



TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER EL PASO

Operating Policy and Procedure

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

PURPOSE: The purpose of this Health Sciences Center El Paso Operating Policy and Procedure (HSCEP 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 HSCEP OP will be reviewed May 15 of every odd-numbered year by the Director of Contracts and Grants Accounting (CGA) and the Senior Director of the Office of Sponsored Programs (OSP), with recommendations for revisions submitted to the Chief Financial Officer by June 1.

POLICY/PROCEDURE:

1. Definitions and Background

- a. The Federal Office of Management and Budget (OMB) 2 CFR Part 200.56 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
- c. The Texas Legislature has issued the following statement: "The Legislature instructs all state agencies and institutions of higher education providing goods or services to all other state agencies and institutions of higher education to recover the full cost, including indirect and allocable overhead, of any goods or services provided to another agency or institution of higher education. The Legislature instructs all state agencies and institutions of higher education offering goods and services to fully recover all costs associated with the delivery of such goods and services. Full disclosure of such costs must be made before the good or service is offered. The Office of the State Auditor is authorized to verify at any time the full cost recovery charges for all goods and services so offered."

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.
- b. Contracts or agreements with other state agencies or institutions of higher education offering goods or services must fully recover all costs associated with the delivery of such goods and services. Contracts or agreements should include a statement that recovery of

all costs associated with the provision of goods and services has been included in the stated contract amounts.

3. Indirect Cost Proposal

- a. The Director of CGA is responsible for 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 - HHS).
- b. The Chief Financial Officer is responsible for negotiating the indirect cost rate with HHS 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 CGA.

6. The Negotiated Indirect Cost Rate

- a. Contact OSP to obtain the current negotiated F&A cost recovery rates for on-campus and off-campus research, instruction, and training projects. The on-campus rate applies to all TTUHSC El Paso 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 Vice President for Research.

7. Modified Total Direct Costs (MTDC)

- a. TTUHSC El Paso 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 may also be forwarded to CGA if not available at the time a new fund is requested.
- c. Indirect cost is charged at the negotiated rate as costs are incurred.
- d. According to HSCEP OP 65.03, CGA 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. Accounting Services will distribute on a monthly basis to all appropriate internal offices and investigators the actual indirect cost charged to active sponsored programs based on the internal distribution policy approved by administration.
- b. The use of these funds must comply with institutional policies, any federal restrictions, and section 145.001 of the Texas Education Code, which states that these “funds shall be expended under guidelines approved by the institution’s governing board for projects encouraging further research.” Therefore, these funds must be used in support of research functions at all administrative levels to include the principal investigator, department, Dean’s Office, VP for Research Office, and any other institutional office afforded access to these funds.