

Guidance for Recovering Facilities and Administrative Costs for University Administered Sponsored Grants, Agreements, and Contracts

Responsible Department: The Office of Research and Sponsored Programs

Effective Date

November 1, 2014

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I. Purpose

This guidance document outlines the University of Northern Iowa's procedures for recovering facilities and administrative costs when applying for any sponsored project that is administered by the Office of Research and Sponsored Programs (RSP), including but not limited to grants, memorandums of understanding, service agreements, and contracts. It is expected that all faculty and staff who pursue and received sponsored projects that are administered by RSP will comply with the conditions put forward in this document.

II. Definition

Facilities and Administrative (F&A) costs are real costs necessary for the University's general operations and support of sponsored projects, but cannot be directly associated with or charged to a specific grant or contract. F&A expenses to the university include facility maintenance costs, depreciation or use allowance costs for buildings and equipment, utility costs, library expenses, telephone and communications infrastructure, research and sponsored programs administration, and general department administration. F&A costs are also known as indirect or administrative costs.

F&A costs associated with sponsored projects are recovered by applying a negotiated percentage rate to the budget of a sponsored project. The F&A rate is computed on the basis of actual costs incurred by the institution using costing rules and regulations set forth by the U.S. Office of Management and Budget (OMB). The UNI F&A rate is periodically negotiated with the institution's cognizant Federal agency, the U.S. Department of Health and Human Services, and represents the average amount of F&A costs that are incurred for each direct dollar spent implementing a sponsored project. Because the university has already incurred the expenses to support the sponsored project, F&A costs are *reimbursed* to UNI by a sponsor that pays F&A costs.

III. Guidance Statement

UNI always strives to recover the full negotiated federal F&A rate from all sponsors regardless of whether or not the sponsor is a federal entity unless one of the exceptions highlighted in Section IX of this document applies. All voluntary reductions in F&A rates must be approved in advance by the Office of Research and Sponsored Programs.

IV. F&A Regulation and Guidance

Federal costing rules and regulations, as set forth by the OMB, referred to as Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (also called “Uniform Guidance”) are found in 2 C.F.R. Parts 200, 215, 220, 225 and 230.

V. Federally Negotiated F&A Cost-Reimbursement Rates

The Office of Research and Sponsored Programs maintains a copy of UNI’s current federal F&A rate agreement on the RSP website, www.uni.edu/rsp.

UNI Facilities and Administrative Cost Rates (Effective: July 2017-June 2021) are:

On-Campus Programs: 35.1% of Modified Total Direct Costs (MTDC)

Off-Campus Programs: 13.15% of MTDC

VI. Definition of Off-Campus

The Off-Campus F&A rate is applied to sponsored projects when more than 50% of UNI personnel effort is performed in a facility not owned by the university AND to which rent is directly allocated to sponsor funds or could be if rent is considered an allowable expense.

VII. Bases for Calculating Facilities and Administrative Costs

UNI’s federal F&A rate agreement specifies the use of modified total direct costs (MTDC) as the base to which the F&A rate is charged. Specific sponsors and programs may require alternate bases.

MTDC, as defined by UNI’s federal F&A rate agreement, is the total direct costs (TDC) minus:

- Capital expenditures (buildings)
- Capital equipment (\geq \$5,000)
- Subcontracts amounting to greater than \$25,000
- Rental costs of off-site facilities
- Student tuition remission
- Scholarships and fellowships
- Patient care costs
- Participant costs (not research subject expenses)

Please Note: If a F&A rate that is less than UNI’s federally approved F&A rate (a reduced F&A rate) is used UNI charges the reduced F&A rate to the project’s TDC unless the sponsor specifically prohibits applying the reduced F&A rate to the TDC and/or provides specific guidance for developing the MTDC that the reduced F&A rate will be applied to.

VIII. Exceptions to Using the Federally Negotiated F&A Rate

Some external funding entities limit the F&A rate that UNI can charge to sponsored projects. In these cases UNI may accept the lower rate if one or more of the following circumstances outlined below apply. These exceptions do not require a prior approval:

1. *Lower Published F&A Rate:* To be acceptable, the published F&A rate must appear in the funding entity's written guidelines (request for proposal, request for application, broad agency announcement, or other published guidelines), be published on their web site, or be confirmed in writing by their grants office. A rate reduction requested by a program officer or agency staff person does not constitute as an entity's published F&A rate. The lower rate must apply universally to all proposals submitted for that particular program or that agency (not solely to UNI's proposal.) The PI/PD must furnish evidence of the published rate by the time the proposal budget is submitted to UNI PreAward staff for initial review. If such documentation cannot be provided, the PI/PD must include UNI's full applicable F&A rate in the proposal.
2. *Iowa Governmental Entities:* In some circumstances applying a reduced F&A rate of 8% may be appropriate. However, when the 8% F&A rate is applied the following criteria must be met:
 - ✓ The sponsor must be an Iowa municipality, county, or state agency/entity;

AND,

 - ✓ UNI faculty/staff are not named in a joint funding proposal by UNI and the agency/entity to an outside funding source that allows for full F&A recovery;

AND,

 - ✓ Two of the following three criteria are met:
 - a. RSP-negotiated F&A rate with the sponsor does not exist;
 - b. The source funding does not include federal funds, OR, if federal funding is included, UNI is not eligible to apply independently for the federal funds;
 - c. The agency/entity limits F&A recovery in the Request for Proposals guidelines.
3. *Program Limits F&A:* When the sponsored project is an agency-designated "training grant," such as the U.S. Department of Education's training grant programs, a reduced F&A rate is allowable.
4. *Transfer of Award to UNI from Another Institution:* When an award is transferred to UNI from another institution/entity RSP will adjust the F&A rate, if necessary, so that the project's available direct costs at UNI are equal to those that would have been available at the transferring entity at the time the project was transferred. The transferring entity's RSP office or equivalent must provide UNI's RSP with a final financial statement and the applied F&A rate prior to the transfer.

IX. Requesting an F&A Cost Reduction

If none of the above exceptions applies, but the PI/PD believes there is justification for a rate reduction, the PI/PD must formally request a reduction using the F&A Rate Reduction Request Form which is available by request from RSP or on the RSP website.

F&A rate reduction requests are considered on a case-by-case basis. The F&A rate for agreements that are renewed or continued by amendment are not subject to this policy. The F&A rates for projects that are renewed or continued with a new agreement are subject to this policy. The RSP office has the authority to waive policy compliance reviews at the time of renewal/continuation depending on the agreement duration and renewal/continuation structure.

Only staff from RSP are allowed to negotiate F&A rates with external funding entities, including but not limited to government agencies, companies, industrial groups, or other organizations unless a formal authorization is granted to the PI/PD by RSP to do so.

X. Process for Requesting an F&A Reduction

- 1) The PI/PD should consult with RSP PreAward staff to verify that the proposed project is not subject to any of the above exceptions for a rate reduction and is appropriate for a possible rate reduction.
- 2) The PI/PD should complete the F&A Rate Reduction Request Form and circulate for the required approvals.
- 3) The PI/PD should submit the completed F&A Rate Reduction Request Form to RSP **at least 2 weeks** prior to proposal submission if possible.
- 4) The Assistant Provost for Research and Sponsored Programs will approve or deny the reduction request and notify the PI/PD and assisting RSP PreAward staff.
- 5) If the rate reduction is approved, the PI/PD should proceed with budget development using the approved F&A rate, and continue through the standard RSP budget review and approval process for all submissions.

XI. Unacceptable Reasons for F&A Reductions

- Requests made solely because an award does not provide adequate direct costs for completion of the full scope of the project;
- A reduction will create inequitable treatment of any UNI researchers applying to the same sponsor, program or competition;
- A reduction would give UNI an unfair advantage in a contract bid;
- The PI/PD forgot/did not know that F&A was needed or that prior approval was required. In these cases, the sponsor will be expected to pay the applicable F&A rate or the PI/PD's department will be responsible for unrecovered F&A costs; or
- Reduction based on precedent.