

Facilities and Administrative /Indirect Costs

NOTE: The website URL for **Workday reference guides** that are referenced in this section is:
<https://confluence.esg.wsu.edu/display/WKB/Workday>

OVERVIEW

Facilities and administrative (F&A/indirect) costs are indirect expenditures incurred by a sponsored project (Workday function FN017) that are not readily identified with that project. Normally, F&A/indirect costs (often called overhead) are costs that accrue from the general operation of the University, e.g., administration, maintenance, and building depreciation.

Direct Costs Defined

To better understand F&A/indirect costs, it is important to understand that direct costs are those costs which can be easily and accurately identified and charged to a specific project, e.g., salaries, wages, employee benefits, equipment, travel, computer time.

SUPPORT OPERATIONS

F&A/indirect cost recovery reimburses the University for the expense of supporting sponsored projects beyond what may be direct-charged to the award. Specifically, F&A/indirect costs are incurred for purposes common to many or all projects, programs, or activities of WSU. Typical WSU operations for which sponsored projects are charged F&A/indirect cost recoveries include the following.

General Administration

General executive and administrative functions and expenses of a general nature that do not relate solely to any major function of the University. This includes payroll, purchasing, and other administrative functions.

Departmental Administration

Management and support duties that benefit departmental activities.

Sponsored Projects Administration

Proposal review, sponsor negotiations, sponsored project development, and grant and contract post-award administration.

Operation and Maintenance

Expenses incurred for the administration, supervisor, operation, maintenance, preservation, and protection of the University's facilities.

Such expenses are normally incurred for the following services:

- Custodial and utility
- Repair

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Operation and Maintenance (cont.)

- Normal alteration of building
- Care of grounds
- Security
- Hazardous waste and environmental safety

Libraries

Library staff time and library materials for use by those working on sponsored projects.

Depreciation

Building and equipment depreciation or use allowance.

SETTING RATES

The F&A Negotiated Indirect Cost Rate Agreement (NICRA) is negotiated with WSU's cognizant agency for indirect costs, the Department of Health and Human Services (DHHS), Division of Cost Allocation Services.

The WSU Office of Finance and Administration and DHHS personnel negotiate these rates in accordance with federal government cost principles set forth in Uniform Guidance 2 *CFR* 200.414 and 2 *CFR* 200 Appendix III.

RATE CATEGORIES

Not all of the operations indicated under [Support Operations](#) that contribute to a project's F&A/indirect costs apply equally to each project type or location, e.g., research versus educational services and on-campus versus off-campus locations. For this reason, separate rates have been negotiated for each category; taking into account those F&A/indirect cost elements that are most applicable. The appropriate F&A/indirect cost category is determined at the time of proposal preparation. Questions should be directed to the Office of Research Support and Operations (ORSO). The F&A/indirect cost categories are as follows.

Research

Research and development activities that are separately budgeted and accounted for.

Instruction

The University's teaching and training activities. This includes all such activities whether they are offered for credit or not.

Other Sponsored Programs

Programs and projects that involve the performance of work other than research and instruction. Examples of such programs and projects are health service projects and community service programs.

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On-Campus

Activities occurring at the WSU Pullman, Tri-Cities, Vancouver, Spokane, and Everett campuses.

Off-Campus

Activities occurring at locations other than in University-owned or operated facilities. Also, F&A/indirect costs associated with facilities and library support are not considered applicable to the project.

DISTRIBUTION BASE AND CURRENT F&A/COST RATES

The F&A/indirect cost rate is multiplied by the distribution base to calculate F&A/indirect costs. This distribution base consists of specified direct costs that have been charged to the project.

Current and past F&A (NICRA) cost rate agreements are available at the Sponsored Programs Services (SPS) website.

Application of Current Rates

Use the appropriate negotiated rate for the fiscal year.

Location Rates

SPS establishes a separate Workday award line for each rate applied, e.g., on-campus, off-campus. The principal investigator or administrator charges expenditures to the appropriate grant worktags and award lines.

Off-Campus Rate Eligibility

To be eligible for the off-campus F&A/indirect cost rate, a project must meet the definition above for off-campus activities. A major consideration for eligibility is based on the majority of salaries, wages, and benefits that are applied to the project.

PROPOSAL PREPARATION

Projected F&A/indirect cost recovery is calculated and included in each proposal's budget. See also *BPPM* 40.02.

Calculation

Projected recovery is calculated as follows.

Use the current F&A/indirect cost rate to calculate projected recovery for the project period.

NOTE: Since the F&A/indirect cost rate for a future fiscal year may differ from the current rate, actual recovery may be more or less than the projected recovery.

One Rate

Multiply the rate (the specified percentage) by the distribution base.

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Examples

Research Activity Example

The F&A/indirect cost rate for the research activity is 53 percent and the distribution base (e.g., modified total direct costs) equals \$30,000. What is the projected F&A/indirect cost recovery?

Answer: $53\% \times \$30,000 = \$15,900$

Other Sponsored Activity Example

The F&A/indirect cost rate for another sponsored activity is 36 percent and the distribution base equals \$25,000. What is the projected F&A/indirect cost recovery?

Answer: $36\% \times \$25,000 = \$9,000$

Two Rates

If the proposed activity is conducted both on and off campus, calculate the projected recovery by multiplying each rate by the estimated costs for the appropriate location using the applicable distribution base.

Examples

Research Activity Example

The distribution base (e.g., modified total direct costs (MTDC)) totals \$125,000, with \$80,000 budgeted for on-campus and \$45,000 for off-campus. The on-campus research F&A rate is 53 percent, and the off-campus research F&A rate is 26 percent. What is the projected F&A/indirect cost recovery from each location for the research activity?

Answer: On campus $53\% \times \$80,000 = \$42,400$
 Off campus $26\% \times \$45,000 = \$11,700$
 Total recovery = \$54,100

Other Sponsored Activity (OSA) Example

The distribution base for another sponsored activity (OSA) totals \$100,000, with \$70,000 budgeted for on-campus and \$30,000 for off-campus. The on-campus OSA F&A rate is 36 percent, and the off-campus OSA F&A rate is 26 percent. What is the projected F&A/indirect cost recovery from each location for the other sponsored activity?

Answer: On campus $36\% \times \$70,000 = \$25,200$
 Off campus $26\% \times \$30,000 = \$ 7,800$
 Total recovery = \$33,000

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Exceptions

Only under exceptional circumstances does the WSU Vice President for Research or designee approve agreements with agencies that reimburse F&A/indirect costs at less than the current negotiated rates.

Investigators who prepare proposals for submittal to such agencies should contact ORSO to ascertain the acceptability of less than approved F&A/indirect rates.

COMMITMENTS AND OBLIGATIONS

See the applicable Workday Grants reference guides for instructions and information about commitments and obligations related to sponsored project awards. See also *BPPM 30.07* for more information about Workday reports.

CHARGING F&A/INDIRECT COSTS

SPS establishes awards in Workday with award lines for each applicable F&A/indirect rate. As expenses are posted to the award, the associated F&A/indirect rates are calculated within Workday and reflected on Workday-generated and SPS-accountant-generated and reconciled invoices.

NOTE: A sponsor's liability for paying F&A/indirect costs incurred on allowable expenses during a project does not lapse at the termination date. Facilities and administrative costs may be charged for allowable direct costs posted to the award after the agreement's expiration date for goods received or services performed during the project period.

Verification

Departmental personnel and/or the principal investigator are to check the award budget reports in the Workday system to verify that the rate actually used is the same as the rate approved in the sponsor's agreement. (See the Award Budget to Actuals Dashboard reports, F&A Monitoring report, and F&A Monitoring Subcontracts report in Workday.) If the Workday reports do not show the charge, or show an incorrect charge, telephone SPS at 509-335-2058.

ALLOCATION

Refer *Executive Policy Manual EP2* for the University's policy on allocation of F&A cost recovery revenue to colleges and academic departments.