

Facilities & Administrative (F&A) Costs Directives & Procedures

Responsible Office: Office of Research

Effective Date: September 25, 2013
Last Revision: September 30, 2018

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1. Background

The importance of recovering Facilities and Administrative (F&A) costs as part of the full cost of a sponsored project cannot be overstated. F&A costs are real, auditable expenses of University operations. The University's (F&A) rates are negotiated with the U.S. Department of Health and Human Services and reflect auditable expenses incurred in the conduct of sponsored activities. Included among these expenses are heating and air-conditioning, lights, custodial services in the lab, occupational safety, hazardous waste disposal, maintenance and repairs and depreciation costs of buildings and equipment, and general administrative costs such as sponsored programs administration, departmental administration and general administration (accounting, purchasing, legal services, personnel, and compliance). These expenses are "indirect" because they are not easily identified with a specific project and therefore are not included in the "direct" portion of the budget. F&A charged on projects provides reimbursement for actual institutional expenses that cannot be directly charged to a grant or contract. F&A costs support the conduct of sponsored projects, regardless of the source of funding, and therefore must be applied to all sponsored projects.

All sponsored project budgets should include all costs needed to accomplish the objectives presented in the statement of work. The total cost of any project includes both direct costs (salaries for the researchers, lab supplies, travel, etc.) and facilities and administrative costs (F&A).

1.1. Definitions

1.1.1. Direct Costs

Those costs that can be identified specifically with a particular sponsored project or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Where an institution treats a particular type of cost as a direct cost of sponsored agreements, all costs incurred for the same purpose in like circumstances shall be treated as direct costs of all activities of the institution.

1.1.2. Facilities & Administrative (F&A) Costs

Those costs that are incurred for common or joint University objectives and, therefore cannot be identified readily and specifically with a particular sponsored project. "Facilities"

heating and air-conditioning, lights, custodial services in the lab, occupational safety, hazardous waste disposal, maintenance and repairs and depreciation costs of buildings and equipment, and general administrative costs such as "Administration" is defined as "general administration and general expenses, sponsored programs administration, departmental administration and general administration (accounting, purchasing, legal services, personnel, and compliance), and all other types of expenditures not listed specifically under...facilities."

1.1.3. Instruction

Sponsored Instruction is defined as teaching and training activities funded by grants and contracts from federal or non-federal sponsors. Sponsored Instruction includes agreements which support curriculum development as well as teaching/training activities (other than research training) whether offered for credit toward a degree or certificate, on a non-credit basis, or through regular academic departments or by separate divisions, summer school, or external division. The key indicator of instruction vs public service is the intended audience. If the audience is intended to be enrolled students, the activity is instruction. If the audience is the public, the activity is Other Sponsored Activity.

1.1.4. Research (taken from the NSF Higher Education Survey and 2 CFR 200.87)

All research activities, both basic and applied, and all development activities that are performed by UF. The term research also includes activities involving the training of individuals in research techniques where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function.

"Research" is defined as a systematic study directed toward fuller scientific knowledge or understanding of the subject studied. "Development" is the systematic use of knowledge and understanding gained from research directed toward the production of useful materials, devices, systems, or methods, including design and development of prototypes and processes.

1.1.4.1. **Basic Research** – Experimental or theoretical work undertaken primarily to acquire new knowledge of the underlying foundations of phenomena and observable facts, without any particular application or use in view.

1.1.4.2. **Applied Research** – Original investigation undertaken in order to acquire new knowledge. It is directed primarily towards a specific, practical aim or objective.

1.1.4.3. **Experimental Development** – Systematic work, drawing on knowledge gained from research and practical experience and producing additional knowledge, which is directed to producing new products or processes or to improve existing products or processes.

1.1.5. Off Campus

The off-campus rate should be applied if the activity is conducted in buildings that are not owned and maintained by UF and which rent is directly allocated to the project. Off-campus F&A can only be charged to projects where rent (which may be in the form of janitorial services, building maintenance, etc.) is directly charged to the project.

Projects that merely include travel costs, field work, or work at Institute of Food and Agricultural Sciences Research & Education Centers do not qualify for the off campus rate.

1.1.6. Other Sponsored Activity (OSA)

According to 2 CFR 200, Appendix III, Section A.1.c, Other Sponsored Activity consists of "programs and projects financed by federal and non-federal agencies and organizations which involve the performance of work other than instruction and organized research." Most sponsored projects at the University can be properly classified as Research or Instruction. The use of OSA rates must be limited to activities similar in nature to the examples provided in Appendix III, Section A.1.c: health service projects and community service

programs. When the work contributes to new knowledge whether to benefit the University, greater academia or the sponsor's mission or profit, research is the appropriate definition and not OSA. Generally, only when the constituents or beneficiaries of the work is the greater public and not the sponsor should this rate be utilized.

1.1.7. Waiver

Application of a rate less than either the fully negotiated federal rate or a rate published and utilized by a non-profit or governmental sponsor for all applicants to the sponsor or a particular program.

2. Applicability

The University recovers its costs for F&A expenses on sponsored projects by charging F&A as a percentage of the direct cost expenses of the funded projects. Unless otherwise provided in this document, all budgets for funded projects, regardless of funding source, should include F&A costs according to the applicable federally-negotiated F&A rate. The applicable F&A rate may vary depending on the activity type. The definitions provided in this document should be used in making sponsored activity type and rate applicability determinations.

3. Exceptions to the Application of the Negotiated Rate

The University recognizes that some sponsors and programs limit by policy their F&A cost reimbursement. Exceptions and the process for approval of each are outlined below:

1. Established rates for use with various public entities as stated in the [UF F&A Rate Chart](#). No additional documentation is required to be included with each UFIRST proposal.
2. Industry sponsored human clinical trials will be charged 30% on total direct costs (TDC). No additional documentation is required to be included with each UFIRST agreement.
3. Industry sponsored animal clinical trials are defined as those sponsored by for-profit sponsors where the animal population is 100% client owned and the animal work and housing occurs entirely outside University sponsored animal care facilities, such as the Veterinary Hospital Clinical space where no University funds are used to maintain the space. When all above criteria are met, the project will be charged 30% on total direct costs (TDC). Written confirmation from the PI and the College of Veterinary Medicine leadership will be required with each UFIRST proposal requesting use of this rate.
4. Some not-for-profit sponsors or US government programs prescribe F&A rates other than the University's federally negotiated rate. Examples include all awards from the American Heart Association, United States Department of Agriculture National Institute of Food and Agriculture AFRI programs and National Institutes of Health Career Awards. To be acceptable, the published rate must appear in the sponsor's guidelines (request for proposal, request for application, broad agency announcement, or other published guidelines), be published on the sponsor's web site, or if no program is publicly posted, can be demonstrated to apply to all recipients of funding for services or grant programs. The F&A rate must apply universally to all proposals submitted for that particular program or that sponsor, not solely to those submitted by UF. Evidence of the published rate must be included in the UFIRST proposal at the time of submission to DSP. If such documentation cannot be provided, the Principal Investigator will include the full applicable F&A rate in the proposal or request a waiver under the procedures outlined below. Reduced rates do not apply to for-profit entities or to growers, producers, or the foundations or associations that support them, which are expected to pay the University's full applicable F&A rate.
5. The award is being transferred to UF after a faculty member was awarded the funds at a prior institution, UF's F&A cost rate exceeds those provided at the previous host institution, and the sponsor will not adjust the funds awarded to UF to accommodate the increase. On a case-by-case basis, DSP will review the available budget and F&A rate to ensure that the Principal Investigator is

held harmless (e.g., the same amount of direct costs remaining upon departure from the old institution/entity will be made available). Evidence of the previous host's acceptance of the lower rate and the remaining budget (including direct and F&A costs), should be provided at the time of the transfer proposal. Note that any additional reduction in rate (beyond maintaining direct cost equivalency) requires an F&A waiver.

4. Requesting a Waiver

Use of any F&A rates other than the negotiated rates or the itemized exceptions provided under Section 3 above must be approved by the College Dean or Unit Director and a Director of the Division of Sponsored Programs. Chair, Dean and DSP review is based on assessment of the compelling nature of the request, the importance of the individual project, the best interests of the college, fairness to other investigators, and the ability of the department or college to financially forego the F&A that would otherwise have been recovered.

Note that failure of the Principal Investigator to submit the proposal via approved institutional channels (e.g., through department, college and DSP) prior to submission to the sponsor is not cause for a waiver. In these cases, the sponsor will be expected to pay the full applicable F&A rate.

In addition, all parties of the review should be attentive to the proper calculation of F&A costs in the budget. If a proposal includes an error in calculation, the appropriate F&A must still be recovered. Request to the sponsor or an adjustment in direct costs will be necessary to accommodate any error.

5. Responsibility for Compliance

Responsibility for following these guidelines lies primarily with Principal Investigators, Department Chairs and fiscal personnel with the general guidance and oversight of the colleges, schools and divisions. The University of Florida administration is responsible for guidance and training and for ensuring compliance through periodic internal and external audits.

5.1. Division of Sponsored Programs (DSP)

DSP supports the University in its mission to ensure fiscal integrity by engaging on all policy and procedure reviews regarding Facilities and Administrative Cost Reimbursement and Recovery. The Division interprets this policy including supporting the mission to recover all available F&A costs. The Division reviews and provides final consideration for all waiver requests. The Division assists in the development of training and educational materials related to Facilities and Administrative Costs.

5.2. College/Department/Division/Center (Unit)

The college, department, division, and centers are responsible for reviewing and approving all budgets for sponsored projects. Included in this is the determination of the appropriate rate and proper calculation of F&A costs. The Unit leadership is a party to consideration of waiver requests. The college is responsible for clearly delineating the division of responsibilities between the college and its departments/divisions.

5.3. Principal Investigator

The Principal Investigator (PI) has responsibility for scientific and budgetary decision-making on all sponsored projects, following the University of Florida guidelines and federal and other sponsor regulations and policies. The PI is responsible for identifying the need for a waiver and providing adequate justification to support review of any waiver request.