

## Texas Higher Education Coordinating Board

### Standards and Accounting Methods for Reporting Restricted Research Expenditures

#### **Authority**

Texas Education code, Sec. 62.096. VERIFICATION OF ALLOCATION FACTORS.

- (a) For purposes of this subchapter, the coordinating board shall prescribe standards and accounting methods for determining the amount of restricted research funds expended by an eligible institution in a state fiscal year.
- (b) The coordinating board shall convene a committee comprised of persons designated by the presidents of eligible institutions to approve the allocations standards and accounting methods established by the coordinating board by October 1, 2003.
- (c) The coordinating board, as soon as practicable in each state fiscal year but no later than November 1, shall provide the comptroller with verified information relating to the amounts of restricted research funds expended by eligible institutions as necessary to determine the apportionment of the research development fund under this subchapter for that fiscal year.
- (d) The coordinating board may audit the appropriate records of an eligible institution to verify information for purposes of this subchapter.
- (e) An eligible institution may appeal the coordinating board's decision regarding the institution's verified information relating to the amounts of restricted research expended to the advisory committee for final determination of eligibility.

Note: The Texas Government Code defines the function of advisory committees. (§2110.001. DEFINITION. *In this chapter, "advisory committee" means a committee, council, commission, task force, or other entity with multiple members that has as its primary function advising a state agency in the executive branch of state government.*)

#### **Background**

Research awards and research expenditures are two widely accepted quality or performance measures for universities for which research is a part of their mission. Almost all institutions and states track these numbers and report them. In spite of the fact that they are widely used, the accuracy of data reported is often questioned for a variety of reasons:

- There is no universally accepted definition of what constitutes research. To confound the issue further, university research projects often have multiple goals including research and development (R&D), development, training or education, economic development, and public service. The National Association of College and University Business Officers, the nation's major authority on higher education accounting, provides only the most rudimentary definition of research.

- These data are typically self-reported, and it is in an institution's interest to report numbers that are as large as possible.
- Decisions related to how specific expenditures are classified in annual reports are made by different offices in different institutions. In some cases, it is an accounting responsibility. In other cases, the office responsible for acquiring contracts and grants has this responsibility. Hundreds or even thousands of these decisions are made in a given year, and the paper trail providing insight into who made the decisions or how the decisions were made is highly variable across institutions. Because reporting is done on a lump-sum basis, there is little transparency provided to those decisions.

When it established the Research Development Fund, the Texas Legislature created a formula that allocates funds among institutions based on restricted research expenditures. The Legislature also directed the Texas Higher Education Coordinating Board to develop standards and accounting methods for reporting these research expenditures to ensure that the data are reported accurately and to provide for a level playing field for all institutions.

### **Overview**

This document contains the Texas Higher Education Coordinating Board's proposed standards and accounting methods for use by Texas public universities and health-related institutions in reporting restricted research expenditures. It includes three parts: (1) an enhanced definition for research; (2) requirements that every contract, gift or grant from which restricted research expenditures will be made be analyzed using a protocol that meets specified criteria and that the decision to classify the funds as being for research be documented; and (3) provision for transparency to decisions.

### **Definition of Restricted Research Expenditures**

To qualify as a restricted research expenditure, the project must be properly classified as research *and* the source of funds must be from a restricted funds group. For purposes of this reporting, "research" and "research and development" are considered to be equivalent. Appendix A is an expanded definition of research and development.

This definition of research and development is taken from the U.S. Office of Management and Budget's circular A-110, subpart A (dd).

The concept of restricted funds is also important. Restricted funds are funds for which some external entity has restricted the uses for which the funds can be spent. When a federal agency provides a grant for a specific purpose, the grant would be considered a restricted fund. A contract from a private sector company would typically be a restricted fund. When a donor provides a gift for current expenditure for a specific purpose or for creation or addition to an endowment fund, the income from which is for a specific purpose, the funds expended would be considered restricted funds. *Appropriated funds (including ARP/ATP funds) are not in the restricted funds group and should not be reported as restricted research, although they could be reported as research.* Not all restricted funds are restricted for research. An institution could, for example, receive a grant for uses restricted to instruction or public service. To qualify as

restricted research, the source of funds must be restricted *and* the use to which the funds are put must qualify as research.

Finally, many, if not most, contracts, gifts and grants have multiple goals that might include research, instruction, public service, etc. To qualify as research - the primary purpose of the contract, gift or grant must be research. Primary purpose will normally be demonstrated by more than half of the funds having been budgeted for research, but may be demonstrated by the sponsor's statement of purpose or other documented evidence. If the primary purpose is research, all expenditures made as a part of that contract, gift or grant qualify as research expenditures. If the primary purpose is not research, none of the expenditures made as a part of that contract, gift or grant qualify as research.

### ***Accountability***

This provision applies only to institutions that are eligible to receive funds from the Research Development Fund. The purposes of this provision are to ensure that qualified persons determine the classification of institutional awards and to ensure that an audit trail exists so that research expenditures made in fiscal year 2002 and beyond may be verified.

Use of the Restricted Research Award Determination Form (Appendix B) or a similar rubric is recommended.

Institutions may use their own process for classifying awards from which restricted research expenditures are made. The process must meet the following minimum requirements:

- The process must be documented.
- It must be consistent with the definition of restricted research, as described in the previous section of this report and Appendix A.
- It must be consistent with federal classifications of research, i.e., awards classified by the federal government as R&D shall be classified as R&D, and awards classified by the federal government as other than R&D shall not be classified as R&D.
- It must provide a record of the person or persons who made the classification and the basis of the classification. This record may be in electronic form.
- Institutions must maintain documentation justifying the rationale used to classify projects as research.

### ***Transparency***

This provision applies only to institutions that are eligible to receive funds from the Research Development Fund. The purpose of the transparency provision is two-fold. There is a considerable amount of concern among institutions regarding classification decisions made by other institutions, and making these decisions public should help to allay those concerns. Further, because institutions often receive contracts and grants from the same programs, making classification decisions public will encourage commonality in decision making. Finally, it should be noted that many institutions currently publish program awards.

In order to fulfill the mandates of assuring a transparent review and certification of restricted research awards from institutions eligible under H.B. 3526 (77th Texas Legislature), the following process will be followed on an annual basis:

### Transparency List

- Each eligible institution will provide to the Coordinating Board no later than June 30 of each year a listing of all restricted research awards active during the current fiscal year (henceforth referred to as transparency list). Awards greater than \$250,000 in annual funding are subject to selection for review.
- The transparency list should include the following for each award (as relevant):
  - Recipient (PI)
  - Academic Discipline
  - Sponsor
  - Award Amount
  - Sponsored Program Number and/or CFDA #
  - Award Title
  - Term of Contract, Award, or Gift
- The Coordinating Board will make all eligible institutions' transparency lists available to each of the other eligible institutions.
- Classified military projects or any sponsored program deemed confidential or proprietary by funding entities are exempt from the transparency list.

### Review Panel/Annual Review

- The Coordinating Board shall convene a review panel to review the transparency lists.
  - Panel shall consist of representatives from all eligible institutions that choose to participate; one representative from each institution shall be selected by its president
  - Panel shall convene no later than July 31 of each year.
- Annual Review
  - Selection for Review:
    - Self-selection: Each eligible institution may choose to select any active awards for review and consideration by the review panel.
    - Peer-selection: Each eligible institution may select awards from other eligible institutions' transparency lists for review and consideration by the review panel.
    - Audit-selection: The audit teams may select awards for review and consideration by the review panel.

- CB-staff-selection: Coordinating Board staff may select awards for review and consideration by the review panel.
- Review:
  - Each institution with selected awards may present appropriate information regarding the merit of a given award for certification as restricted research.
  - Certification of a selected award requires a majority approval of a quorum present of the eligible institutions attending the review meeting.
  - An award determined not to be restricted research due to insufficient information should not prejudice subsequent classifications, should additional information become available.
  - All decisions of the review panel are to be reflected in the institutions' annual reports of restricted research expenditures.
- Appeals regarding any decision of the certification process will be directed to the Commissioner of the Coordinating Board for final resolution.

### ***Review***

The Board shall periodically review these standards and accounting methods to determine if they are effective and efficient.

### ***Auditing***

Texas Education Code, Section 62.096(d) provides that the Coordinating Board may audit the appropriate records of an eligible general academic teaching institution to verify information on which allocations of the Research Development Fund are made. To facilitate this provision, the Coordinating Board will require the auditing of FY 2005 classifications and expenditure totals for those eligible institutions comprising the top six rankings in the FY 2005 Restricted Research Expenditures Report and the lowest ten rankings of the same report (to exclude four institutions audited in FY 2003 by The University of Texas System: The University of Texas at Arlington, The University of Texas at Dallas, The University of Texas at El Paso, and The University of Texas at San Antonio).

Those eligible institutions not subject to an audit of FY 2005 classification and expenditure totals—including the University of Texas System institutions listed above—will be audited on their FY 2006 classifications and expenditures total. Audits in FY 2005 and 2006 shall include projects with the largest expenditure totals encompassing 75 percent of the institution's restricted research expenditure totals. Beginning in FY 2007, participating institutions will be audited on a three-year cycle.

To facilitate this audit schedule, the Coordinating Board will coordinate the selection of independent auditors who—in conjunction with an internal auditor(s) from the audited institution—will audit the classification of awards for selected institutions as well as the expenditure totals for selected institutions. Auditors are strongly encouraged to attend the Review Panel's meetings (discussed above under "Transparency") and will be provided an audit guide and training by the Restricted Research Advisory Committee.

The Coordinating Board will target audit costs at approximately 1 percent of the total of the Research Development Fund. The participating institutions will cover their proportionate share of the cost of the audits.

### ***Implementation Schedule***

The definition of restricted research included in Appendix A is applicable to all participating institutions of higher education in FY 2005 and beyond.

The accountability and transparency provisions apply only to general academic teaching institutions that are eligible for funds from the Research Development Fund.

All gifts, grants, and contracts received after September 1, 2004, that qualify as restricted research shall be analyzed with the accountability procedure described above. Gifts, grants and contracts received before that date and for which expenditures will be made in FY 2005 and later shall be analyzed with the accountability procedure described above.

The following activities shall occur annually:

- No later than June 30, institutions will submit to the Coordinating Board an excel spreadsheet of all awards active during the current fiscal year (see “Transparency” for the specific requirements)
- No later than July 31, the Coordinating Board will convene a Review Panel for review of the transparency submissions.
- October 15: Institutions’ restricted research expenditures reports are due to the THECB
- As soon as is practicable following submission of the Restricted Research Expenditures reports, the Coordinating Board will authorize the distribution of one-half of each university’s funds. Distribution will be based on the un-audited information contained in the Restricted Research Expenditure reports.
- The audit team will review institutions selected for audit and will complete its report on or before February 28.
- As soon as is practicable following receipt of the audit team’s report, the Coordinating Board will authorize distribution of the remaining funds as adjusted by the audit report.

## Appendix A

### Definition of Research and Development

Research and Development (R&D) means all research activities, both basic and applied, and all development activities that are supported at universities, colleges, and other non-profit institutions. "Research" is defined as a systematic study directed toward fuller scientific knowledge or understanding of the subject studied. "Development" is the systematic use of knowledge and understanding gained from research directed toward the production of useful materials, devices, systems, or methods, including design and development of prototypes and processes. The term research also includes activities involving the training of individuals in research techniques where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function. (U.S. Office of Management and Budget, circular A-110, Appendix A, Subpart A.2.dd)

R&D generally includes Sponsored R&D and University R&D activities as discussed below.

#### A) Sponsored R&D

R&D activities are properly classified as *Sponsored R&D* if the activity is funded (sponsored) by externally derived funds that are designated by the sponsor primarily for R&D purposes. External entities that can provide sponsored R&D funds via grants, gifts, and/or contracts (including "sponsored research agreements") include federal, state, or local governmental agencies; private philanthropic organizations and foundations; for-profit businesses; and individuals.

Examples of *Sponsored R&D* include:

- i. awards to University faculty to support R&D activities,
- ii. external faculty "career awards" to support the R&D efforts of the faculty,
- iii. external funding to maintain facilities or equipment and/or operation of a center or facility that will be used for R&D,
- iv. external support for the writing of books, when the purpose of the writing is to publish R&D results,
- v. activities involving the training of individuals in R&D techniques (commonly called R&D training) where such activities utilize the same facilities as other R&D activities and where such activities are not included in the Instruction function, or
- vi. the research portion of expenditures in the federal work-study program, in accordance with instructions for preparing the Annual Financial Report,
- vii. clinical trial agreements in which data collection and analysis are the primary components of the institution's role in the trial. Costs that are covered by patient charges or similar sources do not qualify as research expenses.

*Note: Section A was adapted, in part, from Stanford University's Research Policy Handbook, Document 3.2, Definitions and Categories of Sponsored Projects, Section 2.A.*

B) University R&D (Not Restricted Research)

R&D activity is properly classified as *University R&D* if the activity is supported by any of the following:

- i. Unrestricted university funds (e.g., unrestricted gifts, distributions from unrestricted endowments, interest income, technology licensing income, fees received from external entities for non-research services, proceeds from cost recovery enterprises, state appropriations not identified specifically by the legislature as for R&D purposes non-capitalized allocations from PUF or HEAF for R&D purposes other than construction and remodeling) which the university has designated for use in R&D,
- ii. state appropriations made directly to the University for R&D through formula or special item funding including ARP/ATP, or
- iii. cost-sharing expenditures, which are committed to be borne by the University rather than by the sponsor. Note that cost-sharing provided from appropriated funds would qualify as R&D but not as restricted R&D.

C) Departmental Research (Not Restricted Research)

*Departmental Research* means research, development and scholarly activities that are not organized research and, consequently, are not separately budgeted and accounted for. Note: Organized research means all research and development activities of an institution that are separately budgeted and accounted for. (U.S. Office of Management and Budget, circular A-21, B.1.a(2) and B.1.b)

D) Instruction (Not R&D)

Instruction means the teaching and training activities of an institution. Except for research training as provided for under "Sponsored R&D," subsection A-v, this term includes all teaching and training activities, whether they are offered for credits toward a degree or certificate or on a non-credit basis, and whether they are offered through regular academic departments or separate divisions, such as a summer school division or an extension division. Sponsored instruction and training means specific instructional or training activity established by grant, contract, or cooperative agreement. (U.S. Office of Management and Budget, circular A-21, B.1.a)

Sponsored Instruction includes:

- i. any project for which the primary purpose is to instruct any student at any location; recipients of this instruction may be university students or staff,

teachers or students in elementary or secondary schools, or the general public, except as provided for under "Sponsored R&D," subsection A-v,

- ii. curriculum development projects at any level either to significantly improve or to add to an institute's general instructional offerings. Curriculum development projects may be considered as "R&D" when the primary purpose of the project is developing and testing an instructional or educational model through appropriate research methodologies, i.e., data collection, evaluation, dissemination, and publication.
- iii. projects that involve university students in community service activities for which they are receiving academic credit,
- iv. activities funded by awards to departments or schools for the support of students, except as provided for under "Sponsored R&D," subsection A-v,
- v. dissertation work funded by grants, including grants for travel in relation to a dissertation, unless associated with a R&D project,
- vi. outreach programs that bring local students on campus for classes, or
- vii. general support for the writing of textbooks or reference books, video or software to be used as instructional materials.

*Note: This listing was adapted, in part, from Stanford University's Research Policy Handbook, Document 3.2, Definitions and Categories of Sponsored Projects, Section 2.B.*

E) Other Sponsored Activities (Not R&D)

*Other Sponsored Activities* means programs and projects financed by Federal and non-Federal agencies and organizations which involve the performance of work other than instruction and organized research. Examples of such programs and projects are health service projects and community service programs. (U.S. Office of Management and Budget, circular A-21, B.1.c)

*Other Sponsored Activities* may include:

- i. travel grants, unless for research activities,
- ii. support for conferences or seminars,
- iii. support for university public events,
- iv. provision of non-instructional and economic services beneficial to individuals and groups external to the university such as testing or diagnostic services, surveys, urban planning, mapping, etc.,
- v. publications by the university press,
- vi. support for student participation in community service projects,

- vii. support for projects pertaining to library collections, acquisitions, bibliographies or cataloging, unless primarily for documented research purposes, or
- viii. programs to enhance institutional resources, including computer enhancements, etc., unless primarily for documented research purposes.

*Note: This listing was adapted, in part, from Stanford University's Research Policy Handbook, Document 3.2, Definitions and Categories of Sponsored Projects, Section 2.C.*

F) Other Types of Sponsored Projects (Not R&D)

1. Clinical Trial Agreements without R&D Component

Clinical Trial Agreements will sometimes involve the administration of a specifically mandated patient protocol (sometimes in multiple clinical sites involving other institutions), in which some costs typically are met by patient charges or other sources. Only when data collection and analysis is the primary component of the institution's role in a clinical trial can clinical trial agreements be considered R&D. Costs of data collection and analysis performed by other institutions under subcontract do not qualify as research expenses. Costs that are covered by patient charges or similar sources do not qualify as research expenses.

2. Industrial Collaboration Agreements without Research Component

Funds provided through industrial collaboration agreements with universities, colleges, centers, or institutes may or may not qualify as research support. Unless at least half the funds are explicitly designated as research support, expenditures of these funds would not qualify as research expenditures.

3. Demonstration Projects

Projects in which the primary purpose is to apply previous R&D findings in new settings and demonstrate their utility, without a significant new R&D component, do not qualify as research projects.

G) Pass-Throughs

Funds expended for pass-throughs to other entities should not be recorded as restricted research expenditures.

H) Indirect Costs

Indirect costs should not be recorded as restricted research expenditures.

## Appendix B

### Recommended Restricted Research Award Determination Form

This appendix is intended to assist in making and documenting the determination of a sponsored program's proper classification. Use of the form or a similar rubric is recommended for institutions eligible for funds from the Research Development Fund.

P.I./Recipient:
Dept:
Sponsor:
Sponsored Program Number:
Award Title:

After reviewing definitions in the Coordinating Board's Standards and Accounting Methods for Determining Restricted Research Expenditures and considering the intent of the source of funding and the nature of the sponsored program agreement, the proper classification of an award should be based on the indicators shown on this form. Several factors should be considered in making this decision. The analysis of the terms of the agreement, and a review of other documentation, such as the CFDA number descriptor and the sponsor's program solicitation, should assist in properly and consistently classifying awards.

Research and Development (R&D) means all research activities, both basic and applied, and all development activities that are supported at universities, colleges, and other non-profit institutions. "Research" is defined as a systematic study directed toward fuller scientific knowledge or understanding of the subject studied. "Development" is the systematic use of knowledge and understanding gained from research directed toward the production of useful materials, devices, systems, or methods, including design and development of prototypes and processes. The term research also includes activities involving the training of individuals in research techniques where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function. (U.S. Office of Management and Budget, circular A-110, Appendix A, Subpart A.2.dd)

Final Determination: Must be based on the list of indicators found on page two of this determination form and/or other similar documented materials (i.e. Notice of Award, CFDA Program Grant Overview, Sponsored Program Agreement, etc.). Note that not all of this information will be available for every award.

The funded work's activities (scope of work) consist of:

Research Only                      Instruction Only                      Public (Community) Service Only  
Other Purposes                      Mixed Purposes

The CFDA number descriptor denotes a program that is:

Note that CFDA numbers are available for federal and federal pass-through awards only. Also note that federal contracts often do not have CFDA numbers.

Research Only                      Instruction Only                      Public (Community) Service Only  
Other Purposes                      Mixed Purposes

The Program Solicitation denotes a program that is:

Note that many non-federal programs and most gifts do not have a program solicitation.

Research Only                      Instruction Only                      Public (Community) Service Only  
Other Purposes                      Mixed Purposes

If the funded work's activities (scope of work) are for mixed purposes, alternatives are to:

- Code the project according to the primary purpose  
    Primary purpose will normally be demonstrated by more than half of the funds having been budgeted for research, but may be demonstrated by the sponsor's statement of purpose or other documented evidence.
- Separately budget the restricted research portion so that it may be reported as Restricted Research if the institution consistently divides multiple function awards regardless of function.

Based on the list of indicators found on this Determination Form and/or other similar documented materials (i.e. Notice of Award, CFDA Program Grant Overview, Sponsored Program Agreement, etc.), this sponsored program is classified as (circle or indicate one):

Restricted Research                      Research Not Restricted                      Not Research

Reviewed By:	Date:
Reviewer's Title:	
Concurred By:	Date:
Concurrer's Title:	
Additional Information:	

Note: All documentation to support this determination must be available for audit.

## Appendix C

### Restricted Research Audit Guide

This audit of the correctness of the amount reported to THECB as a fiscal year's restricted research total is a part of the effort to achieve consistency in the make-up of restricted research expenditure totals at Research Development Fund eligible institutions.

This audit is to review the correctness of restricted research classifications by the auditee institution. There are recommended classification procedures, but the emphasis is on having a trained, responsible individual who is accountable for each classification decision - and on the correctness of those classification decisions. This audit is not an audit of expenditures, except for confirmation (1) that indirect costs were not included in the restricted research expenditure totals, (2) pass-throughs to subrecipients were not included in the restricted research expenditure totals, and (3) that expenditure totals reconcile back to the accounting system.

Reference should be made to "Standards and Accounting Methods for Reporting Restricted Research Expenditures" and its appendices. Each year's selection of auditee institutions and the expected completion date of each year's audits are included in the "Auditing" and "Implementation Schedule" sections of "Standards and Accounting Methods for Reporting Restricted Research Expenditures."

Listings to request from the auditee institution (in Excel format) are:

- A transparency listing for the entire year - in the same format as the transparency listing provided to THECB due June 30 of each year – except that the report must list each year's direct cost and indirect cost expenditure totals by award/account number for each project/account reported as Restricted Research to the THECB. This listing's direct cost total for all awards should equal the number reported to THECB as the Restricted Research total expenditures for the fiscal year.
- A listing of ATP/ARP accounts and similar "transfer of appropriation" accounts (TXCOT, TXGRAIN and the like) that had expenditures during the Fiscal Year being reviewed. This listing is to facilitate the review to confirm that these accounts have been excluded from the Restricted Research expenditure total.

Information to obtain from THECB:

- The applicable "Standards and Accounting Methods for Reporting Restricted Research Expenditures" and its appendices.
- A listing of awards and classification decisions from the July review by the THECB Research Definition Review Panel. This listing is to facilitate the review of compliance with THECB Research Review Panel classification decisions.

## RECOMMENDED RESTRICTED RESEARCH AWARD CHECKLIST

This RESTRICTED RESEARCH AWARD CHECKLIST is a guide for the auditor. Changes may be made to improve presentation or usefulness of this checklist, but there should not be a change in the nature or scope of the audit.

A. Is the transparency listing correct and complete? Y N

If N, explain:

1. Are all requested data elements provided? Y N

- The transparency list should include the following for each award (as relevant):
  - Recipient (PI)
  - Academic Discipline
  - Sponsor
  - Award Amount
  - Sponsored Program Number and/or CFDA Number
  - Award Title
  - Term of Contract, Award, or Gift
  - Direct Cost Expenditure total for the fiscal year
  - Indirect Cost Expenditure total for the fiscal year

[Note that CFDA numbers are available for federal and federal pass-through awards only. Also note that federal contracts often do not have CFDA numbers. Descriptions of federal programs with CFDA numbers can be found at this web site:

[http://12.46.245.173/pls/portal30/CATALOG.AGY\\_PROGRAM\\_LIST\\_RPT.show](http://12.46.245.173/pls/portal30/CATALOG.AGY_PROGRAM_LIST_RPT.show)]

If N, explain:

2. Do the expenditures total the restricted research amount reported to THECB as the basis for Research Development Fund allocation? Y N

If N, explain:

3. Are decisions from the July review by the THECB Research Definition Committee correctly reflected by the inclusion/exclusion of specific accounts/projects that were reviewed? Y N

If N, explain:

B. Do reported expenditures exclude:

1. F&A (indirect cost) recovery? Y N

If N, explain:

2. ATP/ARP and similar transfers of appropriations? Y N

If N, explain:

3. Pass-throughs to subrecipients? Y N

If N, explain:

C. Classification procedures

1. Are the classification procedures documented? Y N

If N, explain:

2. Do the classification procedures specify which individual/individuals made each research/non-research classification decision? Y N

If N, explain:

3. Has at least one of the individuals involved in the classification decision reviewed the current "Standards and Accounting Methods for Reporting Restricted Research Expenditures"? Y N

If N, explain:

4. Are there periodic reviews of classification decisions? Y N

If N, explain:

If Y, describe:

- D. Review accounts from the transparency listing for proper classification as restricted research: For audits conducted in FY2005 and 2006, review those restricted research awards with the largest expenditure totals encompassing 75 percent of the institution's restricted research expenditure totals.

## INDIVIDUAL AWARD CLASSIFICATION REVIEW

Complete one "Individual Award Classification Review" form for each award subject to audit.

P.I./Recipient:
Dept:
Sponsor:
Sponsored Program Number:
Award Title:

1. Does the award meet the definition of restricted research? Y   N

If N, explain:

Definition of R&D: Research and development means all research activities, both basic and applied, and all development activities that are supported at universities, colleges, and other non-profit institutions. "Research" is defined as a systematic study directed toward fuller scientific knowledge or understanding of the subject studied. "Development" is the systematic use of knowledge and understanding gained from research directed toward the production of useful materials, devices, systems, or methods, including design and development of prototypes and processes. The term research also includes activities involving the training of individuals in research techniques where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function. (U.S. Office of Management and Budget, circular A-110, Appendix A, Subpart A.2.dd)

### Sponsored R&D

- Is it Sponsored R&D, that is, is the activity funded by externally derived funds that are restricted (see examples below)? Y   N
  - Awards to university faculty to support R&D activities
  - External faculty "career awards" to support faculty R&D efforts
  - External funding to maintain facilities/equipment/operations of a center or facility that will be used for R&D



Curriculum development projects may be considered as "R&D" when the primary purpose of the project is developing and testing an instructional or educational model through appropriate research methodologies, i.e., data collection, evaluation, dissemination, and publication,

- projects that involve university students in community service activities for which they are receiving academic credit,
- activities funded by awards to departments or schools for the support of students, except as provided for under "Sponsored R&D," subsection A-v,
- dissertation work funded by grants, including grants for travel in relation to a dissertation, unless associated with a R&D project,
- outreach programs that bring local students on campus for classes, or
- general support for the writing of textbooks or reference books.

#### Other Sponsored Activities (Not R&D)

Other Sponsored Activities means programs and projects financed by Federal and non-Federal agencies and organizations which involve the performance of work other than instruction and organized research. Examples of such programs and projects are health service projects and community service programs. Other sponsored programs may include:

- Travel grants, unless for research activities,
- Support for conferences or seminars,
- Support for university public events,
- Provision of non-instructional and economic services beneficial to individuals and groups external to the university such as testing or diagnostic services, surveys, urban planning, mapping, etc.,
- Publications by the university press,
- Support for student participation in community service projects,
- Support for projects pertaining to library collections, acquisitions, bibliographies or cataloging, unless primarily for documented research purposes, or
- Programs to enhance institutional resources, including computer enhancements, etc., unless primarily for documented research purposes.

Other Types of Sponsored Projects (Not R&D)

- Clinical Trial Agreements without R&D Component,
- Industrial Collaboration Agreements without Research Component, or
- Demonstration Projects.

Multiple Goals

- Does the award have multiple goals? Y N
  
- 2. Does CFDA # website classify the project as primarily research? N/A Y N

If N, explain:

CFDA Web Site:

[http://12.46.245.173/pls/portal30/CATALOG.AGY\\_PROGRAM\\_LIST\\_RPT.show](http://12.46.245.173/pls/portal30/CATALOG.AGY_PROGRAM_LIST_RPT.show)

- 3. Does the sponsor's program solicitation classify the project as primarily research? N/A Y N

[Note that many non-federal programs and most gifts do not have a program solicitation.]

If N, explain:

4. Does the statement of work classify the project as primarily research? N/A Y N

Note: A CFDA number's descriptor and a program's solicitation are useful information in determining the classification of an award, but the deciding factor in each case is the primary purpose of the contract, gift or grant.

If N, explain:

5. Is the classification of this award consistent with the decision of the July review by the THECB Restricted Research Definition Review Panel? N/A Y N

If N, explain:

6. Does the direct cost expenditure total from the expenditure listing match the accounting system direct cost expenditure total? N/A Y N

If N, explain:

Conclude:

**Transparency listing -**

Were there any errors noted on the Transparency Listing (other than classification)? Y N

If Y, explain and forward to findings section of working papers:

**Reported expenditures -**

Did reported expenditures include any F&A recovery, ATP/ARP and similar transfers of appropriations, pass-throughs to subrecipients, or gift accounts not restricted to research? Y N

If Y, explain and forward to findings section of working papers:

**Classification procedures -**

Was the classification process used by the institution proper and adequate? Y N

If N, explain and forward to findings section of working papers:

**Are awards appropriately classified as restricted research?** Y N

If N, explain and forward to findings section of working papers:

**Other findings** (explain and forward to findings section of working papers):

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