

<b>SUBJECT:</b> Facilities and Administrative Costs (F&A) on Sponsored Projects	<b>Effective Date:</b> 07-01-2018	<b>Policy Number:</b> 10.2.5	
	<b>Supersedes:</b> 01-14-13 01-19-12 06-01-11	<b>Page</b> <b>1</b>	<b>Of</b> <b>4</b>
	<b>Responsible Authorities:</b> Vice President for Research Assistant Vice President for Research, Office of Sponsored Programs		

**I. BACKGROUND**

The practice of providing F&A returns to recipients of research, training, and other sponsored activities originated with the United States government. Government officials recognized that it is not possible for prospective grantees to accurately proportion the organization's F&A costs among its various, and often numerous, activities and funded projects.

F&A costs are those costs incurred by an organization for common or joint objectives which cannot be readily identified with a specific project, program, or activity, but which are necessary to the general operation of the organization. Examples of F&A costs include, but are not limited to, utilities to heat, cool and illuminate laboratories, library resources, central purchasing, payroll, and accounts payable services, research services such as pre-award, post-award and compliance services, building maintenance, insurance, etc.

When Florida Atlantic University (FAU) does not receive reimbursement for F&A costs from a sponsor, those costs must be paid by another source and funds must be diverted from other FAU objectives to cover these expenses.

In recognition that such F&A costs are real costs of doing business, the process of negotiating F&A rates was developed as a means to provide reimbursement to grantees for these supportive services. Grantee organizational expenditures are grouped into F&A 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 rate.

FAU's F&A Rate Agreement, which includes the F&A rate is negotiated and established with FAU's cognizant agency, the Department of Health and Human Services (DHHS). The F&A rate is renegotiated to allow for inflation, changes in the operations of the grantee organization, and/or changes in the level of sponsored activity.

FAU's federally approved F&A rate agreement, including the F&A rate is calculated on the "Modified Total Direct Costs" (MTDC) base, which excludes certain expenditure categories such as equipment, capital expenditures, charges for patient care, tuition, scholarships and fellowships, participant support costs and a portion of each subaward in excess of \$25,000 or to "Salaries and Wages" base. The base upon which the F&A rate is applied is determined during the F&A rate negotiation with the cognizant federal agency.

Federal agencies who limit the F&A rate on sponsored projects must stipulate the restriction in the request for proposal (RFP), request for application (RFA), or solicitation.

Further, policies on F&A rates vary widely among state, regional, and local governmental agencies and public and private not-for-profit organizations. Often, both large and small foundations will limit the F&A or not reimburse F&A costs. However, they may pay an "administrative fee" to offset some of the F&A costs of the recipient institution. Such "administrative fees" are to be used by the Division of Research to offset the F&A costs.

Industry sponsors (For-profit companies) who are expected to benefit financially from sponsored research should be willing to pay the institution's full F&A rate.

## **II. PURPOSE**

The purpose of this policy is to establish the formal F&A policy and to provide guidelines in determining which federally approved F&A rate should be applied to the sponsored project, i.e. Organized Research, Instruction, Other Sponsored Activities, or On or Off-Campus.

## **III. GENERAL STATEMENT**

This policy is applicable to all personnel, who are eligible to serve as a Principal Investigator, Co-Principal Investigator, or Co-Investigator on any sponsored project.

## **IV. POLICY**

FAU's policy is to recover **FULL** F&A costs for sponsored projects, whenever possible. It is important to collect full F&A costs to cover the real costs of conducting sponsored research.

FAU's federally approved F&A rate agreement includes various F&A rates to be used, depending on the activities performed. The approved rates include Organized Research, Instruction, Other Sponsored Activities, and On and Off-Campus.

**Organized Research** is research and development (R&D) activities of an institution that are separately budgeted and accounted for, including federally sponsored R&D, federally supported research training activities that occur in conjunction with, and in the same facilities as, the federally funded R&D activities, and university research and development that is supported by institutional funds.

**Instruction** is the teaching and training activities of an institution (except research training that is part of organized research activities) that are offered for credit or non-credit through any academic department or division of the institution.

**Other Sponsored Activities** involve externally funded activities other than instruction and organized research, such as health service projects and community service programs.

FAU's approved F&A rate agreement recognizes that funded Research, Instruction, and Other Sponsored Activities may occur either on-campus or off-campus and that the University's entitlement to recovery of F&A costs varies depending if the project is done on-campus or off-campus

The following definition was approved as part of FAU's F&A rate agreement to ensure accurate application of off-campus F&A rates to funded projects, including subaward made to FAU by prime recipients of grants, contracts, and cooperative agreements.

***Off-Campus** means project activities performed in facilities not owned by the institution [FAU] and to which rent is directly allocated to the project as a direct cost. A sponsored project will not be subject to more than one F&A cost rate. Therefore, if rent is allocated to the project and more than 50% of a project is performed at the off-campus facility, the off-campus rate will apply to the entire project.*

The off-campus F&A rate may be applied to a sponsored project **only when the majority of project activities (more than 50%) occur in facilities not owned by FAU and when rent for those facilities is treated as a direct cost in the project budget and reimbursed by the sponsor.**

The F&A rate agreement prohibits FAU from charging more than one F&A rate on the same award. In all cases, rental costs charged as direct costs are excluded from the base to which the F&A rate is applied.

When a project qualifies for the off-campus rate, a **Non-FAU Facility Form** which outlines the customary fees for the facility should be completed by a representative of the facility. It is expected that the facility provide and make available to FAU's investigators the facilities, space, equipment, maintenance, utilities, communications and other resources in the conduct of the sponsored project.

#### **Other F&A Rates**

FAU recognizes that some sponsors, especially non-profit organizations, may limit or prohibit F&A rates from being charged to the sponsored project.

Sponsors who have a published policy that limits F&A rates are generally accepted. Written documentation from the sponsor outlining the limited F&A rate must be included in the proposal documents and routed to the Office of Sponsored Programs for review and approval.

**The Vice President for Research and the Assistant Vice President for Research in the Office of Sponsored Programs are the only individuals authorized to negotiate a lower F&A rate.**

**V. DEFINITIONS**

**Principal Investigator.** A “principal investigator” is an individual who has primary responsibility for, and is in charge of, an externally funded sponsored project.

**Facilities and Administrative (F&A) Costs.** Also known as “indirect costs” or “overhead”, “F&A” are costs for common or joint objectives and therefore, cannot be readily and specifically identified with a particular sponsored project, instructional activity or any other institutional activity. These costs incurred by the institution cannot be directly charged 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, payroll, and accounts payable services, research services such as pre-award, post-award and compliance services, building maintenance, insurance, etc.

**Total Direct Costs (TDC).** “Total Direct Costs” include all costs charged to a sponsored program account, excluding indirect costs.

**Modified Total Direct Costs (MTDC).** “Modified Total Direct Costs” consist of salaries and wages, fringe benefits, materials and supplies, services, travel, and subawards up to the first \$25,000 of each subaward (regardless of the period covered by the subaward).

Costs excluded from the Modified Total Direct Cost calculation include: Equipment, capital expenditures, charges for patient care, tuition remission, rental costs, scholarships, fellowships, participant support costs, as well as the portion of each subaward in excess of \$25,000.

**VI. Policy Review**

The Facilities and Administrative Costs on Sponsored Projects Policy will be reviewed and updated as necessary.

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**POLICY APPROVAL**

Initiating Authority

Signature:  Date: 6/19/18

Name: Dr. Daniel Flynn, Vice President for Research