

**NOVA SOUTHEASTERN UNIVERSITY  
OFFICE OF SPONSORED PROGRAMS  
POLICIES AND PROCEDURES**

**AWARD MAINTENANCE**

**DIRECT AND FACILITIES AND ADMINISTRATIVE COSTS**

**EFFECTIVE 12-01-08, REVISED 12-26-2014**

**POLICY #30**

**PAGE 1 OF 2**

**PURPOSE:**

To establish a policy and procedure, in conjunction with OSP Policy No. 28 – *Allowable Costs and Expenditure Control*, to ensure that direct costs and indirect costs (Facilities and Administrative [F&A] costs) are presented appropriately in proposal budgets and charged consistently to sponsored program accounts in accordance with OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR Part 200.

**DEFINITIONS:**

Direct Costs: Those costs that can be identified specifically with a particular final cost objective, such as a federal 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. Typical costs charged directly to a sponsored award include compensation of employees who work on that award, their related fringe benefit costs, the costs of materials and supplies, and other items of expense (including subawards) that are specifically identifiable to the sponsored project.

Facilities and Administration (F&A) Costs/Indirect Costs: Those costs incurred for a common or joint purpose benefitting more than one cost objective that cannot be readily assigned to a particular sponsored project. F&A costs are also referred to as "indirect costs". Examples of F&A costs include:

- Depreciation and interest costs associated with the University's physical plant
- Operating and maintenance costs such as utility costs, security costs, and custodial costs
- Common administrative functions such as payroll and purchasing

**POLICY:**

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR Chapter I, Chapter II, Part 200, et. al. (Uniform Guidance) includes principles for determining costs applicable to grants, contracts, and other agreements between the Federal government and non-federal entities, including institutions of higher education. The Uniform Guidance defines criteria for determining both direct and indirect (F&A) costs. In addition, the Uniform Guidance establishes a mechanism for higher education institutions to calculate, negotiate, and recover F&A costs from federal and other sponsors.

The university's Financial Operations unit periodically develops and negotiates the university's F&A proposal with the federal cognizant agency (Department of Health and Human Services, Division of Cost Allocation – [HHS-DCA]). F&A cost rates are based on the University's actual operating costs. Using the Uniform Guidance, the university assesses its F&A costs on a regular basis and allocates these costs to different activities, such as research or teaching, proportionate to the benefit provided. Once all F&A costs are determined, the University then determines the portion of those costs that are attributable to research.

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**PAGE 2 OF 2**

This information is reviewed by the federal cognizant agency and F&A cost rates are typically negotiated on a periodic basis. The negotiated rate becomes the F&A Rate Agreement.

While there is no universal rule for classifying certain costs as either direct or indirect, it is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances as either a direct or an indirect cost in order to avoid possible double-charging of sponsored awards.

**REFERENCES:**

- OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR Part 200, <https://federalregister.gov/a/2013-30465> Department of Health & Human Services, Program Support Center, Cost Allocation Services, <http://rates.psc.gov>
- NSU Financial Operations Accounting and Financial Policies and Procedures, <http://www.nova.edu/fop/forms/policies.pdf>

**PROCEDURES:**

1. The determination of indirect costs (F&A costs) to be charged to a sponsored program will be based on the appropriate negotiated rate specified in the F&A Rate Agreement in effect at the time of the initial award, unless waived in accordance with OSP Policy No. 5 – *Application of Facilities and Administrative Cost Rates to Proposal Budget and Facilities and Administrative Cost Waiver*.
2. If the sponsoring agency has a cap on the F&A rate, then the F&A costs to be charged to the sponsored program will be based on the rate allowable per the sponsor, which will be approved in accordance with OSP Policy No. 5 – *Application and Administrative Cost Rates to Proposal Budget and Facilities and Administrative Cost Waiver*.
3. If there is an increase in the direct costs to which the F&A rate is applied, the amount of indirect costs will be adjusted accordingly within the award ceiling amount and consistent with any sponsor restrictions or prior approval requirements, if applicable.
4. If there is a decrease in direct cost categories to which the F&A rate is applied, the total amount of direct and indirect costs will be adjusted accordingly within the award ceiling amount and consistent with sponsor restrictions or prior approval requirements, if applicable.
5. For awards transferred to the university from another organization, indirect costs will be calculated at the university's negotiated rate, subject to sponsor restrictions or prior approval requirements, if applicable.
6. Unrecovered F&A costs related to mandatory cost sharing will be absorbed by the PI's College/Center (refer to NSU Financial Operations Accounting and Financial Policies and Procedures - Finance Policy 127.13 – *Close-Out of Sponsored Programs/Projects*).