



Florida Agricultural & Mechanical University
Board of Trustees Policy

Board of Trustees Policy Number:
2005-10

Date of Adoption/Revision:
June 30, 2005

Subject	Cost Policy-Direct and Indirect Costs (Facilities and Administrative Costs)
Authority	Sections 1001.74 and 1001.75, Florida Statutes, Office of Management and Budget (OMB) Circular A-21, OMB Circular A-133, and 2 CFR Part 215
Applicability	Personnel for Sponsored Projects

I. Policy Statement and Purpose

This policy is to ensure compliance with federal, state and university regulations governing the consistent treatment of direct and indirect costs to sponsored projects. The purpose of this policy is to ensure that expenditures are consistent with the intent of the awards as well as any contractual requirements and governmental regulations that govern the use of such funds.

II. Definitions

- A. **Direct Costs-** OMB Circular A-21 states that "Generally, if a cost can be identified specifically with a particular cost objective, such as a grant or cooperative agreement, project, service, or other activity of an organization, it is a direct cost."
- B. **Indirect Costs-** If a cost has been incurred for common or joint objectives of an organization and cannot be readily identified with a particular cost objective, it is an indirect cost. The cost principles do not dictate whether a particular cost should be treated as direct or indirect; treatment is determined by the recipient's accounting system definitions.
- C. **Consistent Treatment of Costs-** Costs incurred for the same purpose in like circumstances must be handled in the same manner.

III. General Information

OMB Circular A-21 states that "direct costs are those costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional 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 F&A costs. 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.”

IV. Direct Costs (OMB A-21)

Typical costs charged directly to a sponsored agreement are:

- The compensation of employees for performance of work under the sponsored agreement, including related fringe benefit costs.
- The costs of materials consumed or expended in the performance of the work;
- Other items of expense incurred for the sponsored agreement, including extraordinary utility consumption.
- The cost of materials supplied from stock or services rendered by specialized facilities or other institutional service operations.

In most cases, administrative and clerical costs (including clerical salaries, office supplies, postage, local telephone costs, and memberships) may not be charged as direct costs on federally funded projects.

The Office of Sponsored Programs is responsible for reviewing and approving all requests for direct charges to be expended on the award.

V. Indirect Costs (Facilities and Administrative Costs)

Indirect Cost or F&A (Facilities and Administrative Cost) - is a means by which the University obtains from funding agencies a portion of the expenses associated with supporting the research of its faculty and their associates.

- Funds received directly from Federal agencies- All grant and contract applications to and awards from Federal agencies must include indirect costs at the agreed upon rate as set forth in the University/DHHS Negotiation Agreement, except as provided otherwise by Federal regulations. The faculty and staff are notified of the agreed upon rates by the Division of Research.
- Federal funds not received directly from Federal agency- Indirect costs on pass-through funds, commonly referred to as non-direct Federal grants and contracts (except those funds passed through other governmental units) must be included at the appropriate Federal rate currently in effect.

The distribution base for the various cost incurring activities consists of the "modified total direct costs" of that activity, as defined by A-21. Modified total direct cost, or MTDC, is comprised of salaries and wages, fringe benefits, materials and supplies, services, travel, and subgrants and subcontracts up to the first \$25,000 of each subgrant or subcontract. Equipment, capital expenditures, charges for patient care, tuition remission, rental costs, scholarships and fellowships and the portion of subgrants and subcontract in excess of \$25,000 are excluded from MTDC.

VI. Indirect Cost (Facilities and Administrative Costs) Waivers

An Indirect Cost (facilities & administrative cost) waiver is an institutional agreement that the University will charge indirect cost at a lower rate than the appropriate negotiated rate. All indirect cost waivers must be approved by the Vice President for Research. Waivers are normally only granted when the Request for Proposal (RFP), Request for Application (RFA), or proposal instructions mandate that a particular rate or base be charged. A copy of the RFP, RFA or application instructions must be sent to Sponsored Programs when the proposal is processed for submission. In instances when proposal instructions consist of a letter from the sponsor, the letter must be issued by a fiscal officer.

VII. Distribution of Indirect Cost (Facilities and Administrative Costs)

The University has a policy of distributing a portion of the recovered indirect costs back to the principal investigator. These costs are distributed on an annual basis. As an appropriate incentive, the Principal Investigator shall receive 5% of the total indirect cost recovery of the projects(s) for which he/she is responsible. The funds will be distributed by the Division of Research to the principal investigator as a one time special pay adjustment. The projects(s) must be in good standing and without deficit or programmatic concerns.

The remaining recovered indirect costs will be distributed by the President for the purposes of supporting the operation of the Division of Research as well as support faculty research through the University.