

# Oklahoma State University Policy and Procedures

<b>USE OF FUNDS RECEIVED AS FACILITIES AND ADMINISTRATIVE COST REIMBURSEMENTS, FIXED PRICE AGREEMENT RESIDUALS, AND OTHER RECOVERED FEES</b>
--

<b>1-0112 GENERAL UNIVERSITY May 2018</b>
---

## **INTRODUCTION AND GENERAL STATEMENT**

Facilities and administrative (F&A) costs represent a major budget expense for Oklahoma State University. Reimbursement of these expenses sustains the University's mission by providing for campus infrastructure and administrative support systems. Thus F&A costs must be charged as appropriate and collected on sponsored projects.

## **POLICY**

1.01 It is the policy of Oklahoma State University to seek, as appropriate, the recovery of F&A expenses associated with sponsored agreements. It is also the policy of the University to consider recovered F&A as under the purview of the general University. Recovered F&A will be administratively allocated to uses and units in the best interests of the University.

1.02 A percentage of facilities and administrative costs recovered from sponsored programs will be allocated, as generated, on a monthly or quarterly basis, to the agency or college performing the work for the sponsored program. The percentage of this allocation may be adjusted from time to time. These adjustments in allocation percentage may be made for specific budget agencies or for all budget agencies that use the General University's negotiated F&A rate.

1.03 If a change in the facilities and administrative allocation percentage is planned, the Vice President of Research will notify the colleges and/or agencies affected.

## **PROCEDURES**

2.01 General University as well as college/divisional funds are established to receive any recovered F&A costs. College/division funds receiving the allocation are under the purview of the appropriate dean or director.

2.02 Even though some sponsors may disallow payment for F&A costs, or will pay only a reduced rate, the amount not allowed as reimbursement must be disclosed in the proposal budget so that the University (and usually also the sponsor) will be aware of and can account for the University's financial contribution to the sponsored project. Reduction or waivers of F&A cost reimbursements, whether full or in-part, and even if required by a sponsoring agency, must conform to the limitations contained in Cost Sharing in Sponsored Research and Service Projects, Policy and Procedures Letter 1-0113.

2.03 Overruns or disallowed F&A costs on sponsored agreements resulting from allowable direct cost expenditures shall be included in the total project costs. In order to recognize these costs as a University contribution to the project, the costs shall be moved from the project fund to the appropriate fund as directed by the appropriate administrative head.

#### 2.04 Fixed Price Agreements

The University may enter into fixed price agreements with sponsoring agencies. These agreements should include all direct costs and allowances for facilities and administrative costs at the University's appropriate negotiated F&A rate. When the project is completed and all costs have been fully paid, there may be residual dollars in the project fund. In that event, the project fund should first be charged for any unreimbursed F&A costs. If the final residual is deemed excessive according to the OSU Guidelines for Management of Excessive Residuals on Fixed Price Contracts (maintained by University Research Services and Grants and Contracts Financial Administration), then the residual will be managed in accordance with those guidelines. All other residual funds remaining after the project is closed out will be moved into the working fund designated by the responsible administrator (See Appendix I).

#### 2.05 Additional Administrative Fees Agreement

- A. A sponsor, for any specific purpose, may formally agree to an additional administrative fee or allowance (in addition to the estimated cost of performance). Funds received through the recovery of the additional fee will be treated as recovered facilities and administrative costs and transferred into the designated working funds under the control of the appropriate administrator(s).

#### 2.06 Voluntary Waiver of Facilities and Administrative Cost Reimbursements

Voluntary Waiver of Facilities and Administrative Cost Reimbursements most often occurs when the department, college, or University decides to reduce costs charged to a sponsoring agency or organization.

- A The dean, director, or designee may choose, for any reason, to voluntarily waive a portion of the facilities and administrative costs charged to a sponsored project. However, the waiver of any portion of the facilities and administrative cost reimbursement will be charged to the working fund of the appropriate college or agency unless specified in section 2.07 of this policy or as directed by the Vice President for Research or designee.

## 2.07 Mandatory Waiver of Facilities and Administrative Cost Reimbursements

Mandatory Waiver of Facilities and Administrative Cost Reimbursements occurs primarily when a sponsoring agency or organization disclaims or limits the payment of facilities and administrative costs.

Extenuating circumstances may warrant the University agreeing to waive F&A cost reimbursements. Such waivers must be approved by the Vice President for Research after consultation with the relevant dean(s) and/or vice president(s).

## 2.08 Consortium, Center, and Reciprocal Agreements

F&A cost reimbursements may be waived within partner agreements at the discretion of the Vice President for Research; such waivers will be considered as mandatory waivers under Section 2.07.

Revised:       November 1977  
                  July 1982  
                  July 2004  
                  February 2011  
                  February 2018  
                  April 2018

Approved:     Grants and Contracts Financial Administration, November 2017  
                  Associate Deans for Research, December 2017  
                  Faculty Council Chair, January 2018  
                  Council of Deans, February 2018  
                  Legal Counsel, April 2018  
                  E-Team, May 2018

## 1-0112

# USE OF FUNDS RECEIVED AS FACILITIES AND ADMINISTRATIVE COST REIMBURSEMENTS, FIXED PRICE AGREEMENT RESIDUALS, AND OTHER RECOVERED FEES

## Appendix I

### OSU Guidelines for Management of Excessive Residuals on Fixed Price Contracts

In accordance with Uniform Guidance 2 CFR 200.403, .404, and .405, project costs charged to grants and contracts should be “allowable, reasonable, and allocable.” Uniform Guidance also requires the consistent treatment of costs *regardless of the funding source*. For Fixed Price proposals and awards, Oklahoma State University expects for budgets to be adequate and appropriate for the expected scope of work requested by the sponsor. The principal investigator should prepare a budget to cover the total cost of the work, including the full recovery of the Facilities and Administrative (F&A) costs. If the scope of the project changes in advance of completing the work, such that there is the foreseeable potential for over-expenditures or excessive residuals, the budget should be revised accordingly in consultation with the sponsor.

Given that projects should be proposed in an effort to break even based on a given scope of work, an excessive residual at the completion of a project (in the absence of a change in scope, as described above) is a cause for concern. An excessive residual could indicate a) problems with the University’s process for estimating costs for a project at the time of the proposal, b) that the full scope of the project was not executed (i.e., incomplete work), c) project costs were charged to incorrect accounts, or d) other extenuating or unusual circumstances arose.

Because it is difficult to propose a project that will be completed precisely on budget, small residuals are common and can be managed according to prevailing policies and practices. But for projects ending with residuals at or above 25% of the total budget, a systematic analysis of the budget and charges to the project account must be conducted under the oversight of GCFA prior to closing the project. Such an analysis will determine if any costs associated with the project were not properly charged to the project account, and ensure that such charges are transferred to the project account. If, after all the charges associated with the project have been appropriately recorded, the residual remains at or above 25% of the total budget, the principal investigator, in consultation with the Associate Dean for Research of the respective college, must either:

- a) contact the sponsor and offer to refund the residual funds to the sponsor,
- b) contact the sponsor and arrange to apply the residual funds to a newly-contracted project,
- c) contact the sponsor and obtain consent to allow the residual funds to remain at the University to fund research unrelated to the original project—fully disclosing the amount of the residual, or

- d) obtain permission from the Vice President for Research to pursue a different course of action based on extenuating circumstances.

In addition to ensuring that the specific project is closed out in a responsible manner, the GCFA analysis will also attempt to identify any administrative or systemic problems that might be causing difficulties properly estimating project costs. If such problems are identified, a plan to mitigate them in future proposals will be devised, implemented, and communicated to appropriate administrators.

Guidelines released by the Office of the Vice President for Research  
Revised: September 2017