



## UNIVERSITY POLICY

**Section:** 90.1.1

**Section Title:** Research: Finance

**Policy Name:** Sponsored Programs Facilities and Administrative Costs Policy

**Formerly Book:** n/a

**Approval Authority:** Executive Vice President for Academic Affairs

**Responsible Executive:** Senior Vice President for Research

**Responsible Office:** Office for Research

**Adopted:** 07/01/2022

**Reviewed:**

**Revised:**

**Contact:** [financialservices@research.rutgers.edu](mailto:financialservices@research.rutgers.edu)

### 1. Policy Statement

Facilities and Administrative (F&A) costs are actual expenses incurred by Rutgers University in pursuit of its research mission. F&A costs are defined in Code of Federal Regulations 2 CFR § 200 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards) Appendix III, which states that F&A costs are *"incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project..."* These F&A costs are incurred for all sponsored research, not just federally sponsored research. F&A costs are also referred to as indirect costs (IDC). Examples include, but are not limited to:

- **Administrative Costs.** Examples include legal and compliance-related activities such as the General Counsel's Office, Institutional Review Board, the Environmental Health and Safety Office, the Pre-Award and Post-Award Offices, Research Integrity, Payroll, and Purchasing. The Federal government caps administrative expenses at 26%; the actual cost for these activities is much higher. Thus, the University subsidizes research and research administration for these costs through fundraising, State appropriation, and other fees.
- **Facilities Costs.** Examples include depreciation and interest costs associated with Rutgers' buildings and facilities, along with utilities, security, and custodial expenditures.

### 2. Reason for Policy

This policy addresses four critical activities:

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All policies are subject to amendment. Please refer to the Rutgers University Policy Library website ([policies.rutgers.edu](http://policies.rutgers.edu)) for the official, most recent version.

- **Application.** The policy ensures the consistent application of the appropriate F&A rate in sponsored program budgets.
- **Monitoring.** The policy directs the post-award monitoring of F&A cost recovery to ensure compliance with all federal and other sponsor requirements.
- **Collaborations.** The policy implements a fully compliant and transparent allocation of F&A cost recovery that reflects the costs incurred through research and research administration. Supporting and incentivizing collaborations among faculty, departments, schools and colleges, and chancellor-led units is an important goal.
- **Waivers and Reductions.** The policy guides requesting an F&A cost waiver or reduction.

### 3. Who Should Read This Policy

- a. Cost Analysis & Capital Equipment Management
- b. University Controller's Office
- c. Department/School/Center/Institute/Division Personnel
- d. Research Financial Services
- e. Research and Sponsored Programs
- f. Principal Investigators

### 4. Resources

#### Related Policies:

[Uniform Guidance 2 CFR § 200.414](#)

[Allowable Costs on Sponsored Programs](#)

[Salary Costs on Sponsored Programs](#)

[Residual Balances on Fixed Price Sponsored Programs](#)

#### Additional Resources:

- a. Information about F&A and its application to sponsored programs: <https://orsp.rutgers.edu/facilities-and-administrative-costs>
- b. Waiver/Reduction Request Form: [Resource Toolkit | Rutgers Research](#)
- c. Current rate agreements are available on the Division of Cost Analysis and Reporting website at <https://costanalysis.rutgers.edu/federal-rate-agreements>
- d. Budget templates are available to assist in the development of a budget that apply the correct F&A rates: <http://orsp.rutgers.edu/budget-template>
- e. F&A matrix with current rates and definitions: <http://orsp.rutgers.edu/facilities-and-administrative-costs>
- f. Information relating to on- or off-campus determination: <https://research.rutgers.edu/sites/default/files/2021-10/FA%20On-Off%20Campus%20Determination%2005202021.pdf>

## 5. Definitions

- a. **Activity Type:** Defines the sponsored project as *instruction, research, or other sponsored activity*.
- b. **Consistency:** As defined in Uniform Guidance, grantees, such as Rutgers, must be consistent in assigning costs. Costs may be charged as either direct costs or F&A depending on their identifiable benefit to a particular project or program. However, they must be treated consistently for all work of the organization under similar circumstances, regardless of the source of funding, in order to avoid duplicative charges. Consistency principles also apply to functional activity types: instruction, organized research, other sponsored activity, and other institutional activities.
- c. **Direct Costs:** As defined in Uniform Guidance, an expense that is required for the implementation of a sponsored program, can be accurately associated with the activities, is allowable, and is not captured as an F&A or indirect cost.
- d. **Facilities and Administrative (F&A) Costs:** As defined by the Uniform Guidance, an expense that is required for the implementation of a sponsored program but cannot be accurately associated directly with the specific grant or contract activities. These expenses may be applied to the award via the application of an F&A rate. Also known as indirect costs or IDC.
- e. **F&A Credit UDO (Unit, Department, Organization):** The accounting string designated to return F&A recovery to the unit incurring the costs associated with the sponsored activity.
- f. **Location:** On-campus or off-campus.
- g. **Modified Total Direct Costs (MTDC):** Modified total direct costs base consists of all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each external subaward (regardless of the period of performance of the subaward under the award). MTDC excludes capital equipment, charges for patient care, rental costs of offsite facilities, tuition remission, scholarships and fellowships, participant support costs, and the portion of each subaward more than \$25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for negotiating Rutgers' NICRA (see below).
- h. **Negotiated Indirect Cost Rate Agreement (NICRA):** A formal agreement between the University and the federal government which documents both the indirect cost rate(s) and the fringe rate(s) that the University may apply to federally funded sponsored programs for a predetermined period. This negotiated rate is applied to all sponsored programs, regardless of sponsor type.
- i. **Responsibility Center (RC):** For the purposes of this policy, the Responsibility Center is the department, school, institute, division, or center designated to receive the F&A cost recovery, and/or the faculty member's department or unit of primary affiliation.
- j. **Sponsored Program:** Defined as those activities, sponsored whole or in part, by external agencies for which there is an expectation (implied or specifically stated) on the part of the sponsor for performance or outcome. Sponsored programs include grants and contracts. Our sponsors include federal, State, private organizations, foundations, corporate, and foreign entities.
- k. **Total Direct Costs (TDC):** Includes all of the direct costs being charged to the Sponsor. Nothing is excluded from the base prior to calculating the indirect costs (F&A Cost Recovery).

This base is typically used when a sponsor declines to pay Rutgers' federally approved indirect cost/F&A rate and an F&A waiver or reduction is granted by the University.

I. **Uniform Guidance:** 2 CFR § 200 2022

6. **The Policy**

It is Rutgers' policy that the appropriate facilities and administrative (F&A) rates be applied consistently to all federal and non-federal sponsored programs. These rates are established in an agreement approved by the Department of Health and Human Services (DHHS). Uniform application of Rutgers' rates allows the University to recover all allowable F&A costs; when the correct rate is not applied, the University, its departments, schools, institutes, and/or locations, must subsidize these real costs in some other manner. F&A rates are charged to all sponsors based on the **activity type** (such as research, instruction, and other sponsored activity) and the **location** of the project (on-campus or off-campus). When research faculty apply for sponsored awards (grants or contracts) through the unit or school of their primary affiliation, the recovery of F&A costs flow to that unit or school incurring the costs of the research, unless otherwise specified and approved.

a. **COLLABORATIONS AND F&A**

In collaborative research, faculty members may be part of a proposal that is not routed through the unit or school of their primary affiliation. When faculty from multiple units (departments, centers, schools, institutes, or chancellor-led units) or locations within/across Rutgers University collaborate on a sponsored project, the recovery of F&A costs returned to those units should follow the effort, activities, or direct costs as established in the agreed-upon budget. Rutgers uses this default method to distribute the recovery of F&A cost in collaborations. Investigators who work together to develop a proposal will agree among themselves which individual will serve as the contact Principal Investigator, and how the direct costs from the budget will be distributed across unit-specific budgets. At Rutgers, different RCs (departments, centers, schools, institutes, divisions, or chancellor-led units) have different policies regarding their use and distribution of F&A cost recovery, and this policy does not address or affect those decisions.

b. **COLLABORATIONS AND F&A: EXCEPTIONS TO THE STANDARD POLICY**

Unique situations may arise where the F&A cost recovery cannot easily follow the direct costs as expressed in the budget. In such situations, the involved units (departments, centers, schools, institutes, divisions, or chancellor-led units) will submit, along with the sponsored proposal, a written memorandum of understanding (MOU) regarding the disposition of the F&A cost recovery. Initial approval by the units' Chancellors or other persons delegated this authority is required; the approval of the Deans and final approval by the Senior Vice President for Research are also required. If the award is funded, this MOU may need to be modified to conform to the level of funding provided by the sponsoring agency.

c. **WHEN A SPONSOR REQUIRES A REDUCED F&A RATE**

Rutgers will accept a lower F&A rate when a sponsor has clear, *published guidance* imposing restrictions on F&A and such restrictions are *uniformly applied by the sponsor to all award recipients*. Published guidance may appear on a sponsor's website, or within the sponsor's opportunity announcement. An email from the sponsor does not constitute "published" guidelines. The published guidance must be provided to the Research and Sponsored Programs

grant specialist (the pre-award office) at time of proposal review and *prior* to submission of a proposal and/or the budget to a sponsor for consideration. Published guidance from for-profit entities are generally not accepted nor approved by waiver.

d. **NEW JERSEY STATE-SPONSORED PROJECTS**

If the primary source of funding is New Jersey State-sponsored funds, Rutgers is willing to accept a lower rate. However, if the primary source of funding is federal funds flowed down through the State, then Rutgers' federally negotiated rate(s) as indicated in its NICRA must be budgeted for the project using an MTDC base. Thus, the ultimate source of funding from the State should be determined **prior** to submission of a budget to the State for the proposed work, and the appropriate F&A rate should be used accordingly.

e. **REQUESTING A WAIVER OR REDUCTION**

The Principal Investigator may request a reduction or waiver of Rutgers' federally-negotiated F&A rate: (1) when a foundation will not pay Rutgers' rate and lacks published guidance; (2) it is a small grant whose sponsor will not pay Rutgers' rate; (3) the grant was acquired by the faculty member while serving in another university with a lower negotiated F&A rate. Such requests can be made by completing the "[Request for Reduction or Waiver of Indirect Costs Associated with a Sponsored Research Program](#)" form. When requesting a reduced F&A rate or waiver, one must obtain the signed approval of the unit (department chair, school dean, institute/center director) that will pay for the unrecovered F&A costs, along with the Chancellor or other person delegated this authority by the Chancellor for the affiliated chancellor-led unit.

7. **Operationalizing this Policy**

When preparing a sponsored program proposal, the Principal Investigator and departmental staff should work closely with the Office for Research's Research and Sponsored Programs office (RSP, also known as the pre-award office) to ensure that an accurate budget capturing all costs, including F&A costs, is prepared. This close collaboration ensures that the proposal budget accurately reflects the sponsor and University requirements related to F&A rate. A [matrix](#) describing the appropriate F&A rate is available on the [RSP website](#).

a. **DEVELOPING A BUDGET AND PROJECT ACCOUNTS FOR COLLABORATIVE RESEARCH**

When developing a proposal budget associated with collaborative research, the investigators and their staff will prepare for submission to the funder:

1. A project budget for each RC involved in the proposal (this will include the F&A cost recovery for each RC; see section on **Collaborations and F&A** in this Policy).
2. A single proposal budget that will include all budgets associated with the collaborative RCs that identifies the units within the RCs.

The Principal Investigator must indicate their Rutgers collaborators along with each collaborator's role in the project in the appropriate section within the pre-award electronic Research Administration and Proposal Submission System (RAPSS). The Principal Investigator must also request additional "project accounts" in RAPSS. Any MOU relating to a specific arrangement for F&A distribution must be uploaded into RAPSS. Each RC will in turn be responsible for: (1) monitoring expenditures; (2) cost over-runs; and (3) relevant RCM costs. Research Financial Services (or RFS, also known as the post-award office) will setup automatic F&A cost return to each RC during the award setup process.

**b. STANDARD OPERATING PROCEDURE IN THE MANAGEMENT OF F&A RECOVERY**

RAPSS and Oracle Fusion Cloud shall be used to automate the distribution of F&A cost recovery. The RC of the Principal Investigator will submit the proposal through RAPSS and may be responsible for other work of coordination. Faculty involved in collaborative research must agree among themselves which individual will serve as the Principal Investigator. At the time of award setup, RFS reviews the terms and conditions of the award to identify the appropriate F&A rate and base type. This includes the selection of TDC versus MTDC as the base, on- and off-campus rates, and F&A waivers. RFS will ensure that all Oracle records related to the sponsored program accurately reflect the sponsor requirements. This ensures that F&A expenses can be applied consistently to the Oracle project, and in turn is accurately invoiced to the sponsor.

At the time of invoice and financial report submission, RFS will also perform a review of F&A charges to identify errors. If an error is identified, they will investigate the issue, determine the appropriate next steps, and (if needed) create and submit a correcting journal entry.