Contract & Grant Accounting Policy 8 Facilities & Administrative (F&A) Costs on Sponsored Awards

The University of North Carolina at Greensboro

Approved by Steve Honeycutt, Interim AVC for Finance, July 1, 2021

Revised July 1, 2021

1. Purpose/Introduction

Facilities and Administrative (F&A) costs are University expenses that support externally funded activities but that cannot be directly identified with or charged to a specific grant or contract. These costs include shared services such as libraries, plant operation and maintenance, utility costs, and depreciation or use allowance for buildings and equipment as well as general, departmental, and sponsored projects administrative expenses. Every four years, the University negotiates an F&A rate agreement with the federal government. This F&A rate then applies to all sponsored project proposal budgets, unless unallowable or only allowable at a lower rate by the sponsor.

2. Scope

Policy provides guidelines for the recovery of F&A costs and establishes a method for the internal sharing of recovered F&A funds resulting from externally sponsored projects. This policy is inclusive of all sponsored activities funded externally at the University.

3. Definitions and Roles and Responsibilities

3.1 Definitions

Facilities and Administrative costs are also called Indirect Costs or Overhead Costs. Federal sponsors will generally use the term Facilities and Administrative costs or F&A costs; non Federal sponsors more often use the term indirect costs or overhead. F&A costs are costs that are shared throughout the institution and therefore cannot be easily and specifically identified with a particular sponsored project, or a single instructional or institutional activity. Examples of F&A or indirect costs include: the physical space, construction, and maintenance of UNCG-owned facilities where sponsored program and scholarship is conducted; utilities; internet; data storage; libraries; maintenance of research animal facilities; hazardous waste disposal; insurance; security; human resources; accounting; as well as compliance and oversight activities; financial management; institutional review boards for both human and animal research; chemical safety and biosecurity; and export controls.
F&A costs are always incurred by all sponsored projects or programs regardless of the source of funding and regardless of whether F&A costs are included in sponsored program budgets. Including F&A costs in a project budget provides a mechanism by which a portion of these overarching expenses can be allocated and charged to each sponsored project. The full F&A rate is the sum of two rates: the Facilities costs, and the Administrative costs. Currently, the University’s full F&A rate is 45.5% of Modified Total Direct Costs (see below); of this, 19.5% is the Facilities rate, and 26% is the Administrative rate. The rate used depends on the location of the project:

- A project is considered **on-campus** if more than 50% of the project’s research and activities take place in a campus-owned building. The full F&A rate of 45.5% applies to these projects.
- A project is considered **off-campus** if more than 50% of the project’s research and activities take place in a building not owned by campus and which charges rent for use. For these projects, only the Administrative portion of the F&A rate applies (as campus facilities are not being used, and therefore there are no institutional costs for those facilities). This rate is capped at 26%.

**Total Direct Costs (TDC)** is the total dollar amount of costs that may clearly be identified and charged to the project. It is the sum of the project expenses, originally documented in the project budget.

The University’s Federal F&A rate is charged only on **Modified Total Direct Costs (MTDC)**. MTDC excludes certain specific project costs from having the F&A rate applied: equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs, and the portion of each subaward in excess of $25,000. This applies to both on-campus and off-campus projects.

Some sponsors, including foundations, industry, local and state governments, and some Federal agencies, do not allow the full F&A rate to be charged. These organizations may not allow any F&A/indirect costs to be charged, or only a limited percentage. When this occurs, the percentage of F&A/indirect costs allowable is generally charged using Total Direct Costs. The Research Administration Management System and electronic Submission, or **RAMSeS**, is the official online proposal routing, submission, tracking and award management system used by The University of North Carolina System Office. This system is used to create and manage all sponsored projects for the University.

### 3.2 Roles and Responsibilities

Contract & Grant Accounting is responsible for coordinating the university project team that prepares the Facilities & Administrative (F&A) rate proposal submitted to the Federal Government.

The Principal Investigator and the PI’s department are responsible for:

- preparing proposal budgets that reflect the use of either on-campus or off-campus
indirect cost rates and in consultation with the Office of Sponsored Programs (OSP) a determination will be made which rate should be applied.

- determining the allocation and distribution of recovered indirect cost funds.

The Office of Sponsored Programs is responsible for:

- confirming on-campus or off-campus rate and ensures the appropriate rate is applied to proposal and award budgets and reflected in RAMSeS.
- ensuring that allocation for recovered indirect cost funds are reflected in RAMSeS.

The Vice Chancellor for Research and Vice Chancellor for Finance & Administration are responsible for determining whether an exception to this policy will be granted or denied.

4. **Policy**

4.1 **Facilities and Administrative (F&A) Cost Recovery**

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 clear and specific formal written documentation from the sponsor is provided prior to the submission of the proposal. The University charges the off-campus F&A rate on sponsored activities that take place in facilities not owned by the University and where rent is directly allocated to the projects and paid by the extramural sponsor.

4.2 **Facilities and Administrative (F&A) Cost Distribution**

F&A allocations for each sponsored project are entered in the RAMSeS proposal file in the Personnel section under the Allocation of Credit column. The F&A then is distributed based on the final approved RAMSeS proposal. To revise the allocation or persons receiving F&A, the PI must complete the F&A Allocation form and submit it to Contract & Grant Accounting.

The University has adopted an overhead receipts allocation policy that returns 10% of the Overhead revenues to the principal investigator. This allocation policy is based on prior year’s revenues. Therefore, 10% of the revenues earned in the current fiscal year will be available to the principal investigator in the next fiscal year. The total allocation is:

- 10% | Principal Investigator
- 10% | Department Head
- 80% | Provost recommends allocation to the Chancellor

5. **Compliance and Enforcement**

Contract & Grant Accounting is responsible for ensuring compliance with this policy.
6. Additional Information

6.1 Supporting Documentation

UNCG Negotiated Rate Agreement
Change of F&A Allocation Form
F&A Proposal Budget Guidelines

6.2 Approval Authority

This policy will be approved by the Interim Associate Vice Chancellor for Finance.

6.3 Contacts for Additional Information and Reporting

- Responsible Executive: William Walters, Director, Contract and Grant Accounting, (336)334-5834, wdwalter@uncg.edu