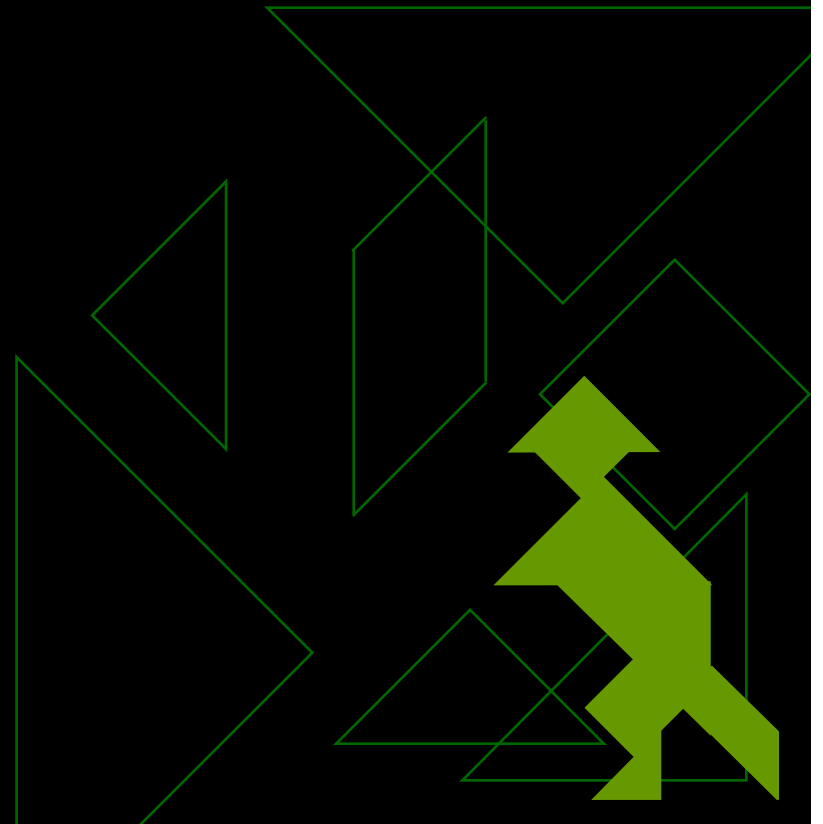


# Facilities and Administration (aka Indirect, Overhead)

Office of Sponsored Programs Administration – 08/30/2006

# Outline

- ◆ Are these costs *real*?
- ◆ What are the rules?
- ◆ Direct vs. Indirect
- ◆ Which rate to use
- ◆ How to calculate F&A
- ◆ Where does it go?



# Are these costs *real?*

- ◆ Where are you doing the project?
- ◆ Who handles payroll?
- ◆ Who files all the required Federal reports?
- ◆ Who pays for the reference books you'll have to use?
- ◆ What about the departmental Business Manager and her time expended to manage your award.
- ◆ What about the secretary who types your proposal?
- ◆ What about Sponsored Programs? Contracts and Grants?
- ◆ How much electricity and heat will you use in the lab?
- ◆ What about the space in a University academic building you will use while doing the project?
- ◆ Legal review?
- ◆ IACUC or IRB reviews for animal or human subject use?

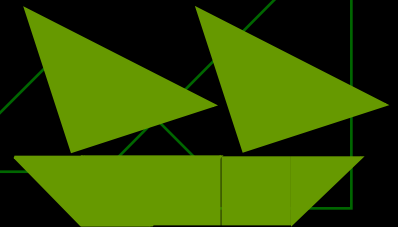
# Are these costs *real?*

- ◆ Support administrative & facilities costs associated with research
- ◆ Based on a rate negotiated and approved by the federal government (DHHS)
- ◆ Are not used to create a profit.
- ◆ Designed to recover institutional expenses *after* they are spent.
- ◆ *Our rate only covers a portion of actual costs.*

# What are the rules?

- ◆ Facilities and Administrative (F&A) costs definition:

“...costs that are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity.”



# What are the rules?

- ◆ Facilities and Administrative (F&A) costs are made up of:
  - Facilities (negotiated rate)
  - Administrative (limited to 26% by Federal gov't)
- ◆ F&A costs are described in Office of Management and Budget (OMB) Circulars
  - A-21 Cost Principles for Educational Institutions  
[http://www.whitehouse.gov/omb/circulars/a021/a21\\_2004.html](http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html)
  - A-110 Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations  
<http://www.whitehouse.gov/omb/circulars/a110/a110.html>

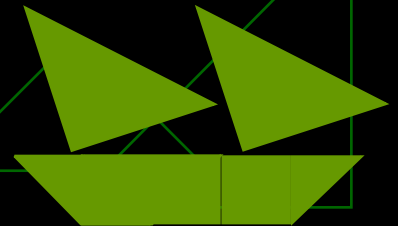
Also known as 2 CFR 215

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=c72535e706ce46793d1b89fc7b2f568b&rqn=div5&view=text&node=2:1.1.2.3.2&idno=2>

# What are the rules?

## ◆ Determine if cost is allowable

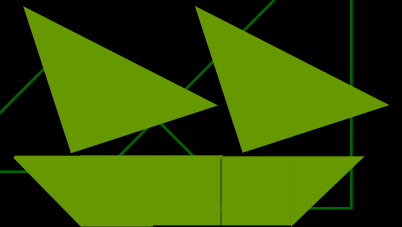
- Eligible for reimbursement
- Permitted by terms of sponsor
- Examples of unallowable costs are personal items, alcohol, entertainment, promotional items, lobbying, athletics, fundraising; memberships in Social, Dining, or Country Clubs



# What are the rules?

## ◆ Determine if costs is allocable

- Incurred solely to advance the work under the sponsored agreement
- Benefits both the work under the sponsored agreement and other work of the institution in proportions that can be approximated
- If a proportion cannot be determined, the cost may be allocated on any reasonable basis.

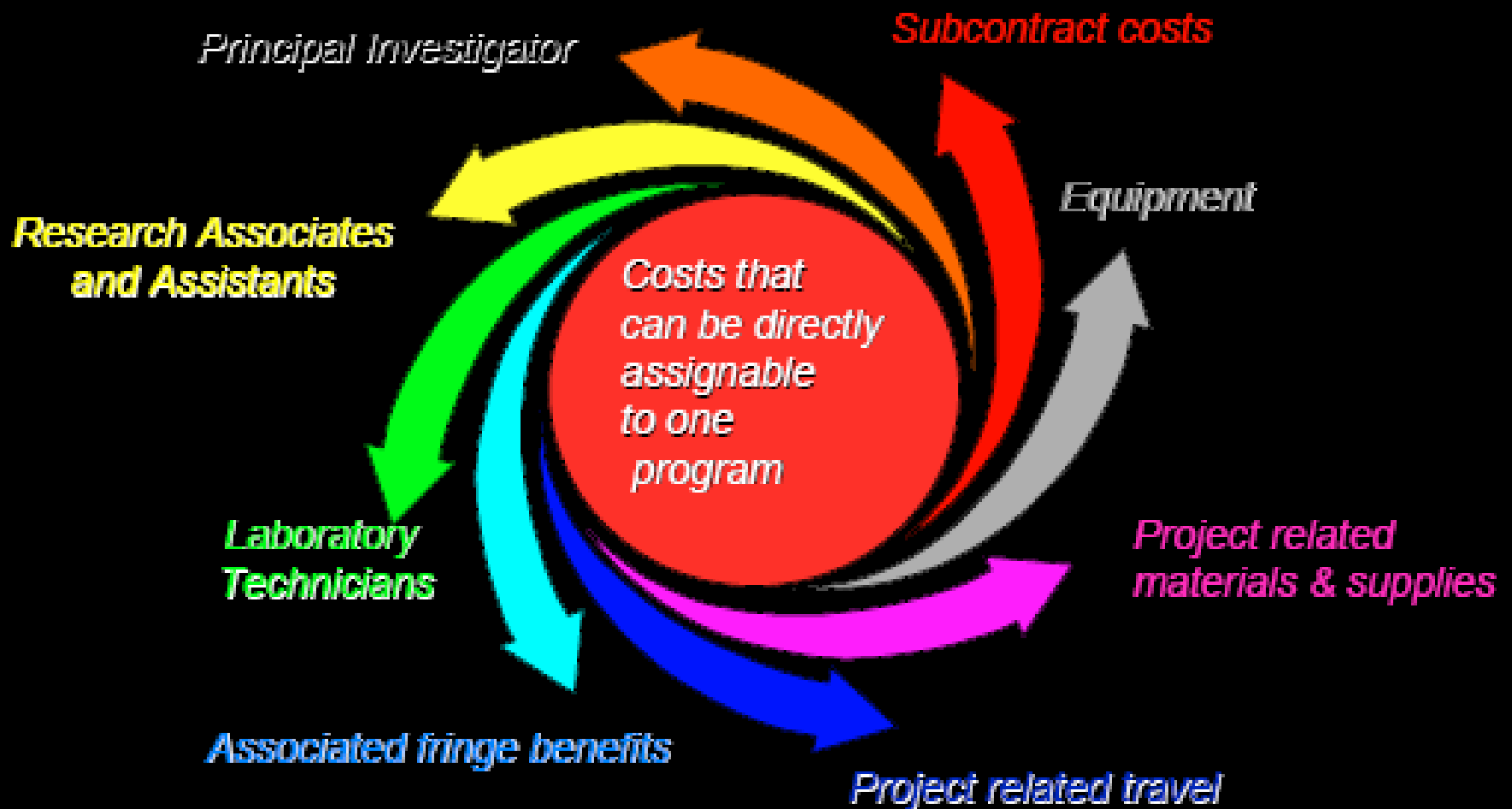


# Direct vs. Indirect

## ◆ Direct

- Identified specifically with a particular sponsored project, instructional activity or other institutional activity, or
- Can be directly assigned to such activities relatively easily and accurately (i.e. percent/hours of use)

# Direct vs. Indirect



# Direct vs. Indirect

## ◆ Indirect

- Facilities (utilities, maintenance, custodial, security, etc.)
- Library
- College/Departmental administration
- General administration (President, Provost, Legal, OSPA, SPA, Purchasing, Student Services, etc.)



# Direct vs. Indirect



# Which rate to use

- ◆ On-campus vs. off-campus
  - Where is most of the ISU work being done?
  - Up to the PI/Department to determine
  - Must be justifiable
- ◆ Sponsor requirements/limitations
- ◆ Industry
- ◆ Waiver request form



$$\begin{aligned}
 & \varepsilon \sqrt{x^2} \sqrt{\frac{3.62}{4603xm}} > (\varepsilon)^6 \times 482 \pi & \frac{45.603}{y^2} \\
 & K \div \frac{1}{M} > \div \Phi & \frac{\Sigma^2 k^4 \sqrt{\frac{36y}{y^2}}}{y^2} \\
 & \pi \cdot 4 > \varepsilon^2 & \left\{ \frac{\pi x^2 [4376087247863.82]}{2.4} \right. \\
 & \sqrt{\frac{y \times 3^2}{2 \div N}} & \left. \frac{36 \div \pi H = K^2}{82043645} \right\} > \left\{ \frac{4y}{7M} \right. \\
 & \sqrt{x \cdot 3} & \left. \frac{4.306784273}{K^2 \times 860 \sqrt{y^2}} \right\} > \left\{ \frac{422y < \varepsilon}{33y} \right. \\
 & Y > 46 & \frac{Y - x \cdot 73^2}{4x} \sqrt{36.78(Y)} & \frac{684}{3Y} \frac{37k^3}{\sqrt{M}} \\
 & \sqrt{K^2} & \left( \frac{4}{Y} \right) \downarrow 442 & \frac{26}{7Y^2} \\
 & \sqrt[3]{4920} & \sqrt{\frac{K}{m/384}} & \frac{\sqrt{x^2}}{.004} \\
 & \sqrt{x^2} & &
 \end{aligned}$$



©

*"This is the easy part. The challenge will be figuring out the indirect cost for the grant proposal."*

# How to calculate F&A

- ◆ F&A is calculated by applying a rate to a pre-determined base . . . .
- ◆ ISU's negotiated rate is applied to a Modified Total Direct Cost (MTDC) base
  - Total Direct minus
    - Equipment
    - Tuition
    - Portion of subcontract that exceeds \$25,000
    - capital expenditures
    - charges for patient care
    - rental costs of off-site facilities
    - scholarships and fellowships

# How to calculate F&A

- ◆ F&A is calculated by applying a rate to a pre-determined base . . .
- ◆ Refer to ISU's Indirect Cost Policy @ [http://www.vpresearch.iastate.edu/docs/policies/indir\\_cost.html](http://www.vpresearch.iastate.edu/docs/policies/indir_cost.html) for approved exceptions to our negotiated rate
  - 8% of Total Direct for State of Iowa agencies when using State funds
  - 8% of Total Direct to support the training of graduate and undergraduate students
  - and others.

# How to calculate F&A

- ◆ F&A is calculated by applying a rate to a pre-determined base . . . .
- ◆ Many sponsors specify a rate that is less than ISU's negotiated rate. If a base is not specified, calculate F&A based on Total Direct (e.g. USDA = 25% of Total Direct)
- ◆ F&A must be consistently applied

# How to calculate F&A

| SUMMARY PROPOSAL BUDGET   |                                      |                             |                       |                    |
|---|--------------------------------------|-----------------------------|-----------------------|--------------------|
| ORGANIZATION<br><b>IOWA STATE UNIVERSITY</b>  |                                      |                             |                       |                    |
| PRINCIPAL INVESTIGATOR/PROJECT DIRECTOR<br><b>Cyclone, Im A</b>   |                                      |                             |                       |                    |
| A. SENIOR PERSONNEL: PI/PI, Co.-PI's, Faculty and Other Senior Associates<br>(List each separately with title, A.7.7. number in brackets) |                                      |                             |                       |                    |
|   | Personnel                            |                             |                       | Funds Requested by |
|   | CAL                                  | ACAD                        | SUMR                  | Preparer           |
| 1. <b>Cyclone, Im A</b>   | 0.0                                  | 0.0                         | 2.0                   | 18,568             |
| 2.  | 0.0                                  | 0.0                         | 0.0                   |                    |
| 3.  | 0.0                                  | 0.0                         | 0.0                   |                    |
| 4.  | 0.0                                  | 0.0                         | 0.0                   |                    |
| 5.  | 0.0                                  | 0.0                         | 0.0                   |                    |
| 6. ( ● ) OTHERS (LIST INDIVIDUALLY ON BUDGET EXPLANATION PAGE)  | 0.0                                  | 0.0                         | 0.0                   |                    |
| 7. ( ● ) TOTAL SENIOR PERSONNEL (1-6)   | 0.0                                  | 0.0                         | 2.0                   | 18,568             |
| B. OTHER PERSONNEL (SHOW NUMBERS IN BRACKETS)   |                                      |                             |                       |                    |
| 1. ( ● ) POST DOCTORAL ASSOCIATES   | 0.0                                  | 0.0                         | 0.0                   |                    |
| 2. ( ● ) OTHER PROFESSIONALS (TECHNICIAN, PROGRAMMER, ETC.)   |                                      |                             |                       |                    |
| 3. ( 1 ) GRADUATE STUDENTS  |                                      |                             |                       | 16,000             |
| 4. ( ● ) UNDERGRADUATE STUDENTS   |                                      |                             |                       |                    |
| 5. ( ● ) SECRETARIAL - CLERICAL (IF CHARGED DIRECTLY)   |                                      |                             |                       |                    |
| 6. ( ● ) OTHER  |                                      |                             |                       |                    |
| TOTAL SALARIES AND WAGES (A+B)  |                                      |                             |                       | 34,568             |
| C. FRINGE BENEFITS (IF CHARGED AS DIRECT COSTS)   |                                      |                             |                       |                    |
| TOTAL SALARIES, WAGES AND FRINGE BENEFITS (A+B+C)   |                                      |                             |                       | 41,310             |
| D. EQUIPMENT (LIST ITEM AND DOLLAR AMOUNT FOR EACH ITEM EXCEEDING \$5,000.)   |                                      |                             |                       |                    |
| In-situ particle size/concentration measurement instru  |                                      |                             |                       |                    |
| TOTAL EQUIPMENT   |                                      |                             |                       | 58,900             |
| E. TRAVEL 1. DOMESTIC (INCL. CANADA AND U.S. POSSESSIONS)   |                                      |                             |                       |                    |
| 2. FOREIGN  |                                      |                             |                       | 5,000              |
| G. OTHER DIRECT COSTS   |                                      |                             |                       |                    |
| 1. MATERIALS AND SUPPLIES   |                                      |                             |                       | 12,500             |
| 2. PUBLICATION COSTS/DOCUMENTATION/DISSEMINATION  |                                      |                             |                       | 250                |
| 3. CONSULTANT SERVICES  |                                      |                             |                       |                    |
| 4. COMPUTER SERVICES  |                                      |                             |                       |                    |
| 5. SUBAWARDS  |                                      |                             |                       | 35,000             |
| 6. OTHER  | Amount subject to indirect: \$25,000 |                             |                       |                    |
|   | Tuition = \$7,844                    |                             |                       | 7,844              |
| TOTAL OTHER DIRECT COSTS  |                                      |                             |                       | 55,594             |
| H. TOTAL DIRECT COSTS (A THROUGH G)   |                                      |                             |                       |                    |
|   |                                      |                             |                       | 160,804            |
| I. INDIRECT COSTS (F&A) (SPECIFY RATE AND BASE)   |                                      |                             |                       |                    |
|   | 47.0%                                | Modified Total Direct Costs |                       |                    |
| TOTAL INDIRECT COSTS (F&A)  |                                      |                             | Base Amount: \$84,060 | 39,508             |
| J. TOTAL DIRECT AND INDIRECT COSTS (H+I)  |                                      |                             |                       |                    |
|   |                                      |                             |                       | 200,312            |

Salaries and Fringe Benefits (\$41,310)

Equipment is *not* subject to F&A  
Travel (\$5,000)

Other Direct Costs (\$12,500 + \$250)

Portion of subcontract over \$25,000 is *not* subject to F&A (\$10,000)

Tuition is *not* subject to F&A

F&A Rate

Base Amount

F&A Amount

# Where does it go?

- ◆ University pool to cover administrative costs
- ◆ Vice Provost for Research to distribute to Colleges and for Matching funds (equipment and student support)
- ◆ 15% to PI when the rate used is full and allowable (no Waiver requested)

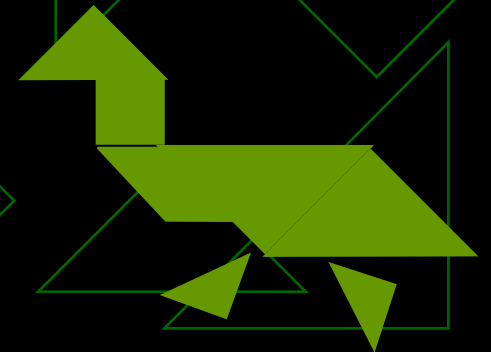


# Quiz

- ◆ Can the following be charged directly to a sponsored agreement and, if so, under what circumstances?
- ◆ Telephone service and long distance calls
  - Telephone equipment and line charges normally treated as F&A and CANNOT be charged directly to the sponsored agreement
  - Long distance charges should be direct charges if allocable to the sponsored project
  - Centers supported in whole by Federal Funds

# Quiz

- ◆ Can the following be charged directly to a sponsored agreement and, if so, under what circumstances?
- ◆ Office Supplies
  - Normally treated as F&A and CANNOT be charged directly to the sponsored agreement
  - Exceptions: Some items (such as computer disks) may be used specifically for the project and may be allowed as direct costs

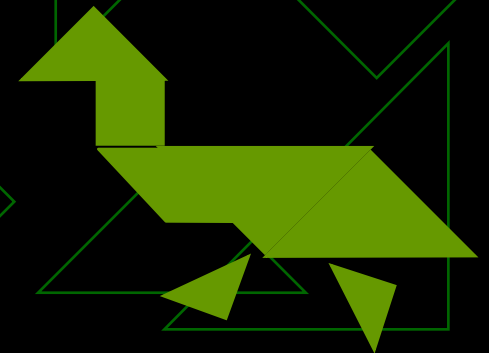


# Quiz

- ◆ Can the following be charged directly to a sponsored agreement and, if so, under what circumstances?
- ◆ Copy Charges
  - Ordinarily CANNOT be charged directly to the sponsored program
  - Exceptions
    - Specific items (such as survey instruments, dissemination costs) are allowed by funding agency
    - These items are explicitly indicated in the proposal budget

# Quiz

- ◆ Can the following be charged directly to a sponsored agreement and, if so, under what circumstances?
- ◆ Memberships and Subscriptions
  - Personal memberships and subscriptions are not allowed since they are considered personal costs
  - Institutional memberships and subscriptions for professional organizations or publications are allowable



# Quiz

- ◆ Can the following be charged directly to a sponsored agreement and, if so, under what circumstances?
- ◆ Administrative Salaries
  - "The salaries of administrative and clerical staff should normally be treated as F&A costs. Direct charging of these costs may be appropriate where a major project or activity explicitly budgets for administrative or clerical services and individuals involved can be specifically identified with the project or activity. "Major project" is defined as a project that requires an extensive amount of administrative or clerical support, which is significantly greater than the routine level of such services provided by academic departments." (A-21 Sect F.6.b.2)

# Quiz

## ◆ Examples of “Major Projects”

- Large centers that may include managing teams of investigators
- Projects which involve extensive database management
- Projects that require making travel and meeting arrangements for large numbers of participants, such as conferences and seminars
- Projects whose principal focus is the preparation and production of manuals and large reports, books and monographs (excluding routine progress and technical reports)



# Questions and Answers