

**University of San Diego**  
**Facilities and Administrative Cost Allocation Procedures**

**Background on Facilities and Administrative (F&A) costs**

Previously known as indirect cost, F&A cost is the University's recovery for overhead and other indirect expenses associated with managing sponsored programs.

The University absorbs certain costs in administering sponsored programs but certain expenses cannot be directly charged to federal grants. Examples of these expenses include general office supplies and general administrative assistance. These administrative expenses are therefore reimbursed as part of the F&A cost.

The F&A cost is allocated as a percentage of salary or as a percentage of total direct cost. For federal awards, the Accounting Office negotiates the rate every four years with the federal government. For other awards, the rate is determined by the sponsor and is subject to University approval. Unless otherwise documented and waived by authorized individuals, Principal Investigators (PIs) should include F&A costs in their proposal, so that the University can be reasonably reimbursed for the F&A costs associated with managing the sponsored program.

**Distribution of F&A Recovery**

In order to stimulate further research and to reimburse the department that generated the F&A recovery, the University has elected to allocate the F&A recovery in the following manner. The allocation will be made on an individual grant basis, depending on the actual amount recovered from the sponsor.

Percentage	Area	Purpose
50%	General Fund	To reimburse central administrative expenses related to sponsored programs.
10%	Principal Investigator	For future research related costs. Funds could be used for summer research support for the PI as appropriate. If the grant was submitted by the program director or other University administrators, the allocation will be credited to the related program for future developments.
10%	Department (or School when there is no department)	To seed research projects, support research travel and other activities, and/or to cover administrative costs. Funds will be used to cover any overdrafts on sponsored programs.
10%	Deans	To assist with cost sharing and adjunct instruction costs required when PIs have course reduction in order to complete a sponsored research project. Funds could also be used as described above for Departments.

Percentage	Area	Purpose
20%	Research Fund administered by the Provost	To support and advance research across campus.

**Distribution Process**

For proper internal control and budgeting, the F&A recovery will be allocated in accordance to the following procedures.

<b>Burden of F&amp;A Cost</b>	The Accounting Office will burden each sponsored project with the appropriate F&A cost based on negotiated rates or other predetermined rates on a monthly basis. When F&A recovery is received or accrued, the portion related to the General Fund and the Research Fund will be properly transferred into their respective accounts. The remaining portion will be transferred into a holding account until the actual allocations for each area have been determined.
<b>Timing of Allocation</b>	Other than the General Fund and the Research Fund, the allocation will be distributed annually in late summer/early fall, based on the amount of F&A costs recovered during the preceding fiscal year. The amount will be treated as a budget appropriation, as additional funds available to the distribution areas in the subsequent fiscal year.
<b>Availability</b>	For each distribution area, the Accounting Office will create an account under the restricted fund (fund group 03), as a University-designated restricted account. Unspent funds will carry forward from fiscal year to fiscal year. For PI funds only, the account balance that may carry forward is subject to a \$10,000 maximum limitation. The maximum limitation is in place to encourage timely and proper usage of the funds, and can be increased by request on a case by case basis.
<b>Recovery Shortage</b>	In any fiscal year, if the University receives less F&A recovery than the budgeted amount (which is based on the grants already awarded), the allocation will be adjusted, so that the general fund will receive the budgeted amount in order to maintain a balanced budget.

**Specific Usage of Funds**

All funds should be expended for University-related purposes in accordance with existing University policies and procedures. These funds are intended to support research related costs and a detailed listing of research related costs is provided in the next section. In addition, each area should adhere to the following guidelines:

<b>PI's Allocation</b>	The Accounting Office will create an individual Oracle Project to assist the PI in tracking their research fund allocation. The PI should adhere to
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all University policies and procedures when using these funds. These funds should be used for research-related costs. They could also be used for summer research support, provided that the PI is not already receiving full calendar year funding from the University and/or sponsored programs. When requesting summer research support, the PI should document the research project in which they are participating (or plan to participate).

If the PI leaves the University, these allocated funds will be forfeited and returned to the University's General Fund.

**Department's Allocation** The department's allocation will be used under the discretion of the department heads, provided that consideration be given to research-related costs. These funds could be used to seed research projects, to support research travel and other activities, and/or to cover research related administrative costs such as general office supplies, phone, postage and other administrative needs. They will also be used to cover any overdrafts on sponsored programs.

**Dean's Allocation** The Dean's allocation will be used under the discretion of the Dean, provided that consideration be given to research-related costs. These funds could be used to assist with cost sharing (also know as matching) and adjunct instruction costs required when PIs experience course reduction in order to complete a sponsored research project. When using these funds for cost sharing, Deans should follow the existing procedures issued by the Accounting Office and the Office of Sponsored Programs, in order to ensure that the cost sharing expenditures are properly documented for reporting and future reference.

**Research Fund** The Research Fund will be managed by the Provost's Office and be used under the discretion of the Provost. The funds are established with the intention of supporting and advancing research across campus.

### **Example of Research Related Costs**

Examples of appropriate uses of F&A allocations are described below:

- Operations support: Clerical salaries, postage, phones, etc., needed to manage the project but for which the federal sponsor expects F&A to pay.
- Bridge funding: Salaries and benefits for key personnel to retain them between grants, as well as supplies, travel and clerical support to develop proposals for new funding.

- Sponsor-required cost sharing: Costs to meet sponsor-required percentages or dollar amounts for cost sharing as documented in proposals or grant agreements.
- Allowable project costs: Salaries for research assistants, chemical supplies, travel for grant purposes, or other types of support approved but not fully-funded by the sponsor.
- Non-allowable but related project costs: Items such as participant food, promotional items, office equipment, boat rental fees, space rent, etc. that the sponsor does not allow but that are needed to conduct or enhance the project.
- Project development costs: Pilot projects; proposal writing; proposal typing/editing; travel to conferences and/or to meet with sponsors; expenses to host sponsors, prospective partners, or influential project supporters; specialized equipment; and workshops leading to proposal submissions.
- Research faculty recruitment and initial support: Salaries/equipment for new faculty or research faculty bringing grants with them; salaries for promising research associates or new faculty with the expectation they will write proposals and obtain future grants.
- Research center/institute support: Shared administrative/executive assistants, technicians, equipment purchases or maintenance, and other support for groups of principal investigators.
- F&A waived: Any voluntary waiver of F&A costs must be approved by the Provost at least one week in advance of the due date of the grant proposal.
- Over-expenditures or disallowed costs: Although rare, if these occur they will be deducted from the annual distribution, in consultation with the Dean and the PI.