

PSU F&A FAQ

Requesting Waivers of F&A	Q1-Q3
Determining on-campus vs. off-campus	Q4
Federal and Federal Flow-Through Funds	Q5-Q9
State and State Flow-Through Funds	Q10-Q14
Industry Sponsors	Q15
Clinical Trials	Q16
Foreign Governments	Q17
Fellowships	Q18
Miscellaneous	Q19-22

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 II,H(1) of PSU's F&A Rate Agreement)
- Domestic non-profit organizations with published guidelines prohibiting or limiting recovery of F&A (RA30).
- COP funding (except for a) federal flow-through funding, and b) certain programs which have a history of paying F&A)*
- Ben Franklin Technology Partners projects*
- Gifts (See RA04)
- Federal funds subject to a statutory cap on F&A (e.g., USDA, USDE)

Cost-sharing of F&A in all other cases must be approved by the Director of Sponsored Programs (for research awards) or the Associate Controller (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 the Director of Sponsored Programs or the Associate Controller have 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, which demonstrates a direct benefit to the student community or PSU.
- 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 the Director of Sponsored Programs or the Associate Controller 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. F&A waivers related to research proposals must be submitted to Director of Sponsored Programs. F&A waivers related to non-research proposals must be submitted to Associate Controller.

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 RA30. Blended rates are not allowed on restricted accounts. 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 NIFA proposals?

Section 1462(a) and (c) of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (NARETPA) limits indirect costs for the overall award to 30 percent of Total Federal Funds Awarded (TFFA). You should limit your request for the recovery of indirect costs to the lesser of your institution's official negotiated indirect cost rate or the equivalent of 30 percent of total Federal funds awarded. The prime awardee is responsible for ensuring the maximum indirect cost allowed for the award is not exceeded when combining indirect costs for the Federal portion (i.e., prime and subawardee(s)) and any applicable cost-sharing (see 7 CFR 3430.52(b)). Amounts exceeding the maximum allowable indirect cost is considered unallowable.

There are four important points to take from this statement. First, 30% TFFA 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 (e.g., 59.86% MTDC for on-campus research in FY19). If there are no exclusions (capital equipment, tuition, subcontract amounts greater than \$25K, participant support costs), then 42.857% TDC is always going to be less than our negotiated F&A rate. But if you have any significant exclusions in your budget, Penn State's negotiated rate may 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.

The third point is that under USDA's new rule, the 30% cap applies to the total amount of F&A budgeted on the entire project, including any F&A budgeted by subrecipients and any F&A calculated on matching funds. In general, when an application involves subrecipients, each partner organization should request the correct eligible F&A following the USDA guidance.

PRIME (Penn State)

Would include the lesser of the negotiated rate or 30% of TFFA (minus subrecipient budget amounts) = Maximum for Prime Budget

(Penn State would enter its subrecipients as a non-overhead bearing budget item.)

For each SUB

Would include the lesser of negotiated rate or 30% of TFFA = Maximum for Prime Budget

Basically, what this means is that each institution will recover an appropriate portion of indirect costs, but Penn State will not be eligible for the administrative/management F&A on the first \$25K of each subaward.

When a subrecipient opts to recover less than the 30% of TFFA, Penn State may elect to take additional F&A (as long as total F&A recovered does not exceed 30% of TFFA or the negotiated rate). If the amount of additional F&A that would be recovered is relatively small, OSP will consider waiving the additional F&A to minimize administrative burden. Such cases are not expected to be common.

The fourth point in working with the USDA is that unrecovered indirect costs may NOT be used toward required cost-sharing/match. This also means that when a USDA program requires a matching component, AND you include the full 30% of TFFA on the sponsor budget, you are not allowed to include any indirect costs toward the required matching funds contribution.

Please see the [NIFA FAQ](#) for additional instructions and specific examples of how to calculate F&A under various circumstances.

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 D 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 200. Accordingly, such rates shall be applied to the extent provided in such regulations to grants, contracts and other agreements to which 2 CFR 200 applies . . ."

2 CFR 200 states the following:

"*Pass-through entity* means a non-Federal entity that provides a subaward to carry out part of a Federal program" ([200.1](#)).

"A *subaward* may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract" ([200.1](#)).

“All pass-through entities must ensure that every subaward is clearly identified to the subrecipient and includes the following information . . . (4) An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government . . . “ ([200.332](#)).

“The principles also must be used by the non-Federal entity as a guide in the pricing of fixed-price contracts and subcontracts where costs are used in determining the appropriate price” ([200.401](#)).

Q7. When should I use the uncapped Department of Defense (DoD) rate?

The uncapped DoD rate is negotiated for use on all DoD contract proposals (awarded on or after November 30, 1993). This applies to DoD contracts issued directly to Penn State and to subcontracts issued to Penn State under DoD contracts (also known as DoD flow-through).

However, Penn State administration has decided to submit such proposals at the (lower) capped rate, as long as the total proposal is for less than \$1 million/year. Proposals previously submitted at uncapped rates will be awarded at whatever uncapped rates are in effect at the time of the award. Proposals submitted at capped rates will be awarded at whatever capped rates are in effect at the time of award. Penn State has approved use of the (lower) capped rate through the end of FY18. It is yet to be determined whether this policy will apply to future year proposals (FY19 and forward).

Q8. Which rate should I apply to an NIH grant at the time of award?

Per Part 7.4 of the the NIH Grants Policy Statement (Nov. 2016), we should be using the F&A rate in effect at the beginning of the competitive segment, NOT the Federal Award Date.

The verbiage reads: “Regardless of the type of recipient, the rate(s) in effect at the beginning of the competitive segment will be used to determine the amount budgeted for F&A costs for each year of the competitive segment. If the rate agreement does not extend to the end of the project period, the last rate in effect will be used to establish the total cost commitment for any remaining future years. NIH generally will not award additional F&A costs beyond those calculated in the approved budget.”

This information was confirmed with Michelle Bulls, Director, Office of Policy for Extramural Research Administration at NIH, at the 2017 NCURA annual conference.

Q9. Which rate should I apply to an NSF grant at the time of award?

Per Chapter X.D.1. of the NSF Proposal and Award Policies and Procedures Guide (NSF 17-1), we should be using the F&A rate in effect at the beginning of the competitive segment, NOT the Award Date.

The verbiage reads: "Federal agencies must use the negotiated rates except as provided in paragraph (e) of §200.414 Indirect (F&A) costs, in effect at the time of the initial award throughout the life of the Federal award. Award levels for Federal awards may not be adjusted in future years as a result of changes in negotiated rates. "Negotiated rates" per the rate agreement include final, fixed, and predetermined rates and exclude provisional rates. "Life" for the purpose of this subsection means each competitive segment of a project. A competitive segment is a period of years approved by the Federal awarding agency at the time of the award. If negotiated rate agreements do not extend through the life of the Federal award at the time of the initial award, then the negotiated rate for the last year of the award must be extended through the end of the life of the Federal award."

State and State Flow-Through Funds

Q10. 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.)

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 federal audit obligations as defined in [Subpart F](#) of the Uniform Guidance.

Q11. 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 the Uniform Guidance 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.

Q12. Should we request F&A when we are receiving mixed funding (state and federal) from the COP?

Yes.

If we do not know 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.

Q13. 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 above).

Q14. 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

Q15. 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

Q16. 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.)

Foreign Governments

Q17. 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

Q18. 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

Q19. When is it appropriate to direct charge administrative or clerical salaries?

Administrative and clerical salaries cannot be direct charged to a federal project unless a [Cost Accounting Justification Form](#) has been completed. Additional guidance can be found in [RA21](#) (Direct Labor) and 2 CFR [200.413\(c\)](#).

It is acceptable to direct charge administrative and clerical salaries on state, industrial, foundation, etc. projects that do not involve federal funding. For non-federal sponsors that prohibit or limit the recovery of F&A, it is imperative that they pay the full costs associated with administrative and clerical support.

Q.20. When is it appropriate to charge F&A on charitable grants?

Charitable Grants are defined in RA04. If the grantor is a domestic non-profit with published guidelines limiting recovery of F&A, the University will accept the reduced F&A rate. (See RA30 for additional detail.) In the absence of published guidelines, the University will assess F&A at 15% Total Costs, unless an alternate rate is approved by the Vice President for Research or the Corporate Controller, in consultation with the Senior Vice President for Development and Alumni Relations when appropriate. It should be noted that if the grantor is a for-profit entity and the Charitable Grant is closely tied to a pre-existing or simultaneously awarded sponsored activity, it will be evaluated on its specific merits to determine if full F&A should be assessed.

Q.21. What F&A should be assessed on Industry Membership Agreements?

Industry Membership Agreements are assessed F&A at 15% Total Costs. See RA04 and RAG05 for further guidance.

Q.22. Should F&A be assessed on editorships?

Journals will sometimes provide funding to help faculty members cover the costs of supplies, communication, and other costs associated with journal editing. F&A will not be assessed on editorships less than \$10,000/year. Contractual terms and conditions should be forwarded to the Office of Sponsored Programs (OSP) for review. Editorships \$10,000 or greater also should be reviewed by OSP. Editorships (less than \$10,000) not subject to contractual terms and conditions can be managed out of Miscellaneous General Research (MGR) funds.

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