

Facilities and Administrative (F & A) Costs (commonly referred to as "indirect costs")

Facilities and administrative (F&A) costs are those expenses that are essential to the conduct of sponsored institutional activities but which cannot be readily attributed and directly charged to specific individual projects. F&A costs, therefore, include such items as:

- capital expenses associated with laboratory and office space, classrooms, and other facilities
- utilities
- library services
- administrative services (e.g. accounting, human resources, purchasing, security, etc.); custodial services, building and grounds maintenance, hazardous material handling, etc.

F&A Cost Rates are determined periodically from actual cost records through a detailed accounting procedure specified by federal cost principles. The rates are audited and approved by the federal government. Separate F&A cost rates are calculated for research, instruction and training and other, with on- and off-campus components for each.

In accordance with federal regulations, the rates are expressed as a percentage of Modified Total Direct Costs (MTDC) expended, where MTDC represents direct costs excluding graduate assistant tuition remission, charges for patient care, equipment (defined as having an expected life of two years or more and having an acquisition cost of \$5,000 or more), plant construction, building amortization, and the portion of each subgrant and subcontract in excess of \$25,000.

Grants, contracts and other agreements that designate West Virginia University or West Virginia University Research Corporation (University) as the Grantee Institution/Contractor are the appropriate mechanisms of support for all sponsored institutional activities at the University. Full recovery of both the direct and F&A costs associated with sponsored institutional activities is expected on all grants, contracts and other agreements that support those activities.

The following guidelines are used for the recovery of F&A costs:

1. If under the sponsor's published guidelines the University is required to cost share, or when an academic unit of the University proposes voluntary committed cost sharing and that cost sharing is to come from a contribution of F&A costs, the approval of the Vice President for Research and Economic Development is necessary before submission or acceptance (See procedures below for requesting approvals).
2. If a sponsor is a **not-for-profit** or **governmental** [non-foreign] entity and has published guidelines (or otherwise verifiable written policy, statute, or legislation) prohibiting or limiting the recovery of F&A costs, the University shall accept the

lesser rate or amount, if it considers the program desirable for University participation (as evidenced by the approval of the College/Unit on the appropriate Internal Approval Form), without requiring central approval. The University considers the loss of F&A cost recovery, in these cases, to be usable for cost sharing when allowed by the agency.

3. If a sponsor which is associated with a particular industry and which is financed from voluntary contributions from member companies (e.g., Gas Research Institute, Electric Power Research Institute, etc.) has issued an RFP or contract prohibiting or limiting the recovery of F&A costs to all applicants, the University will accept the reduced F&A.
4. If a sponsor is a for-profit entity and has an established, competitive grants program open to universities, and their published guidelines prohibit or limit the recovery of F&A costs to all applicants, the University will accept the reduced F&A.
5. Other than identified above, restrictions on F&A recovery from a for-profit company are not acceptable, except in some rare circumstances (such as when the project solely funds a student's research and the student is free to publish the results) that require special review and approval by the Vice President for Research and Economic Development. Requests under this category must originate with the PI and outline a justification for the reduction or waiver of F&A. The request must be signed by the PI, Department Chair and Dean and forwarded to the OSP for review and submission to the Vice President.
6. For State of West Virginia projects the University shall attempt to recover F&A whenever possible. The following parameters should guide budget requests:
 - All University proposed budgets for projects utilizing State appropriated dollars shall include a minimum request for F&A of 10% of modified total direct costs. The only exception to this is if the sponsoring agency has specific written guidelines limiting F&A to an amount less than 10%.
 - Some State of West Virginia agencies specifically permit the University to recover the costs associated with administering a sponsored project. If the costs permitted for administration are greater than minimum established above, then the higher amount or rate should apply.
 - Any direct administrative personnel costs to be dedicated to the project and managed by the unit should be included as project personnel under the budget category for salaries and wages, including fringe benefits, and the 10% is still budgeted as F&A.
 - If the State of West Virginia specifically states in its proposal guidelines that it intends to finance a grant or contract with funds derived from a federal source, University should request full F&A costs at the same level as if the University were contracting directly with the federal agency involved. The University may negotiate the final F&A to a lower rate in certain circumstances on a case by case basis.
 - This policy cannot anticipate all the variations that may arise with State of West Virginia projects. In those cases, Units should contact OSP for assistance in determining an appropriate F&A rate.

Note: An imposition of an overall ceiling on the total amount of award by an agency is not considered adequate justification for a waiver of F&A costs; rather, the scope of work for the project should match the funding available from the agency. Requests for waivers of full cost recovery that are the result of an agency recommending funding at a level less than proposed does not constitute adequate justification for cost sharing; rather the scope of work should be reduced to match the funds recommended for award.

PROCEDURES:

Proposal solicitations in some instances call for institutional cost sharing as a condition for an award. While the University is firmly committed to assisting faculty in the pursuit of outside funding for research initiatives and program development, the resources available for cost sharing are limited. All cost sharing must be approved in accordance with the approved Cost Share Policy. All cost sharing must be documented in accordance with University and sponsoring agency policy.

Requests for waivers or reductions of F&A costs or for institutional cost sharing through the use of F&A costs must be submitted in writing to the Office of Sponsored Programs (OSP). Originating with the PI/PI, such requests shall identify the Principal Investigator, the proposal title, the agency and program to which the proposal is being submitted, the total amount requested, the amount of institutional cost sharing proposed, the amount of cost sharing the academic units involved are providing, and the rationale and justification (such as sponsor's written policy) for utilizing F&A costs for cost sharing or for waiving F&A costs. This request MUST be signed by the PI, Department Chair and Dean.

RESPONSIBILITIES:

It is the responsibility of the College, Center, Institute, or other Administering Unit to:

- provide copies of the written policy of the agencies when cost sharing is required or restrictions are made on F&A cost recovery, and
- review the academic content and quality of the proposed project and to make the determination of the project's acceptability as a suitable University sponsored project.
- PI's do not have the authority to negotiate reduced F&A on behalf of the University. Agreements reached by faculty resulting in reduced F&A are not considered valid. As a result, advance "draft" budgets should not be provided to sponsors that incorporate anything other than the F&A rates contained in the approved Rate Agreement.

It is the responsibility of the Office of Sponsored Programs or Delegated Representatives to:

- review all proposals and awards to ensure compliance with this policy.
- obtain necessary approvals for exceptions.
- conduct negotiations on F&A rates, where applicable

It is the responsibility of the Research Accounting Office to:

- verify that all awards/accounts are established to recover F&A cost in accordance with this policy.

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