



# WPI

**Title:** Application of Facilities and Administrative Cost Rates

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## Purpose

The purpose of this policy is to provide an explanation of Worcester Polytechnic Institute's Facilities & Administrative Cost Rates and how these rates should be applied to sponsored awards.

## Policy Statement

Worcester Polytechnic Institute (WPI) applies Facilities & Administrative Rates (F&A and/or indirect cost rates) to sponsored awards in accordance with the negotiated rate agreement with the Federal government. F&A rates are established in accordance with 2 CFR 200 - UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS. After an audit and negotiation, a rate agreement letter is issued to WPI by the Office of Naval Research, Indirect Cost Branch, which is the cognizant Federal agency overseeing the administration of sponsored projects at WPI.

Rates are applied on the basis of MTDC and for the life of the award as defined in 2 CFR 200 - UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS - Appendix III to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs). Excerpts from 2 CFR 200 shown below:

### **The Distribution Basis**

*"Indirect (F&A) costs must be distributed to applicable Federal awards and other benefitting activities within each major function (see section A.1, Major functions of an institution) on the basis of modified total direct costs (MTDC), consisting of all salaries and wages, fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward (regardless of the period covered by the subaward). MTDC is defined in §200.68 Modified Total Direct Cost (MTDC). For this purpose, an indirect (F&A) cost rate should be determined for each of the separate indirect (F&A) cost pools developed pursuant to subsection 1. The rate in each case should be stated as the percentage which the amount of the particular indirect (F&A) cost pool is of the modified total direct costs identified with such pool."*

### **Fixed Rates for the Life of the Sponsored Award**

*"Except as provided in paragraph (c)(1) of §200.414 Indirect (F&A) costs, Federal agencies must use the negotiated rates in effect at the time of the initial award throughout the life of the Federal award. Award levels for Federal awards may not be adjusted in future years as a result of changes in negotiated rates. "Negotiated rates" per the rate agreement include final, fixed, and predetermined rates and exclude provisional rates. "Life" for the purpose of this subsection*

*means each competitive segment of a project. A competitive segment is a period of years approved by the Federal awarding agency at the time of the Federal award. If negotiated rate agreements do not extend through the life of the Federal award at the time of the initial award, then the negotiated rate for the last year of the Federal award must be extended through the end of the life of the Federal award."*

WPI also applies these principles to subawards. WPI will apply its federally approved F&A rate or the sponsor-allowed F&A rate to any subaward received. The F&A rate agreement in effect at the time the Federal award was issued will determine the F&A rate applied throughout the performance of the subaward.

### **Change in F&A Rates**

If there is a preliminary, provisional rate in effect at the time a project is awarded, that preliminary rate will be applied when the award is established and will be adjusted at the time the predetermined rate for that year is issued. Rate changes will be retroactive to the start of the award and will remain in effect for the remainder of the project. If the predetermined rate is either increased or decreased from the provisional rate, Sponsored Programs Accounting will make any accounting adjustments required.

### **Sponsor Caps and Cost Sharing**

The full recovery of F&A costs (up to the level allowed by the sponsor's written policy) is expected on all grants and contracts.

### **Definitions**

Direct Costs – *Uniform Guidance* §200.413 - costs that can be identified specifically with a particular sponsored project or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy such as salaries, travel, equipment, supplies, etc.

Federal Award Date – *Uniform Guidance* §200.39 - The date when the Federal award is signed by the authorized official of the Federal awarding agency.

Indirect Costs – *Uniform Guidance* §200.414 - Also referred to as Facilities and Administrative (F&A) costs are those that benefit many activities and cannot be directly and accurately associated with individual projects such as salaries of administrative staff, general office supplies, utilities, building depreciation, etc.

Instruction - *Uniform Guidance* Appendix III - Instruction means the teaching and training activities of an institution. Except for research training as provided in the definition of Organized Research, this term includes all teaching and training activities, whether they are offered for credits toward a degree or certificate or on a non-credit basis, and whether they are offered through regular academic departments or separate divisions, such as a summer school division or an extension division. Also

considered part of this major function are departmental research, and, where agreed to, university research.

Modified Total Direct Costs (MTDC) - MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and subawards and subcontracts up to the first \$25,000 of each subaward or subcontract (regardless of the period of performance of the subawards and subcontracts 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 and subcontract 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.

Organized Research – Uniform Guidance Appendix III - Organized research means all research and development activities of an institution that are separately budgeted and accounted for. It includes:

(1) Sponsored research means all research and development activities that are sponsored by Federal and non-Federal agencies and organizations. This term includes activities involving the training of individuals in research techniques (commonly called research training) where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function.

(2) University research means all research and development activities that are separately budgeted and accounted for by the institution under an internal application of institutional funds. University research, for purposes of this document, must be combined with sponsored research under the function of organized research.

Other Sponsored Activities – Uniform Guidance Appendix III - Other sponsored activities means programs and projects financed by Federal and non-Federal agencies and organizations which involve the performance of work other than instruction and organized research. Examples of such programs and projects are health service projects and community service programs. However, when any of these activities are undertaken by the institution without outside support, they may be classified as other institutional activities.

Sponsored project – A funding arrangement in which the University is providing a return benefit to, or agrees to provide a defined deliverable or complete a set of activities for, the sponsor in exchange for the funds, regardless of whether the funding instrument is designated a contract, cooperative agreement, grant, consortium agreement, or otherwise. See §200.101 for applicability of Uniform Guidance to various types of federal awards.

Uniform Guidance – 2 CFR 200 - An OMB publication entitled “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.”