



Standard Administrative Procedure (SAP)

15.01.01.L1.04 Determination of Allowability and Documentation of Costs on Sponsored Agreements

First Approved: February 25, 2014
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Procedure Statement and Reason for Procedure

Sponsored agreements are contracts 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. In accepting sponsored agreements, Texas A&M International University (TAMIU) agrees to administer agreements in compliance with fiscal guidelines provided by federal, state, and other public and private sponsors, as well as the Texas A&M University System (System) policies and regulations and TAMIU rules. Funds received from a sponsor for a particular activity are restricted to that purpose.

This SAP establishes procedures for the determination of allowability and documentation of costs on sponsored agreements.

Procedures and Responsibilities

1. GENERAL

The allowability of costs on sponsored agreements funded by federal agencies is governed by the cost accounting principles prescribed in OMB Uniform Guidance Title 2 CFR, Part 200, Subpart E - Cost Principles. These principles require that the same types of costs, incurred for the same purpose in like circumstances, be treated the same. All costs charged to federally-sponsored projects (including federal pass-through projects) must be given consistent treatment through the application of the referenced accounting principles.

2. PRINCIPLES FOR ALLOWABILITY AND DOCUMENTATION OF COSTS

- 2.1 Allowable, direct costs for sponsored agreements are subject to general tests of allowability. General tests include reasonableness, allocability, consistency, conformity, and timeliness.
- 2.1.1 **Reasonable:** A cost may be considered reasonable if the nature of the goods or services acquired or applied and the amounts involved reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made.
- 2.1.2 **Allocable:** A cost is allocable to a sponsored agreement if (1) it is incurred solely to advance the work under the sponsored agreement; (2) it benefits both the sponsored agreement and other work of the institution in proportions that can be approximated through the use of reasonable methods; or (3) is necessary and assignable.
- 2.1.3 **Consistency:** A cost must be given consistent treatment through application of generally-accepted accounting principles appropriate to the circumstances. Consistency in this context means that costs incurred for the same purpose, in like circumstances, must be treated uniformly as either direct costs or as indirect costs.
- 2.1.4 **Conformity:** All costs must conform to any limitations or exclusions set forth in these principles and in the sponsored agreement as to types and amounts of cost items.
- 2.1.5 **Timeliness:** Costs must be incurred or obligated within the project period specified by the sponsored agreement.
- 2.2 Sponsored agreements that are not funded with federal funds must comply with the terms and conditions stated by the sponsor in the award document. Sponsored agreements are subject to any other restrictions or limitations further imposed by a sponsor or defined within the approved budget. 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 and only with written approval of the sponsor.
- 2.3 All costs charged to sponsored agreements must be adequately documented and maintained by the Principal Investigator/Project Director (PI/PD) and each respective office (e.g., Business Office, Budget, Payroll and Fiscal Analysis, Human Resources, etc.) The documentation maintained for costs such as payroll (salaries/wages/fringe benefits), travel, supplies, consultants, scholarships, and equipment should be appropriate to the specific type of expense involved (e.g., payroll vouchers, airline and hotel receipts, invoices, consultant contracts, scholarship disbursement forms, etc.)
- 2.4 The provost and vice president for academic affairs has designated the overall responsibility for the preparation of budgets on all externally-funded sponsored agreement applications to the Office of Research and Sponsored Projects (ORSP) except as provided in 2.4.1

- 2.4.1 In the case of applications submitted to a private source that are not research related, the Office of Institutional Advancement is authorized to prepare, review, and submit the applications.
- 2.4.2 Prior to submitting an application and budget for an agreement to an external sponsor, the ORSP or Office of Institutional Advancement will send the budget to the Office of Grants and Contracts (OGAC) for review and approval. The proposed budget must be received at least five business days prior to the submission of the application. [See TAMIU SAP 15.01.01.L1.02, Preparation, Approval and Submission of Proposals for Sponsored Agreements](#) for a full description of the submission process.
- 2.4.3 Following the acceptance of the award, OGAC be responsible for ensuring the allowability of expenses; monitoring and reporting to each PI/PD the detailed activity and summary of expenditures; providing the PI/PD a comparison between the amount of the current budget year that has expired versus the current year's actual expenditures/available balance; completing the indirect cost set-up as per the approved budget; reviewing and reporting cost sharing; and maintaining documentation in accordance with the requirements of each sponsored project.

Related Statutes, Policies, Regulations, or Rules

[OMB Uniform Guidance Title 2 CFR, Part 200, Subpart E – Cost Principles System Regulation 15.01.01, Sponsored Agreements – Research and Other](#)

Definitions

Federal Pass-Through – Funds provided by a non-federal sponsor using funds provided by a federal agency (e.g., a sub-award from a university using National Science Foundation funds).

Contact Office

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