Name of Policy: **Facilities and Administrative (F&A) Costs for Sponsored Research and Programs** **Policy Number**: **3364-70-23** **Approving Officer**: President **Responsible Agent**: Vice President for Research **Scope**: All University of Toledo Campuses	**Revision date:** May 5, 2018 **Original effective date**: May 28, 2009

Key words: sponsored research, indirect costs, F&A

☐	New policy proposal	☒	Minor/technical revision of existing policy
☐	Major revision of existing policy	☐	Reaffirmation of existing policy

(A) Policy Statement

Sponsoring agencies or entities are expected to reimburse UT for facilities and administrative costs (F&A) that cannot be clearly identified with a specific project but are essential to the conduct and completion of the work. Examples include administrative costs (e.g., payroll, purchasing, grants accounting, research and sponsored programs) and facilities costs (e.g., buildings, utilities, IT support, laboratories). The University incurs these expenses as legitimate and expected costs during the performance of work on sponsored agreements; and, therefore, the institution must be equitably reimbursed for these costs.

(B) Purpose of Policy

This policy provides guidance on the use of F&A costs in sponsored research and programs proposal and budget development, and the distribution of recovered F&A funds between the central administration and college/departmental accounts.

(C) Definitions from U.S. Code of Federal Regulations (CFR) 200

(1) Sponsored Instruction and Training

Specific instructional or training activity established by grant, contract, or cooperative agreement. For purposes of the cost principles, this activity may be considered a major function even though an institution's accounting treatment may include it in the instruction function.

(2) Organized Research

All research and development activities of an institution that are separately budgeted and accounted for. It includes sponsored research as defined here:

(a) Sponsored research means all research and development activities that are sponsored by Federal and non-Federal agencies and organizations. This term includes activities involving the training of individuals in research techniques (commonly called research training) where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function.

(3) Other Sponsored Activities

Programs and projects financed by Federal and non-Federal agencies and organizations which involve the performance of work other than instruction and organized research. Examples of such programs and projects are health service projects and community service programs. However, when any of these activities are undertaken by the institution without outside support, they may be classified as other institutional activities.

(4) Modified Total Direct Costs (MTDC)

All direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and subawards and subcontracts up to the first $25,000 of each subaward or subcontract (regardless of the period of performance of the subawards and subcontracts under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward and subcontract in excess of $25,000. Other items may be excluded only when necessary to avoid a serious inequity in the distribution of indirect costs and with the approval of the cognizant agency for indirect costs.

(5) Total Direct Costs (TDC)

All direct expenditures (MTDC but without exclusions)

(6) Participant Support Costs

Direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences or training projects.

(7) Fixed-Price Contract

A type of contract in which payment is defined by deliverables, and does not depend on resources used or effort expended.

(D) University F&A Rates

The F&A rates are negotiated at regular intervals with UT's cognizant federal agency, Department of Health and Human Services. Each campus has its own set of rates, with established rates for different activities: organized research, instruction, off-campus activities, and other sponsored activities. Current F&A rates are listed on the university research and sponsored programs (RSP) web site (http://www.utoledo.edu/research/rsp/). RSP will assign the appropriate rate for the location and type of activity proposed.

(E) University F&A Rate Adjustments

F&A rates are not negotiable on any grant or externally sponsored project except by the Vice President of Research or his/her designee.

(1) Federal Projects

The University charges its federally negotiated rate unless it exceeds the published rate of the agency for particular programs.

For some projects, funds flow from a federal agency to a non-federal prime sponsor (e.g., state agency, corporation, non-profit entity or other university) and then to UT. In such cases, the University's federal rate is applied.

(2) Foundation and Non-Profit Organization Projects

Non-profit organizations may have a board-approved published rate for F&A costs on awards. The University will accept the sponsor's F&A rate for the award.

If the published guidelines of a foundation or non-profit sponsor (e.g. Keck, Dreyfus, Kellogg, and Joyce) require the award to be made to a 501(c) 3 entity for sponsored activity (i.e. not a charitable gift), then the UT Foundation typically accepts the award on behalf of the University.

(3) Local Government Projects

As a university committed to regional engagement with partners, UT charges 10% of total direct costs (TDC) on projects sponsored by local government entities, including the City of Toledo and Lucas County. Other regional government partners may be eligible for F&A reductions as approved by the Vice President for Research.

(4) Corporate and industry sponsored projects

All agreements, including with industry sponsors, must be negotiated by the Office of Research and Sponsored Programs. Corporate and industry sponsored projects are charged the federally negotiated rate. Faculty members, departments or colleges are not permitted to negotiate with any sponsors on F&A rates. Exceptions to F&A rates may only be approved by the Vice President for Research.

(5) Clinical Trials

Clinical trials also are charged the federally negotiated F&A costs as Other Sponsored Activities. When clinical trial budgets are quoted by the sponsor as a specified dollar amount per patient milestone or for the entire study, this dollar amount represents total cost, which includes the university F&A. Revenue from such clinical trials will be divided between direct cost and F&A based on the applicable F&A rate for that study.

(F) Distribution of F&A Funds

F&A funds are allocated at the time of expenditures, based on the applicable F&A rate basis for the project. Funds are allocated to college and departmental accounts with the remainder to the central administration. The allocation of F&A funds for projects with investigators from multiple departments and/or colleges is determined by the credit distribution approved prior to submission.

(G) Residual Funds

For fixed-price contracts where the work is completed to the satisfaction of the sponsor but funds remain, a portion of the residual funds will be deposited in a residual account to support the investigator’s future UT research. Prior to distribution to the residual account, the federally-negotiated F&A rate of the original classification will be applied to the remaining funds, even if a rate below federally-negotiated rates were originally applied to the project. Before funds are distributed to the residual account, it must be verified that all technical and financial reports have been accepted by the sponsor and the project has been officially closed. The allocation of residual funds for projects with investigators from multiple departments and/or colleges is determined by the credit distribution approved prior to submission.

(H) Third party purchases

The practice of allowing the program sponsor or any other third party to purchase items directly for use by UT investigators with the intent of circumventing the university F&A charges and university purchasing/receiving policies and procedures, or making direct payments to study personnel or study subjects, is strictly prohibited. All such transactions must “flow” through the university restricted sponsored program account set up for support of the specific sponsored program.

(I) F&A and budget development

Budgets should always be approved by the RSP office prior to submitting to a potential sponsor. This is to ensure that an adequate budget, including F&A, has been projected. Actual F&A recovery is determined by expenditures and, if necessary, monies may be rebudgeted from direct costs to F&A. For example, if the basis for F&A is modified total direct cost (MTDC), as is the case for all UT federal grants/contracts, equipment and patient care expenses are excluded from F&A. If the budget for a particular grant/contract is established with all of the funds in one of those F&A-excluded categories, no monies will be budgeted for F&A, but if any monies are rebudgeted and expended for personnel, supplies or any other F&A-applicable category, monies must also be rebudgeted from direct cost categories to pay the applicable F&A. In short, F&A is not capped at the budgeted amount, but will be collected on all F&A-applicable expenditures, even if rebudgeting from direct cost is required.

Approved by: /s/ Sharon Gaber, Ph.D. President May 2, 2018 Date *Review/Revision Completed by:* *Vice President for Research* *Interim Associate Vice President for Research* *Director, Research Advancement and Information Systems* *Interim Director for Sponsored Programs* *Director, Grants Accounting* *SLT*	**Policies Superseded by This Policy:** • *Previous 3364-70-23 Facilities and Administrative Costs, effective date May 28, 2009; and effective date April 1, 2011* Initial effective date: May 28, 2009 Review/Revision Date: April 1, 2011, May 2, 2018 Next review date: May 3, 2021