Information

Transfer of F and A Costs Recovery (Indirect) Funds

Effective

July 27, 2005

Applicability

This policy applies to the University Community (administrators, faculty, staff, and students).

Administrative Authority

Vice President for Finance and Chief Financial Officer; Executive Vice President for Research and Innovation

Responsible Unit

Controller's Office

University Accounting and Financial Reporting

Service Complex, Louisville, KY 40292

502-852-6164

controll@louisville.edu

SPA Grants Office

J.D. Nichols Campus for Innovation & Entrepreneurship

300 E. Market Street, Suite 300

Louisville, KY 40202-1959

502-852-3788

History

Revision Date(s): July 1, 2005; November 1, 2016; February 6, 2020

Reviewed Date(s): July 1, 2005; March 1, 2010; November 1, 2016; February 6, 2020

Categories

Reason for Policy:

Many private and locally funded grants and contracts, and all of the federally funded grants and contracts, have a provision for Facilities and Administration (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. The F&A recovery rate charged is a percentage of direct cost and is negotiated with the federal government based on real costs, incurred by the University, in support of extramurally funded activities.

The F&A recovery rate is used as a "benchmark" for other grants and contracts that are private, local and state supported. The University on-campus F&A cost recovery rate is listed in the 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.

Statement:

The gross F&A indirect cost recovery accumulated within the University of Louisville Research Foundation, Incorporated (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 utilized by the University.
2. The following items are deducted from the gross:

    a. The Office of the President has authority to identify certain fixed costs related to research for distribution from the F&A pool prior to allocating and transferring the remaining balance to the University of Louisville (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 ULRF for the purpose of providing Research Infrastructure Funds (RIF) as specified in the Research Foundation Handbook. Currently these funds are allocated as:

a. The Office of the President has authority to identify certain fixed costs related to research for distribution from the F&A pool prior to allocating and transferring the remaining balance to the University of Louisville (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 ULRF for the purpose of providing Research Infrastructure Funds (RIF) as specified in the Research Foundation Handbook. Currently these funds are allocated as:

i. Principal Investigator RIF - The fund is equivalent to ten percent (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 ten percent (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.

3. Twenty percent (20%) of the net remaining F&A cost recovery funds received in a given fiscal year shall be retained by the ULRF. These funds shall be allocated to the President, Provost, Executive Vice President for Health Affairs and Executive Vice President for Research and Innovation (EVPRI) to bolster sponsored research activities at the University including, but not limited to,

equipment matching requirements, research faculty recruiting packages, and other programs in support of the research enterprise.

4. 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.

Procedures:

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 are transferred by authorized Office of the EVPRI 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 EVPRI'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 Grants Division within the Office of Sponsored Programs 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 one hundred percent (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 the University, grants are charged for F&A by an automated process based on actual expenditures posted each month.

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 one hundred percent (100%) F&A recovery at the end of each fiscal year by the Controller's Office.

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, Office of the EVPRI, 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 Grants Division 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 Controller's Office shall be responsible for monitoring, on a monthly basis, the funds received from F&A cost recovery sources and transferring the University's percentage to the general fund. The Office of the EVPRI distributes its portion of the funds. In addition, the Department of Sponsored Programs 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.