

# Facilities and Administrative Cost Policy

Policy 220

## 1 Introduction

1.1 This policy has been established to meet the compliance standards set forth in Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. These standards require that all costs incurred for the same purposes, in like circumstances, are treated only as direct costs or as Facilities and Administrative Costs (F&A) costs. Principal Investigators/Project Directors and administrators involved in sponsored projects must understand and comply with this policy in order to ensure that costs are properly charged and meet federal costing standards.

1.2 This policy and its associated procedures streamline the process for small projects and for many routine transactions as well as create a uniform understanding about how F&A should be shared when there are contributions from more than one college or institute. A transparent, equitable way to allocate the recovered F&A to contributing units is critical in promoting interdisciplinary projects.

## 2 Scope

2.1 This policy applies to all externally funded grants, contracts and other restricted agreements supporting sponsored projects at Appalachian.

## 3 Definitions

### 3.1 Co-Principal Investigator (Co-PI)

One of two or more investigators sharing equal responsibility for the direction of a research program.

### 3.2 Co-Director

(See Co-Principal Investigator)

### 3.3 Collaborator

An individual who collaborates with the principal investigator in the scientific development or execution of a project. A collaborator would typically devote a specific percent of effort to the project and would be identified as key personnel.

### 3.4 Direct Costs

Direct costs charged to sponsored agreements must be allowable, allocable, and reasonable. These costs can be identified specifically with a particular sponsored project, an instructional or any other institutional activity, or can be directly assigned to such activities relatively easily with a high degree of accuracy. Direct costs do not include overhead or other indirect costs.

### 3.5 Facilities and Administrative Costs (F&A)

Also referred to as indirect costs, overhead, overhead costs, or administrative costs. Defined as reimbursement for actual institutional expenses that support extramural activities but cannot be directly charged to a specific grant or contract, F&A is the cost of shared services such as libraries, plant operations and maintenance, utility costs, general, department and sponsored projects administrative expenses, and depreciation or use allowances for buildings and equipment. Information on current F&A rates are available on the [Office of Research website](#).

### 3.6 Indirect Costs (IDC)

See Facilities and Administrative Costs

### 3.7 Indirect Cost Reduction

Any request to apply a lesser rate than the federally negotiated Facilities and Administrative Cost rate or the rate

established in a sponsor's published program or policy documentation.

### **3.8 Office of Management and Budget (OMB)**

A branch of the Executive Office of the President. OMB helps the president formulate spending plans; evaluates the effectiveness of agency programs, policies, and procedures; assesses competing funding demands among agencies; and sets funding priorities. OMB ensures that agency reports, rules, testimony, and proposed legislation are consistent with the president's budget and with federal administration policies.

### **3.9 On Campus**

Activity that predominantly takes place on campus or in facilities for which the University pays rent that is not directly charged to a project.

### **3.10 Off Campus**

Activity that takes place in facilities not owned by the University and to which rent is directly allocated to the project.

### **3.11 Overhead**

See Facilities and Administrative Costs

### **3.12 Principal Investigator (PI)**

Any faculty or indefinite status staff member may serve as a principal investigator on a sponsored project. Others may serve only by permission of both the Dean/Division Head administering the award and the Vice Provost for Research.

### **3.13 Project Director (PD)**

See Principal Investigator

## **4 Policy and Procedure Statements**

### **4.1 Recovery of Facilities and Administrative Costs**

4.1.1. The principal investigator (PI) or project director (PD) must include indirect costs in the budget of all grants, contracts, and other sponsored agreements at the maximum rate allowed by the sponsor. The PI or PD shall use the University's official, federally negotiated indirect cost rate for all grants, contracts, and other sponsored agreements unless specifically limited for all awardees by a sponsor.

4.1.2 In extraordinary circumstances, a PI or PD may request a reduction of indirect costs for a project that has broad institutional impact. IDC reduction requests are recommended by the directors of Sponsored Programs (SP) and Special Funds Accounting prior to approval by the Vice Provost for Research and the Provost and Executive Vice Chancellor for Academic Affairs before a budget with the reduced F&A rate is submitted to a sponsor for consideration. This applies to grants, contracts, and all other forms of sponsored agreements. Failure to comply may require a budget revision and/or renegotiation of a contract that could jeopardize or delay receipt of an award. Only the Director of SP or the Director's designee may negotiate alternative indirect cost rates with sponsors.

4.1.3 The Director of Special Funds Accounting negotiates with the University's cognizant federal agency to establish the University's F&A rate in accordance with federal regulations and the federal calendar for indirect cost rate review and renewal.

### **4.2 Distribution of F&A Returns**

4.2.1 Returned F&A funds will be redistributed following the end of the fiscal year in which the funds were returned to the Institution.

4.2.2 Formula for distribution of returned F&A.

4.2.2.a Recovered revenues will be redistributed based on a formula recommended by the University Research Council and approved by the Provost and Executive Vice Chancellor for Academic Affairs, generally, as follows (See also 4.3):

20% PIs, Departments, Deans

50% Salaries and benefits for both pre and post-award support staff

15% Internal Grants (URC, OSR, graduate students)

10% Software & Database Licenses and miscellaneous (AGrants, compliance, grant-writing services/consultants, professional development and training of research staff)

Cash Reserves (20% Institute distribution when award was submitted for administration through an Institute or a

5% recognized UNC Center that reports to an Institute, reduction in force on sponsored projects, grant and contract losses, sponsor non-payment and contributions to faculty start up and appointments)

4.2.2.b If a reduction request was granted for a project, the F&A recovered from that project will be excluded from the University distribution formula.

4.2.2.c Distributions shall be calculated by Special Funds Accounting and approved by the Vice Provost for Research after the close of each fiscal year.

### 4.3 F&A Distribution Table

F&A Distribution Table

PI Employment:	PI	Department	College/ School/ Libraries	Center*	Institute*
Department	5%	10%	5%**	10%	10%
College/School/Libraries	5%	n/a	15%	10%	10%
Center Personnel only (Use department row if collaborating with departmental appointees)	5%	n/a	n/a	10%	10%
Institute Personnel only	5%	n/a	n/a	n/a	15%

\* Denotes Institute distribution when award was submitted for administration through an Institute or a recognized UNC Center that reports to an Institute

\*\* Not applicable for departments that do not report to a dean

#### 4.3.1 Employment Categories

##### 4.3.1.a Department

##### 4.3.1.a.i Academic Department

##### 4.3.1.a.ii Other campus unit or office (i.e., Sponsored Programs, Health Services...)

##### 4.3.1.a.iii UNC-Recognized center that does NOT report to an Institute

([http://www.northcarolina.edu/sites/default/files/documents/unc\\_centers\\_and\\_institutes\\_list\\_mar2013.pdf](http://www.northcarolina.edu/sites/default/files/documents/unc_centers_and_institutes_list_mar2013.pdf))

##### 4.3.1.a.iii.1 Brantley Risk and Insurance Center

##### 4.3.1.a.iii.2 Center for Appalachian Studies

##### 4.3.1.a.iii.3 Center for Entrepreneurship

##### 4.3.1.a.iii.4 Center for Judaic, Holocaust and Peace Studies

##### 4.3.1.a.iii.5 National Center for Developmental Education

##### 4.3.1.a.iii.6 NC Center for Engineering Technologies

##### 4.3.1.a.iv Non-UNC recognized centers with a current Appalachian Organization Code

##### 4.3.1.b College/School/Libraries

##### 4.3.1.b.i Arts & Sciences

##### 4.3.1.b.ii Business

##### 4.3.1.b.iii Education

##### 4.3.1.b.iv Fine & Applied Arts

4.3.1.b.v Graduate School

4.3.1.b.vi Health Sciences

4.3.1.b.vii Honors College

4.3.1.b.viii Music

4.3.1.b.ix University College

4.3.1.b.x University Libraries

4.3.1.c Center (UNC-Recognized Center within an Institute)

4.3.1.c.i ASU Energy Center

4.3.1.c.ii Center for Economic Research Policy Analysis (CERPA)

4.3.1.d Institute

4.3.1.d.i Research Institute for Environment, Energy, and Economics (RIEEE)

4.3.1.d.ii The Blue Cross and Blue Shield of North Carolina Institute for Health and Human Services (IHHS)

#### **4.4 Allocation of Credit (for projects with multiple PIs)**

4.4.1 F&A distributions will be divided among collaborating PIs and units as designated and approved in the Allocation of Credit information provided in the institutional proposal routing system prior to proposal submission.

4.4.2 The total designated Allocation of Credit must total 100%.

#### **4.5 Expenditure of F&A Returns**

4.5.1 All recovered F&A shall be expended to support and encourage further research and sponsored projects. Authorized activities may include:

1. Conducting pre-grant feasibility studies;
2. Preparing competitive proposals for sponsored programs;
3. Providing carryover funding for research to provide continuity between externally funded projects;
4. Supporting researchers pending external funding;
5. Engaging in research programs of critical interest to the general welfare of the citizens of the State;
6. Purchasing capital equipment directly related to expanding the research capability of the Institution; and
7. Providing research or administrative project costs not covered by the funding entity.

4.5.2 Time Limitations: While there is no predetermined time limit for using F&A dollars, and funds can roll over into subsequent years, it is important to use such funds in a proactive and productive manner at all levels. Unspent funds can be at risk for being re-absorbed. For this reason, the return of indirect accounts will be reviewed by the Vice Provost for Research on a yearly basis in order to ensure that they are being used in a timely manner. A plan for use may be requested if there is no activity in a fund for a period of one year.

## **5 Additional References**

[Appalachian State University – F&A data](#)

[Appalachian State University - Federal Negotiated Rate Letter](#)

[Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#)

## **6 Authority**

[UNC Policy Manual 500.4](#)

[Code of Federal Regulations -- 2 CFR, Part 220](#)

[Code of Federal Regulations -- 2 CFR, Part 215](#)

## **7 Contact Information**

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## **8 Original Effective Date**

September 13, 2014

## **9 Revision Dates**