

## POLICY AND PROCEDURE NO 322

Area: General Administration

*Original signature on file in  
the Office of General Counsel*

Date Adopted: April 30, 2021

Certified by: \_\_\_\_\_

Curtis Pettis

Vice President for Administration & CFO

Date Revised: \_\_\_\_\_

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**Subject: ALLOCATION AND DISTRIBUTION OF RECOVERED FACILITIES AND ADMINISTRATIVE COSTS**

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### **Purpose:**

To establish the policy and procedure for distribution of Facilities and Administrative (F&A) Costs, also known as indirect costs, which are recovered in the course of externally sponsored project activities, as an incentive back to the divisions, college, and departments that are responsible for procuring and implementing the externally sponsored activities.

### **Scope:**

This policy applies to all externally sponsored projects.

### **Definitions:**

- a. **Facilities and Administrative (F&A) Costs** are costs the University incurs in support of externally funded projects, programs, or activities. These costs, unlike direct costs, cannot be easily identified with and charged directly to a project, program, or activity with any reasonable degree of accuracy. Examples of F&A costs include operation and maintenance of buildings and grounds, utilization of equipment and libraries, and infrastructure building (e.g., facilities renovation and major capital equipment purchases), hiring of new faculty, and administration of projects or programs at the institutional, college, and department levels.
- b. **Externally Sponsored Projects** means any externally funded scholarly activity such as basic, applied, or developmental research; instructional or curricular activities; student aid; career development; infrastructure building (e.g., facilities renovation, major capital equipment purchases, hiring of new faculty) or other activity conducted by faculty or staff members on behalf of the University. Sponsored projects are distinguished from gifts by the nature of the agreement between the University and the external funding agency. The following conditions, while not all-inclusive, characterize a sponsored project agreement:
  - The agreement defines programmatic objectives that are to be accomplished within a specific time frame and budget limit.
  - The agreement is issued from a federal, state or other external entity in the form of a grant, contract, or cooperative agreement.
  - The agreement requires specific deliverables, such as a detailed technical report of research results or a report of expenditures.
  - The agreement requires unspent funds to be returned to the sponsoring agency.
  - The agreement requires financial reports of committed University or third-party cost-share.

- The agreement includes a provision for financial or programmatic audits by or on behalf of the sponsor.
  - The agreement includes language related to publication restrictions or intellectual property ownership.
- c. **Investigator** means Central State University’s principal investigator or co-investigators identified as key personnel on the project who are responsible, in whole or in part, for the design, conduct, or reporting of the project.
- d. **Facilities and Administrative Cost Recovery Rate** means the amount of F&A costs to be recovered from the sponsoring agency and depends upon the rate (percentage of the direct cost base) that is allowed by or negotiated with the sponsor. The rate at which F&A costs are calculated is determined by a number of factors such as the type of sponsor (federal, state, private industry, etc.), the nature of the project (research, instruction or other activity), and the location of the project (on or off campus). In some cases, the sponsor unilaterally limits the rate at which the University may be reimbursed for Facilities and Administrative costs.
- e. **Modified Total Direct Cost** consists of all salaries and wages, fringe benefits, materials and supplies, services, travel, and subawards and up to the first \$25,000 of each subaward or subcontract (regardless of the period covered by the subaward or subcontract). Equipment (\$5,000 and above), capital expenditures, charges for patient care and tuition remission, rental costs, scholarships, participant support costs, and fellowships as well as the portion of each subaward and subcontract in excess of \$25,000 shall be excluded from Modified Total Direct Costs.

## **POLICY**

F&A costs recovered from externally sponsored projects allow Central State an opportunity to reinvest valuable resources back into sponsored-project related activities of its faculty, staff, and students. F&A costs are real costs incurred by the institution in support of sponsored project management and as such are expected to be used to support research, instruction and other sponsored activities of the University. Unless restricted by the sponsor, all grant and contract proposal budgets submitted for external funding shall incorporate the full negotiated F&A rate. When the sponsor limits or prohibits the full recovery of F&A costs, the Principal Investigator must provide a statement from the sponsor concerning the restriction when submitting the proposal for internal review and approval. This statement may be a copy of the applicable policy from the sponsor’s website, request for proposal, grant guidelines, or other documents. When the Principal Investigator wishes to waive part or all of the full amount of F&A costs that could be recovered, the Principal Investigator must provide a written statement justifying the waiver when submitting the proposal for internal review and approval. The request must be approved in writing by the applicable divisional Vice President and forwarded to the Vice President for Administration and CFO or designee for final approval. Any approved waived amounts should be included in the budget in the in-kind cost sharing column.

### **I. Allocation of Recovered F&A Costs**

A. Externally sponsored projects involving a single college, department, or other unit: In order to stimulate further research, instruction and other sponsored project activity, the university will allocate the F&A recovery as outlined below. The allocation will be made on an individual external sponsored project basis. The allocation formula may change if a sponsor limits indirect cost recovery below CSU’s negotiated amount.

<u>Area</u>	<u>Allocation</u>
General Fund	50%
College	10%
Department	15%
Principal Investigator (s)	10%
Provost/Academic Affairs	5%
Office of Sponsored Programs and Research	10%

B. Externally sponsored projects involving more than one department, college, or another unit.

When there are multiple investigators, departments, and colleges on a single project, the redistributed indirect costs will be shared based on the efforts (time commitment) of each investigator on the project. For example, two investigators with equal efforts from different departments and different colleges would result in half of the redistributed indirect PI portion going to each individual, half of the departmental portion going to their respective departments, and half going to each college. If there are two investigators from the same department but investigator 1 is contributing 70% effort and the investigator 2 contributes 30% effort, 70% of the redistributed indirect costs would go to investigator 1, 30% to investigator 2. The department and college would receive the full redistributed indirect costs.

C. Externally sponsored projects from divisions other than Academic Affairs.

Recovered F&A costs will be allocated to the appropriate area in proportion to the expenditures eligible for F&A recovery which are incurred by the principal investigator or project director in the course of carrying out the sponsored project as outlined below. The allocation formula may change if a sponsor limits indirect cost recovery below CSU's negotiated amount.

<u>Area</u>	<u>Allocation</u>
General Fund	50%
Department	15%
Principal Investigator (s)	10%
Applicable Vice President	10%
Provost/Academic Affairs	5%
Office of Sponsored Programs and Research	10%

When there are multiple investigators and units on a single project, the redistributed indirect costs will be shared based on the efforts (time commitment) of each investigator on the project.

D. Sponsored projects administered by the Office of Sponsored Programs and Research.

Recovered F&A costs will be allocated as shown below. The allocation formula may change if a sponsor limits the indirect cost recovery below CSU's negotiated amount.

<u>Area</u>	<u>Allocation</u>
General Fund	60%
Principal Investigator	10%
Provost/Academic Affairs	10%
Office of Sponsored Programs and Research	20%

When there are multiple investigators and units on a single project, the redistributed indirect costs will be shared based on the efforts (time commitment) of each investigator on the project.

E. Special circumstances

In unique circumstances, the Provost in consultation with the President may determine that it is in the best interest of the University to continue the development of the research mission by reallocating the above percentages as needed.

F. The recovered F&A costs may be used to support travel, equipment, supplies, student support to conduct research, administrative costs not covered by the award, recognition awards and meetings, professional development for faculty, non-sponsored research support, etc. Funds allocated to the Provost may be used to support administrative costs for scholarly activities, in-kind costs for grant recipients, award recognition, travel, equipment, seed or mini-grant funds to support data collection, conduct feasibility studies, hire temporary staff, support travel, purchase equipment, etc.. All of these funds must be used to support the research of the university and cannot be used for refreshments or other items unrelated to research. The recovered F & A funds may not be used to augment or increase salaries of project personnel.

## **II. Distribution of F&A**

A. Recovered Facilities and Administrative costs will be distributed by the Office of Sponsored Programs and Research and the Controller's office into a restricted account. In the unusual event of nonpayment by the sponsor, previously distributed F&A funds, equaling the unpaid F&A costs, will be reversed by Office of Sponsored Programs and Research upon approval of the Controller.

B. The Office of Sponsored Programs and Research may delay or withhold distribution of recovered Facilities and Administrative to a sponsored Project Director or department if the Project Director is noncompliant with fiscal, programmatic, or administrative requirements until the outstanding requirements have been met. The Office of Sponsored Programs and Research will consult with the Provost and equivalent administrative unit head before pausing the distribution of the recovered F&A.