15.01.01.C0.02 Administration of Sponsored Agreements

Revised: January 11, 2021
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Revision History

Procedure Summary

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 the requirements and comply with the terms and conditions. The purpose of this procedure is to define sponsored activities and establish roles and responsibilities applicable to sponsored agreements performed by employees of Texas A&M University-Corpus Christi (TAMU-CC). In addition, this procedure provides administrative and fiscal guidance on requirements related to the administration of sponsored agreements.

Definitions

Research refers to scholarly or scientific investigation or inquiry.

Scholarship is defined in university procedure *12.01.99.C0.04, Descriptions of Teaching, Librarianship, Scholarship and Creative Activity, and Service*.

Sponsored agreements, as explained in system regulation *15.01.01, Sponsored Agreements – Research and Other*, are projects and activities that are supported (in whole or part) with funds, materials, or other resources provided by sources outside the Texas A&M University System. Sponsored agreements are included in the major functions of an institution in a variety of ways. Examples include sponsored instructional and training activities; research activities; other sponsored activities, such as public health projects and community service projects; and other institutional activities, such as the operation of various auxiliary enterprises. Additional details are provided in system regulation *15.01.01, Sponsored Agreements – Research and Other*.

Major types of sponsored agreements include contracts, grants, and cooperative agreements.

(a) Contract – an award by a sponsor to procure goods or services (including research) needed by the sponsor. System regulation *15.01.01, Sponsored Agreements – Research and Other* describes various types of contracts.

(b) Grant – an award of financial assistance to accomplish a public purpose. Grants may be in the form of cash or property. The cash or property is designated by the grantor to be used for a specific educational, research, or extension project or activity, thus serving a specific interest or objective of the grantor. System regulation *15.01.01, Sponsored Agreements – Research and Other* describes various types of grants.

(c) Cooperative Agreement – an award of financial assistance, similar to a grant, except that "substantial involvement" is anticipated between the awarding agency and the recipient during performance of the project or activity. "Substantial involvement" means that the recipient can expect programmatic collaboration or participation from the awarding party in the management of the award. Cooperative agreements awarded by federal agencies are usually subject to the same administrative requirements as grants.

Cost sharing or matching occurs when the project costs are not borne by the sponsor. Cost sharing funds may come from an outside source in the form of cash contributions, volunteer services, or donated property; from the entity's own funds; or from shared resources or facilities. If the award is federal, only acceptable non-federal costs qualify as cost sharing.

Direct costs are those costs that can be identified specifically in a particular sponsored project or that can be directly assigned to such activity relatively easily with a high degree of accuracy.

Designated individual refers to the supervisor or other designee (e.g., Principal Investigators) who is deemed to have knowledge of the work performed by the individual on a sponsored project or projects.

Effort is the amount of time spent on any activity expressed as a percentage of total institutional activities for which an individual is compensated by the university.

Effort certification, as explained in system regulation *15.01.04, Time and Effort Reporting*, is a method of confirming that the effort supported or paid by the funding source has been performed, and that the effort expended in support of a sponsored agreement (but not paid by the funding source) has been performed.

Individual, as it relates to time and effort, is anyone who is compensated for effort and/or committed effort in a sponsored agreement.

Institutional Base Salary or IBS is the total guaranteed annual compensation an individual receives from the university whether the individual's time is spent on research, teaching, or other activities.

Third-party cost sharing is when a third party (not the university receiving the sponsored

agreement) who contributes or donates cash or services (i.e., material/personnel/equipment) or other allowable items to the project. Third party cost sharing offered voluntarily in a proposal becomes a commitment under the terms of the award and represents a binding obligation for the university.

Procedure

1. GENERAL

1.1. In accepting sponsored agreements, the university agrees to administer agreements in full compliance with federal and state law, other public and private sponsors' requirements, and other regulations associated with performing sponsored activities. Funds received by a sponsor for a particular activity are restricted to that purpose. Many university offices share responsibilities for the effective administration of sponsored agreements in regard to the oversight of funds, personnel, and facilities involved in a sponsored activity. Funds received as gifts with a research scope of work will be handled on a case-by-case basis in consultation with Institutional Advancement and Office of Sponsored Research Administration.

1.2. Federally sponsored agreements issued prior to December 26, 2014 are subject to 2 CFR 220, Office of Management and Budgets (OMB) Circulars A-21 (Cost Principles for Educational Institutions), 2 CFR 215, A-110 (Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals and Other Non-Profit Organizations) and A-133 (Audits of States, Local Governments, and Non-Profit Organizations). Federally sponsored agreements issued December 26, 2014 and later are subject to OMB Uniform Guidance 2 CFR 200 (Grants and Agreements). A federal sponsor may require adoption of Uniform Guidance of awards made prior to December 26, 2014, in which case Uniform Guidance will be applied.

1.3. Sponsored agreements with industry, state, foreign entities, etc. will be conducted in compliance with the terms and conditions of the written agreement.

1.4. The primary purpose of sponsored agreements managed by TAMU-CC is to further the instructional, research, and public service objectives of the university in a manner consistent with its status as an agency of the State of Texas.

1.5. In accepting sponsored agreements, the university is obligated to fulfill the purposes of the agreement or to meet the requirements of a contract. The funds or other resources may not be directed to other uses.

1.6. The university is entrusted with the use of federal, state, and other public funds, private funds, facilities, and property. Funds, personnel, or facilities cannot be diverted to serve the specific interests of a private firm or individual (refer to system policy *07.01, Ethics*). Each faculty member participating in a sponsored project is responsible for ensuring that all activities are in compliance with all applicable requirements.

1.7. TAMU-CC will comply with system regulation *15.01.01, Administration of Sponsored Agreements – Research and Other* in administering sponsored agreements.

1.8. Individuals engaged in externally funded grants and contracts must comply with all relevant federal and state laws regarding sponsored research. They must also follow system policies and regulations on research and related topics, the procedures of the Texas A&M Research Foundation, when applicable, and relevant system policies and regulations and university rules and procedures. This list may not be exhaustive.

2. ADMINISTRATION AND OVERSIGHT

2.1. The President has primary responsibility for all sponsored programs under the university's jurisdiction.

2.2. The President has designated the primary responsibility for the initiation, content, scope, quality, facilities, funding, and conduct of university sponsored programs to the Executive Vice President for Research and Innovation.

2.3. The university's Office of Sponsored Research Administration, an office within the Division of Research and Innovation, administers a variety of sponsored programs on behalf of the university.

2.4. The Texas A&M System Sponsored Research Services, a consortium of The Texas A&M University System members, provides support services to the university's Office of Sponsored Research Administration. The scope of services includes the preparation, processing, and submission of proposals for sponsored projects with federal, state, and private entities in whole or in part through the use of the university's Office of Sponsored Research Administration.

2.5. The university is legally responsible and accountable to sponsors for the performance of sponsored activities and the proper use of funds. Principal Investigators are delegated the responsibility for managing the budget and conduct of the sponsored project and are expected to comply with the terms of agreements, funding agency guidelines, and other related system policies

and regulations and university rules and procedures.

3. ALLOWABILITY AND DOCUMENTATION OF COSTS ON SPONSORED AGREEMENTS

3.1. The allowability of costs on sponsored agreements funded by federal agencies awarded prior to December 26, 2014, is governed by the cost accounting principles prescribed by OMB Circular A-21, Cost Principles for Educational Institutions. 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. Federal pass-through means the funds provided by a non-federal sponsor using funds provided by a federal agency (i.e., a sub award from a university using National Science Foundation funds). 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.

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

3.2.1. Reasonableness. 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.

3.2.2. Allocability. 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.

3.2.3. 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.

3.2.4. Conformity. All costs must conform to any limitations or exclusions set forth in these principles and in the sponsored agreement as to types of amounts of cost items.

3.2.5. Timeliness. Costs must be incurred or obligated within the project period specified by the sponsored agreement.

3.3. Unallowable costs must be separately identified in the accounting system by charging these costs to specific expense object codes. The costs recorded in these expense object codes are excluded from the direct charges to federally sponsored agreements and Facilities and Administrative (F&A) cost pools. OMB Circular A-21, Section J, General Provisions for Selected Items of Cost, and OMB Uniform Guidance, Subpart E, Sections 200.420-200.475, provide principles to be applied in establishing the allowability of certain items.

4. COST SHARING

4.1. Cost sharing is the portion of the total project costs of any sponsored agreement that is not provided by the sponsor (i.e., not charged to the sponsored agreement account).

4.2. As a recipient of federal and other externally funded sponsored agreements, the university is required to propose, account for, and report cost sharing in a consistent manner and in accordance with external sponsor regulations or requirements.

4.3. Cost sharing occurs whenever the university is required or has volunteered to participate in either direct or F&A costs of a sponsored agreement. Types of voluntary and mandatory cost sharing are listed below.

4.3.1. Mandatory Committed Cost Sharing is a cost contribution explicitly required by the sponsor's policies and incorporated into the proposal as a condition of the sponsored agreement. These costs must be captured in the payroll and accounting records of the university.

4.3.2. Voluntary Committed Cost Sharing is a cost contribution not required by the sponsor but voluntarily offered and quantified in the proposal as a condition of the sponsored agreement. Voluntary committed cost sharing may be approved by the university's Office of Sponsored Research Administration to enhance the competitive nature of the sponsored agreement, as allowed by the sponsor. These costs must be captured in the payroll and accounting records of the member.

4.3.2.1. Voluntary committed cost sharing is strongly discouraged on all proposal**s**. It is the responsibility of the university to keep voluntary cost sharing to a minimum; to ensure that cost sharing is documented and readily identifiable in the accounting system; to set guidelines for when prior approval must be given for cost sharing; and to set guidelines for

determining when a cost sharing obligation has occurred so that it will be properly documented.

4.3.3. Voluntary Uncommitted Cost Sharing is the faculty effort or other direct costs above the agreed-upon commitment of the sponsored agreement. Since such effort or other direct costs were not proposed and constitute "additional" time or materials, such effort or other direct costs are not considered part of a binding agreement and are not required to be tracked or reported as cost sharing.

4.4. To qualify as cost sharing, costs must be all of the following:

(a) Verifiable through effort reports or other appropriate documentation and identified in the sponsored agreement;

(b) Not included as contributions for any other sponsored agreement, whether by that same sponsor or other sponsor, unless specifically approved by the sponsor;

(c) Necessary and reasonable for the accomplishment of project or program objectives;

(d) Allowable under 2 CFR Part 200.306, cost sharing or matching;

(e) Not paid by the federal government under another federal-sponsored agreement except where the federal statute authorizing a program specifically provides that federal funds made available for such a program can be applied to matching or cost-sharing requirements of other federal programs; and

(f) Provided for in the approved budget when required by the federal awarding agency.

4.5. Costs treated as direct costs on sponsored agreements may be used to meet a cost sharing obligation. Individual costs included in F&A costs may not be used to meet a cost-sharing obligation (refer to item (b) for cost sharing through reductions in F&A rates). The following is a partial list of allowable forms of cost sharing:

(a) Direct expenses

a. Effort of the principal investigator and/or employees committed to sponsored agreements, including their associated benefits costs

b. Tuition, fees, and stipends related to work performed by

graduate students on sponsored agreements

c. Cost of equipment purchases when the purchase of equipment is necessary for, and dedicated to, the successful completion of the project

d. Existing equipment made available for, but not dedicated to, the performance of sponsored agreements is not considered cost sharing

e. Laboratory supplies

f. Travel

g. Service facilities (set up as service account fee centers)

(b) F&A cost share

a. Cost sharing expenditures are also used in calculating F&A cost rates. Excessive or unnecessary cost sharing can have the effect of reducing the F&A cost rate.

b. Waived or reduced F&A cost is the difference between the applicable negotiated F&A cost rate and the amount of F&A costs awarded by the sponsor. This amount may be used as cost sharing if approved by the sponsor.

c. When the direct expenses are cost-shared, the associated F&A rate is automatically cost-shared.

4.6. Examples of expenditures which may not be used as cost sharing

(a) Expenditures normally treated as F&A, such as administrative salaries and office supplies

(b) Unallowable costs, such as alcoholic beverages, entertainment, etc.

(c) Expenditures paid by the federal government under another federal-sponsored agreement, except where the federal status authorizing a program specifically provides that federal funds made available for such a program can be applied to matching or cost sharing requirements of other federal programs

4.7. Accounting for Cost Sharing

All types of cost sharing (voluntary committed, mandatory, in-kind academic

cost sharing, and cash match) must be documented and identified in the university's accounting system with the exception being waived F&A rates discussed in section 4.5 (b) of this procedure. These waived rates should not be documented in the university's accounting system and can be easily calculated from the appropriate cost base when cost sharing is reported to the sponsor. If cost sharing is required or intended, it should be identified and quantified in the proposed budget submitted to the sponsor. If cost sharing is accepted by the sponsor as a condition of the sponsored agreement, accurate records must be maintained to verify that these funds have been provided through the use of university resources.

Cost sharing, whether voluntary or mandatory, will be accounted for by separate accounts. Cost-shared resources are mutually exclusive. That is, in no instance may the same dollars be used as cost share for more than one sponsored agreement. The costs charged to those accounts will be documented in the same way as costs charged to sponsored agreements. For example, if the cost sharing is in the form of a salary contribution, the contribution will be documented by the time and effort certification system. If the contribution is in the form of travel costs, the costs will be documented in the same form as costs to travel (i.e., airline and hotel receipts).

4.8. Third-Party Support

Values from a third-party entity contribution of services and property may be counted as cost sharing if the service or property is an integral and necessary part of an approved project or program, and otherwise complies with the requirements of this procedure. For the accounting of values related to third-party services and property, see Uniform Guidance (2 CFR Part 200.306).

5. COMPENSATION OF FACULTY AND STAFF

5.1. Compensation of faculty and staff members who participate in sponsored research and other sponsored agreements is governed by system policy *31.01, Compensation*.

5.2. As stated in system regulation *31.01.01, Compensation Administration*, the base salary of a full-time employee shall not be increased by virtue of funding from a grant or contract. In such cases, the salary will be funded in accordance with the portion of time spent on assigned duties.

5.3. Summer salary for faculty on 9-month appointment can be paid from sponsored agreement funds.

5.3.1. As a recipient of federal funds, the university is subject to financial accounting and reporting obligations designed to ensure that the

charges to its federally sponsored projects are allowable and properly allocable to those projects.

5.3.2. The principal investigator or key personnel and the appropriate payroll administrator are responsible for making a good faith effort to charge sponsored agreements based on the actual work performed as a percentage of total time.

5.3.3. Proper budgeting of a faculty 9-month salary requires that salary funded from sponsored agreements be spread out over term in which the work was performed up to a 12-month academic year. During the academic year, the salary of a faculty member with up to three (3) months of effort from sponsored agreements qualify the faculty member to allocate the unspent portion of their university salary into a Salary Reserve Holding account.

5.3.4. During the summer months the salary of a faculty member working on sponsored agreements will be allocated according to the amount of effort dedicated to the agreement(s) in addition to teaching, and scholarship/creative activity, and service not to exceed a 100% of the IBS.

5.4. Time and Effort

As a recipient of federal funds, the university is subject to financial accounting and reporting obligations designed to ensure that charges to federal sponsored agreements for salaries and wages are based on records that accurately reflect the work performed.

As stated in system regulation *15.01.04, Time and Effort Reporting*, the OMB Uniform Guidance contains the federal regulatory requirements for internal controls related to certifying time expended on sponsored agreements. The system practice is to utilize an after-fact effort reporting system to certify that salaries charged, or cost shared, to sponsored agreements are reasonable and accurately reflect the work performed.

5.4.1. Payroll distribution is the allocation of an individual's salary to an account(s) based on budget estimates (determined before the services are performed). Effort reporting certifies 100% of an individual's actual time or effort (including cost sharing and/or matching) after the services are performed.

5.4.2. Effort reports are required for individuals whose salary or any portion of their salary is charged directly or cost-shared including matching funds to a federal, federal flow-through, or other sponsored agreement

that requires effort reporting. This is a mandatory federal requirement. Non-federal sponsors may require effort reporting on other sponsored agreements. Once it is determined if effort reporting is required, effort reporting for all sponsored agreements will be verified in the same manner for consistency. For graduate students and non-exempt staff working on sponsored agreements, the allocation of time to sponsored agreements is often determined by the principal investigator and/or the director of the research center.

5.4.3. Total effort must equate to 100% of compensated activities. Federal regulations applicable to sponsored agreements recognize that teaching, research, service, and administration are often inextricably intermingled in an academic setting. In order for the distribution of effort to represent a reasonable estimate of the work performed by faculty and other personnel, a reasonable variance of 10% is the maximum allowed between the actual time spent and what is reported.

5.4.4. A principal investigator, key personnel, or designated individual supervising employees working on a sponsored agreement certifies the effort reported. Employees are required to assist in the certification process by confirming that the allocation of 100% of time worked for the period is accurate.

5.4.5. IBS is used to compute salaries charged to sponsored agreements. Federal regulations define IBS as the annual compensation paid by an institution of higher education for an individual's appointment, whether that individual's time is spent on research, instruction, administration, or other activities. IBS excludes any income that an individual earns outside of duties performed for the institution of higher education. Unless there is prior approval by the federal agency awarding the sponsored agreement, charges of a faculty member's salary to a federal sponsored agreement must not exceed the proportionate share of the IBS for the period during which the faculty member worked on the sponsored agreement.

5.4.6. Time and effort certifications are processed on an after-the-fact basis semi-annually. Federal regulations require an after-the-fact review of interim charges made to federal sponsored agreements which were based on budget estimates. Budget estimates alone do not qualify as adequate support for charges to federal sponsored agreement.

5.4.7. Once certification reports are available through the time and effort system, the individuals have a maximum of 45 days to submit their certifications in the system. Certification reports shall include the

payroll corrections recorded during the reporting period. The effort reporting certification may require payroll corrections to be recorded in the reporting period.

5.4.8. A designated individual may certify a time and effort report on behalf of an employee as defined by university guidelines.

Related Statutes, Policies, or Requirements

System Policy *07.01, Ethics*
System Policy *15.01, Research Agreements*
System Regulation *15.01.01, Sponsored Programs – Research and Other*
System Regulation *15.01.02, Federal Procurement Integrity Act*
System Regulation *15.01.03, Financial Conflicts of Interest in Sponsored Research*
System Regulation *15.01.04, Time and Effort Reporting*
System Regulation *15.01.05, Cost Sharing on Sponsored Agreements*
System Regulation *15.05.01, Classified Information Management*
System Regulation *15.99.03, Ethics in Research, Scholarship and Creative Work*
System Policy *17.01, Intellectual Property Management and Commercialization*
System Policy *25.07, Contract Administration*
System Regulation *25.07.01, Contract Administration, Delegations, and Reporting*
System Policy *31.01, Compensation*
System Regulation *31.01.01, Compensation Administration*
System Policy *31.05, External Employment and Expert Witness*
System Regulation *31.05.01, Faculty Consulting and External Professional Employment*
System Regulation *31.05.02, External Employment*
System Regulation *33.04.01, Use of System Resources for External Employment*
System Regulation *33.99.07, Internal Faculty Consulting and Professional Services*
University Procedure *12.01.99.C0.04, Descriptions of Teaching, Librarianship, Scholarship and Creative Activity, and Service*
University Rule *12.03.99.C1, Faculty Workload*
University Procedure *12.03.99.C1.01, Assignment of Faculty Workload Credit*
University Procedure *15.01.01.C0.01, Administration of Research Enhancement Program*
University Rule *15.99.01.C1, Use of Human Subjects in Research*
University Rule *15.99.03.C1, Ethics in Research, Scholarship, and Creative Activity*
University Rule *15.99.07.C1, Use of Vertebrate Animals in Research, Teaching, and Testing*

This procedure supersedes:

- *15.01.01.C1, Externally Funded Grants and Contracts*

Contact Office

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