[Minor revision: April 11, 2013]

Angelo State University
Operating Policy and Procedure

OP 56.07: **Facilities and Administrative Cost Recovery and Disbursement**

DATE: April 11, 2013

PURPOSE: The purpose of this Operating Policy and/or Procedure (OP) is to establish policy and procedures for the recovery and disbursement of facilities and administrative (F&A) costs, also known as indirect costs, charged to various sponsored programs at Angelo State University (ASU) in accordance with state and federal regulations.

REVIEW: This OP will be reviewed in March of every odd-numbered year by the dean of the College of Graduate Studies with recommended revisions forwarded through the provost and vice president for academic affairs to the president by April 15 of the same year.

POLICY/PROCEDURE

1. Authority

Title 3, Subtitle H. Chapter 145, ***Texas Education Code,*** and **Title 2, Part 220**, ***Code of Federal Regulations***

The Texas Education Code states that the university "shall retain and deposit or invest…any funds received from a funding entity designated for paying overhead expenses of conducting research." The funds retained shall be used to support general administrative expenses associated with sponsored projects and to encourage further research.

2. Background Information

a. F&A costs are those 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. In other settings, these costs are called "indirect costs" or "overhead." Some examples of expenditures treated as F&A costs at ASU are: utilities, maintenance, central administration, sponsored project administration, accounting, payroll, personnel, and library.

b. At ASU, F&A cost rates normally are expressed as a percentage of salaries and wages (S&W). S&W consists of direct salaries and wages including vacation, holiday, sick pay and other paid absences but excluding all other fringe benefits.

c. To facilitate preparation of the proposal budget, the Office of Sponsored Projects (OSP) may obtain salary allocation information from the provost's or human resources offices.

3. The Negotiated Rate

a. The university has formally negotiated F&A cost rates with the U.S. Department of Health and Human Services (DHHS), ASU's cognizant agency of the federal government for organized research and instruction. Current rates are posted on the OSP's web page. This negotiation occurs every two to four years.

b. The negotiated rates are used when ASU enters into a sponsored agreement with any agencies specifying that the negotiated rate will be used.

c. For all proposals that do not include F&A costs at the full-negotiated rate, the principal investigator or project director must provide to OSP a copy of the agency policy limiting F&A cost recovery. ASU does not generally allow for a voluntary reduction in F&A costs.

4. Facilities and Administrative Cost Charges to Accounts

a. F&A costs are charged to sponsored accounts as a percentage of S&W expenditures. When funds are re-budgeted from budget categories on which F&A costs are charged (salaries and wages) to categories on which F&A costs are not charged (travel, equipment, scholarships, supplies, etc.), or the reverse, the amount budgeted for F&A costs should also be adjusted.

b. If all funds received under a fixed-price sponsored agreement are not expended at the completion of the project, funds budgeted for direct costs may be transferred to a non-sponsored current restricted account with the approval of the Office of Sponsored Projects. Funds remaining in the F&A cost category will not be transferred, but will be charged at the time direct cost funds are transferred.

5. Facilities and Administrative Cost Proposal and Negotiation

a. The vice president for finance and administration's (VPFA) office is responsible for the preparation and transmittal of the ASU F&A cost proposal in accordance with the federal guidelines outlined in 2 CFR 220 to its cognizant agency, the Department of Health and Human Services (DHHS).

b. The VPFA's office will be responsible for negotiating or contracting with a third-party vendor to negotiate the F&A cost rate with DHHS based upon the submitted F&A cost proposal.

c. The VPFA's office will complete the Cost Accounting Standard Board's (CASB) *Disclosure Statement for Educational Institutions* (DS-2) as required by Attachment A to Appendix A of 2 CFR 220, if needed. ASU will establish policies required by CASB standards and changes to CASB standards.

6. Building Survey - Use of Space by Function

a. Building and equipment depreciation and operations and maintenance expenses are allocated to cost pools based on a building survey to determine the utilization of space by function (e.g., instruction, organized research, etc.).

b. The business services office, in cooperation with the VPFA, is to conduct the space survey in the spring and summer of the years before each proposal is submitted. Information will be reviewed and updated, as appropriate for F&A proposal purposes by the VPFA's office.

7. F&A Cost Disbursement

Recovered facilities and administrative costs will be disbursed according to a schedule to be determined by the dean of the College of Graduate Studies with approval from the provost and vice president for academic affairs and the vice president for finance and administration.

8. Institutional Use of Recovered F&A Costs

In accordance with TEC Title 3, Subtitle H, Chapter 145 and 2 CFR 220, the F&A funds recovered from sponsored projects will be used as follows:

a. "To encourage further research at the unit, agency, or departmental level at which the research was conducted, including:

(1) conducting early pregrant feasibility studies;

(2) preparing competitive proposals for sponsored programs;

(3) providing carryover funding for research teams to provide continuity between externally funded projects;

(4) supporting new researchers pending external funding;

(5) engaging in research programs of critical interest to the general welfare of the citizens of the state;

(6) purchasing capital equipment directly related to expanding the research capability of the institution; and

(7) research or project administrative costs."

b. Funds remaining after the application of section b. will be used "to support [general] research."

9. Annual Facilities and Administrative Cost Recovery Plan

This OP will serve as ASU's F&A cost recovery and disbursement plan as required by state and federal regulations. The graduate dean and vice president of finance and administration will review this OP as scheduled and with each new F&A proposal and make appropriate changes if needed.