

Q&A from June 15 F&A webinar

Can you explain the disclosure statement and its relation to our F&A rates?

The disclosure statement is called the DS2 and the format is prescribed by Uniform Guidance. It discloses our cost accounting principles and how we account for our indirect and direct cost pools. It is audited to ensure consistency in accounting practices across all cost pools which are used to calculate the overhead rates.

How do we know when we can include an F&A rate other than our negotiated rate in our budget?

If you would like to request a lower rate, see the [IDC Waiver Policy](#). If you would like to include a higher rate, please work with your proposal analyst to ensure sponsor approval.

CU may negotiate different rates for certain contracts (e.g. DOD contracts) with the Federal Government. These rates must use the same calculation and negotiation methodology as the organized research. It's not always optimal to calculate different rates for different activities and universities will only consider different rates if it has a positive impact on the overall indirect cost recoveries.

I have heard from OCG leadership that there are discussions here at the university regarding a higher F&A rate for certain sponsors that require more administrative efforts such as FAR based funding, etc. Will the 26% cap still apply? How would a higher rate benefit the university support of more complex research contracts?

The 26% for the Federal government would continue to apply for off-campus research. The current rate for on-campus research is 56.5%. However, with our industry partners we can negotiate a higher rate. There are a few options to negotiate higher rates for certain circumstances. For example, the overhead for DOD contracts may warrant a higher rate.

How are faculty costs allocated? Are faculty costs direct costs that aren't charged to projects?

If it's faculty in a department that is not separately budgeted and accounted for as a research project, then that will typically fall into the instruction direct cost pool. It is a direct cost, but it is an instruction direct cost. However, if you have a faculty member with a committed cost share during the semester, or they are directly charged on a research grant, the proportionate salary goes into the direct research cost pool. There will be a split between instruction and research.

I have heard comments from Principal Investigators regarding the high IDC rates. They think we are not competitive.

PI's are out there competing for research grants and we need to show that we are cost competitive. At the same time we need to be able to attract the research to our institution. We need to have high quality research programs, faculty, and students. Also, we need to have phenomenal facilities to do the research. All of that comes with a cost. There may be specific research that we are trying to attract and we may agree to charge a lower rate in order to bring them to campus. It is not one size fits all. Our goal is to optimize how much we recover in order to provide the world class facilities we have here at CU.

How does cost share impact our IDC rate? I have observed hesitancy to offer cost share due to the impact and don't understand how the two are related.

There are different kinds of cost share.

- **Required committed cost share:** Included as part of the budget on the award, so we include it in the base, and it becomes a direct cost of research. Therefore, we charge F&A on the project.
- **Voluntary committed cost share:** Included as part of the budget on the award, so we include it in the base, and it becomes a direct cost of research. Therefore, we charge F&A on the project.
- **Voluntary uncommitted cost share:** It is not included in the budget. It stays in the instruction base. We don't include it into research and we don't charge F&A.

How is the space survey done?

We start with information from facilities management that includes buildings, square footage and who it belongs to. However, they will not necessarily know how the space is utilized by the departments and the occupants of a specific building. CCO will contact academic and research units and send a list of all the rooms in that building, and then ask for input on how that space is utilized. We will also conduct an onsite visit to confirm the information because DHHS-CAS comes out during the negotiation process and conducts their own space surveys to back up our data.

If we have a building that is 100% research (like LASP), can we count the hallways, bathrooms, etc. as research space?

The answer is no. When we look at categorizing our space we are looking where active research is normally done, and unless we designate a hall to be active research it is typically what they call community space i.e. restrooms, break rooms or lobbies. Typically, those cannot be counted as active research space, and therefore we cannot code the entire building as research.

For the capital equipment survey, are you surveying both research capital equipment and building capital equipment?

Yes, there are two types of equipment. The first type is movable equipment. If it is over \$5,000 and it's capital, we try to match it to the space in which it is being utilized. Building equipment, things that are attached, we call that non-movable equipment. CU allocates non-movable equipment based on the square footage in the building and how the building is being used.

Spread across campus are several environmental chambers, which are located inside of research laboratories. The chambers are small rooms that maintain a certain temperature, light, O2 level, etc. The rooms are utilized solely by sponsored projects and are used by several grants over the course of 10-20 years. Are the maintenance and repair costs of these rooms covered by IDC?

Assuming the environmental chamber is not part of a recharge center (internal service center), then yes, this would be included in IDC. In other words, it would be designated in our space survey as research space and our indirect costs associated with that space would be allocated accordingly.

The current negotiated agreement doesn't specifically exclude PSC (Participant Support Cost) from MTDC (Modified Total Direct Cost) statement, and yet when we budget, we tend to follow federal sponsor requirements. Why doesn't the agreement include Participant Support Cost in the exclusion part of the statement?

The Uniform Guidance defines Modified Total Direct Cost (MTDC) in 2 CFR 200, §200.68. Participant Support Costs is an exclusion of the MTDC. Prior F&A Rate Agreements omit the PSC reference in the MTDC statement section. The most current F&A Rate Agreement dated 6/28/2021 now includes Participant Support Costs as an exclusion from MTDC.

Direct cost pools are typically tied to our mission, or services, and include: Instruction, Organized Research, Other Sponsored Activities, and Other Institutional Activities. Of these four direct cost pools, is only research allowable for indirect costs in the calculation?

No. All the direct cost pools get an indirect cost calculation. Visit the CCO website for a [list of current F&A rates for research and instruction](#).

When is F&A On-Campus Instruction rate charged?

We use the instructional rate very infrequently on specific projects that are instructional and not research related. Examples include educational outreach programs, training, and grants for professional development.

Does anybody know why we negotiate the F&A rate through DHHS rather than OMB?

The Department of Health and Human Services (DHHS) is the cognizant agency for universities that receive most of their Federal research funding through NSF and NIH. The Office of Naval Research (ONR) negotiates with universities that receive most of their Federal research funding through the Department of Defense. CU Boulder receives most of our research grants and contracts from NIH and NSF, therefore DHHS is the cognizant agency for CU.

Are all universities generally using the same way to submit their proposals, or are there variations on what is submitted by different universities?

Per Uniform Guidance, where the total direct cost of work covered by an institution does not exceed ten million in a fiscal year, the simplified procedure may be used in determining allowable indirect (F&A) costs. CU does exceed ten million in a fiscal year, so we are not eligible to use the simplified procedure.

If a university wanted to include an additional section as part of their submission would that be possible?

Any additional narrative that we think would help our negotiation should be introduced at the time of negotiation.

If we will never recover our costs for supporting research, how is the net cost absorbed?

The cost is absorbed through other funding sources in the University. This subsidy may be considered an investment in our research enterprise. While we try to recover most of our costs, we know continuing investment in our research support is important to the CU mission.

Does CU have a list of allowable/unallowable direct/indirect costs? Is allowability standard across all universities or is it negotiable?

Allowability is prescribed by the federal government in the Uniform Guidance and is typically not negotiable for federal projects. Some expenses may be approved for other sponsors. There are situations where an allowable cost is the subject of a research project, for example alcohol, and would be allowed on the project. For more information visit the Cost Principles Policy page for a list of typical [allowable vs unallowable expenses](#).

Could you talk in general about the DAICR? For example, how is it calculated?

The DAICR is calculated and distributed per policy: [DA-ICR Policy Statement 2009](#).