



## **ALLOCATION AND DISTRIBUTION OF FACILITIES AND ADMINISTRATIVE COSTS (INDIRECT COSTS)**

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### **PURPOSE**

This policy has been established to meet the compliance standards set forth in OMB's Uniform Guidance (2 CFR 200), which includes the cost principles for educational institutions. Facilities and Administrative (F&A) costs (also referred to as Indirect Costs (IDC)) are actual costs incurred by California State University, San Marcos (CSUSM) and CSUSM Corporation; they are not a profit generated by sponsored projects. F&A costs are project costs incurred in the normal course of carrying out a sponsored project. These costs are incurred for common or joint objectives with other projects or activities and are not identified readily and specifically with a sponsored project. These costs include: general administration, school and department administration, sponsored project administration, building use and allowance, equipment use allowance or depreciation, maintenance and operation of physical plant, library, and student services.

The purpose of this policy is to ensure that CSUSM and CSUSM Corporation are 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 return of remaining F&A funds to CSUSM after reimbursement to CSUSM Corporation for F&A costs associated with the management of grants and contracts. While it is recognized that, in some cases, indirect cost recovery rates allowed by funding agencies are not under CSUSM or CSUSM Corporation control, it is the policy of CSUSM and CSUSM Corporation that the grant applicant must request the maximum indirect cost funding allowable by each funding agency.

### **SCOPE**

As an authorized auxiliary organization of CSUSM, one of the functions and responsibilities of the 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.

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

### **POLICY**

It is the policy of CSUSM Corporation to use F&A costs to first cover the costs of sponsored project administration and research-related infrastructure. It is also the policy of CSUSM to use available funds from recovered F&A costs to support and stimulate further research and creativity directed at increasing external sponsorship of research, creative activity, training, and community service.

- I. CSUSM Corporation F&A Recovery Method
  - A. CSUSM Corporation recovers all sponsored project administration costs through the federal F&A rate agreement. Costs that are recovered include:
    - i. 100% Office of Sponsored Projects, including, but not limited to, staff salaries and benefits.
    - ii. Portion of salaries and benefits for CSUSM Corporation for Executive Director, Human Resources and Payroll, Business Services and Finance, and Contracts Manager, along with a minimal corresponding operating expense allocation.
  - B. Portion of salaries and benefits for CSUSM for Accounting, Auxiliary Accounting, Accounts Receivable, Accounts Payable, Since the above costs are recovered through the federal F&A rate agreement, the same costs cannot also be charged directly to sponsored projects.
- II. There shall be two allocations annually from F&A funds recovered from grants and contracts. Timing of these allocations shall be determined by CSUSM Corporation and shared with the Dean of Graduate Studies and Research in October of each year. The allocations shall be made in the following priority order:

- A. 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 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.

The cost study will be completed and shared with the Dean of Graduate Studies and Research. The portion of total administrative costs applicable to the administration of grants and contracts as shown in the cost study 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 and/or Federal Office of Management and Budget restrictions.

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### **B. Second Allocation**

The second allocation shall be to CSUSM. The amount will be equal to the remaining balance in F&A recovery funds after the first allocation is made. CSUSM, via the Provost (as designated by the President), determines the model for how this allocation will be distributed among the university units that may be involved in grants and contracts. The Dean of the Office of Graduate Studies and Research (OGSR) will conduct an analysis to determine allocations to colleges, departments, centers, institutes, and principal investigator/project director campus program accounts. 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.

### **DEFINITIONS**

**Consistency:** A cost is considered to be treated consistently when the expense is treated as either a direct or F&A cost under like circumstances. Consistent treatment occurs when a cost incurred for the same purpose in like circumstances is treated consistently as either a direct or an indirect cost. Consistency is a basic condition that determines whether an expense is appropriate to a particular project.

**Direct Costs:** Direct costs are those costs that can be identified specifically with a particular final cost objective, such as an award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (F&A) costs.

**F&A Agreement:** A formal agreement between CSUSM Corporation and the federal government which documents both the indirect cost rate(s) and the fringe rate(s) that CSUSM Corporation may apply to federally funded sponsored programs for a predetermined period. This negotiated rate is applied to all sponsored programs, regardless of sponsor type.

**Indirect (F&A) Costs:** 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. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived. (From UG §200.56)