

STANDARD OPERATING PROCEDURE

Topic:	ORA Prior Approval, Post-Award
Purpose:	Actions, Costs, Transactions that Require Prior Approval
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Relevant ECU Policies: ORA Proposal Preparation, ORA Cost Principles, ORA Select Items of Costs – Allowable and Unallowable, ORA Post-Award Guidance, ORA Effort Policy, ORA Cost Transfer Policy, FS East Carolina University Basic Spending Guidelines by Fund Source

Relevant Federal Policies: 2 CFR 200, Sponsor Guidelines, Research Terms and Conditions

Overview

The Office of Research Administration (ORA) has oversight authority for all financial transactions associated with sponsored projects and is responsible for ensuring compliance with University, federal, state and sponsor regulations and policies.

OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200) also known as Uniform Guidance (UG), requires that non-Federal entities assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal awards. Non-Federal entities have the duty to evaluate each project’s risk of noncompliance in order to determine the appropriate monitoring level, monitor the activities of sponsored projects to ensure that the project is in compliance with applicable Federal statutes and regulations and terms of the award, ([§200.400](#) see [Definition and Key Points](#) below) Cost transfers must meet the Basic Considerations found in the UG Cost Principles, **§200.403 through §200.406** (see [Definition and Key Points](#) below). Costs including match – cost-share or in-kind - charged or reported for the benefit of the financial commitment to sponsored projects must be **(1) Reasonable** – does not exceed what a prudent person would pay, **(2) Allocable** - for the direct benefit (within the scope) of the project; **(3) Allowable** - reasonable and necessary to the performance of the project; and **(4) Consistent** – treated uniformly by the institution **allowability of costs**.

All awards, federal and non-federal require ECU to use due diligence in ensuring that sponsored projects meet the legal, financial and performance obligations sponsored agreements.

Purpose

ECU is responsible for the performance and legal conduct of external parties engaged for collaborating on, or providing services to, sponsored projects. This includes ensuring that costs, regardless of the primary source of funding, comply with applicable federal and state laws, and sponsor obligations. ECU is responsible for monitoring programmatic and financial activities, ensuring that the legal obligations of awards are met in accordance with the provisions of the prime sponsor.

The Office of Research Administration (ORA) is responsible for managing all research development activities – those that typically focus on proposal submission and financial management of externally sponsored projects. This includes responsibilities for creating and maintaining internal control over compliance requirements for federal and non-federal awards, as well as, providing reasonable assurance on the efficacy of operations, reliability of reporting for both internal and external use, and compliance with laws and regulations. All University stakeholders, the PI, department, college, Hubs, ORA and other central offices, share responsibility for this effort.

This purpose of this policy is to provide guidance on specific costs/transactions that require pre-review and prior approval by the Post-Award Unit of ORA before being processed on sponsored projects. This policy applies to all funds in the 21xxxx range of the Banner financial systems, as well as, any associated funds for cost share and/or program income.

Definition and Key Points

In order to ensure compliance with award agreements and University policies, ORA will pre-review and approve the selected transactions and documents listed below, prior to being processed to a sponsored project(s).

ORA reserves the right to disallow any costs incurred if the criteria for prior approval is not met, Any audit disallowance arising will be borne by the ADR, with or without notification by ORA to the PI/PD.

Selected Transactions that Require Prior Approval

Category	Definition	Transaction Type
Personnel Actions	All human resource transactions associated with sponsored projects.	<ul style="list-style-type: none"> ▪ Appointments (EPAF) ▪ Salary redistribution (Cost Transfer) <ul style="list-style-type: none"> • Compensation • Cost Share



Office of Research Administration

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Subrecipient Payments	Costs authorized under subaward between ECU and subrecipient to ECU.	<ul style="list-style-type: none"> ▪ Invoice ▪ Financial Report
Funding Source Level Costs	As required by University policy, transactions that require ORA approval as Funding Source signatory.	<ul style="list-style-type: none"> ▪ Direct Pay ▪ Contractual Services
Costs Classified as Indirect (Federal Projects only)	Costs for joint objectives, not readily identified with project. Included in F&A Rate calculation. Requires additional information – see ORA Cost Exception form.	<ul style="list-style-type: none"> ▪ Costs that are necessary and reasonable for the performance of the award, as approved by the sponsor in the proposal and/or terms and conditions of the award.
Capital Equipment	Costs for equipment and computer technology that exceed \$5,000.	<ul style="list-style-type: none"> ▪ Purchase Requisition ▪ Centralized Purchasing (ECU) (Interdepartmental Transfers) <ul style="list-style-type: none"> • Service centers. • ITCS
Alteration, Renovations and Real Property	Costs associated with remodeling, or repurposing facilities. Purchase of land or facilities.	<ul style="list-style-type: none"> ▪ Contract ▪ Purchase Requisition ▪ Centralized Purchasing (ECU) (Interdepartmental Transfers) <ul style="list-style-type: none"> • Service centers. • ITCS
Purchase Requisitions with a dollar value of \$5,000 or more	Materials and supplies, furnishings, other personal property.	<ul style="list-style-type: none"> ▪ Purchase Requisition
Travel Vouchers with a dollar value of \$1,500 or more	Total cost incurred per person, per trip.	<ul style="list-style-type: none"> ▪ Travel Voucher
Foreign Travel or use of non-U.S. Carrier	Any travel that involves foreign travel or non-U.S. Carrier at any stage of the trip.	<ul style="list-style-type: none"> ▪ Travel Voucher
Gift Cards or Incentives	All payments for or related to human subjects or incentives for participation in program.	<ul style="list-style-type: none"> ▪ Procurement Card ▪ Gift Card
Revenue	Deposits, receipts, refunds require approval and are processed by ORA directly.	<ul style="list-style-type: none"> ▪ Sponsor Revenue ▪ Program Income ▪ Refunds
Financial Reports	Financial status reports required by the terms and conditions of the award or through correspondence from the sponsor.	<ul style="list-style-type: none"> ▪ Award clause, term, condition ▪ Written request to/from sponsor ▪ Electronic request to/from sponsor ▪ Verbal request to/from sponsor
Budget Revisions	Any change to award budget, budget narrative or financial terms including cost share	<ul style="list-style-type: none"> ▪ Written request to/from sponsor ▪ Electronic request to/from sponsor ▪ Verbal request to/from sponsor

	commitments, and payment schedules.	
Audits	External audits or desk reviews required of ECU by the sponsor.	<ul style="list-style-type: none"> ▪ Written correspondence to/from sponsor ▪ Electronic correspondence to/from sponsor ▪ Verbal correspondence to/from sponsor

Key Terms from Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200)

§200.68 Modified Total Direct Cost (MTDC).

MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward (regardless of the period of performance of the subawards under the award). *MTDC* excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs.

§200.403 Factors affecting allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

§200.404 Reasonable costs.

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The

question of reasonableness is particularly important when the non-Federal entity is predominantly federally-funded. In determining reasonableness of a given cost, consideration must be given to:

- (a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.
- (b) The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state, local, tribal, and other laws and regulations; and terms and conditions of the Federal award.
- (c) Market prices for comparable goods or services for the geographic area.
- (d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal Government.
- (e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.

[78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75885, Dec. 19, 2014]

§200.405 Allocable costs.

(a) A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:

- (1) Is incurred specifically for the Federal award;
- (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
- (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.

(b) All activities which benefit from the non-Federal entity's indirect (F&A) cost, including unallowable activities and donated services by the non-Federal entity or third parties, will receive an appropriate allocation of indirect costs.

(c) Any cost allocable to a particular Federal award under the principles provided for in this part may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons. However, this prohibition would not preclude the non-Federal entity from shifting costs that are allowable under two or more Federal awards in accordance with existing Federal statutes, regulations, or the terms and conditions of the Federal awards.

(d) Direct cost allocation principles. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis. Where the purchase of equipment or other capital asset is specifically authorized under a Federal award, the costs are assignable to the Federal award regardless of the use that may be made of the equipment or other capital asset involved when no longer needed for the purpose for which it was originally required. See also §§200.310 Insurance coverage through 200.316 Property trust relationship and 200.439 Equipment and other capital expenditures.

(e) If the contract is subject to CAS, costs must be allocated to the contract pursuant to the Cost Accounting Standards. To the extent that CAS is applicable, the allocation of costs in accordance with CAS takes precedence over the allocation provisions in this part.

[78 FR 78608, Dec. 26, 2013, as amended at 79 FR 75885, Dec. 19, 2014]

Institutional - Stakeholder Roles and Responsibilities

PIs, Departments, Colleges and Hubs

1. Proposal

- 1.1. Work with ORA to disclose these types of costs in the substance of the proposal, budget and budget narrative that will specifically require prior approval from sponsor for both sponsor funding, and for cost share commitments.
- 1.2. Work with ORA to obtain written commitments from parties for specific items of cost included in the proposal such as capital equipment and alterations for both sponsor funding and for cost share commitments

2. Project Administration

- 2.1. Work with ORA to obtain prior approval as required for financial commitments, budget revisions, reporting requirements.
- 2.2. Work with ORA to obtain prior approval for costs incurred as stated above.
- 2.3. Notify ORA of any legal, financial or programmatic concerns or changes in terms and conditions, payment schedules, or cost share commitments during the period of performance.

3. Close-out and Record Retention

- 3.1. Contact ORA for assistance in close-out and final reports.
- 3.2. Archive all information as required by sponsor in accordance with ECU institutional policy for the period prescribed by ECU institutional practice.

Office of Research Administration (formerly Office of Sponsored Programs and Office of Grants and Contracts)

1. Proposal

- 1.1. Provide assistance to PI/PD and staff for the substance of the proposal, budget and budget narrative pertaining to items that will specifically require prior approval from sponsor for both sponsor funding, and for cost share commitments.
- 1.2. Assist PI/PD obtain written commitments from parties for specific items of cost included in the proposal such as capital equipment and alterations for both sponsor funding and for cost share commitments.

2. Award Administration

- 1.1. Review the budget and all terms and conditions of the award including costs, sponsored and cost share, that could potentially be considered as requiring prior approval. Notify internal parties of the requirements for requesting, monitoring and

- documenting such costs, and assist them with a systematic approach to managing such costs.
- 1.2. Provide guidance for the PI/PD and staff, and internal parties, throughout the life of the sponsored project to ensure legal and financial concerns are managed in a timely manner.
 - 1.3. Review, approve and document all costs requiring prior approval, following audit and retention standards.
 - 1.4. Request corrective action and/or modification of costs not submitted for prior approval in the event of non-compliance.
 - 1.5. Manage disallowances as necessary.
 - 1.6. Communicate procedures and manage forms for obtaining prior approval to PI/PD and staff.
 - 1.7. Assist PI and staff with close-out reports, record retention audit.
2. Compliance Officer
- 2.1. Monitor ORA Prior Approval Policy, process and procedures.
 - 2.2. Work with ORA Education Coordinator to provide training for university personnel.
 - 2.3. Manage internal and external audits.



Additional Guidance



Point of Contact

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Policy: Compliance Monitoring Officer
Proposal Submission: Pre-Award Services
Subaward Negotiation: Contract Officer
Financial and Subaward Administration: Post-Award Services