BUSINESS AND FINANCE DEPARTMENT
Grants Accounting

Effective Date: 8/1/2026

PROCESSES AND INTERNAL CONTROLS FOR PARTICIPANT SUPPORT COSTS POLICY

Policy Number	553-01
Approval Authority	Chief Financial Officer
Responsible Administrator	Controller
Responsible Office	Business and Finance
Policy Contact	Director of Grants Accounting

1.0 POLICY STATEMENT

Tennessee State University (TSU) is to maintain administrative, financial, and internal controls for the responsible administration, monitoring, and reporting of Participant Support Costs (PSC) associated with federally sponsored grants and cooperative agreements. These controls are to support the proper identification, separate tracking, authorization, recording, monitoring, and reporting of participant support costs in accordance with federal regulations, sponsor requirements, and University policies.

Participant Support Costs are to be separately identified and tracked within the University's accounting system and kept separate from other direct cost categories. Costs charged to participant support categories are to meet the federal definition, be authorized under the approved budget or applicable rebudgeting authority, directly support approved project activities, and be adequately documented.

Costs that do not meet the federal definition of Participant Support Costs or applicable award terms and conditions are not to be charged to a participant support category.

Participant Support Costs are not to be used for general project expenses and are to be excluded from the Modified Total Direct Cost (MTDC) base used to calculate Facilities and Administrative (F&A) costs.

2.0 IMPORTANCE AND REASON FOR THE POLICY

The purpose of this policy is to establish consistent administrative and accounting requirements for the identification, management, monitoring, and reporting of Participant Support Costs at TSU.

Participant Support Costs represent restricted categories of sponsored award expenditures that are subject to specific federal and sponsor limitations. Proper management supports compliance with award terms, prevents inappropriate use of restricted funds, maintains accurate financial reporting, and reduces the risk of questioned or disallowed costs during audits or sponsor reviews.

This policy strengthens University internal controls by establishing requirements for the accurate identification of participant support costs during proposal development and award setup, separate tracking of participant support budgets and expenditures, consistent documentation and approval, monitoring and reconciliation of participant support expenditures, timely correction of misclassified costs, and compliance with federal regulations, sponsor requirements, and University policies.

Improper administration of participant support costs may result in costs being removed or disallowed, repayment of funds to sponsors, increased monitoring, restricted spending authority, or corrective action.

3.0 DEFINITIONS

Modified Total Direct Cost (MTDC): The direct cost base used to calculate Facilities and Administrative (F&A) costs. Participant Support Costs are excluded from the MTDC calculation.

Participant: An individual participating in or attending program activities under a federal award who is not responsible for implementing the award. Individuals who commit effort to developing or delivering program activities, including project personnel, staff members, and consultants, are not participants. Participants may include students, trainees, community members, members of the public, or conference attendees, depending on their role in the activity.

Participant Support Budget Category: An approved or otherwise authorized budget category established specifically for participant support costs and separately tracked and monitored.

Participant Support Costs (PSC): Direct costs that support participants and their involvement in a federal award, such as stipends, subsistence allowances, travel allowances, registration fees, temporary dependent care, and per diem paid directly to or on behalf of participants.

Participant Support Stipend: A financial payment provided to a participant to support participation in a sponsored activity. A participant support stipend is not compensation for services performed in implementing the award.

Participant Travel Costs: Travel expenses provided to eligible participants to attend or participate in an approved sponsored program activity.
Subsistence Allowance: A payment intended to support participant costs associated with living expenses during participation in a sponsored activity.

Rebudgeting: The transfer of funds between approved budget categories. Prior written approval from the federal agency or pass-through entity is required before funds budgeted for participant support costs are transferred to another budget category.

4.0 POLICIES AND PROCEDURES

A. Award Setup and Budget Controls

Accounting and administrative controls for Participant Support Costs include identifying participant support costs during proposal development and award review, verifying that PSC amounts align with the sponsor-approved budget before award setup, establishing separate accounting classifications for PSC expenditures, and obtaining review and approval by the Office of Research and Sponsored Programs (RSP) of participant support budget categories.

Participant Support Costs are recorded using account codes designated by Grants Accounting and separately tracked from other project costs. Use of a designated account code does not establish that a transaction qualifies as Participant Support Costs. The underlying cost and participant determination must comply with this policy and applicable award requirements.

B. Transaction Processing Controls

Participant Support Cost transactions include documentation sufficient to demonstrate the participant determination, eligibility, purpose, amount, and compliance with applicable award requirements. Departments obtain required approvals before processing PSC expenditures. Required documentation includes the participant's name, the basis for determining that the individual qualifies as a participant, a description of the sponsored activity, and evidence of participation or attendance. Documentation also includes support for participant eligibility and payment amounts, payment authorization and approval, and evidence that the cost benefits the sponsored project. Payments for services performed in implementing an award are not classified as Participant Support Costs.

System access controls restrict unauthorized reclassification of expenditures into or out of participant support categories. Corrections and reclassifications require Grants Accounting Office review and approval.

C. Rebudgeting Controls

Funds budgeted for Participant Support Costs remain in the participant support category unless a transfer is approved in writing by the federal agency or pass-through entity.
Required written approval from the federal agency or pass-through entity is documented before the transfer is processed. Documentation supporting the request, approval, and resulting budget modification is retained.

D. Monitoring and Reconciliation Requirements

Departments are responsible for monthly monitoring and reconciliation of Participant Support Cost activity.

Monitoring activities include reviewing expenditures for proper classification, verifying that documentation supports the participant determination and purpose, confirming compliance with sponsor restrictions, and correcting errors or misclassifications timely. The review also confirms that Participant Support Costs are excluded from the MTDC base, F&A costs are not assessed, and payments for services or general project expenses are not classified as Participant Support Costs.

The Grants Accounting Office performs periodic compliance reviews of participant support activity, including targeted reviews of high-risk awards.

E. Internal Control Enhancements

TSU maintains internal controls designed to prevent and detect improper use or classification of Participant Support Costs.

Controls include separation of authorization, processing, and reconciliation responsibilities, written procedures governing PSC management, training for Principal Investigators and departmental administrators, accounting controls supporting the separate tracking of PSC, and documentation and tracking of corrective actions related to PSC deficiencies.

F. Documentation and Record Retention Requirements

Documentation sufficient to support compliance with federal regulations and sponsor requirements is maintained for all Participant Support Cost transactions.
Documentation includes the participant determination, evidence of participation or attendance, applicable program agendas or schedules, payment requests and approval records, evidence that the cost benefits the sponsored project, and supporting calculations for payments and reimbursements.

Records are maintained in accordance with federal, sponsor, and University retention requirements.

G. Corrective Action and Enforcement

Improper assignment, classification, or use of Participant Support Costs may result in removal or reclassification of expenses, disallowance of costs, required corrective action plans, increased monitoring requirements, restricted spending authority, and sponsor notification when required. Departments with repeated deficiencies may be subject to enhanced oversight and required remediation plans.

H. Review and Updates

This policy is reviewed annually and updated as necessary to reflect changes in federal regulations, sponsor requirements, University accounting system changes, and internal control improvements.

5.0 AUTHORITY AND REFERENCES

This policy is administered in accordance with applicable federal, sponsor, and University requirements governing Participant Support Costs, sponsored award financial administration, cost allowability, documentation, and internal controls, including the following:

a. 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

b. 2 CFR § 200.1, Definitions.

c. 2 CFR § 200.302, Financial Management.

d. 2 CFR § 200.303, Internal Controls.

e. 2 CFR § 200.308, Revision of Budget and Program Plans.

f. 2 CFR § 200.334, Record Retention Requirements.

g. 2 CFR § 200.403, Factors Affecting Allowability of Costs.

h. 2 CFR § 200.404, Reasonable Costs.

i. 2 CFR § 200.405, Allocable Costs.

j. 2 CFR § 200.414, Indirect Costs.

k. 2 CFR § 200.456, Participant Support Costs.

l. Applicable sponsor terms and conditions.

m. University policies and procedures governing sponsored awards, grants accounting, cost transfers, records retention, and financial management.

n. Applicable grant, contract, cooperative agreement, or award documents.

6.0 HISTORY

Policy 5.11.15	Participant Support Costs	July 2015