

F&A: Why Does It Matter?

Summary/Definition of F&A (Facilities and Administration):

Facilities and Administrative (F & A) costs, formerly called indirect costs, are general University expenses associated with Sponsored Research, Instruction, and Other Sponsored Activities which cannot be easily associated with a particular project. The on-campus F & A costs for research include building use and depreciation, equipment use and depreciation, operation and maintenance, library, and administration. The on-campus instruction and other sponsored activities rates include all of the above, plus student services. The off-campus research, instruction, and other sponsored activities rates include only administration costs. The rates are proposed to and negotiated with the US Department of Health and Human Services (DHHS) Division of Cost Allocation and Liaison by the UT Executive Director for Budget and Finance.

Fiscal Policy:

F&A costs include use allowances, operations and maintenance expenses, general and administrative expenses, departmental administration expenses, sponsored projects administration, library expenses, and student administration and services.

Sponsor Specific:

Each sponsor can be different when considering F&A rates.

Total Direct Cost Base (TDC) vs. Modified Total Direct Cost Base (MTDC)

Standard exclusions to get MTDC: tuition, large equipment \$5000 or more, rent, patient care costs, subcontracts over \$25,000, etc.

The negotiated rate agreement with DHHS can be found on Office of Sponsored Programs website and/or on the Controller's Office website, links below. The current rate agreement has an end date of 6/30/2013, but is in effect until changed.

<http://research.utk.edu/sp/rates.shtml>

<http://controller.tennessee.edu/>

Function Codes:

How the research is classified is very important. Function codes cannot be changed in IRIS after the account has been set up. Must get it correct on the front end! Otherwise, a new account with the correct function code has to be set up and all charges have to be moved to the new account and the initial account is closed. Please look at definitions of each function carefully before choosing.

Currently Finance & Administration is working on an updated function code list and will publish the National Association of College and University Business Officers (NACUBO) definitions of the functions that we use in late fall.

(See other attachment for a list of codes and definitions.)

Questions/Discussion:

Q: Who on campus is responsible for negotiating the F&A rate?

A: The Controller's Office puts it together, assisted by the Office of Budget and Finance.

Q: What factors influence how the rate is established?

A: How much space is allotted to research (space inventory), amount of expenditures devoted to research, etc.

Q: Where do we enter the function code?

A: It is found on the main page in TERA PAMS [Functional Code drop down menu]

Note: A point brought up- the majority of the list may be inaccurate.

This will be updated soon with accurate terms to be used.

Often used terms include: Applied and basic research, clinical, public service, fellowships.

Q: How do we look at the TERA PAMS workflow to catch/correct errors after dean's approval?

A: You can call or email your concerns to the proposal specialist assigned to the award.

Q: When are fellowship and instruction used?

A: We do not use fellowship unless it is a true fellowship to a student that doesn't require work. Does not include NIH fellowships to PI's (these are not true fellowships).

Instruction- involved in developing curriculum, instructing primary and secondary schools, etc.

Can be credit or non-credit offerings.

Q: In the departments, the PI wants an off-campus rate if they can get it because it means more money for research. The University wants an on-campus rate. Is there a competitive advantage with the funding agency for putting more money in research?

A: The majorities of sponsors are aware of our negotiated rate agreement and will pay the full rate.

Why wouldn't we ask to get the full rate?

Q: We want to buy computers for GRAs but we have to do DCJs to direct charge it to an award. At what point do we not need to do DCJs to buy a computer?

A: Computers are generally deemed unallowable as a direct cost on a project; therefore a DCJ will almost always be needed.

Q: When we hire non UT grad students (which happens a lot with professors with connections around the world), their salaries are charged to clerical. This raises a lot of questions and we are forced to argue to get it paid out of clerical. Is there any way to change the system to alleviate this problem?

A: We checked with Payroll on this:

Per Payroll, we do have a category for this however because they are not enrolled at UT they must be taxed as a non-student, therefore it rolls into the clerical category.

Q: How do we know if a federal award has foreign travel on it? The travel budget for foreign and domestic is lumped together so we can't tell them apart. It would be helpful if we could see the budget split between foreign and domestic. It is the same with subcontracts. With multiple subcontracts, we can't see how much is allotted per subcontract.

A: We checked into this:

There was agreement that this was needed, but no definite as to when the IRIS team would address and implement.

Q: This project has staff that is co-located with the sponsor (off-campus). They had computers but were taken away. Now we need to buy computers but it wasn't included in the budget/proposal. Do we need DCJ?

A: Yes.

Q: Subcontracts – can we only collect F&A on the first \$25,000?

A: Yes.

Q: Under what circumstances can F&A be totally or partially waived?

A: If your sponsor has a policy limiting F&A, then we'll take their rate. It must be their standard, across-the-board rate consistently applied to all. Otherwise, we must use our rate.

Q: Why can't we just waive F&A?

A: It's not really waiving F&A. Overhead costs are still incurred and someone must absorb these costs, which results in cost sharing.

Q: What percentage of F&A does the Office of Research and Engagement (ORE) keep?

A: ORE does not keep F&A. The split is 60% to central admin, and then disbursed to ORE to be spread out at their discretion.

Q: Why is it important to capture the full F&A in cost share?

A: When we cost share a lot of F&A, it can drive down the negotiated rate and can have a negative impact on the university.