

Facilities and Administrative Costs on Sponsored Programs

1. Overview

As the recipient of sponsored funds, the University must ensure that the correct facilities and administrative (F&A) rate (sometimes also referred to as the indirect cost rate or IDC) is applied consistently to all benefitting activities, including sponsored programs. This allows the University to recover the correct amount of F&A costs, and to utilize its resources in the most effective manner possible. It is the university's policy that the appropriate F&A be applied to all sponsored programs.

The office of Research Financial Services (RFS) supports the University by providing guidance on the application of the F&A rate, ensuring that Oracle records are set up to correctly charge F&A costs in line with sponsor and award terms and conditions. Principal Investigators (PIs), department personnel and Research and Sponsored Projects (RSP) ensure that sponsored program proposals correctly and consistently budget for F&A. Principal Investigators (PIs) and department personnel review sponsored program expenses, including F&A, to ensure they are allowable, allocable and consistent.

2. Purpose

Provide guidance on the inclusion of appropriate F&A in sponsored program budgets and post-award monitoring of F&A expenses.

3. Who Must Comply

Cost Analysis & Reporting
Department Personnel
Research Financial Services
Research and Sponsored Programs
Principal Investigators

4. Definitions

Allocable Costs: a cost is allocable to a specific cost objective (e.g. grant, function, department) if the goods or services involved are chargeable or assignable to that cost objective in accordance with the relative benefits received or other equitable relationship. A cost is allocable to a grant if it is incurred solely in order to advance work under the grant; it benefits both the grant and the work of the institution, including other grant-supported projects; or it is necessary to the overall operation of the organization and is deemed to be assignable in part to the grant.

Allowable Costs: as defined by Uniform Guidance, expenses that are both directly related to the conduct of a sponsored program award and are not otherwise excluded by sponsor or University regulations or the award terms and conditions.

Allocable Costs: as defined by Uniform Guidance, expenses that directly benefit and are necessary to the execution of the sponsored program.

Consistency: as defined by Uniform Guidance, grantees must be consistent in assigning costs to cost objectives. Although costs may be charged as either direct costs or F&A (also known as indirect or IDC costs) depending on their identifiable benefit to a particular project or program, they must be treated consistently for all work of the organization under similar circumstances, regardless of the source of funding so as to avoid duplicative charges. Consistency principles also apply to functional

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activity types: instruction, organized research, other sponsored activity, and other institutional activities.

Direct Costs: as defined by 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.

Facilities and Administrative (F&A) Costs: as defined by Uniform Guidance, an expense that is required for the implementation of a sponsored program but cannot be accurately associated 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 expenses or IDC.

Negotiated Indirect Cost Rate Agreement (NICRA): a formal agreement between the University and the federal government that 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 of time.

Reasonable Costs: as defined by Uniform Guidance, a cost may be considered reasonable if the nature of the goods or services acquired or applied and the associated dollar amounts reflect the action that a prudent person would have taken under similar circumstances at the time the decision to incur the cost was made. The cost principles elaborate on this concept and address considerations such as: whether the cost is of a type generally necessary for the organization's operations or grant's performance; whether the recipient complied with its established organizational policies in incurring the cost; and whether the individuals responsible for the expenditure acted with due prudence in carrying out their responsibilities to the Federal Government, the public at large, and the organization.

5. Procedure

Facilities and Administrative (F&A) costs are incurred for common or joint objectives that cannot be readily or easily assigned to a particular sponsored program. Examples include costs such as central administration, such as payroll, procurement and other administrative services, and the University's central facilities costs. The University applies these expenses to a sponsored program using an F&A rate (rate) that may vary by type of activity and/or by sponsor. The F&A costs that the University recovers related to sponsored programs are typically less than the actual F&A expenses that are incurred. The University's policy is to seek to recover all allowable F&A expenses.

The majority of the University's sponsored programs apply the research or other sponsored programs F&A rate outlined in our Negotiated Indirect Cost Rate Agreement (NICRA) with the federal government. To obtain the rates for research, instruction, other sponsored programs and special instruction documented in the NICRA, the University identifies all of the facility and administrative expenses that were used to support the specific type of sponsored programs over a specific period of time. The University then submits those expenses to the Federal government using a specific format and works with the government to negotiate and agree upon a rate which is documented in the NICRA.

When PIs or department personnel charge expenses to a sponsored program (direct cost), the financial system automatically assesses the correct F&A rate. The direct cost and its associated F&A cost are then invoiced to the sponsor. As noted in the RFS Procedure "Allowable Costs on Sponsored Programs," expenses that are captured via the F&A rate may not also be charged directly to an award. This would constitute double charging. The University must ensure that F&A costs are treated consistently and are only applied to sponsored programs via the F&A rate calculation. For additional information on the expenses that are typically captured via the F&A rate, please see the table below.

In certain rare cases, expenses that would typically be defined as an F&A cost may be charged as a direct cost if they are used in a manner that is substantially different than normal practice. These

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expenses are also known as “unlike costs.” (E.G. administrative personnel on program projects, computers to support field-based research, or rent for activities that are not charging on-campus F&A rates). Since these types of expenses expose the University to significant audit risk, PIs and department personnel should contact RFS when in doubt prior to charging these expenses to a sponsored program. As a rule of thumb, the University must document that the answer to the four questions below is “yes” for these expenses to be compliant:

1. Is the expense **either** specifically listed in the sponsor-approved budget and budget narrative **or** does it have written sponsor approval?
2. Is there confirmation that the expense was not included in the F&A calculation?
3. Is the expense integral to project implementation?
4. Can the expense be explicitly associated to the award activity?

Pre-Award

When preparing a sponsored program proposal, the PI and departmental staff should work closely with RSP to ensure that they comply with RSP’s requirements for accurate budgeting, including their procedure on requesting F&A waivers. This will ensure that the proposal accurately reflects the sponsor and University requirements related to the type of F&A rate, application of on- and off-campus rates, and provision of F&A waivers. A matrix describing the appropriate F&A rate and definitions for specific activity types are available on the [RSP website](#).

If the PI wishes to budget for an unlike cost, they must work with RSP to determine whether the sponsor will allow it.

F&A waivers or reductions are granted only in exceptional circumstances. Please review the “Waiving or Reducing Facilities and Administrative Costs on Sponsored Programs” procedure for guidance on when a waiver or reduction may be acceptable and for the process for applying for such.

Post-Award

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 total direct costs versus modified direct costs 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 accurately invoiced to the sponsor.

During award implementation, the PI and department personnel should include a review of F&A charges in their financial monitoring activities. If they note an error related to F&A they should notify RFS to request assistance. RFS will then investigate the issue, determine the appropriate next steps, and (if needed) create and submit a correcting journal.

If the PI and department personnel note a direct expense that would typically be charged via the F&A rate (an unlike cost), they should work with RFS and RSP to determine whether the expense is allowable per the guidance above.

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.

Cost Type	Information
Please note: the expense types listed below MAY qualify as an allowable expense if they meet the requirements noted under “unlike costs” above. Prior to charging any expenses listed in this table to a Rutgers’ sponsored program, please contact RFS for guidance.	

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<p>Administrative Expenses CFR 200.414</p>	<p>Expenses of this kind are included in the F&A calculation and are therefore generally unallowable. This includes but is not limited to:</p> <ul style="list-style-type: none"> • Accounting staff • Administrative Personnel • Department Secretaries <p>Post Award Managers Note that in some very limited circumstances, administrative expenses may be charged to sponsored programs as direct costs. Please view https://orsp.rutgers.edu/administrative-and-clerical-salaries for guidance.</p>
<p>Books, journals & Periodicals CFR 200 Appendix IV & CFR 200.454</p>	<p>Expenses of this kind are included in the F&A calculation and accessible via institutional libraries and are therefore generally unallowable.</p> <p>In a very limited set of circumstances, these expenses may be allowable on a federal award:</p> <ul style="list-style-type: none"> • A book is not available from the institution's library and a direct benefit to the award can be documented, • A book is available in the library but must be used so frequently to achieve the award goals that a library copy will not suffice; or • A book provides specific information that will directly improve the outcome of the award.
<p>Communication Expenses CFR 200 Appendix IV</p>	<p>Expenses of this kind are included in the F&A calculation and are therefore generally unallowable.</p>
<p>Computer Supplies CFR 200.453, CFR 200.94, CFR 200.20 & CFR 200.33</p>	<p>Expenses of this kind are included in the F&A calculation and are therefore generally unallowable.</p> <p>Note that computers may be charged to sponsored programs in proportion to the extent of their use in the project. Please view https://orsp.rutgers.edu/computing-devices for more information.</p>
<p>Depreciation CFR 200.436</p>	<p>Expenses of this kind are included in the F&A calculation and are therefore generally unallowable.</p>
<p>Facility Expenses CFR 200.414</p>	<p>Expenses of this kind are included in the F&A calculation and are therefore generally unallowable. This includes:</p> <ul style="list-style-type: none"> • Buildings • Interest on debt • Equipment • Capital improvements • Operations expenses • Maintenance expenses
<p>Postage CFR 200.473</p>	<p>Expenses of this kind are included in the F&A calculation and are therefore generally unallowable. These are typically deemed an administrative cost.</p>

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Taxes CFR 200.470	Due to the University's non-profit status, Rutgers is not typically required to pay taxes, and therefore this expense is generally unallowable. In circumstances where Rutgers must pay taxes to comply with state and federal regulations may be allowable.
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6. Roles & Responsibilities

Cost Analysis and Reporting	<ul style="list-style-type: none"> • Prepare, submit and negotiate the University's F&A rates.
Department Personnel	<ul style="list-style-type: none"> • Support the PI in the development of a sponsored program budget with accurate F&A calculations and unlike costs • Support the PI in performing an after-the-fact review of sponsored program expenses including F&A expenses and unlike costs • Support the PI in collaborating with RFS on F&A expense errors • Support the PI in submitting cost transfer requests
Grant and Contract Accounting Accountant	<ul style="list-style-type: none"> • Ensure Oracle records accurately reflect sponsor requirements and award terms and conditions related to F&A • Provide guidance to the University community on the post-award management of F&A and unlike costs • Review sponsored program F&A expenses and resolve errors
Principal Investigators	<ul style="list-style-type: none"> • Develop a sponsored program budget with accurate F&A calculations • Perform an after-the-fact review of sponsored program salary expenses as including F&A expenses and unlike costs • Collaborate with RFS on F&A expense errors • Submit and/or approve cost transfer requests
Research and Sponsored Programs	<ul style="list-style-type: none"> • Support the PI in the compliant development of a sponsored program budget as it relates to F&A calculations and unlike costs • Review incoming award budgets for appropriate F&A application

7. Resources

Related Procedures

Uniform Guidance 2 CFR 200.414

Allowable Costs on Sponsored Programs

Salary Costs on Sponsored Programs

RSP Procedure on F&A Waivers

Residual Balances on Fixed Price Sponsored Programs