UMCES Policy VIII-10.40

UMCES Policies

VIII-10.40 UMCES Policy on Facilities and Administrative Cost Recovery

I. Purpose and Applicability

To establish the policy of full cost recovery when budgeting for sponsored research or services and delineate the special conditions and procedures for when exceptions may apply.

II. Definitions

A. Direct costs – Expenses charged to budgets other than Facilities and Administrative (F & A) Costs. These costs can be identified specifically with a particular sponsored project and can be directly assigned to such activities relatively easily with a high degree of accuracy.

B. Equipment - Equipment is an article of nonexpendable, tangible personal property having a useful life of more than one year and, an acquisition or total fabricated/constructed/assembled cost of $5,000 or more.

C. Facility and Administrative (F&A) Costs – Also known as indirect costs or overhead costs. F & A costs are those expenses that are not direct costs, are related to sponsored projects and cannot be easily identified with a particular sponsored project. These costs are classified under two broad categories: Facilities (such as building and equipment depreciation, utilities, operation and maintenance, and library expenses) and Administrative (such as human resources, procurement, sponsored projects administration, departmental administration). Some specific examples are library books, departmental administrative and clerical salaries, office supplies, general purpose equipment, base phone costs and local phone calls.

D. Facility & Administrative Rate Agreement – Formal rate agreement between UMCES and our assigned federal audit agency, the Department of Health and Human Services (DHHS). This rate agreement establishes a rate(s) to be applied as a percentage to certain direct costs as defined as our “base” (see E.).

E. Modified Total Direct Cost Base (MTDC) - Defined in the Rate Agreement. For UMCES, MTDC includes the direct costs of salary/wage costs, fringe benefits, materials, other direct expenses (such as services), travel, and the first $25,000 of a subcontract. Excluded is capital equipment, tuition remission, scholarships, fellowships, portion of each subcontract or subgrant in excess of $25,000, rental of off-site facilities and UMCES research vessel operations.

III. Policy

It is the policy to seek full reimbursement of Center expenses associated with the conduct of research, service or other sponsored programs. Except where provided for below, all sponsored
project budgets must include all costs, direct and Facilities & Administrative (F&A). The F&A rate to use for all sponsored projects is that rate of the UMCES Federal F&A Rate Agreement in place at the time of proposal submission. These costs are real costs and are incurred even if not budgeted. Under recovery of indirect costs constitutes a cost sharing.

F&A Rate Agreements are renewed every few years. With each new agreement, an UMCES-wide notice on the implementation and application of the new rates will be issued. Current Rate Agreement can be found on the UMCES website under the Research Administration section.

IV. Exceptions

A. **Limit Imposed by Sponsoring Agency Policy** - Some federal programs, state, and private sponsors formally impose limits on the F&A cost rate that may be requested as part of the budget. Some private foundations may even specifically prohibit this line item from the budget as a matter of policy. The rate or administrative fee allowed by the sponsor may be used in these cases. A copy of, or website reference to, such a policy must accompany the proposal when routed within UMCES, and no waiver request is required.

B. **State of Maryland Rate** – The F&A Rate to be used in proposal budgets to agencies of the State of Maryland for projects funded with State funds is a UMCES determined rate and is approved by the UMCES Administrative Council. The UMCES State rate is typically adjusted at the time UMCES must implement its new Federal F&A Rate Agreements.

This rate does not apply when UMCES is specifically a line item in a federally funded project to a State agency or when UMCES and a State agency are jointly submitting a proposal to a federal sponsor.

C. **Rate for County and Local Governments in Maryland** – When F&A costs are allowable or not limited by the RFP on proposals to county or local governments in Maryland, the UMCES rate for the State of Maryland should be used.

D. **Waiver on Fabricated, Constructed and/or Assembled Equipment** - With the following conditions, a waiver of F & A is hereby granted to component purchases required for equipment that is fabricated in UMCES laboratories and will be used for research, scientific or other technical activities and is needed to carry out the sponsored project. *It does NOT apply to when the sponsored project itself is for construction of experimental equipment, such as when the equipment may be a deliverable, or for equipment intended for sale or transfer to any organization outside the University. It does NOT apply to equipment repairs.*

1. Proposal budgets including equipment to be fabricated at UMCES must include that fact in the budget and the budget justification.
2. Re-budgeting for such fabricated/constructed/assembled equipment items require the same prior approvals required by the sponsor or UMCES prior approval system as for equipment purchases.
3. Such equipment is capital equipment and must be inventoried and entered into the fixed asset system upon completion as federal or university property. Subsequent modifications to inventoried equipment must be valued at the close of the sponsored project award.
4. A separate sponsored project account number will be established for each item to be fabricated. All equipment component purchases, even those over $5,000, must use the object/expense code 4348 and are to be charged to these separate accounts.

E. Small Awards for Student Support - For small (less than $50k) projects that are solely for the support of graduate students but are not specified as fellowships by the sponsor, F & A costs are waived.

F. Waiver Request for Extraordinary Circumstances – When a faculty or staff member feels there is an extraordinary justification to budget an F & A cost rate at less than the UMCES rate in effect at the time, a waiver may be requested.

1. Such requests are to come forward to the Office of Research Administration & Advancement and must include:

   a. The reason for the request, the significance of the proposed research and support and the consequences of accepting or denying the waiver request;
   b. The support and endorsement of the Laboratory, Sea Grant or other unit Director. Waiver requests will not be considered without such support.

2. Waiver requests must be submitted and approved before the proposed budget which is to include a waiver of F & A is presented to the sponsor, even informally.
3. Final approval of waivers is granted by the President or designee.

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