



POLICY ON THE ALLOCATION OF FACILITIES AND ADMINISTRATIVE COSTS (INDIRECT COSTS)

BACKGROUND AND PURPOSE:

As an authorized auxiliary organization of California State University, San Marcos (CSUSM), one of the functions and responsibilities of the California State University San Marcos Corporation (CSUSM Corporation) is to manage grants and contracts awarded by various Federal agencies, units of state and local government, and private foundations and corporations to support research and educational programs conducted by CSUSM faculty and administration. Typically, each grant and contract includes a budgetary amount in each award to cover facilities and administrative costs (F&A) incurred by CSUSM Corporation and CSUSM in the conduct of the various research and educational programs. F&A costs are also known as indirect costs.

The purpose of the following policy is to ensure that CSUSM Corporation is reimbursed from F&A funds recovered from grants and contracts for all costs incurred in the management of grants and contracts on behalf of CSUSM. This policy also provides for the funding of required reserves in accordance with the CSUSM Corporation Reserves Policy. This policy also provides for an allocation to CSUSM of any F&A funds remaining after reimbursement to CSUSM Corporation for facilities and administrative costs associated with the management of grants and contracts and after the funding of reserves. While it is recognized that indirect cost recovery rates allowed by funding agencies are not under University or CSUSM Corporation control, it is the policy of the University and CSUSM Corporation, that the grant applicant must request the maximum indirect cost funding allowable by each funding agency.

POLICY:

It is the policy of CSUSM Corporation to develop, implement and consistently apply a Policy on the Allocation of Facilities and Administrative Costs (Indirect Costs) that will ensure: 1) reimbursement to CSUSM Corporation for the costs associated with the management of grants and contracts on behalf of CSUSM and its faculty and administration, 2) funding of CSUSM Corporation reserves, and 3) allocations to CSUSM. As approved and adopted by the CSUSM Corporation Board of Directors on June 22, 2012, the following policy is established and implemented effective July 1, 2012.

There shall be three allocations from F&A funds recovered from grants and contracts made in the following priority order:

I. First Allocation

The First Allocation from F&A recovery funds shall reimburse CSUSM Corporation for actual costs for salary, benefits, and operating expenses associated with the management of grants and contracts. After the close of each fiscal year, CSUSM Corporation shall perform a cost study that shows the portion of total administrative costs that are applied to the administration of grants and contracts. For example, each administrative staff position will have their salary and benefits allocated based on their percentage of time spent on grant and

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contract administrative duties. Administrative operating costs, other than salaries and benefits, will be allocated to grants and contracts based on usage or other reasonable and appropriate allocation methods (Exhibit A).

The detailed cost study will be completed by September 30th of each year and presented to the CSUSM Corporation Finance and Operations Committee for review and approval. The portion of total administrative costs applicable to the administration of grants and contracts as shown in the cost study as approved by the Finance and Operations Committee will be reimbursed to CSUSM Corporation from the total F&A recovery. Projects which receive external funds for support may be subject to additional agency restrictions and/or Federal Office of Management and Budget Circular No. A-110.

II. Second Allocation

The Second Allocation from F&A recovery funds shall be to fund a reserve to cover potential audit disallowances on grant and contract programs. The allocation shall be in accordance with the CSUSM Corporation Reserves Policy. No allocation will be required if the reserve maintains a balance equal to or greater than the goal described in the CSUSM Corporation Reserve Policy. In years where the reserve balance drops below the goal, the reserve will be refunded by allocating no more than 10% of the funds available for allocation after the First Allocation is made. This funding process will be used each year until the reserve reaches its goal. The establishment and funding of CSUSM Corporation financial reserves is required under Section 89904 (b) of the State Education Code.

III. Third Allocation

The Third Allocation from F&A recovery shall be to CSUSM. The amount of the Third Allocation will be equal to the remaining balance in F&A recovery funds after the first and second allocations are made. CSUSM, via the Provost (as designated by the President), determines the process for how the Third Allocation will be apportioned among the university units that may be involved in grants and contracts. The Provost or designee shall notify CSUSM Corporation of any changes to the allocation amounts by no later than October 15th of each year. The allocations should be restricted to furthering the campus grant and contract enterprise - such as release/reimbursed time for faculty to write grants, travel to potential funding agencies, cost sharing on existing grants, and other scholarly activities that may generate new grants and contracts. Funds should be used for activities related to the grant and contract enterprise subject to review and approval by CSUSM Corporation and, if necessary, in consultation with the Provost (or designee) for final approval.

CSUSM Corporation Administrative Operating Expense - Department Allocations

(Please see assumptions below)

	FY XX/XX BUDGET TOTAL	Sponsored Projects	Comm Services	New Aux Campus Programs Donations	Campus Programs Other	New Aux Scholarships & Endow's	Center for Chidren & Families	Associated Students Inc.
<u>Sponsored Projects</u>								
Director, Sponsored Projects	100%	90%			10%			
Sponsored Projects Administrator	100%	100%						
Sponsored Projects Analyst	100%	100%						
Campus & Sponsored Projects Specialist	100%	40%		25%	25%	10%		
<u>Accounting & Business Operations</u>								
Chief Financial Officer	100%	35%	10%	25%	10%	20%		
Director, Accounting & Business Operations	100%	40%	30%	10%	10%	10%		
Staff Accountant	100%	70%		15%	15%			
Accounting Assistant	100%	70%		15%	15%			
A/P Specialist	100%	40%	35%	10%	10%	5%		
Accounting Specialist-Sales Audit	100%		100%					
<u>Administration</u>								
Executive Director	100%	35%	35%	10%	5%	5%	10%	
Executive Assistant	100%	40%	40%	10%	5%		5%	
Marketing Specialist			100%					
<u>Human Resources & Payroll Services</u>								
Director, Human Resources	100%	60%	20%	5%	5%			10%
Human Resources Specialist	100%	60%	20%	5%	5%			10%
Payroll Specialist	100%	60%	20%	5%	5%			10%
TOTAL PERSONNEL	800,000	400,000	200,000	60,000	50,000	58,000	8,000	24,000
Personnel % for Allocating Op. Exp.		50%	25%	8%	6%	7%	1%	3%
OPERATING EXPENSES	\$ 400,000	\$ 200,000	\$ 100,000	\$ 30,000	\$ 25,000	\$ 29,000	\$ 4,000	\$ 12,000
TOTAL EXPENSES	\$ 1,200,000	\$ 600,000	\$ 300,000	\$ 90,000	\$ 75,000	\$ 87,000	\$ 12,000	\$ 36,000

Assumptions: Dollar amounts and percentages have been entered for demonstration purposes only and do not reflect actual. CSUSM Corporation is only involved in the functions above. For actual personnel expenses, the above %'s would be applied off-line to actual payroll and benefit expenses for each position. The total for each CSUSM Corporation function will be enter on the "TOTAL PERSONNEL" line. Operating expenses are distributed based on the percentage of total personnel expense for each function. Personnel assignment to each function will be reassessed each fiscal year and is subject to change.