EFFECTIVE DATE: FEBRUARY 20, 2018

Scope

This guidance applies to all sponsored project budgets submitted to external sponsors on behalf of the University of South Alabama for funding consideration and to those sponsored projects which receive funding from external sources. The practices are specific to distinct projects and any approved deviation should not be considered precedent for future submissions.

Facilities & Administrative Costs

Sponsored project budgets at the University of South Alabama (USA) should include all costs needed to accomplish the objectives presented in the proposal or agreement. The total cost of any project includes both Direct Costs and Facilities and Administrative Costs.

Facilities and Administrative Costs (F&A) are infrastructure and administration costs associated with the conduct of research and other sponsored projects that cannot be readily and specifically identified with a particular project. F&A, synonymous with “Indirect Costs” and “Overhead”, are real costs that provide reimbursement for actual institutional expenses that support extramural activities but cannot be directly charged to a sponsored award.

Application

*Direct Costs*: Direct Costs are those costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either Direct or Indirect Costs. Where an institution treats a particular type of cost as a Direct Cost of sponsored agreements, all costs incurred for the same purpose in like circumstances shall be treated as Direct Costs of all activities of the institution.

*Base*: The F&A rate is applied to a base of Direct Costs in order to determine F&A. This is calculated in the following way:
MTDC base = Modified Total Direct Costs  
TDC = Total Direct Costs.

TDC minus equipment, capital expenditures, patient care, tuition, participant support costs, rental costs of off-site facilities, scholarships, fellowships, and the portion of each subaward in excess of $25,000 = MTDC

F&A = MTDC base multiplied by appropriate F&A rate

Off-Campus: The off-campus rate is used if the activity is conducted outside of USA-owned buildings.

Multidisciplinary Proposals: Only ONE rate is applied to each budget. The rate will be determined by how the majority of activity is performed under the project (i.e. off-campus or for a particular activity – Research, Other Sponsored Activity or Instruction.) This applies to proposals which include more than one college or department. The rate of the leading investigator submitting the proposal will apply to the entire award. In the event of dual appointment, the unit submitting will prevail.

Other Sponsored Activity (OSA): According to 2 CFR 200, Appendix III, Section A.1.c, Other Sponsored Activity consists of "programs and projects financed by federal and non-federal agencies and organizations which involve the performance of work other than instruction and organized research." Some examples of OSA include community engagement, public service projects, and contracts for service activities.

Concessions to the F & A Schedule

Exceptions to the Application of the Negotiated Rate

The University recognizes that some sponsors and programs limit by policy their F&A reimbursement. All grants, contracts and agreements will be charged the full F&A rate as negotiated. Possible exceptions are outlined below:

- Projects which total $5000 or less in direct costs are not required to budget F & A.
- Industry-sponsored clinical trials will be charged 30%
- Some non-federal or government sponsors and programs prescribe F&A rates other than the University’s federally negotiated rate. To be acceptable, the published rate must appear in its published guidelines, be published on the sponsor web site, or be confirmed in writing by the sponsor’s grants office (not a program official.) The F&A rate must apply universally to all proposals, not solely to USA’s, submitted for that particular program or that sponsor. If documentation cannot be provided, the budget must include the full applicable F&A rate.
- Reduced rates do not apply to for-profit entities, which are expected to pay the University’s full applicable F&A rate.

Other circumstances not outlined must be considered and a decision rendered on a case-by-case basis prior to submitting the proposal for routing in Cayuse.

Waiver

A waiver is required in order to budget any rate less than the fully negotiated rate. Principal Investigators are not authorized to negotiate a reduction or waiver of F&A with the sponsor. If the need to negotiate the
F&A rate is anticipated, the PI should contact SPA in advance of budget development and proposal submission.

Any reduction of F&A rate under conditions other than those identified is considered cost sharing and therefore must be approved according to the University’s cost sharing policy.

Failure of the Principal Investigator to submit the proposal via approved institutional channels (e.g., through department, college, and SPA) prior to submission to the sponsor is not cause for a waiver. In these cases, the sponsor will be expected to pay the full applicable F&A rate or the department will be responsible for cost-sharing that portion of the F&A the sponsor refuses to pay.

In addition, all parties of the review should be attentive to the proper calculation of F&A in the budget. If a proposal includes an error in calculation, the appropriate F&A must still be recovered. Request to the sponsor to appropriately adjust the overall award or reduction in Direct Costs will be necessary to accommodate any error.

**Requesting a Waiver**

The procedures for requesting a waiver can be found at:
https://www.southalabama.edu/departments/research/spa/documents/fa_waiver_procedures.pdf

**Post-Award Impact on F & A Costs**

When a sponsor allows re-budgeting of Direct Costs, F&A must be also be re-budgeted for the increase/decrease in F&A that may occur.

A change in location may have an impact on the F&A rate to be applied, i.e., on-campus to off-campus or vice versa. This change will require formal re-budgeting, including any necessary agency approvals.

When re-budgeting from Direct Cost categories that are exempt or excluded from F&A to categories not exempt from F&A, the amount being re-budgeted is reduced proportionately by the associated F&A of the non-exempt category.

For fixed-price awards or other awards where the University is allowed to retain the unexpended balance, all reductions are granted with an understanding that if there is a balance at the end of the project, the F&A will be withdrawn. The published rate will be charged to the entire project and the value of the reduction will be subtracted from the remaining balance. For example, if a balance of $5000 remains at project end and the principal investigator was granted a reduction valued at $1500, $3500 would be available for transfer to departmental account. However, if the balance was $500, no funds would be available for transfer to the departmental account and the effective reduction would then be $1000.

**Responsibility for Compliance**

* Sponsored Projects Administration

The Office of Sponsored Projects Administration supports the University in its mission to ensure fiscal integrity by engaging on all policy and procedure reviews regarding Facilities and Administrative Cost
reimbursement and recovery during proposal submission. All approved waivers will be uploaded by the unit to Cayuse prior to proposal routing.

**Grants and Contracts Accounting**

The Office of Grants and Contracts Accounting (GCA) is responsible for reviewing all aspects of F&A calculations for awarded projects and entering the appropriate budget into Banner. GCA will monitor F&A throughout the life of the award and ensure necessary budget adjustments are done. Upon completion of the award, GCA will ensure that F&A is distributed correctly.

**College/School /Department/Division/Center**

Units are responsible for reviewing and approving all budgets for sponsored projects. Included in this is the assurance of the application of the correct F & A rate, review of the calculation of F&A, and request for any waiver. The college/school is responsible for clearly delineating the division of responsibilities between the college/school and its departments/divisions.

**Principal Investigator**

The Principal Investigator (PI) has responsibility for scientific and budgetary decision-making on all sponsored projects, following the University of South Alabama guidelines and federal and other sponsor regulations and policies. The PI is responsible for identifying the need for a waiver and providing adequate justification to support review of any waiver request, prior to submission of the proposal for routing in Cayuse.

**Online:**

http://southalabama.edu/departments/financialaffairs/grantsandcontracts/facilitiesandadministrative.html

**History**

Published February 2018

**Responsible Party**

Executive Director, Sponsored Projects Administration

**Next Review Date**

February 2020