California State University SAN MARCOS
OFFICE OF GRADUATE STUDIES AND RESEARCH

Facilities and Administrative (F&A)/Indirect Costs (IDC) Procedure

Background

CSUSM is required to ensure that direct and indirect costs are recovered and treated consistently in sponsored project budgets (*Sponsored Programs Proposal Costing/Budgeting* ICSUAM 11003.04). The purpose of this procedure is to document institutional processes for the inclusion of indirect costs in proposal budgets.

The terms Facilities and Administrative (F&A) and Indirect Costs (IDC) are interchangeable see *Section 600 - Definitions*. Indirect cost recovery allows institutions to recover the real costs of research and sponsored activities. For further information on F&A/indirect costs and the purpose of their inclusion in project budgets, see *Section 700 - Additional Resources*.

100.1 CSUSM's Negotiated F&A Rates

CSUSM's Facilities & Administrative (F&A) Agreement is negotiated with our cognizant federal agency, US Department of Health & Human Services, Cost Allocation Services, and includes an on-campus rate and an off-campus rate. CSUSM Corporation engages in negotiations for the federally negotiated rates about every four years. At that time, the rates are reexamined and upward or downward adjustments are made.

100.2 On-campus Rate

CSUSM's on-campus rate should be applied when the majority of activities are conducted using facilities where space-related costs (e.g. rent, utilities, and maintenance) are paid for by the university or its affiliates and are not charged directly in the project budget.

100.3 Off-campus Rate

CSUSM's off-campus rate should be applied when the majority of activities are conducted:

1. In leased facilities where space-related costs (e.g. rent, utilities, and maintenance) are charged as direct costs in a project budget or;
2. In facilities not owned by the university that are made available—in writing and at no cost—to the program by a non-university organization.

100.4 Base for calculation of indirect costs

The base on which the on- or off-campus rate is applied will be calculated in accordance with CSUSM's F&A Agreement, which defines a modified total direct costs (MTDC) base. The MTDC base excludes the following:

- Equipment (tangible, nonexpendable personal property with useful life over 1 year >$5,000 per unit)
- Capital expenditures
- Charges for patient care
- Rental costs
- Tuition remission
- Scholarships and fellowships
- Participant support costs
- Portion of each subaward in excess of $25,000

200 Applying one of CSUSM's Negotiated F&A Rates

It is the policy of CSUSM Corporation to request the maximum indirect cost recovery allowed by the sponsor (*Policy on the Allocation of Facilities and Administrative Costs/Indirect Costs*). For federal awards,

this includes applying CSUSM's federally negotiated F&A rate according to the definitions in 100.2 and 100.3.

Most solicitations indicate a cost ceiling, and the ceiling generally refers to a total cost—to include both direct and indirect costs. The exception is the National Institutes of Health (NIH), which publishes direct a cost ceiling, and indirect costs may be added to that amount.

300.1 Proposals where indirect cost recovery is restricted or an exception is requested

When sponsors restrict the F&A/IDC rate (e.g., Dept of Education or NIH training grants) or there is a compelling reason to voluntarily reduce the federally negotiated rate, the following internal process should be followed.

300.2 Exception Request Process

Any rate that deviates from one of the federally negotiated indirect costs rates, must be documented and approved in the proposal stage through completion of the *Facilities and Administrative (F/A)/Indirect Cost (IDC) Exception Request Form*. The Dean of OGSR has the authority to approve indirect cost exception requests. The signatures of the department chair and dean are included to indicate their acknowledgement of the request. A sponsor-restricted rate is the most common reason for an exception. A voluntary reduction in IDC is approved in rare circumstances, for instance on occasions when the cost-sharing requirement is substantial and in-kind, unrecovered indirect costs can comprise a significant portion of the cost-sharing commitment.

300.3 Budget procedures for restricted IDC

- When the indirect cost rate is capped, CSUSM's policy is to request the maximum allowed by the sponsor.
- Expenses that are excluded from full indirect cost recovery calculations (i.e., those excluded from the modified total direct costs base) should not be excluded when the rate is restricted by the sponsor. The *total direct costs* should be used as the base for indirect cost calculation in such circumstances.
- When the sponsor is a private foundation or a corporation, indirect cost recovery may not be allowed. Some private sponsors allow administrative fees. This functions similarly to indirect cost recovery. Proposals routed through OGSR will seek to capture at least the CSUSM Corporation cost (also called the effective rate) for award administration, and the Grants and Contracts Specialist will provide this rate.
- If the PI wants to use the IDC as cost share, the PI may only request to use the federally negotiated off-campus. This should be rare but may apply to NEH submissions.

300.4 State of California agencies

Contracts funded by State of California agencies are subject to California Education Code Section 67325 et seq,, which describes a model contract with standard provisions for use by State Agencies with the Regents of the University of California and the Trustees of California State University System, including Auxiliary organizations responsible for administration of sponsored projects. The UC and

CSU systems have implemented an indirect cost rate schedule for state-funded projects with an escalating indirect cost rate.

- The *Facilities and Administrative (F/A)/Indirect Cost (IDC) Exception Request Form* is initiated and reviewed/approved by the Dean of Graduate Studies and Research for all indirect cost rates below the federally negotiated rates, including those published in the state rate schedule.
- When the rate proposed is lower than the scheduled rate (per above) the *CMA IDC Exception Request* process is followed to request the exception from the Chancellor's Office. The Grants and Contracts Specialist prepares the documentation to send the Chancellor's Office for approval (requires 5-10 working days to approve).

300.5 Unrecovered indirect costs as cost-sharing

Unrecovered indirect costs may be used as cost-sharing when cost-sharing is required, when the sponsor allows unfunded indirect costs to be shown as cost-sharing. In addition to unrecovered indirect costs, the proposed budget should include indirect cost on the cost-shared direct expenditures at the full rate (or at the capped rate if the sponsor does not allow up to the full rate to be cost-shared). PI/PDs cannot use the full indirect cost rate as cost-sharing but may include the off-campus rate as rate for the grant request, and the unfunded amount to reach the on-campus rate as cost-sharing.

400 Internal Routing – Cayuse Proposal Form

The PI, with support from Grants and Contracts Development, will circulate the Cayuse Proposal Form with the final budget and the *Facilities and Administrative (F/A)/Indirect Cost (IDC) Exception Request Form*, when applicable.

500 Definitions

Direct Costs: Direct costs are those costs that can be identified specifically with a particular final cost objective, such as an award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (F&A) costs. Reference: Uniform Guidance §200.405 (Allocable costs); §200.413 (Direct Costs).

Indirect (F&A) costs: Those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived. Reference: Uniform Guidance §200.56 (Indirect Costs).

Modified Total Direct Cost (MTDC)

MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first $25,000 of each subaward (regardless of the period of performance of the subawards under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion

of each subaward in excess of $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 indirect costs. Reference: Uniform Guidance § 200.68 (Modified Total Direct Costs).

600 Related Documents

1. CSUSM Corporation Policy on the Allocation of Facilities and Administrative Costs (Indirect Costs)
2. CSUSM Allocation of Indirect Costs - Provost's Model
3. CSUSM Corporation F&A Agreement
4. CSU Policy Sponsored Programs, Proposal Costing/Budgeting
5. Pre-Award Review and Approval – Facilities and Administrative (F/A)/Indirect Cost (IDC) Exception Request Form
7. California Model Agreement Resources
6. CMA IDC Exception Request Process (CO Sponsored Projects communication)

700 Additional Resources

1. Council on Government Relations F&A and the Cost of Research
2. Association of American Universities and the Association of Public and Land Grant Institutions F&A FAQs