



TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Operating Policy and Procedure

HSC OP: 65.02, **Facilities and Administrative Cost Recovery Plan**

PURPOSE: The purpose of this Health Sciences Center Operating Policy and Procedure (HSC OP) is to establish policy and procedure for the recovery of facilities and administrative (F&A) costs charged to various contract and grant programs.

REVIEW: This HSC OP will be reviewed on May 15 of each odd-numbered year (ONY) by the Directors of Accounting Services and Sponsored Programs, with recommendations for revisions forwarded to the Executive Vice President of Finance and Operations by June 1.

POLICY/PROCEDURE:

1. Definitions and Background

- a. The Federal Office of Management and Budget (OMB) 2 CFR Part 200 defines Facilities and Administrative (F&A) costs as "those costs incurred for a common or joint purpose benefitting more than one cost objective and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved."
- b. Funds paid to an institution for F&A costs are reimbursement to the institution for expenditures already incurred and are necessary to support the programs of the institution. Examples of costs covered include, but are not limited to:
 - (1) General Administration
 - (2) Sponsored Projects Administration
 - (3) Operation and Maintenance of Plant
 - (4) Library
 - (5) Departmental Administration
 - (6) Student Administration and Services

2. Full Cost Recovery

- a. Facilities and administrative cost calculations must include the allocated share of costs as identified in the latest Statewide Cost Allocation Plan issued by the Governor's Budget and Planning Office.

3. Indirect Cost Proposal

- a. The Director of Accounting Services oversees the preparation and transmittal of the facilities and administrative cost proposal in accordance with the federal guidelines outlined in OMB 2 CFR Part 200. The proposal must be submitted by the due date noted in the current rate agreement with the cognizant agency (Department of Health and Human Services - DHHS).
- b. The Executive Vice President for Finance and Operations is responsible for negotiating the indirect cost rate with DHHS based upon the submitted cost proposal.

4. Applicable Credits

- a. Credits/receipts (e.g., purchase discounts, adjustments of overpayments or erroneous charges, etc.) are offset against the specific direct or indirect costs to which they relate.

- b. Rebates are used as administrative expenses, not distributed. They are included in the General Administrative pool within the proposal.
- c. Library fines are the only applicable credit that can be identified and summarized within the proposal and are offset against the library cost pool.

5. Space Study

- a. Building and equipment use allowances and operation and maintenance of plant expenses are allocated to cost pools on the basis of a space study, which determines the utilization of space by function as defined in Appendix III to OMB 2 CFR Part 200.
- b. The study is to be conducted every proposal base year by the Office of Facilities Information in cooperation with Accounting Services.

6. The Negotiated Indirect Cost Rate

- a. Contact the Office of Sponsored Programs to obtain the current negotiated F&A cost recovery rates for on-campus and off-campus research, instruction, and sponsored projects. The on-campus rate applies to all TTUHSC owned or operated facilities where facility costs are not directly charged. The off-campus rate applies to activities performed in facilities not owned or operated by the institution and where facilities costs are directly charged to the activities taking place in those facilities.
- b. The negotiated rates are used when entering into a contract or grant agreement with federal agencies or other agencies. Exceptions to the negotiated rate must be approved by the Dean of the School involved in the grant or contract, or the Executive Vice President for Research and Innovation.

7. Modified Total Direct Costs (MTDC)

- a. TTUHSC calculates MTDC in accordance with the currently negotiated U.S. Department of Health and Human Services (DHHS) rate agreement.
- b. Patient care defined as “costs of routine (standard of care) services provided by a hospital or clinic to patients participating as research subjects” is excluded from the MTDC base. Therefore, indirect cost rates are applied to the cost of patient visits and expenses that are solely for the purpose of the research project and not a result of standard care services.

8. Application of Indirect Cost Rate

- a. The indirect cost rate must be specified in the sponsored program agreement.
- b. Any exemptions in the application of the indirect cost rate must be specified in the New Fund Request. Written approval of the exemption must be forwarded to Accounting Services if the exemption is not available at the time a New Fund Request is submitted.
- c. Indirect cost is charged at the negotiated rate as costs are incurred.
- d. According to HSC OP 65.03, Accounting Services will review indirect cost charges to the sponsored program account to ensure correct application and allocation prior to completion of any final reports or account closure.

9. Use of Recovered Indirect Costs

- a. The use of F&A recovery funds will comply with institutional policies, any federal restrictions, and Texas Education Code 145.001.