

## PSU F&A FAQ

|  |        |
|--|--------|
| <a href="#">Requesting Waivers of F&amp;A</a> .....          | Q1-Q3  |
| <a href="#">Determining on-campus vs. off-campus</a> .....   | Q4     |
| <a href="#">Federal and Federal Flow-Through Funds</a> ..... | Q5-Q6  |
| <a href="#">State and State Flow-Through Funds</a> .....     | Q7-Q11 |
| <a href="#">Industry Sponsors</a> .....                      | Q12    |
| <a href="#">Clinical Trials</a> .....                        | Q13    |
| <a href="#">Foreign Governments</a> .....                    | Q14    |
| <a href="#">Fellowships</a> .....                            | Q15    |
| <a href="#">Miscellaneous</a> .....                          | Q16    |

### Requesting Waivers of F&A

#### **Q1. When can F&A be waived or cost-shared?**

The following is a list of examples where some or all of PSU's F&A recovery is cost shared. Under the circumstances listed here, the prior approval of central administration is not required:

- Intergovernmental Personnel Act (IPA) agreements (per Section F of PSU's F&A Rate Agreement)
- Domestic non-profit organizations with published guidelines prohibiting or limiting recovery of F&A (RA06).
- COP funding (except in the case of certain agencies and programs which have a history of paying F&A, e.g., PennDOT)\*
- Ben Franklin Technology Partners projects\*
- Gifts and charitable contributions (See RAG04)
- Federal funds subject to a statutory cap on F&A (e.g., DoD, USDA, USDE)

Cost-sharing of F&A in all other cases must be approved by John Hanold (for research awards) or Susan Wiedemer (for non-research awards).

\*F&A is never waived on federal flow-through funds, regardless of whether such funds are flowed through state government, local government, or Ben Franklin Technology Partners (unless cost-sharing of F&A has been approved).

**Q2. What should we do if a solicitation says that it “strongly encourages” cost-share of F&A, but does not require it?**

PSU must request full recovery of F&A in all such cases, unless John Hanold or Susan Wiedemer has approved using some or all of the F&A as cost-share. In such cases, colleges/units may be expected to contribute some cost-sharing to the project as well. For example, colleges/units may be asked to contribute some of their Research Incentive Funds (RIF) to help offset the loss of F&A.

**Q3. What documentation should be provided when requesting a waiver of F&A?**

- Identify whether the project is research, instruction, or outreach.
- Explain the reason why the F&A waiver is being requested.
- Calculate the dollar amount that will be lost to the university if the waiver is approved.
- Document the fact that the Research Dean or his or her surrogate is in agreement with requesting the waiver. (PI's should not be sending their requests directly to Hanold or Wiedemer without consulting with their college administration. Research Deans have a vested interest in making sure their colleges recover as much F&A as possible.)
- Please note that the PI must submit a waiver request to the Office of Sponsored Programs (OSP) or the Corporate Controller's Office (CCO) prior to the submission of the proposal. Research proposals must be submitted to John Hanold, Interim Director of OSP. Non-research proposals must be submitted to Susan Wiedemer, CCO.

**Determining on-campus vs. off-campus**

**Q4. How do we determine when to charge on-campus vs. off-campus rates?**

This distinction is defined in RAG07 (<http://guru.psu.edu/policies/RAG07.html>). The following examples are offered to provide additional clarity:

### Scenario 1

- Research will take place on a ship in the Arctic Ocean. The period of performance is for one year, and seven months of the work will take place on the ship. If a majority of the costs will be incurred off-campus, then the entire project will be charged at the off-campus rate.
- Research will take place on a ship in the Arctic Ocean. The period of performance is for one year, but the research on the ship will only be for 2 months. If a majority of the costs will be incurred on-campus, then the entire project will be charged at the on-campus rate.

### Scenario 2

- Research will take place at a lab in CATO Park. Rental costs for the space are a line item in the grant. The project will be charged at the off-campus rate.
- Research will take place at a lab in CATO Park. Rental costs for the space are paid for centrally by the University. The project will be charged at the on-campus rate.

### Scenario 3

- The project is instruction and involves courses that are created at University Park facilities, but taught at school districts or other venues where there is not a cost for the room that is charged to the grant, but is off campus. Majority of costs rules. If the majority of the cost is associated with the off-campus instruction, then the rate would be off-campus. If the off-campus component is but a small amount of the overall total project costs, then the rate is on-campus.
- The project is instruction and exclusively involves courses which are already created or “canned” but taught at school districts or other venues where there is not a cost for the room that is charged to the grant, but is off campus. The project will be charged at the off-campus rate.
- The project is instruction and involves courses that are taught at other Penn State Campus locations. The project will be charged at the on-campus rate.

#### Scenario 4

- The research is being done at the professor's home rather than their office. The project will be charged at the on-campus rate.

#### **Federal and Federal Flow-Through Funds**

##### **Q5. How do we calculate F&A on USDA proposals?**

The following example is based on guidance the National Institute of Food and Agriculture (NIFA). New RFA's coming out of NIFA state the following: "Pursuant to Section 720 of the General Provisions to the Consolidated and Continuing Appropriations Act, 2012 (Pub. L. 112-55), indirect costs are limited to 30 percent of the total Federal funds provided under each award. Therefore, when preparing budgets, applicants should limit their requests for recovery of indirect costs to the lesser of their institution's official negotiated indirect cost rate or the equivalent of 30 percent of total Federal funds awarded."

There are two important points to take from this statement. First, 30% Total Federal Funds is mathematically equivalent to 42.857% Total Direct Costs. (Here's how that works: Let's say your total budget is \$100K. The maximum F&A you could recover would be 30% of the \$100K.  $\$30K/\$70K = .42857$ , so if you calculate \$70K in direct costs at 42.857% TDC, you get \$30K in F&A.)

The second point is that we cannot charge 42.857% TDC if such recovery would exceed our negotiated F&A rate (49% MTDC for on-campus research). If there are no exclusions (capital equipment, tuition, subcontract amounts greater than \$25K), then 42.857% TDC is always going to be less than 49% MTDC. But if you have any significant exclusions in your budget, it is very likely that 49% MTDC will turn out to be less than 42.857% TDC. The easiest way to deal with this is to calculate the budget both ways and use whichever F&A amount is lower.

For example, let's say the total direct costs are \$70K, and you don't have any exclusions. In such a case, 42.857% of the \$70K (\$30K) is going to be less than PSU's negotiated F&A rate (i.e., 49% of \$70K = \$34,300), so you would use the \$30K. However, if you budgeted \$15K in capital equipment, PSU's negotiated F&A rate would be lower (i.e., 49% of  $(\$70K - \$15K) = \$26,950$ ), so you would only charge \$26,950.

**Q6. Should PSU recover F&A on all federal flow-through funds? *Yes. PSU should receive the same level of F&A on federal flow-through funds as it would receive if it were contracting with the federal agency directly.***

Section E of our federally approved F&A rate agreement says the following: "The rates set forth in Section I hereof were negotiated in accordance with and under the authority set forth in 2 CFR 220. Accordingly such rates shall be applied to the extent provided in such circular to grants and contracts to which 2 CFR 220 is applicable . . ." (<https://www.research.psu.edu/osp/documents/rates/ProvRate10-11.pdf>)

2 CFR 220 (Section A3) states the following: "These principles shall be used in determining the allowable costs of work performed by colleges and universities under sponsored agreements. The principles shall also be used in determining the costs of work performed by such institutions under subgrants, cost reimbursement subcontracts, and other awards made to them under sponsored agreements"

([http://www.whitehouse.gov/omb/circulars/a021/a21\\_2004.html](http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html)).

(2 CFR 220 is the CFR location for OMB Circular A-21.)

#### **State and State Flow-Through Funds**

**Q7. Is the Commonwealth of Pennsylvania (COP) required to inform us when they are providing federal flow-through funds to PSU? *Yes.***

Section 3.a. of the Pennsylvania Governor's Office Management Directive 305.21 (Amended) states that "All payments of federal and state financial assistance made by Commonwealth agencies to local governments and other subrecipients must be identified by federal and state dollars expended and related federal and state financial assistance program names and numbers." ("Financial assistance" is defined in 305.21 as including federal grants, contracts, cooperative agreements, and appropriations.)

([https://www.research.psu.edu/osp/documents/award-documents/Management-Directive-305\\_21.pdf](https://www.research.psu.edu/osp/documents/award-documents/Management-Directive-305_21.pdf))

Furthermore, PSU is required to know when it is in receipt of federal funds (and the CFDA number, if applicable) in order to complete its A-133 single audit

(<http://www.whitehouse.gov/omb/circulars/a133/a133.html>).

**Q8. What should we do if we don't know the source of the COP funds?**

The research administrator should ask the COP agency at the proposal stage whether the funding is state or federal (citing 305.21 and A-133 above as justification). If the COP agency cannot identify the source of funding at the proposal stage, we ask that the budget be submitted with the appropriate federally negotiated rate. This will prompt the COP agency to reply if the monies are not federal. If the project is later determined to be 100% state funds or a combination of state and federal, the F&A can be recalculated at that time.

**Q9. Should we request F&A when we are receiving mixed funding (state and federal) from the COP?**

***Yes.***

According to PSU Policy RA06: "If the Commonwealth specifically states in its proposal guidelines that it intends to finance a grant or contract with funds derived, in whole or in part, from a federal source, University should request full F & A costs at the same level as if the University were contracting directly with the federal agency involved. The University may negotiate the final F&A to a lower rate in certain circumstances on a case by case basis" (<http://guru.psu.edu/policies/RA06.html>). If we do not know what the ratio of funding is at the time of the proposal, we will submit the proposal at the federal rate. This can be adjusted at the time of the award if the state provides documentation indicating the specific sources of funding.

**Q10. I understand that PSU previously did not charge any F&A if a project included even a dollar of Commonwealth funds. Is this no longer PSU practice? *Yes.***

This practice was ended in 2008. All proposals should be submitted in accordance with PSU's policy (as reflected in the answers to Q8 and Q9 above).

**Q11. If COP funds are passed through another organization (such as a for-profit company, a local government, or another non-profit), should we treat these funds as state flow-through funds (charging no F&A), or do we charge our full federally-approved F&A rate?**

F&A will not be charged on state funds flowed through local governments, school boards, or Ben Franklin Technology Partner projects. State funds flowed through for-profit industries and other non-profit organizations will be subject to PSU's standard F&A rate.

### **Industry Sponsors**

**Q12. When should the industrial surcharge be applied?**

We charge an additional 5% F&A on industrial-sponsored projects. This does not include federal funds flowed through industry sponsors.

### **Clinical Trials**

**Q13. What F&A rate do we charge for clinical trials?**

We do not have a separately negotiated rate agreement for clinical trials, but it is customary to pay 26% total direct costs for clinical trials sponsored by industry. All other trials would use the federally-negotiated rate. A project will be considered a clinical trial if it meets either of the following definitions:

- a) The project is registered on <http://ClinicalTrials.gov>, or
- b) The project is a controlled, clinical testing of Investigational New Drugs (INDs) or Investigational Devices (IDEs) using either a sponsor or investigator developed protocol under an FDA Phase I, II, III, or IV drug study or an FDA-regulated medical device study, or the controlled clinical testing of a protocol performed under the sponsorship of an approved national cooperative consortium for clinical trial services. Projects involving animal subjects should not be classified as clinical trials. (This definition was developed at UCSF:  
<http://www.research.ucsf.edu/CG/memo/cglDC.asp>.)

## **Foreign Governments**

### **Q14. If a foreign sponsor refuses to pay F&A, can it be waived?**

The U.S. Government pays full F&A; it would be inappropriate to charge a foreign organization less than what we charge our own government. Only under very rare circumstances would PSU agree to cost-share F&A on a foreign sponsored project. An alternative to the charging of F&A may be the direct charging of costs typically reimbursed as F&A.

## **Fellowships**

### **Q15. What F&A rate do we charge on fellowships?**

PSU does not normally collect F&A on fellowships. However, if a fellowship permits recovery of F&A (or other administrative costs), PSU should pursue it. Fellowships are generally issued to students, but some faculty members receive prestigious fellowships as well (e.g., Fulbright fellowships, Guggenheim fellowships, Honda fellowships, etc.).

## **Miscellaneous**

### **Q16. When is it appropriate to direct charge administrative or clerical salaries?**

It is acceptable to direct charge administrative and clerical salaries on state, industrial, foundation, etc. projects that do not involve federal funding. For our non-federal sponsors, it's imperative that they pay the full project costs including the direct charging of administrative support if the sponsor precludes the charging of F&A. With regards to federally funded projects, we cannot direct charge administrative salaries unless an exception to A-21 has been approved in accordance with A-21, Exhibit C ([http://www.whitehouse.gov/omb/circulars/a021/a21\\_2004.html](http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html)).

First issued: 11/30/08 (John Hanold)

Last updated: 7/13/12 (John Hanold)

Last updated: 3/18/12 (JoAnn Parsons)

Saved: H:\Negotiation Manual\F&A

Located on web: <http://www.research.psu.edu/osp/documents/proposal/FAFAQ.pdf>