



Eastern Kentucky University

Policy and Regulation Library

Academic Regulation: 4.4.10ACR

Responsible Office(s): Office of the Provost

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Facilities and Administrative (F&A) Cost Recovery

Statement

All externally-sponsored projects are expected to recover the University's full negotiated Facilities and Administrative (F&A) cost recovery rate. If a sponsor imposes a limit on F&A cost recovery, the University may, at its discretion, accept a lesser rate if written documentation (i.e., policy statement or application guidelines) from the sponsor is provided prior to the submission of the proposal.

This Policy provides guidelines for the recovery of F&A costs on externally-sponsored projects. This Policy applies to all externally-sponsored project awards at the University.

Entities Affected

- Departments
- Colleges
- Units involved with externally-sponsored projects

Background

Also referred to as Facilities and Administrative (F&A) costs, indirect costs are expenses incurred by an organization that cannot be readily and specifically identified with a particular sponsored project, but that contribute to the ability of the University to conduct sponsored projects.

Expenses of maintaining and operating the University's sponsored project infrastructure include costs related to buildings (labs, offices, training facilities, etc.), technology infrastructure, utilities (water, electricity, heating, air conditioning, etc.), maintenance (custodial and facilities services, etc.), equipment, libraries, general administration (purchasing, accounting, payroll, human resources, legal services, etc.), departmental administration (deans offices, academic departments, etc.), and sponsored project administration. F&A costs are real costs that are incurred by the University in

administering sponsored award. Because it is not practical for a project budget to allocate funding for all such costs, the Federal government utilizes a rate model to account for these expenses and to provide a fair and consistent method through which reimbursement can be made.

The Federal government outlines specific procedures to be used in determining the rates and requires institutions to provide a proposal and financial data in accordance with these procedures. The government then uses a detailed review process to arrive at approved rates for each organization based on the institution's actual expenditures. The rates are not set by the University and cannot be amended without a new Federal rate agreement.

Criteria

F&A Recovery Requirements

All externally-sponsored projects are expected to recover the University's full negotiated Facilities and Administrative (F&A) cost recovery rate. If a sponsor imposes a limit on F&A cost recovery, the University may, at its discretion, accept a lesser rate if written documentation (i.e., policy statement or application guidelines) from the sponsor is provided prior to the submission of the proposal.

With appropriate justification and support from the department chair/director and dean/unit head, a project director may request a partial waiver of F&A costs for a proposal in a situation where doing so is clearly in the best interest of the University. If there is no limit to the amount of funds that may be requested in a sponsored project proposal, if the budgeted costs do not reach the maximum amount that may be requested, or if the maximum amount of funding that may be requested is based on direct costs only, a waiver is not appropriate, and such proposals must use the maximum allowable rate. The approval of partial waiver requests is at the discretion of the Associate Provost for Research and Economic Development.

Procedures

Inclusion of F&A in Proposal Budgets

1. Sponsored Programs shall provide project directors with access to the current federally-negotiated F&A rate agreement and assist in the calculation of F&A for proposal budgets.
2. Project directors shall include the full F&A rate on all proposals submitted unless the sponsor imposes a limit on the F&A cost recovery. If such a limit is imposed, project directors shall provide written documentation from the sponsor indicating so.
3. When a partial waiver of F&A costs is requested, project directors shall complete a Waiver Request Form and include the approved form with the internal review submission for the proposal. Project directors shall not submit proposals with voluntarily waived F&A costs unless authorized approvals have been granted in advance.

4. The Associate Provost for Research and Economic Development shall review requests for partial waivers of F&A cost recovery and shall approve such requests only when doing so is clearly in the best interests of the University.
5. Sponsored Programs shall ensure that the full F&A rate is used on all proposals unless written sponsor documentation has been provided or a waiver has been approved in advance.
6. College deans and administrative unit heads shall ensure that the full F&A rate is used on all proposals unless written sponsor documentation has been provided or a waiver has been approved in advance.

F&A Funds Draw-Down

Accounting and Financial Services shall ensure the appropriate draw-down of F&A costs on awarded projects in accordance with each award's approved budget.

Definitions

- **Facilities and Administrative (F&A) Costs:** Indirect (F&A) costs means those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived. (Uniform Guidance, §200.56)

Responsibilities

- Associate Provost for Research and Economic Development
 - Review and approve requests for waivers of F&A costs only when doing so is clearly in the best interests of the University.
- College Dean / Administrative Unit Heads
 - Ensure that the full F&A rate is used on all proposals unless written sponsor documentation has been provided or a waiver has been approved in advance
- Department Chair / Division Head
 - Review proposals for inclusion of appropriate F&A rates
- Program Directors
 - Include appropriate F&A rate in proposals

- Sponsored Programs
 - Provide project directors and others with access to current F&A rates
 - Review proposals for inclusion of full F&A rate or documentation that F&A is not permitted by sponsor
- Accounting and Financial Services
 - Ensure appropriate draw-down of F&A funds in accordance with approved budget for each award.

Violations of the Policy

Policy compliance is the joint responsibility of all involved. If non-compliance issues are identified by the Office of Research, corrective action may be necessary and shall be completed following consultation with the Principal Investigator, respective Dean, Department Chair, and/or Financial Manager. Corrective action may include, but is not limited to, movement of unallowable or inappropriate charges to departmental, college, or other university accounts, suspension of grant accounts, and/or withdrawal of a proposal or award. Any actions deemed necessary in response to policy non-compliance may be appealed to the Provost and/or Senior Vice President for Finance and Administration.

Statutory or Regulatory References

2 CFR, Part 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tp

Regulation Adoption Review and Approval

Regulation Revised		
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January 26, 2009	Board of Regents	Adopted
December 19, 2008	President Whitlock	Approved
October 6, 2008	Faculty Senate	Approved