

Title: CFAES Facilities and Administrative (F&A) Cost Procedure	Responsible Department(s): CFAES Office for Research and Graduate Education	Date Issued: 01/01/2019
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## Facilities and Administrative (F&A) Cost Procedure *Indirect Cost Recovery*

### Table of Contents

1. Purpose
2. Scope
3. Definitions/Acronyms
4. Procedures
5. Forms
6. Responsibilities
7. References/Related Documents
8. Document Change History

#### 1. Purpose

Facilities and Administrative (F&A) costs, also called indirect costs, are real costs associated with conducting research. **These costs are critical to the financial health and stability of CFAES.** These costs are associated with providing and maintaining the infrastructure that support research (buildings and maintenance, administrative personnel, libraries, etc.) and which cannot be easily attributed to a specific project. Recovery of F&A costs to the maximum extent possible is critical to the financial stability of the College and its ability to maintain and grow the research enterprise.

When sponsored projects are accepted at less than the OSU federally negotiated F&A rate, it eventually results in a reduction to future federally negotiated F&A rates because it increases the modified total allowable expenses (which are used to determine federally negotiated rates). The current OSU federally negotiated F&A rate and additional information about F&A rates can be found on the OSU Office of Sponsored Programs website (<http://osp.osu.edu/development/budgets/fa-costs/>).

#### 2. Scope

This standard operating procedure is for all investigators seeking external funding through the Office of Sponsored Programs.

#### 3. Definitions/Acronyms

Word to be defined	Definition
Standard Operating Procedure (SOP)	Standard Operating Procedures (SOPs) specifically instruct employees in areas of responsibility, work instructions, appropriate specifications, and required records that are based on the college mission, values, goals and philosophy.

<b>Investigator</b>	The individual serving as the lead PI on the proposed project or current award.
<b>Sponsor</b>	The external funding partner to the University (federal, state, local, private industry, non-profit entities, foundations, etc.)
<b>CFAES</b>	The College of Food, Agricultural, and Environmental Sciences. Also referred to as "the College."
<b>Office of Sponsored Programs (OSP)</b>	The Ohio State University Office of Sponsored Programs is responsible for submitting to funding agencies proposals requesting support for research and other scholarly projects. They are responsible for negotiating and accepting terms and conditions for all awards, contracts, master agreement and blanket agreement to OSU.
<b>Facilities &amp; Administrative Costs (F&amp;A) (Indirect Costs)</b>	"Facilities" includes depreciation and use allowances, interest on debt associated with certain buildings, equipment and capital improvements, operation and maintenance expenses (e.g., space renovations; relocations; furniture), and library expenses.  "Administration" includes general administration and expenses, departmental and college administration, sponsored projects administration, and college research support, and all other types of expenditures not listed specifically under Facilities.

#### 4. Procedures

This college-level procedure on the OSU federally negotiated F&A rate serves to clarify the College's position and expectations of the use of F&A rates on all externally funded research. The procedure also outlines the process for requesting a reduction or waiver from the OSU federally negotiated F&A rate for a specific project. It also includes sections on how the rate is negotiated, the role of the principal investigator in this process, and how F&A costs are calculated in a proposal budget.

#### Exceptions to the Use of the OSU Federally Negotiated F&A Rate

CFAES requires the use of the OSU federally negotiated F&A rate for all sponsored projects with the following exceptions:

- If a solicitation or sponsor has **published** guidelines that specify an F&A rate less than the current federally negotiated rate, the reduced rate will be permitted without a waiver. **This can be accomplished by providing an approved policy, the published RFP, or other binding document.**
- If the sponsor (non-federal) does not allow for full indirect cost recovery, costs normally charged as F&A costs should be charged directly, if not prohibited by sponsor policy. These expenses may include: equipment and capital improvements; operation and maintenance such as space renovations, relocations, or furniture; library costs; hardware and software; general, departmental, and college administration; sponsored projects administration and college research support.

#### Transferring Grants from another University to CFAES

In cases where grants are transferred to CFAES from another institution, the pre-existing F&A rate used with the grant will be honored by CFAES. Copies of the award notices, award terms and



conditions, the most recent monthly financial statement, and the name, email address and phone number of the grants administrator of the other Institution are required.

### **Procedure for Requesting a Waiver**

If an investigator wishes to waive the use of the OSU federally negotiated F&A rate, prior written approval from the CFAES Associate Dean for Research and Graduate Education or designee is required and must be attached to the ePA-005 – OSU Authorization to Seek Off-Campus Funding form.

To request a waiver from the College, complete [this survey link](#). We will review the request (coordinating with other Colleges as needed) and the decision will be communicated via email. It is critical that the request be submitted to the College at **least two weeks before the deadline in order to be processed in time.**

### **Role of the Principal Investigator in Negotiating F&A Rates**

Investigators are not authorized to negotiate F&A rates. Any 'prior understanding' between an investigator and a sponsor regarding F&A rates is not binding for the University or College. Furthermore, any negotiations of F&A rates between the sponsor and the Office of Sponsored Programs are conducted with the full knowledge and consent of the College. The investigator is not authorized to approve any F&A rate on behalf of the College.

Industry sponsors will be subject to at least our negotiated F&A rates. All such negotiations should be conducted by Office of Sponsored Programs (OSP) or the Technology Licensing and Commercialization Office (TCO), not by the investigator. Once negotiations with a sponsor are completed, the rate will be applied across all contracts with that sponsor.

### **Negotiating the OSU F&A Rate**

The OSU federally-negotiated F&A rate agreement is negotiated by the University and the Department of Health and Human Services. It is based upon expenditures incurred by the university attributed to research programs. The F&A rate is calculated by dividing indirect expenses allocated to research by the modified total allowable expenses related to research. Most federal sponsors pay the full F&A rate for their grant programs, with the notable exception of training or career development awards. Once F & A are collected from the sponsor, OSP transfers these funds to the University. The CFAES Dean is ultimately responsible for the distribution of the college F & A funds.

**If you have questions, contact the [Grant Development Support Unit](#) for clarification prior to communication with the sponsor.**

### **Details on Calculating the F&A Costs in Budgets**

F&A is calculated by multiplying the F&A rate by the “base,” which is all or a portion of the direct costs. There are two common bases:

- *Total Direct Costs (TDC)*  
The F&A rate is calculated on all direct costs. This is the base that is appropriate when the sponsor F&A rate is less than the full, federally negotiated rate, unless the sponsor specifically excludes items from the base in its written policy. CFAES expects that this base be used whenever appropriate and allowable.

- **Modified Total Direct Costs (MTDC)**

The F&A rate is calculated on all direct costs, less equipment, capital expenditures, charges for tuition, off-campus space rental costs, scholarships and fellowships, and the portion of each subaward exceeding \$25,000. This is the appropriate base when the full, federally negotiated F&A rate is used. Many federal awards, regardless of the F&A rate, require the use of the MTDC base. When a project includes a subaward, F&A is charged on the first \$25,000 of the subaward. For smaller multiyear subawards, this first \$25,000 may be spread over multiple years.

In some situations, the sponsor will not support the full F&A rate. The difference between the full F&A rate and the sponsor supported rate is known as unrecovered F&A. If the sponsor also requires that the grantee institution share the costs of a sponsored project, then the amount of unrecovered F&A can often be counted as cost share. When calculating the unrecovered F&A for purposes of cost share, the total F&A costs are calculated using the MTDC base. The amount the sponsor is willing to pay is subtracted from that total, and the difference is counted as cost-shared F&A.

The Investigator should note on the University Authorization to Seek Extramural Funding form (epa-005) any deviation from the full University rate or if a lower rate other than the sponsors published rate was not applied and attach the approved rate reduction from the Associate Dean or designee.

**4. Forms**

No specific forms for this document are associated with this SOP. Waiver requests should be submitted [via this survey link](#).

**5. Responsibilities**

It is the responsibility of the CFAES Associate Dean for Research and Graduate Education to ensure research activities are based on the college mission, values, goals and philosophy.

**6. References/Related Documents**

[University Policy Regarding F&A Rates](#)  
[University F&A Cost Rates](#)

**7. Document Change History**

Version no.	Effective date	Description of change/sections revised	Reason for change	Author name
1	01-01-2019	New procedure	Process improvement	Lori Kaser
2	10-1-2019	<a href="#">Added survey link for waiver request</a>		Lori Kaser