Methodologies

Certain allocation practices are considered unacceptable because they do not adhere to the principles of reasonableness, allocability, and accuracy in assigning costs to sponsored projects. These practices can lead to improper financial reporting and may result in non-compliance with federal guidelines and sponsor requirements. Below are examples of unacceptable allocation methodologies:

- Methodology that is based on available sponsored funding or budgets.
- Methodology to avoid restrictions imposed by law, terms of the sponsored award, or for other reasons of convenience.
- Methodology that allocates expenses after the fact by use of cost transfers, without appropriate documentation.
- Rotation of charges among sponsored projects by month, without establishing that the rotation schedule credibly reflects the relative benefit to each sponsored project.
- Charging expenses exclusively to sponsored projects, when they also support non-sponsored activities

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### 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

## Procedure 30010 Sponsored Award Expenditure General Guidelines (Allowable Costs)

- [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](#)
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## Contacts

- 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
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## 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 Administration/Business Support Center:** serve in a support role to the PI's in discharging their award and subaward oversight responsibilities and serve as a liaison to OSP.
  - **Office of Sponsored Programs:** monitors and administers award activity in accordance with university contractual obligations; specific compliance with [2 CFR Part 200](#); sponsor agency specific guidance; associated federal laws, rules and regulations; and applicable state and university policies and procedures.
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## **Dissemination**

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

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## **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 the logo.

Revision approved by Associate Vice President for Research and Innovation, Sponsor Programs on 12/4/2023. This update removed conference travel charged to sponsored funds should not be for professional development.

Revision approved by Associate Vice President for Research and Innovation, Sponsor Programs on 01/15/2025. General overall update, including the revision of the Code of Federal Regulations in October 2024, recent audit findings at other universities, clarifications, and the addition of best practices.

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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.