



## OFFICE OF SPONSORED PROGRAMS

# TREATMENT OF COSTS ON SPONSORED AGREEMENTS

*Effective: December 19, 2017*

### GENERAL STATEMENT

This guideline provides written standards for the treatment of costs for sponsored research agreements awarded to Prairie View A&M University (PVAMU) that are administered by the Office of Sponsored Programs and or the Vice-President for Research, Innovation and Sponsored Programs, in conjunction with the Texas A&M University System Regulation [15.01.01 Sponsored Agreements – Research and Other](#).

### DEFINITIONS

**Sponsored Agreements:** Contracts, grants and other agreements, which establish requirements for accepting funds in support of a specific project or program. Entering into a sponsored agreement creates a contractual obligation to fulfill requirements and comply with terms and conditions.

**Facilities and Administrative (F&A) Costs or Indirect Costs:** F&A cost rates are negotiated with the federal government and are applied to sponsored project direct expenditures to compensate an institution for indirect or overhead costs, such as the use of its facilities and administrative services provided on projects. These costs are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other instructional activity. Examples of F&A costs are general administrative expenses, departmental administration, sponsored projects administration, equipment and building use allowances, and physical plant operation and maintenance. Indirect (F&A) costs are described in the Office of Management and Budget (OMB) Circular A-21, Section E and OMB Uniform Guidance, Section 200.412.

**Direct Costs:** Direct cost are costs that can be identified specifically with a particular sponsored project, or that can be directly assigned to such activity relatively easily with a high degree of accuracy. Examples of costs charged directly to a sponsored agreement are the compensation of employees for performance of work on the project, the costs of materials expended on the project, and other items of expense incurred for the project. Direct costs are described in OMB A-21, Section D, and OMB Uniform Guidance, Sections 200.420 – 200.475.

### GUIDELINE

Federally sponsored agreements issued before December 26, 2014, are subject to the following:

- [2 CFR 220](#), [OMB Circular A-21](#) (*Cost Principles for Educational Institutions*)
- [2 CFR 215](#), [OMB Circular A-110](#) (*Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*)
- [OMB Circular A-133](#) (*Audits of States, Local Governments and Non-Profit Organizations*)

Federally sponsored agreements issued on or after December 26, 2014, are subject to the following:

- [OMB Uniform Guidance 2 CFR 200](#) (*Grants and Agreements*)

A federal sponsor may require the adoption of Uniform Guidance on awards made before December 26, 2014, in which case Uniform Guidance will be applied.

Sponsored agreements with industry, state, foreign entities, etc., will be conducted in compliance with the terms and conditions of the written agreement. However, costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect. Where an institution treats a particular type of cost as a direct cost on sponsored agreements, all costs incurred for the same purpose in like circumstances shall be treated as a direct cost for all activities of the institution. Charges to a sponsored project should support the project's purpose and activity and represent those cost necessary to meet the project's scientific and technical requirements. Such charges cannot be assigned arbitrarily or for simplified budget management that is unrelated to the sponsored agreement's purpose.

### TREATMENT OF COSTS

Allowable direct costs for sponsored agreements are subject to general tests of allowability. General tests include reasonableness, allocability, consistency, conformity, and timeliness.

#### Consistent treatment of direct costs:

Direct costs are those costs which can be specifically identified or assigned to a particular sponsored agreement or activity with a high degree of accuracy. For the consistent application of the treatment of costs, sponsored agreements are administered in accordance with OMB A-21, Section D, and OMB Uniform Guidance, Sections 200.420 – 200.475.

Direct costs are separately identified in the Financial Accounting Management System (FAMIS) by object codes which are listed on the Texas A&M University System Account Controls and Object Codes table found at <https://apps7.system.tamus.edu/objcodes/>.

#### Consistent treatment of facilities and administrative costs (F&A):

Indirect costs or F&A costs are costs that are incurred for common or joint objectives. These costs cannot be identified readily or specifically with a particular sponsored agreement. For the consistent application of treatment of F&A costs, sponsored agreements are administered in accordance with OMB A-21, Section E and OMB Uniform Guidance, Section 200.414.

The state legislature intends that all state agencies and institutions establish guidelines to recover all F&A costs based on rates negotiated with the cognizant federal agency. Any exceptions, unless mandated in a federal or state solicitation, to the use of the negotiated rate will require a waiver approved by the Senior Vice-President of Business Affairs. PVAMU's F&A rates through 8/31/2020 can be found [here](#).

### Consistent treatment of unallowable costs:

Unallowable costs for sponsored agreements are identified in accordance with OMB A-21, Section E, and OMB Uniform Guidance, Section 200.403 – 200.411.

Sponsored agreements are also subject to any other restrictions or limitations further imposed by a sponsor and defined within the approved agreement. In the absence of reference to specific rules or regulatory guidelines for application to an individual agreement, federal guidelines will be administered. Any exceptions to general policy will be considered on a project-by-project basis, with written approval by the sponsor.

Based on PVAMU's federally negotiated F&A costs rate agreement, F&A costs will be applied to all sponsored awards. The rate applied will be based on the categories listed below.

On-Campus: On campus locations include: 1) space in buildings owned by PVAMU and 2) space in buildings leased by some entity of the Texas A&M University System to conduct research and other activities on PVAMU's campus. Rent may not be charged to projects applying the On-Campus rate.

Off-Campus: Off-campus locations include space that PVAMU does not own and meets one or more of the following criteria: 1) the space is remote from any PVAMU campuses; or 2) no PVAMU entity bears a lease cost for occupying the space. Factors indicating that space is remote include significant physical distance from any PVAMU campuses, and use of separate (non-PVAMU) services such as mail, telephone, network and other support services. An off-campus rate should be charged if direct rent charge is applicable, and should be included in the proposal budget and charged to benefit the sponsored project.

Instruction: Instruction (2 CFR Part 220, Appendix II, Section 1.a.) includes the teaching and training activities of an institution offered on a credit or noncredit basis, and offered through regular academic departments or separate divisions such as a summer school division or an extension division. Sponsored instruction and training (2 CFR Part 220, Appendix III, Section 1.1) includes specific instructional or training activities established by grant, contract, or cooperative agreement. Instruction does not include the training of individuals in research techniques (commonly referred to as research training) as described below in 2 CFR Part 220, Appendix III, Section 1.b.1, sponsored research.

Organized Research: Organized research (2 CFR Part 220, Appendix III, Section 1.b) means all research and development activities of an institution that are separately budgeted and accounted for in the University's financial system. It includes the following: 1) Sponsored research (Section 1.b.1) means all research and development activities that are sponsored by federal and non-federal agencies and organizations. The term includes activities involving the training of individuals in research techniques (commonly called research training) where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function. 2) University research (Section 1.b.2) means all research and development activities that are separately budgeted and accounted for by the institution under an internal application of institutional funds.

Other Sponsored Activities: Other sponsored activities (2 CFR Part 220, Appendix III, Section 1.c) means programs and projects financed by federal and non-federal agencies and organized research. Examples are health service projects and community service programs when these activities are undertaken with outside support.