Guidelines on Recovery of Facilities and Administrative (F & A) Costs

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Western Michigan University
Guidelines on Recovery of Facilities and Administrative (F&A) Costs

Western Michigan University seeks to recover full direct and facilities and administrative (F&A) costs on all sponsored projects unless published funding agency or program restrictions prohibit full recovery. Facilities and administrative (F&A) costs, formerly called indirect costs, are those actual and quantifiable costs of a project not specifically attributable to a project’s scope of work but associated with its activities nevertheless. Examples include utilities, custodial services, security, payroll, purchasing, and departmental administration. F&A costs are expressed as a percentage of total direct costs minus exclusions; are agreed upon through formal negotiations on regularly scheduled intervals with the U.S. Department of Health and Human Services, WMU’s cognizant agency; and are based upon data presented by the University in a proposal prepared according to the agency’s instructions.

Should the University fail to recover the full costs of a project, there are two consequences. Not only does the University absorb the remaining cost but also University dollars subsidize the agency. In effect, the University limits its resources to the benefit of the agency.

Type of Sponsor

Western Michigan University recovers F&A costs according to type of sponsor, as follows:

1. Federal. Except as provided otherwise by federal regulations, proposals to and awards from federal agencies must include F&A costs at the rate set forth in the University’s agreement negotiated with the U.S. Department of Health and Human Services. Except as provided otherwise by federal regulations, F&A costs on federal flow-through funds must be included at the appropriate federal rate.

2. Nonprofit. Proposals to and awards from nonprofit entities must include F&A costs at the rate set forth in the University’s agreement negotiated with the U.S. Department of Health and Human Services.

3. For-profit. Proposals to and awards from nonfederal for-profit entities must include F&A costs at the rate set forth in the University’s agreement negotiated with the U.S. Department of Health and Human Services.

Effective with proposals submitted on December 1, 2003, and thereafter, the University will not accept awards that do not include F&A costs at the rate set forth in the University’s agreement negotiated with the U.S. Department of Health and Human Services, or as approved by the vice president for research.

Approval authority for F&A cost rate exceptions

The vice president for research approves exceptions to the University’s federally negotiated
F&A cost rates on sponsored projects. Exceptions, when approved, do not reduce the cost of conducting the project.

The principal investigator or project director may not negotiate a reduction in F&A cost recovery with the sponsoring entity on behalf of the University.

**Procedure for requesting F&A cost rate exceptions**

The principal investigator need not request an F&A cost rate exception if the federal sponsor’s rates are the result of statute, codified agency regulations, or program terms published in the sponsor’s announcement or solicitation. Similarly, no request is necessary for grants-in-aid awards to an individual or the University on behalf of an individual to support his or her educational pursuits (e.g., fellowship, assistantship) or for training projects to provide support for one or more students who are performing research.

Should a for-profit competitive grant program with a published program announcement or a nonprofit entity have a written policy that limits or prohibits the recovery of F&A costs, the vice president for research will review the entity’s policy to determine whether to approve proposal submissions from the University. The policy must meet three criteria: (a) the rate is published as part of the general policies of the organization, (b) the policy is entity-wide, and (c) the policy is uniformly applied to all grants and contracts awarded to educational institutions.

In the event that the principal investigator chooses to request an F&A cost rate exception, the associate dean for research should e-mail a request to the vice president for research no later than two weeks before the proposal submission date. The request should identify the principal investigator, sponsor, program, and deadline, as well as the rationale for the request. The request must also include a copy of the proposed budget and a statement from the chair indicating concurrence with the request. After reviewing the request, the vice president will send notice of the decision to the associate dean, and copies to the principal investigator and the chair, prior to the submission of the proposal.

For *all* instances in which the F&A cost rate shown in the proposal is different from the University’s negotiated rate, documentation of the restriction or approved exception must be submitted at the time the proposal is routed for authorizing signatures.

*Rate exceptions that typically are approved include the following:*

1. One-time awards of $5,000 or less that are from entities that are not federal (including federal flow-through) or for-profit. Proposals must include an explicit statement that full F&A recovery will apply for subsequent funding for the same project. Subsequent awards from the same agency for the same or similar project or activities will require full recovery of F&A costs.

2. Exploratory (one-time) projects expected to lead to larger proposals. Documentation of the larger proposal must accompany the proposal approval form at the time of routing. Also, proposals must include an explicit statement that full F&A recovery will apply for subsequent
funding for the same project. Subsequent awards from the same agency for the same project or activities require full recovery of F&A costs.

3. New companies (or branches of companies) in Michigan during their first three years.
4. Projects of vital campus interest to the University.

Rate exceptions that typically are denied are those made to:
1. Accommodate a sponsor’s ceiling on the total amount of the award
2. Fund projects in which the University relinquishes intellectual property rights
3. Fund projects whose cost share exceeds the sponsor’s required amount
4. Reduce F&A recoveries in instances where federal agencies allow full recovery of the federally negotiated rate
5. Give preference to one college, unit, or researcher in instances where several proposals are submitted to the same competition
6. Limit the University’s recovery in instances where partner university(ies) have not done so

Consequences for failure to comply with the guidelines
The college or vice presidential area is responsible for ensuring that proposals are submitted according to these guidelines. Failure to comply with these guidelines could result in withdrawal of the proposal or the loss of distributed F&A recoveries.

Annual review of request-for-exception activity
The vice president for research will review annually the cumulative activity for exceptions, to ascertain trends in college and unit requests and to evaluate college-level effectiveness in recovering full F&A costs.
Acknowledgments

Preparation of a University policy on the recovery of F&A costs involved thoughtful consideration of the topic by a number of individuals and groups over the period of an academic year. This policy developed from those conversations and draws upon institutional policies at several Carnegie Doctoral/Research—Extensive universities, including Boston College, Colorado State University, Indiana University, Kansas State University, Purdue University, SUNY Stony Brook, The Pennsylvania State University, Tulane University, University of Iowa, University of Maryland College Park, University of Missouri, University of Michigan, University of Nevada Las Vegas, University of North Carolina Chapel Hill, University of Utah, University of Wisconsin—Madison, University of Minnesota, and Virginia Commonwealth University.

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