



**POLICIES**

Effective Date: July 1, 2003

Interim Date: July 21, 2015

Revised: July 1, 2015

Approved by: James E. K. Hildreth, Ph.D., M.D.  
President and Chief Executive Officer

Subject: Division of Finance - Policy on Facilities and Administrative Cost and Recovery

**PURPOSE:**

This policy establishes the principles for maximal recovery of Facilities and Administrative costs for Meharry Medical College and defines procedures to assure that all requests for waivers are treated equitably. It also establishes the procedure for distribution of Facility and Administrative Cost recovery (Indirect Cost Recovery) from grants and contracts.

**DEFINITIONS:**

**Facilities and Administrative Costs (F & A;** also referred to as indirect costs: or overhead) are those costs associated with the conduct of sponsored activities that are incurred for common or joint objectives and therefore are not readily identifiable with a specific project, but contribute to the College's effort to support research projects and programs. F & A costs are generated from the costs of providing research space and administering the awards.

**Facilities Costs** are: Allowances for depreciation and use of buildings and equipment;

- Interest on debt associated with buildings and equipment;
- Operation and maintenance expenses (such as janitorial, utility, repairs, security; environmental safety, and insurance); and
- Library expenses (library operations and materials purchased for the library).

**Administrative Costs** are:

- *General administration and general expenses* (such as central offices for the president, financial management, general counsel, and management information systems).
- *Departmental administration* is common or joint departmental activities or objectives in academic deans' offices, academic departments and divisions, and research units.

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- *Sponsored projects administration*, including costs incurred by a separate department established primarily to administer sponsored projects, including such functions as grant and contract administration (Federal and non-Federal), special security, purchasing, personnel, administration, and editing and publishing of research and other reports.
- *Student administration and services* (operations of student affairs, deans of students, registrar, advising, and counseling), which are normally excluded or limited when computing rates for research.

**Direct Costs** are those costs that can be readily identified with and assigned to a specific sponsored project program, and instructional activity or any other institutional activity with a high degree of accuracy.

**Modified Total Direct Costs (MTDC)**- Meharry Medical College's F & A costs are based on modified total direct costs and include all salaries and wages, fringe benefits, materials, supplies, services, travel, sub-grants and sub-contracts up to the first \$25,000 of each sub-grant or sub-contract (regardless of the period covered by the sub-grant or sub-contract). Modified costs shall exclude equipment, capital expenditures, charges for patient care, tuition remission, rental costs of off-site facilities, scholarships, and fellowships as well as the portion of each sub-grant and sub-contract in excess of \$25,000.

Meharry Medical College applies four **F & A rates (See exhibit A for current rates)**:

1. Federally negotiated on-campus rate for Organized Research
2. Federally negotiated on-campus rate for Instruction
3. Federally negotiated on campus rate for Other Sponsored Activities
4. Federally negotiated off-campus rate – This is the maximum rate allowable for the administrative portion of F & A. The off-campus rate is applied to federally sponsored projects that are not conducted in space owned or controlled by Meharry Medical College.

**Indirect Cost Recoveries** – The amount received from a sponsoring agency to reimburse an institution for indirect costs (F & A costs).



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**POLICY:**

F & A costs are real costs of institutional support for sponsored program activity.

Sponsored program budgets are expected to recover F&A costs at the maximum allowable rate as defined by federal rules and procedures (OMB A-21). Full or partial waiver of F&A costs may be considered with strong justification. Waivers will only be considered in exceptional circumstances, such as instances in which the sponsor's budget limit will not support the direct costs of the project if full F&A costs are applied. Requests for waivers of F&A costs are to be submitted through the appropriate Chair and Dean to the Director or V.P. of Sponsored Research for approval/review with the Senior Vice President of Finance and Administration as appropriate.

There must be a procedure to distribute indirect cost recoveries to the appropriate schools.

Questions regarding this policy should be directed to the appropriate pre-award staff member in the Office of Sponsored Research.

**PROCEDURE:**

- The F & A rates are negotiated with the federal government every three years.
- The F & A costs are charged to the grants and contracts as stipulated in the award notices and at the approved rates.
- The indirect cost recovery is distributed to the schools as it is earned and recorded as unrestricted income in accounts approved by the Deans of the Schools.
- Indirect cost recoveries are earned as direct expenditures are made on each grant and contract. This is recorded and distributed through an automated methodology through the Computer System on a monthly basis.

**SANCTIONS:**

Individuals in violation of this policy may be subject to disciplinary action.

**REFERENCES:** Time and Effort Reporting Policy; OMB Circular A-21

<http://www.whitehouse.gov/omb/circulars/a021/a021.html>

**EXHIBITS:** Table of Current F & A Rates