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<b>Policy or Procedure:</b>  <b>Policy: Facilities and Administrative Cost Recovery</b>				

## Purpose

These are the established NIU policies and procedures regarding the recovery of facilities and administrative costs (F&A), including exceptions to the general policy and procedures for requesting a waiver to the general policy.

## Reason for Policy

Costs on sponsored projects (grants or contracts) can be divided into two overarching categories: (1) direct costs and (2) facilities and administrative (F&A) costs. Direct costs can be readily and specifically attributed to the scope of work associated with a particular project or program. As such, direct costs may include: salaries and benefits associated with the personnel who dedicate time and effort to conducting the work; supplies and equipment required to perform the work, and professional travel associated with completion or communication of the work. F&A costs - sometimes referred to as overhead or indirect costs - cannot easily be associated with a given project or program; nonetheless, these are real expenses incurred by the university in support of sponsored research and artistry. F&A costs result from the university's need to maintain a shared infrastructure that supports the research, scholarship and artistry of all investigators and project directors. Examples of F&A costs include facilities costs (ex: building depreciation, operation and maintenance, utilities, telecommunications and IT infrastructure, libraries, and specialized facilities and services) and administrative costs (ex: personnel and infrastructure associated with sponsored project administration (OSP, GFA, TTO, compliance) and with other administrative functions of the university (general accounting, purchasing/procurement, legal services, human resources, administration of academic units).

The University's F&A rate is set every four years in negotiation with the Department of Health and Human Services. This rate is based on a review of institutional space, equipment, and human resources as they relate to sponsored activities on campus. The University rate agreement can be found on the OSP website, under Frequently Requested Proposal Data, at <http://www.niu.edu/osp/factsheet/index.shtml>.

Federal and state laws and regulations require that the approved F&A rate be applied consistently to all sponsored projects, and the university is scrutinized for compliance. In addition, state and university policies encourage NIU investigators to perform sponsored projects on a full cost basis unless full cost recovery is restricted by law or public policy. Projects that bring in less than the full amount of F&A represent a subsidy of the sponsor by the University. In many cases, such subsidies run counter to federal accounting rules, as well as and University and State interests. Failure to recover allowable direct costs and F&A reduces the university's capacity to perform sponsored research and support faculty scholarship.

### Intended Audience

- Deans
- Senior Administration – Vice Provosts, Associate Deans
- Director, Department Chair, Division Head
- Faculty
- Departmental/Divisional Administrators
- Finance Personnel—Research Accounting, Accounting Services
- Grants & Contracts Personnel
- Research Compliance Personnel
- Research Integrity Personnel
- All Employees
- Information Technology Personnel
- Human Resources Personnel

### Policy

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It is the policy of Northern Illinois University to apply the University's full F&A rate to all externally funded projects.

In accordance with this policy:

- Only the Vice President for Research (or designee) is authorized to modify F&A rates for a given project. Investigators and Project Directors are **not** authorized to modify the F&A rate. Any "prior understanding" between an investigator and a sponsor regarding F&A rate is not binding on the university.
- The **on campus** F&A rate is assumed to apply unless it can be established that a majority of the project will be conducted in an off campus location.

- A limitation on the amount of funds available for a project from a sponsor is not in and of itself sufficient justification for a reduction or waiver of full F&A.
- For-profit sponsors will not be charged less the full NIU F&A rate on grants or contracts. As a not-for-profit, public research university, it is inappropriate for NIU to allow its funds and facilities to subsidize projects conducted for the benefit of commercial sponsors. Investigators who are concerned about requesting the federally negotiated F&A rate from a private sector sponsor are encouraged to contact OSP for assistance and alternative budget strategies. For example, budgets can be presented with F&A included with the direct costs rather than as a separate line item. Fixed-price agreements represent another possible alternative.

**Exceptions:**

- NIU will grant a policy exception if a non-profit or government sponsor limits the payment of F&A by statute and/or policy -- provided that the sponsor has a published (or otherwise documented) allowable F&A rate that is lower than the University's rate, and provided that this F&A rate is applicable to recipients at all universities. For example, this situation is commonly encountered with the Department of Education, the USDA, some state agencies and private foundations.
- Rates applied to training grants may be less than the University's negotiated rates.
- Rates applied to grants for conferences and workshops may be less than the University's negotiated rates.
- For investigators bringing an externally funded project to NIU, the existing F&A rate from the previous institution may be applied for the project duration, irrespective of whether that rate is higher or lower than the NIU F&A rate. In addition, for these projects, faculty investigators will be allocated 100% of recovered F&A for one year, so that these funds can be reinvested in their research programs.
- If a commercial sponsor requires full ownership of intellectual property produced jointly under a grant or contract and these conditions are consistent with the investigator's expectations, then an F&A rate significantly greater than the federally negotiated rate (up to 200% F&A rate) will be applied to the total project costs as specified by the Vice President for Research. It is inappropriate for NIU to allow its funds and facilities to subsidize projects conducted solely or primarily to benefit commercial sponsors. Relevant examples of intellectual property may include the following: new or improved devices, circuits, chemical compounds, drugs, genetically engineered biological organisms, data sets, software, musical processes, or unique and innovative uses of existing inventions.

## Waivers:

On a case by case basis, the Vice President for Research (or designee) may approve a reduction or complete waiver of F&A given sufficient justification. Instances recognized to fall within this category include, but are not limited to:

- Selected start-up projects where it is anticipated that the collaboration will result in future growth of external funding.
- Cases wherein F&A is an eligible category of cost-share.
- Cases wherein the benefit to the University outweighs the loss of F&A. For example, the project represents an important university outreach effort or a mandated activity that the university would otherwise be paying for.
- Cases wherein 80% or more of the project budget involve student assistantships and materials and supplies that support student activities.

## Procedure

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Investigators seeking a waiver or reduction of F&A on a proposed project must fill out a Facilities and Administrative Cost Recovery Waiver Form. The waiver request form is available on the OSP website under Forms.

**Submit the waiver request form to OSP as early in the proposal development process as possible but no later than ten (10) days prior to the sponsor deadline.**

1. Submit the completed form to the OSP Associate Director via the following:
  - Hard Copy: Lowden Hall 305
  - Fax: 815-753-1631
  - Email: [asosp@niu.edu](mailto:asosp@niu.edu)
2. The Associate Director will review the request and work with the Associate Vice President for Research and/or Vice President for Research to evaluate the request and determine whether the waiver will be granted. *It is OSP's goal to review the requests within 48 hours or two business days of receipt.* However, this review does not guarantee that a final decision will be reached within 48 hours.

If the waiver request is approved, the request form will be signed and returned to the Investigator, Chair, and Dean via email and will be retained in the OSP grant file.

**Contact Information:**

<b>Subject</b>	<b>Contact</b>	<b>Phone</b>	<b>E-mail</b>
<b>Policy Questions</b>	Dr. Lisa Freeman Dr. David A. Stone	(815) 753-1883 (815) 753-9282	<a href="mailto:Lfreeman1@niu.edu">Lfreeman1@niu.edu</a> <a href="mailto:dastone@niu.edu">dastone@niu.edu</a>
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