

**LOYOLA MARYMOUNT UNIVERSITY
POLICIES & PROCEDURES**

DEPARTMENT: CONTROLLER'S OFFICE	
SUBJECT: Facilities and Administrative Cost Policy	Page 1 of 2
	Supersedes: N/A
Effective Date: June 1, 2011	Previous Issued: N/A

1 Statement of Policy

A. General

Facilities and Administrative Costs (F&A), also known as Indirect or Overhead costs can be defined as the costs associated with the administration of sponsored project activity at LMU. They include the costs of the facilities, labs and office space, utilities, and administrative support for sponsored projects.

The University's cognizant agency, the Department of Health and Human Services, determines the rate the University is allowed to charge federally sponsored projects for F&A costs.

It is the policy of Loyola Marymount University to charge all externally sponsored projects the full federally negotiated indirect cost rate unless explicitly prohibited from doing so in writing by the sponsor or in accordance with exceptions described below.

B. Federally Negotiated Indirect Cost Rate

1. Description:

- a. Loyola Marymount University's federally negotiated indirect cost (F&A) rate is 38% of Modified Total Direct Costs in accordance with an agreement with the Department of Health and Human Services effective June 1, 2011 through May 31, 2015.

2. Application:

- a. The F&A rate is applicable to all externally sponsored projects. This includes federal grants, contracts and cooperative agreements as well as all subagreements involving federal flow through funds. The federally negotiated rate will also be applied to state and local agencies, private foundations, non-profit organizations and corporations.

3. Definitions:

- a. Modified Total Direct Costs include all salaries and wages, fringe benefits, materials, supplies, services, travel, and subgrants and subcontracts up to the first \$25,000 of each subgrant or subcontract.
- b. Modified Total Direct Costs exclude equipment, capital expenditures, tuition remission, rental costs of off-site facilities, scholarships, fellowships as well as the portion of subgrant and subcontracts in excess of \$25,000.

C. Exceptions:

1. It is the policy of Loyola Marymount University to charge all externally funded projects the full federally negotiated indirect cost rate as applicable. Exceptions to this policy are outlined below:
 - a. Waiving or Reducing full Facilities and Administrative Rate
 - i) The F&A rate may be reduced or waived when the sponsor requires a reduced rate or explicitly limits LMU from full recovery. In this case, the sponsor's required rate supersedes LMU's federally negotiated rate. This must be documented by sponsoring agency in writing.
 - ii) The F&A rate may be reduced or waived only under extraordinary circumstances with the written approval of the Dean/Director, the Chief Academic Officer, and the Controller.
 - b. Any F&A funds not recovered will be considered part of the university's cost share for the project unless specifically prohibited by the sponsor.

D. Recovered Facilities and Administrative Cost Distribution

1. Recovered F&A funds support the costs of administering research, creative and other externally sponsored projects.
2. It is the policy of LMU to distribute recovered F&A funds in the following manner:
 - a. 70% to Administrative Cost Recovery
 - b. 20% to the Principal Investigator's Discretionary Account
 - c. 10% to the Principal Investigator's College/School Dean or Division Director
3. In the absence of any agreement to the contrary, on projects where two or more individuals are listed as co-Principal Investigators and the budget includes more than \$5,000 of F&A.
 - a. Separate discretionary accounts should be established for each co-PI,
 - b. The F&A cost recovery should be divided between the co-PI's proportional to their grant-funded effort, and
 - c. The F&A cost recovery should be divided between the colleges/units involved proportional to the grant funded effort of their co-PI.