Policy

University Policy SR-06.01-10/17

Policy Title: Facilities and Administrative Costs (F&A) on Sponsored Programs

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Responsible Office: Office of Research and Sponsored Programs

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1. Applicability.

This policy is applicable to all members of the university community, including all students, faculty, and staff , seeking Principal Investigator or Co-Principal Investigator status on any sponsored project.

2. Definitions.

(A) Principal Investigator. A "Principal Investigator" is an individual who has primary responsibility for, and is in charge of, an externally funded sponsored project.

(B) Facilities and Administrative Costs ("F&A"). F&A are costs that are incurred for common or joint objectives and therefore, cannot be readily and specifically identified with a particular sponsored project, and instructional activity or any other institutional activity. Illustrative types of F&A costs are general departmental, college, and university administration and maintenance expenses such as administrative or clerical support, accounting, purchasing, personnel, compliance, general maintenance and repair, depreciation and use allowance costs of buildings and equipment, libraries, janitorial support, space and utilities. The F&A rate is negotiated by UWF with the U.S. Department of Health and Human Services (UWF's cognizant agency) and reflects a negotiated rate based on the reimbursement for real, audited, facilities, and administrative costs incurred by UWF in the conduct of research.

(C) Total Direct Costs ("TDC"). Total Direct Costs include all costs charged to a sponsored program account, excluding indirect costs.

(D) Modified Total Direct Costs (MTDC). Modified Total Direct Costs consist of salaries and wages,

fringe benefits, materials and supplies, services, travel, and subgrants and subcontracts up to the first $25,000 of each subgrant or subcontract (regardless of the period covered by the subgrant or subcontract). Equipment, capital expenditures, charges for patient care, tuition remission, and subcontract in excess of $25,000 shall be excluded from Modified Total Direct Costs.

(E) University Community. University community is defined as the employees, officers, students and agents of the University while they are on University property, while they are engaged in University business or while they are attending activities sponsored by the University.

3. Policy.

It is the general policy of UWF to recover **full costs** for all sponsored projects, i.e., both direct and F&A costs). These are the real costs incurred by the institution that cannot be billed to individual projects. Examples of F&A costs include, but are not limited to, utilities to heat, cool, and illuminate laboratories; library resources; central purchasing and payroll services; building maintenance; insurance; HR resources, legal review, financial management, oversight, compliance, hazardous waste and billing, etc. When UWF does not receive reimbursement for F&A costs from a sponsor, those costs do not disappear, and resources must be diverted from other UWF objectives to cover expenses.

The purpose of this policy is to set the standard F&A policy and to set forth special circumstances for a reduction in or waiver of full indirect costs on sponsored projects. As stated above, UWF's policy is to recover **FULL** F&A costs whenever possible. UWF's F&A rates are negotiated and approved by the federal government through the US Department of Health and Human Services (DHHS), UWF's cognizant federal agency.

It is important to collect full F&A costs, especially from federal government and private sponsors, to offset the real costs of conducting sponsored projects. However, UWF recognizes that some sponsors provide F&A rates that are less than UWF's full F&A rate. Sponsors that have published rates that are less than UWF's full rates are generally accepted.

When submitting a proposal from sponsors with F&A rates that are less than UWF's F&A rates, a copy of the sponsor's F&A policy must be attached with the sponsored research proposal.

4. Background.

The practice of providing F &A cost returns to recipients of research, training, and demonstration grants originated with the United States government. Government officials recognized that it is not possible for prospective grantees to accurately proportion the organization's overhead costs among its various, and often numerous, activities and funded projects. F&A costs are those costs incurred by an organization which are not readily identifiable with a specific project, program, or activity, but which are necessary to the general operation of the organization.

In recognition that such F&A costs are real costs of doing business, the process of negotiating indirect cost rates was developed as a means to provide reimbursement to grantees for these supportive services. Grantee organizational expenditures are grouped into facilities and administrative cost pools and then distributed to appropriate organizational activities in a cost allocation process. This information is presented by the grantee organization to one of several agencies empowered to negotiate a federal F&A cost rate. UWF's F&A rate is negotiated and established every two to three years with DHHS.

The grantee's fiscal information is analyzed by federal officials to determine the allowable F&A rates,

which are expressed as percentages. They are typically applied to either the Modified Total Direct Costs (MTDC) base, which excludes certain expenditure categories such as certain subcontract expenses and capital outlay or to "Salaries and Wages" base. The base upon which the rate is applied is determined during the rate negotiation with the cognizant federal agency. UWF's rate is based upon MTDC.

Application of the F & A cost rate determines the amount of reimbursement above the direct costs of the project that the grantee can request from the funding agency. The F &A cost rate is renegotiated periodically to allow for inflation, changes in the operations of the grantee organization, and/or changes in the level of sponsored activity.

Although a grantee organization may negotiate an F&A rate, it is not guaranteed that rate on every project. The rate is negotiated at the federal level, but not all federal agencies reimburse the full amount for all funded projects. Further, policies on F &A costs vary widely among state, regional, and local governmental agencies and public and private not-for-profit organizations. Often, both large and small private and corporate foundations will not reimburse F &A costs. They may, however, pay an "administration fee" to offset some of the overhead costs of the recipient institution. However, industry sponsors who are expected to benefit financially from sponsored research should be willing to pay the institution's full F &A cost rate.

5. Criteria for Indirect Cost Reduction or Waiver.

UWF may consider a reduction in or waiver of F &A costs when the sponsor's policies restrict or prohibit payment of full F & A costs. A copy of the current written policy of the sponsor must be submitted with the sponsored research proposal.

6. Procedure for Requesting Indirect Cost Reduction or Waiver.

The Office of Research and Sponsored Programs ("RSP") and the Vice President of Research are responsible for approving F&A waivers as outlined above. **Principal Investigators are not authorized to negotiate a reduction or waiver of F & A costs with the sponsor without prior approval of RSP.** Should need for negotiation be anticipated, the investigator should contact RSP well in advance of budget development and proposal submission.

7. Facilities and Administrative Costs Procedures Manual.

Facilities and Administrative Costs manual on procedures and guidelines for F & A costs and waivers shall be created by RSP, approved by the Vice President of Research and Strategic Innovation, and reviewed annually.

History: This is a new policy.

APPROVED: Martha Saunders **Date:** 10.13.17

Dr. Martha D. Saunders, President