

A Primer on Sponsored Research Funds

Rev. 01/07/13

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Externally funded research is central to the mission of the University. Sponsored projects, whether they are grants or contracts, have within their budgets two kinds of costs: direct and facilities & administrative (F&A). F&A costs sometimes are called “indirects” or “overhead.” The guidance below explains the difference between direct costs and F&A, how funds may be used, and under what circumstances indirect costs are shared.

What are F&A Costs (a.k.a. “Overhead” or “Indirects”)?

When a researcher obtains a grant or initiates a contract to support research or other sponsored activities under the auspices of the university, the budget reflects two kinds of anticipated expenses: direct costs and F&A.

Direct costs are expenses that specifically and uniquely support the aims of the proposed project, such as salary for project personnel, remuneration to study subjects, project-related travel, and equipment.

F&A costs are overhead expenses that are incurred by the institution for common objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project. Examples of university expenditures that are F&A costs include the costs of electricity to run the physical plant and administrative functions, salaries of clerical staff who provide a broad range of general administrative tasks, and IRB operations, which support the research enterprise. **F&A costs are not profit**; they are reimbursement to the university for actual overhead expenses. The F&A cost recovery rate is calculated in accordance with federal requirements and is negotiated periodically with our cognizant federal audit agency.

It is important to understand that F&A cost recovery funds received from sponsored projects do not pay for 100% of overhead expenses incurred by the university. Costs incurred often exceed the negotiated rate. The negotiated rate is a figure that CWRU and the government agree may be allocated to research activities.

Does the University waive F&A Cost Recovery?

The University’s expectation is that sponsored research agreement budgets will specify an F&A cost rate not less than the federally-negotiated rate. There are two customary exceptions:

- 1) Some federal projects, such as equipment only grants and training grants, come with proscribed rates less than the federally-negotiated rate.
- 2) Some non-profits, such as foundations, have published indirect cost rates that are lower than the federally-negotiated rate.

Any exceptions (i.e. waivers or negotiated reductions) to the federally-negotiated rate that are not justified by the sponsor's published policy require approval by the Dean of the school in which the PI is appointed. The Dean indicates permission for the exception by approving the eURF form that accompanies the proposal.

How are F&A Cost Recovery funds shared across schools?

One of the major goals of the University is to reduce the barriers to research collaboration across disciplines, departments and schools.

As F&A cost recovery funds are distributed to the management centers in which research is conducted, it is University policy to share these dollars among the various schools whose faculty participate in research. That is to say, F&A cost recovery funds shall be divided proportionately between participating schools on any given project, primarily in accordance with faculty effort. Other considerations, such as lead administrative functions and disproportionate use of one school's facilities and equipment may be considered in modifying the distribution of the F&A cost recovery funds, but any variance from a distribution plan based on faculty effort need to be addressed in the proposal. When such circumstances arise, business officers and investigators are strongly encouraged to talk openly and explicitly during the proposal development process about expectations for sharing indirect cost recovery funds across collaborating schools.

In cases where a straightforward arrangement between schools is not readily reachable, resolution shall be developed through consultation with the Office of Research Administration.

What can I buy with my federal grant (or contract) funds?

Typically, federal grant funds are used to buy items (or hire personnel) you don't already have and which are needed in order to complete tasks described in the proposal.

General-purpose office supplies are viewed differently than equipment, travel, and personnel. Per federal regulations ([OMB Circular A-21](#)), general-purpose office supplies that normally are used in administrative support are considered facilities and administrative (F&A) costs (otherwise known as "overhead" or "indirect costs") and therefore are not allowed as direct costs on most sponsored projects. The category of "office supplies" includes items such as computers, copiers, paper, envelopes, paper clips, binder clips, binders/notebooks, pens, pencils, markers, post-it notes, liquid paper, staples/staplers, tape/tape dispensers, clocks, calendars, paper punches, University stationery, desk organizers, file cabinets, file folders, printer paper, toner cartridges, zip disks, and standard office software. Investigators seeking resources for general use office supplies and computers are encouraged to discuss their needs with their Chairs and Deans.

Occasionally, items normally considered office supplies can be purchased for technical or scientific use on a project, but the charges are only allowable as direct costs if appropriately justified. The specific nature of the work is taken into account when evaluating allowability. This requires the PI to document that the use can be attributed 100% to the project (and not spread across multiple projects) and will be used for "unlike circumstances," meaning a use that is not typical for the item and is unique and necessary for the specific project. Examples include: 1) purchasing iPads to send into the field with research assistants who will use them to collect study data or to document informed consent electronically via a web interface, and 2) a dedicated server to store and analyze data from a specialized piece of equipment used in a funded research project (For more detail about purchasing computers and tablets, see below.)

It is important to note that the approval of a grant by a funding agency is not equivalent to approval by the funding agency to charge all items in the budget as direct costs. The university is responsible to assure

only allowable items are charged directly to any award, regardless of what was proposed in the budget and approved by the funding agency.

Can I use federal funds to purchase a computer or tablet?

Generally speaking, computers and tablets are viewed as “general use” business items and should not be charged directly to a federal grant unless justified for a specific research purpose. Computers costing less than \$5,000 are not considered equipment, and, as such, are treated as F&A expenses (just like paper, pens and other general use supplies).

Thus:

- Getting a new award does not automatically mean that a computer can be purchased to support the project.
- Adding a new member to the research team is not a sufficient justification to purchase a computer with federal grant funds.
- Just because a computer or tablet was included in a proposal budget does not make it an allowable purchase on a federal grant.

However, under certain circumstances, it may be appropriate to request to purchase a computer or tablet with federal funds. To be appropriate, the expense must be “allocable, allowable, consistent, and a reasonable cost,” which means:

- The computer/tablet is necessary, will be used specifically and exclusively for the purpose of a research project (i.e. to collect study data), can be assigned directly to such activities with a high degree of accuracy, and is justified as such.
- The computer/tablet will be functioning as (or in direct support of) specialized scientific equipment.
- There must be an informed, prudent decision regarding the cost, utility, and value to the project.
- The planned computer/tablet use is described in the grant in such a way as to clearly meet the criterion of being an “unlike circumstance,” as described in OMB Circular A-21.

Please consult with the Office of [Research Administration](#) if you should have any questions about whether you may use federal funds to purchase a computer or tablet.