



## **Policy on Application of Facilities and Administrative Cost Rates**

### **I. PURPOSE**

The purpose of this policy is to provide an explanation of Worcester Polytechnic Institute's federally negotiated Facilities & Administrative Cost Rates and how these rates are incorporated into budgets of sponsored awards.

### **II. SCOPE**

This policy is applicable to all schools, departments, units, and personnel of the University involved in administering sponsored awards.

### **III. DEFINITIONS**

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

Federal Award Date – Uniform Guidance §200.39 - The date when the Federal award is signed by the authorized official of the Federal awarding agency or the effective date noted in the federal award.

Award Start Date – The first day of the period of performance where expenditures can be incurred toward the objectives of the award.

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.

Modified Total Direct Costs (MTDC) – The base to which indirect costs rates are applied, as defined in 2 CFR Part 200, consists of all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and subawards up to the first \$25,000 of each. 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 more than \$25,000. The MTDC amount for equipment and subawards is established at the time of the negotiated rate agreement.

Organized Research - Includes both research and development activities. Research is defined by the Federal Government as a systematic study directed toward fuller scientific knowledge or understanding of the studied subject. Development is the systematic use of knowledge and understanding gained from research directed toward the production of useful materials, devices, systems or methods. Characteristics of organized research include systematic investigation, contributions to generalized knowledge, supporting, refining or refuting other research studies, production of research outcomes and the intent to publish or disseminate results.

Instruction - Includes all teaching, course and curriculum development, and academic advising and development except for research training as described above. It includes activities that are part of the University's instruction

program to communicate educational content for credit and not-for-credit courses. However, when most of the activity is data collection, evaluation, and reporting, such evaluation may be considered research.

Other Sponsored Activities - Involve the performance of work other than organized research and instruction, and may encompass student services, administration, the library, and public outreach activities. Public service, or the delivery of professional (non-instructional) services to individuals or groups external to the University, is a common type of other sponsored activity. It does not include fellowships, work-study, or gifts. Unlike organized research, the work or project is often conducted without an evaluation of outcomes or any academic recognition for the project, such as publication and/or presentation of results.

Off-Campus - The off-campus rate applies when all or greater than 50% of project activities, excluding subawards, will take place at an off-campus location over the full period of performance or for longer than 50% of the award period. Note that telecommuting, conferences, and incidental travel do not qualify for consideration of the off-campus determination.

#### **IV. POLICY**

It is the policy of Worcester Polytechnic Institute that when submitting funding applications, Principal Investigators (PIs) apply the University's appropriate federally negotiated F&A cost rate to all externally sponsored projects. However, there are exceptions to this rule, and requests for waivers or partial waivers of F&A rates occasionally are approved by the Vice President for Research and Innovation. Unless an exception applies as outlined below, Principal investigators (PIs) must petition for such a waiver/reduction, which will be reviewed on a case-by-case basis.

The Facilities and Administrative Cost transactions will be posted to a sponsored award as expenditures are incurred in Workday.

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

Appendix III to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs) states negotiated F&A rates at the time of the initial award are to be applied throughout the life of the sponsored agreement. It further states: *"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.*

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

If there is a preliminary provisional rate in effect at the time a project is awarded, the preliminary rate will be applied when the award is established and then 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.

##### **Subawards**

Rates will be applied to subawards received by WPI based on the Federal Award Date. Exceptions may be granted in certain cases where the Federal award date is not determinable or if the subaward is issued under a Federally Funded Research and Development Center. In those cases, the rate will be applied based on the start date of the subaward issued to WPI.

## **Administrative Supplements**

F&A rates for administrative supplements will be applied at the rate used for the original award. An administrative supplement is typically a non-competing award that provides additional funding to a currently funded grant to meet increased costs that are within the scope of the approved project, but that were unforeseen when the new or competing renewal application was awarded.

## **Cost Share**

The full recovery of F&A is applied to cost share, when allowable by the sponsor.

## **Exceptions**

Certain federal agencies and non-profit sponsors, e.g., foundations, do not allow the application of the full applicable rate. WPI honors such rate limitations, when it is published and included in its guidelines (request for proposal, request for application, broad agency announcement, or other published guidelines), on the web site, or is confirmed in writing by a grants office (not a program official). The lower rate must apply universally to all proposals submitted for that program or that agency (not solely an individual WPI proposal). The PI must furnish evidence of the published rate at the time the proposal budget and Proposal Routing Form is submitted to the Office of Sponsored Programs for institutional endorsement of the proposal. If such documentation cannot be provided, the Principal Investigator must include the full applicable F&A rate in the proposal. This global exception does not apply to for-profit entities, which are expected to pay the full applicable rate.

F&A waivers may be requested in adherence with WPI's Facilities and Administrative (F&A) Costs Waiver Policy

## **V. ROLES AND RESPONSIBILITIES**

### **Office of Sponsored Programs (OSP)**

OSP pre-award will select the appropriate F&A rate to be applied to the proposal based on the activities and objectives contained in the solicitation and scope of work. At time of the award, OSP post-award will review the awarded F&A rate award to determine if the rate needs to be changed based on the federal award date and current negotiated rate

### **Vice President for Research and Innovation (VPRI) Office**

The VPRI office is responsible for reviewing requests for F&A waivers during the proposal and/or award negotiation process.

### **Sponsored Programs Accounting (SPA)**

SPA will review the account to ensure that all F&A Costs are applied to the award at the specified rate and are billed to the sponsor appropriately.

**Principal Investigator (PI)**

The PI is responsible for building F&A rates into proposals and to be aware of the different types of rates and application to awards.

**VI. RESPONSIBLE OFFICE**

Sponsored Programs Accounting (SPA); Office of Sponsored Programs (OSP)

Questions concerning the scope, application, and interpretation of this policy should be addressed to WPI's

Sponsored Programs Accounting (SPA) Office [grantaccounting@wpi.edu](mailto:grantaccounting@wpi.edu)

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