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# UAP 2425: Recovery of Facilities & Administrative Costs

University of New Mexico

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## **Administrative Policies and Procedures Manual - Policy 2425: Recovery of Facilities & Administrative Costs**

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Authorized by [Regents' Policy 5.9 \("Sponsored Research"\)](#)

Process Owners: University Controller (Main Campus) and HSC Senior Executive Officer for Finance and Administration

### **1. General**

Recovery of indirect costs is a federal policy implemented to recognize that universities and other contractors providing contractual services to the federal government have costs indirectly associated with providing the contract services. The governing federal regulations refer to indirect costs as facilities and administration (F & A) costs. Under the federal regulations, regulations the University can document these support costs and add them to the total funding requirements as F & A costs. The University requires recovery of both the direct and F & A costs incurred when performing externally funded research, instruction and training, and other sponsored projects or programs. Principal investigators must include F & A costs in proposal budgets for contracts, grants, and other awards.

### **2. Allocation of F & A Cost Recovery Funds**

Revenue resulting from the recovery of F & A costs allowed on sponsored research and public service projects is recognized by the University as "unrestricted" income. It is the objective of the University to maximize the use of this source of revenue for the benefit of the University's research and public service programs. Revenue may be allocated to:

- seed new faculty research projects;
- award cost sharing or matching funds on individual projects;
- support UNM's technology commercialization program;
- develop new research facilities; and
- build the University's sponsored research and public service program.

It is recognized that a portion of the F & A cost recovery revenue must be committed to support the administration of sponsored programs in terms of allocations to specific administrative support functions and allocations to colleges and departments.

The Vice President for Research is responsible for the overall allocation plan for F & A cost recovery revenue. The Chancellor for Health Sciences will be responsible for managing the allocation of F & A cost recovery revenue earned through Health Sciences Center (HSC) sponsored research and public service programs, in consultation with the Vice President for Research.

### 3. F & A Costs

The Office of Management and Budget in [Section 200.56](#) of [2 CFR Part 200 \("Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards"\)](#) (Uniform Guidance) defines F & A costs as, "those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved." F & A costs include, but are not limited to:

- depreciation
- interest
- operation and maintenance expenses
- general administrative and general expenses
- departmental administrative expenses
- sponsored projects administration
- library expenses
- student administration and expenses

F & A costs are charged to a project or program using the F & A cost rates listed on the [Office of the Vice President for Research website](#). The rates are applied to the modified total direct costs of a project or program.

#### 3.1. Modified Total Direct Costs

[Section 200.68](#) of the Uniform Guidance defines modified total direct costs (MTDC) as total direct costs less the following:

- capital expenditures: buildings (including alterations and renovations) and equipment items costing \$1,000 or more with a useful life of more than one (1) year;
- the portion of each sub award greater than \$25,000;
- hospitalization and other fees associated with patient care whether the services are obtained from an owned, related, or third-party hospital or other medical facility;
- space rental or maintenance expense charged directly to projects; and
- student tuition remission and student support costs (e.g., student aid, stipends, dependent allowances, scholarships, and fellowships). This does not include payments for services rendered, such as research assistant tuition.

### 4. F & A Cost Rates

The University Financial Services Offices calculate on-campus and off-campus F & A cost rates for each type of sponsored activity (see [Section 8](#) herein) using actual costs incurred. Off-campus rates are applicable to projects performed at facilities not owned or maintained by the University. The University Controller and the HSC Senior Executive Officer for Finance and Administration submit these detailed calculations and proposed rates to the cognizant federal agency for review and approval. The federal agency and the University Controller and the HSC Senior Executive Officer for Finance and Administration, on behalf of the University, negotiate and agree on a rate and applicable time period. These rates are also applicable to non-federally sponsored programs.

#### 4.1. Implementing New F & A Cost Rates

When new F & A cost rates are approved, the Office of Sponsored Projects for Main Campus or HSC negotiates amendments with funding agencies to modify ongoing contracts, grants, and other agreements to reflect the new rates. Amendments are not negotiated when:

- the old rate remains fixed during the award, or
- the use of new rates is automatically authorized by contract, grant, and other agreement provisions.

## 5. Proposals to Funding Agencies

Proposals submitted to federal and non-federal agencies must include F & A costs, using the [cost rates](#) listed on the [Office of the Vice President for Research website](#).

### 5.1. Exceptions to the University's Federally Approved F & A Cost Rates

Some sponsors may have published guidelines prohibiting or limiting the recovery of F & A costs. If the chairperson, dean, or director consider the program desirable, the Vice President for Research or the Vice Chancellor for Research may approve use of a lower rate or amount. To request approval, the principal investigator must provide justification with the completed pre-award forms. The principal investigator must report any objection, refusal, or undue delay by a sponsor to recognize or incorporate the federally approved F & A cost rates to the Office of Sponsored Projects (Main Campus or HSC) immediately.

#### 5.1.1. State of New Mexico Projects or Programs

F & A cost rates for State of New Mexico projects vary by agency. The principal investigator should contact Main Campus or HSC Office of Sponsored Projects for the appropriate rate. If the State of New Mexico specifically states in the proposal guidelines that it intends to fully one hundred percent (100%) finance a grant or contract with federal funds, the federally approved F & A cost rates will be used.

#### 5.1.2. Investigative New Drug Projects or Programs

Studies involving human subjects for an Investigational New Drug (IND) or device as defined by the Food and Drug Administration (for clinical trials) qualify for a different F & A cost rate. The principal investigator must contact the HSC Office of Sponsored Projects for the current rate for IND studies.

## 6. F & A Cost Rate and Recovery Responsibilities

### 6.1. Financial Services Offices

The Main Campus and HSC Financial Services Offices are responsible for:

- preparing the facility and administrative cost rate proposal,
- negotiating the facility and administrative cost rates with the cognizant federal agency,
- distributing the approved rate agreement to the campus, and
- acting as liaison with federal and non-federal auditors.

### 6.2. Principal Investigators

Each principal investigator is responsible for including F & A costs at the University's approved rate in each proposal for external funding. All exceptions must be approved per [Section 5.1](#) herein.

### **6.3. Offices of Sponsored Projects**

The Main Campus and HSC Offices of Sponsored Projects:

- provide information to principal investigators on F & A cost rates and policies, and
- review and approve proposals and awards to ensure inclusion of approved F & A cost rates.

### **6.4. Contract and Grant Accounting Departments**

The Main Campus and HSC Contract and Grant Accounting Departments:

- calculate, record, and bill F & A costs at the approved rates, and
- review contract and grant awards when F & A cost rates change to determine if the awards should be amended.

### **6.5. Vice President for Research and Chancellor for Health Sciences**

The Vice President for Research and the Chancellor for Health Sciences:

- determine the allocation of recovered F & A costs, and
- approve any exceptions to federally approved F & A cost rates.

## **7. F & A Cost Components**

The Financial Services Office is responsible for preparing the F & A cost proposal to the cognizant federal agency, in accordance with this section. F & A costs consist of a facilities component and an administrative component. These F & A cost components are divided into the following categories (F & A cost pools).

### **7.1. Facilities Component**

#### **7.1.1. Operations and Maintenance of Plant**

This category includes costs that have been incurred for the administration, supervision, operation, maintenance, preservation and protection of University facilities. Typical costs include security, utilities, custodial, grounds and landscaping, automotive, fuel management, property insurance, signs, locks/keys, metal shop, recycling, ordinary and normal repairs and renovations, maintenance and operation of buildings and other facilities, and administration. These costs are allocated to the appropriate indirect cost pool and major function, as described more fully in [Section 200.414](#) of the Uniform Guidance, based on the square footage occupied.

#### **7.1.2. Building, Land Improvement, and Equipment Costs**

The costs in this category are calculated using depreciation methods. Equipment costs are not taken on loaned equipment and assets acquired with federal funds. Building, land improvement, and equipment costs are allocated to the appropriate indirect cost pool and major function based on the square footage occupied. Buildings and equipment must be in use to qualify.

#### **7.1.3. Interest--UNM**

This category includes interest costs incurred by the University for the acquisition of long-lived assets. These costs are allocated to the appropriate indirect cost pool and major function based on specific benefit.

#### **7.1.4. Interest--New Mexico**

This category includes interest costs paid by the State of New Mexico on behalf of the University. These costs are allocated to the appropriate indirect cost pool and major function based on specific benefit.

#### **7.1.5. Library**

This category includes the cost of operating University library systems, which includes the cost of books and library materials. These costs are allocated to the appropriate indirect cost pool and major function based on primary categories of users.

### **7.2. Administrative Component**

F & A costs in the administrative component are allocated based on MTDC which are defined in [Section 3.1](#) herein.

#### **7.2.1. Departmental Administration**

This category includes costs incurred for administrative and supporting services that benefit common or joint departmental activities or objectives in academic deans' offices, academic departments and divisions, and organized research units. These costs are allocated to the appropriate functions of the department on the MTDC basis.

#### **7.2.2. General and Administrative**

This category includes costs incurred for the general executive and administrative offices of the University and other expenses of a general character that do not relate solely to any major function of the University; i.e., solely to (1) instruction, (2) organized research, (3) other sponsored activities, or (4) other institutional activities. This administration and support is provided by the Board of Regents; President's Office; senior executive offices; the Controller's organization; Office of Planning, Budget, and Analysis; University Counsel; Department of Risk Management; Department of Human Resources; Purchasing Department; Internal Audit; and other administrative service departments.

#### **7.2.3. Sponsored Projects Administration**

This category includes costs incurred for the administration of sponsored projects (federal and non-federal), such as preparation and submission of proposals, contract negotiation, fiscal management, financial report preparation, billings and collections, and research compliance (i.e., animal and human research protection, export control, conflict of interest, and research misconduct). These costs are allocated based on the MTDC for each sponsored activity.

#### **7.2.4. Student Services Administration**

This category includes costs incurred for the administration of student affairs and services to students, including the costs of the dean of students, admissions, registrar, counseling and placement services, student advisers, catalogs, and commencements and convocations. These costs are allocated based on the MTDC for instruction and sponsored instruction.

## **8. Sponsored Activities**

There are different F & A cost rates for each type of sponsored activity listed below.

### **8.1. Sponsored Research**

Sponsored research is all research activities funded by grants, cooperative agreements, or contracts from federal or non federal sponsors. Examples include, but are not limited to, the following:

- awards in support of basic and applied research,
- research training grants, and
- faculty career awards to support the general research efforts of the faculty.

## 8.2. Sponsored Instruction

Sponsored Instruction is defined as the teaching and training activities funded by grants, cooperative agreements, or contracts from federal or non-federal sponsors. These include sponsored agreements supporting curriculum development and all types of teaching and training activities (whether offered for credit toward a degree or certificate, or offered on a non-credit basis). Activities may be offered through regular academic departments or separate divisions. Examples include, but are not limited to, the following:

- all projects for which the purpose is to instruct any student at any location,
- curriculum development projects at any level, and
- projects which involve University students in community service activities for which the students receive academic credit.

## 8.3. Other Sponsored Activities

Other sponsored activities are programs and projects financed by federal and non-federal agencies and organizations that involve the performance of work other than instruction and organized research. Examples include, but are not limited to, the following:

- support for conferences, seminars, or workshops;
- library projects such as cataloging or establishing library databases;
- health service projects;
- community service programs; and
- other projects in support of the University's public service activities.

## 9. References

- Office of Management and Budget's Uniform Guidance, [2 CFR Part 200 \("Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards"\)](#)
- [Rate Agreement between the Regents of the University of New Mexico and the Department of Health and Human Services](#) (the cognizant agency representing the federal government).