



Managing F&A Under-recovery

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NECA MEETING

AUGUST 28, 2018

Facilities and Administrative Costs

“Overhead or Indirect Costs”

Real costs incurred by the institution

Cannot be identified to a specific project or activity

Infrastructure costs to maintain research university

Calculated as a % of base

F & A Considerations

F&A COSTS ARE REAL COSTS

- ▶ F&A cost recovery is the reimbursement for actual expenses incurred by the institution in support of sponsored projects and other institutional activities
- ▶ F&A costs are incurred on all institutional activities, not just sponsored
- ▶ A significant portion of F&A costs are not recovered for a variety of reasons.

FACTORS THAT AFFECT THE RATE

- ▶ The F&A rate tends to go UP when there is investment in new research facilities or when facilities and administrative costs are increasing at a faster rate than direct research expenses
- ▶ The F&A rate tends to go DOWN when direct research expenditures are increasing at a faster pace than F&A expenditures.

Your F&A Cost Rate

A ratio/percentage

Used to reimburse the organization for infrastructure costs including:

- ▶ Buildings
- ▶ Equipment
- ▶ Operations
- ▶ General Administration
- ▶ Departmental Administration
- ▶ Sponsored Projects Administration
- ▶ Library

Direct Costs

Direct program costs typically include:

- ▶ Research salaries and related fringes
- ▶ Research consultant services
- ▶ Project related travel
- ▶ Technical/scientific services
- ▶ Research Supplies
- ▶ Subcontracts up to \$25,000
- ▶ Committed Cost Sharing

Federal F&A Rates

The government has an established process for setting F&A rates

- ▶ Recognizes most legitimate infrastructure costs required to conduct research.
- ▶ A proposal is prepared and a negotiation results in a rate agreement
- ▶ Used to reimburse the organization for most federal awards

Most non-federal sponsors do not have such a process however and many do not allow for full or fair reimbursement

Challenges to F&A Recovery with Non-Federal Sponsors

- ▶ Communications around, and understanding of, F&A
(faculty, development; donors; finance, foundations etc.)
- ▶ Sponsors limiting F&A
(lack of guidelines; inconsistent practices)
- ▶ Total Cost Caps
(Faculty requests; cost-sharing)

Most Non-Profit Foundations Lack a Set of Working Principles to Act as a Guide

Some do however - for example:

Gates Foundation

Colleges and Universities: 10%

NGO's; non-US universities; For-profit organizations: 15%

“Expenses that would be incurred regardless of whether the grant is funded.”

Comparing F&A Recovery

Federal

- ▶ Current Fed Rate: 65%

MTDC

Modified Total Direct Costs

(less subs after \$25K, equipment)

Total Directs: \$300K

(Sub \$150K, Equipment \$0)

MTDC \$175,000

F&A 113,750

Total Costs \$413,750

Non-Federal

- ▶ Sponsor Rate: 20%

TDC

Total Direct Costs

(no modifications)

Total Directs: \$300,000

(Sub \$150K, Equipment \$0)

TDC \$300,000

F&A 60,000

Total Costs \$360,000

Comparing F&A Recovery (cont.)

Non-Fed with \$20K Fee

- ▶ Sponsor Rate: 20% TDC

Total Directs: \$300,000

Revised Direct Cost: \$280,000

Total Recovery: \$80,000

Effective Rate: 28%

Total Costs: \$360,000

Overall Recovery Rate

- ▶ F&A Rate 50%

Project A: \$10K at 50%

Project B: \$10K at 50%

Project C: \$10K at 10%

Overall Recovery Rate: ~37%

Procedures for Under-recovery approval

- ▶ Proposal budget calculation reflecting estimated under-recovery
- ▶ Keep a Log of non federal sponsors and their policies and practices and what has been successful and not-successful
- ▶ Track all proposals and budgets involving under-recoveries (“Waivers”)
- ▶ Institutional Policies, Routing and Approvals
- ▶ Institutional Thresholds

Strategies for Monitoring and Managing F&A Under-recoveries

- Budget for under recovering awards
- Reconcile actuals monthly
- Manually monitor mitigating factors: Can the administrative burden be reduced in certain cases? Understand the specific administrative, facilities use, and research-related operating costs
- For-Profit Sponsor Rates

Current Initiatives Addressing Under-Recovery

University-Foundation Partnership - Working Groups

Streamlining Administrative Procedures

Development of Research Operating Costs

Standardization of Terms and Conditions

Sponsors

Managing F&A Under-recoveries

Questions:

How do you handle?

What is Impact ?

Thank you!