

Subject: Transfer of F&A Costs Recovery (Indirect) Funds	Author: Grants Management /Controller's Office
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A. Background:

The University of Louisville receives numerous sponsored grants and contracts from private, local, state and federal government sources. For the most part these grants and contracts are designated for Training (e.g. Kentucky Work Force Development Program), for Research (e.g. National Science Foundation, NASA, the Department of Health and Human Services), for Public Service (e.g. WHAS Crusade for Children), and for Student Financial Aid (e.g. College Work Study Program, Supplemental Educational Opportunity Grants, etc.).

Many private and locally funded grants and contracts, and all of the federally funded grants and contracts, have a provision for Facilities & Administrative (F&A) cost recovery built into them. This recovery provision is provided to fund the cost of administering and providing infrastructure support to the grant or contract effort. It typically goes to fund the hidden, but real, costs of the grant for related general administrative services and is negotiated with the federal government based on real costs the University has incurred in support of extramurally funded activities.

The negotiated F&A recovery rate, commonly referred to as a percentage of direct costs, is used as a "benchmark" for other grants and contracts that are private, local and state supported. The University of Louisville on-campus F&A cost recovery rate is listed in the University of Louisville Research Foundation (ULRF) Research Handbook (<http://research.louisville.edu/res-handbook/res-hdbk.html>). The employment of this overhead rate to applicable grants and contracts generates revenue for the University.

B. Policy:

The gross F&A indirect cost recovery accumulated within the ULRF in a given fiscal year shall be distributed under the following plan:

1. Gross F&A shall be budgeted in accordance with projected annual award activity and the prevailing F&A rates established by the University's cognizant agency.
2. The following items are deducted from the gross:
 - a. The Office of the President may authorize certain fixed costs related to research for distribution from the F&A pool prior to allocating and transferring the remaining balance to the University and the ULRF. This may include costs such

as those designated to pay for the University Scholars Program, debt service on new research facilities, capital equipment, and faculty incentive funds.

- b. Twenty percent (20%) of the gross F&A cost recovery funds received in a given fiscal year shall be retained by the University of Louisville Research Foundation, Incorporated for the purpose of providing Research Infrastructure Funds (RIFs) as specified in the Research Foundation Handbook. Currently these funds are allocated as:
 - i. Principal Investigator RIF - The fund is equivalent to 10% of facilities and administrative costs awarded on extramural grants & contracts. Individual allocations to grant recipients, or principal investigators, are made by transferring funds to the RIF speedtype at the close of the month in which the grant expenditures are made.
 - ii. Department RIF - The fund is equivalent to 10% of facilities and administrative costs awarded on extramural grants & contracts. Departmental allocations are made by transferring funds to the departmental RIF speedtype at the close of the month in which the grant expenditures are made.
2. Twenty percent (20%) of the net remaining F&A cost recovery funds received in a given fiscal year shall be retained by the University of Louisville Research Foundation, Incorporated. These funds shall be allocated to the President, Provost, Vice President for Health Affairs and Senior Vice President for Research to bolster sponsored research activities at the University of Louisville including, but not limited to, equipment matching requirements, research faculty recruiting packages, and other programs in support of the research enterprise.
3. The remaining eighty percent (80%) of the F&A cost recovery funds received in a given fiscal year shall be transferred to the University's General Fund (sometimes referred to as the current unrestricted fund). These funds partially remunerate the general fund for costs incurred throughout the University and for specific research administrative expenses.

C. Responsibilities:

1. The Office of Budget and Financial Planning shall project each year, as part of the annual operating budget development process, an amount to be budgeted for F&A cost recovery funds. This activity will be accomplished in concert with other central administrative offices, e.g. Controller's Office, Senior Vice President for Research, etc. The projected amount of F&A shall be budgeted as a line item revenue source within the University's General Fund for the respective fiscal year's budget.
2. The Office of Grants Management (OGM) will be responsible for the setup and on-going maintenance of F&A calculations in the Grants Management module of the University's financial system. OGM will also be responsible for the setup of Research Infrastructure Funds (RIF) and University Scholars calculation in the Grants Management module of the University's financial system.
3. The Grants and Contracts Accounting section in the Controller's Office shall be responsible for monitoring, on a monthly basis, the funds received from F&A cost recovery sources and ensuring that the distribution plan is fulfilled. The monitoring and distribution function shall take into consideration the annual projected budget plan, authorized transfers for research

initiatives to the appropriate speedtypes, and transfer of the net remaining funds to ULRF and U of L as specified in the distribution plan. In addition, the Controller's Office shall prepare a final reconciliation of F&A charges on an individual grant as part of "closing out" the grant and will make any necessary adjustments deemed appropriate.

4. Principal Investigators, Unit Business Managers, or other individuals charged with the responsibility for reconciling individual grants will reconcile F&A charges for each grant on a monthly basis to ensure the F&A is being calculated and charged correctly. Problems will be sent via email to the Grants and Contracts Accounting section in the Controller's Office. Problems should be reported the same month, or accounting period, that they are identified.
5. Unit Business Managers and other individuals charged with the responsibility for reconciling departmental and individual Research Infrastructure Funds (RIFs) will reconcile these programs monthly to ensure that overhead recovery funds transferred to these programs are being calculated correctly.

D. Procedure:

1. Each month the Controller's Office shall identify the gross amount of overhead charged to all applicable grants and contracts during the period. These gross F&A charges are automatically debited to account 577100 for all applicable grant speedtypes according to the prevailing contractual F&A rates and are swept into the Research Foundation – Facilities and Administrative speedtype Z1340, account 426430.
2. The budgeted, fixed costs approved by the Office of the President for such items as debt service, the University Scholars Program, and equipment are transferred by authorized Office of the Senior Vice President for Research personnel from the speedtype Z1340 using account 573000 with a corresponding account 473000 credit posted to the target speedtype that corresponds to the Office of the Senior Vice President for Research's budget plan.
3. Twenty percent (20%) of this gross F&A is allocated to ULRF for the RIF programs through an automated transfer generated under the authority of the Office of Grants Management. The entry employs the transfer account 573000 for the expense transferred from Z1340 with a corresponding revenue transfer account 473000 that is credited to the various RIF speedtypes assigned to departments and principal investigators.
4. The Controller's Office shall transfer the remaining overhead recovery funds as follows:
 - a. Eighty percent (80%) of the net remaining combined totals of on-campus overhead recovery and off-campus overhead recovery shall be transferred (using the 573000 and 473000 accounts) to a General Fund speedtype entitled "Facilities & Administrative" (30323).
 - b. Twenty percent (20%) of the net cumulative year-to-date F&A recovery is transferred (using the 573000 and 473000 accounts) to the various speedtypes identified for the purposes described under Policy Item 3 above. The speedtype Z1340 should be reconciled and cleared of 100% F&A recovery at the end of each fiscal year by the Controller's Office.
5. Any charges or credits posted to the Z1340 speedtype entitled "Facilities & Administrative" that are not expressly approved within this policy shall be identified by the Controller's Office for removal and reclassification to an alternate speedtype working in conjunction with the affected department(s).

6. Each month unallowable expenses on active grants shall be reallocated from each affected grant to an appropriate departmental program prior to the final month-end F&A calculation. Once all monthly F&A is credited to the Z1340 speedtype, the Controller's Office determines the appropriate overhead amounts to transfer in accordance with the distribution plan. At U of L, grants are charged for F&A by an automated process based on actual expenditures posted each month.