



University of Alaska
Statewide Accounting Manual

No.: P-68
Date: 8/31/05 Rev.
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Title: Facilities and Administrative Cost Recovery

Purpose and Scope:

To provide guidelines to account for facilities and administrative (F&A) cost recovery.

General:

Most sponsored projects allow the university to recover a portion of the F&A costs incurred while conducting research, training, or other sponsored activities. Generally, these costs are recovered on specific sponsored projects through the application of an approved F&A rate using a modified total direct cost (MTDC) base. MTDC is defined as total direct costs exclusive of F&A, equipment, student aid, long-term space rental and the portion of a subcontract that is in excess of \$25,000. In special situations, other bases such as total direct costs (TDC) or salaries and wages (S&W) may be appropriate. The full F&A recovery is recorded in the financial accounting system as unrestricted revenue.

Indirect or F&A cost rates are percentage factors utilized to recover F&A costs. Rates are developed based on university costs utilizing OMB Circular A-21 methodology. Each rate represents the ratio of allocated F&A costs to the modified total direct costs for each respective activity. University direct cost activities include instruction, organized research, other sponsored activities, other institutional activity, Poker Flat, Arctic Region Supercomputing Center, and the SFOS Ship. The rates for each major administrative unit (MAU) are developed by Statewide Cost Analysis, negotiated with the Office of Naval Research and audited by the Defense Contract Audit Agency.

F&A recovery for sponsored projects may be reduced or waived by the MAU's Chancellor or their designee through a reduced F&A rate. Individuals authorized to reduce or waive the application of the approved F&A rate should function at a level within the organization which has sufficient authority to administer waivers consistently throughout the campus. These individuals should also have an understanding of the F&A recovery process and an appreciation for the unrestricted revenues being forfeited when the MAU agrees to accept a reduced or waived F&A rate for a sponsored project. Principal Investigators (PI's) or the appropriate department fiscal personnel are required to apply for F&A waivers in advance of any proposal submission to the funding agency in accordance with procedures established by each MAU.



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Since the university may not indiscriminately provide favorable or preferential rates to awarding agencies, requests should contain justification for the reduction or waiver and supporting documentation, where applicable. Implied approval by acceptance of a sponsored project at rates less than the federal negotiated rate is not appropriate documentation.

Definitions:

Allocation – Allocation is the process of assigning recovery, costs, or a group of costs, to one or more cost objectives, in reasonable and realistic proportion to the benefit provided or other equitable relationship.

Direct costs - Direct costs are those that can be assigned with relative ease and a high degree of accuracy to a particular sponsored project, instructional activity or another institutional activity.

Facilities and administration costs – F&A type costs are those that are incurred for common or joint objectives or activities. These costs typically cannot be clearly identified with a particular sponsored project, instructional activity or any other institutional activity. The university is not permitted to move between direct and F&A cost pools without cognizant agency approval. Facilities costs include depreciation, interest on debt associated with certain assets, operations and maintenance costs, and library expenses. Administration costs include general administration and general expenses, departmental administration, sponsored projects administration, and student administration and services.

F&A Recovery – F&A recovery is the amount collected from a sponsoring agency through application of an F&A rate to a sponsored project to reimburse the university for average F&A costs incurred in the conduct of a sponsored project. Indirect cost (ICR) recovery is synonymous with F&A recovery.



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Accounting:

As expenses are incurred on restricted funds, F&A costs are charged and recovery is recorded for the university through an automated process within the financial accounting system. Statewide Administration receives a percentage of F&A cost recovery to partially provide for the costs of system wide general administration. Each MAU's Chancellor or their designee determines the appropriate distribution of the remaining revenue at their campus. The distribution may be based on the costs incurred by campus administration, operations and maintenance, library, and the department conducting the sponsored project/program or some other distribution identified by the MAU. When a sponsored project is set up correctly in the financial accounting system, the F&A expense is posted to the restricted fund and the full F&A recovery is recorded and distributed automatically as unrestricted revenue based on the MAU's specific distribution as follows:

- Debit: Restricted Fund – Organization (Org) Code – 7811
F&A costs charged to restricted current funds for a specific sponsored project

- Credit: Campus Unrestricted Fund – Various Dept. Org Codes – 9810
F&A recovery at the approved distribution rates is allocated to the MAU's unrestricted current funds for MAU Administration, Physical Plant, Library and Academic Support

- Credit: 101010 – 80013 – 9810
F&A recovery percentage allocated to unrestricted current funds for Statewide Administration

- Credit: Campus Unrestricted Fund – Dept. Org Code – 9811
F&A recovery at the approved distribution rate allocated to the MAU's unrestricted current fund for the department performing the sponsored project/program

At their discretion, MAU's may assess charges to departments that do not follow the waiver approval policy. The campus administration has the option to require the department to pay the non-departmental share of the revenue forfeited as a result of an unauthorized waiver. This revenue must be allocated at the appropriate distribution rate to the MAU's Administrative Services, Physical Plant,



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Library, Academic Support and to Statewide Administration. To accomplish this allocation the MAU should apply the appropriate rate to the costs incurred by the sponsored project and record the entry as follows:

Debit: Campus Unrestricted Fund – Dept. Org Code – 8458
Transfer funding from the department that processed the unauthorized waiver

Credit: Campus Unrestricted Fund – Various Dept. Org Code – 8458
Transfer funding at the approved distribution rates to the MAU's unrestricted current funds for MAU Administration, Physical Plant, Library, and Academic Support departments

Credit: 101010 – 80013 – 8458
Transfer the appropriate percentage to the unrestricted current funds for Statewide Administration

Adjustments should be made to F&A costs only when an error has been made resulting in an over or under recovery of F&A costs. Corrections are done through a journal voucher and must include both the credit or debit to decrease or increase F&A cost in the restricted fund and the appropriate distribution of revenue to the unrestricted current funds for each component. These journal vouchers may only be processed by each MAU's grant and contract services office.