

# Best Practices for Facilities and Administrative (F&A) Costs

## Overview

The 1989 Appropriations Act, HB 100, directs that research grant indirect costs retained at the various units of the University System in funds other than current unrestricted subfunds must be expended for the 1) enhancement of existing research programs, 2) assistance to and encouragement of new research programs, and 3) the general support of research.

Following HB 100, MSU established a series of designated fund/index numbers (436XXX – 438XXX) to accommodate and track these funds and ensure expenditures are in compliance with the above intent. It is important to monitor these expenditures to ensure that MSU continues receiving authorization from the legislature to continue with this research reinvestment program.

## F&A Costs Specifics

- Per Association of American Universities, F&A costs are also referred to as “indirect costs” and are classified as essential costs of conducting research. Research expenditures cover necessary research infrastructure and operating expenses that the university provides to support research such as state-of-the-art research laboratories; high-speed data processing; national security protections (e.g., export controls); patient safety (e.g., human subjects protections); radiation safety and hazardous waste disposal; personnel required to support essential administrative and regulatory compliance work, maintenance staff, and other activities necessary for supporting research.
  - IDC vs F&A: these terms are interchangeable. The federal government used the term indirect cost (IDC) until the name was changed to facilities and administrative (F&A) costs since they felt it more accurately described these types of costs.
- F&A funding can only be utilized for research related activities, not education (academic) or other university facilities or activities.
- These funds are MSU funds. Management and reinvestment of F&A funds are delegated to the VPRED by the MSU president.
  - VPRED budget director is the fiscal manager for all F&A funds held at MSU. Fiscal management includes review, approval, and oversight on all expenditures.
- F&A funds may have a termination date.
  - If funds are not expended by the termination date, a no-cost extension must be submitted to the VPRED for review and approval. Unused funds that do not secure a no-cost extension will be returned to the VPRED for other uses.

## Types of F&A Funding at MSU

Naming Convention	Purpose	Steward	Has Termination Date
Bridge	Provided to bridge gaps in grant funding to retain research staff.	Department Head or PI	Y
Dean IDC	Provided to the College to invest in research related activities and programs.	Dean	N
IDC ‘Department’	Provided to the Department to invest in research related activities and programs.	Department Head	N
IDC ‘Unit, Center, or Institute’	Provided to the Unit, Center, or Institute to invest in research related activities and programs.	Director	N

IRD Support	Returned to the PI when GRAs are paid from a grant and when MSU's F&A rate is in use for that grant/sponsor. Funds should support research; types of expenditures may include travel, equipment, supplies, student and research personnel salaries, tuition and fees, and service agreements. <i>*Fund transfers in or out of IRD Indices are unallowable</i>	PI	N
Match	Provided for required University share of extramural projects that have a specific budget and purpose. Match funds must be expended during grant period of performance (POP).	PI	Y, will match POP
PI IDC	Returned to the PI to cover research related activities. <i>*This funding type is no longer being utilized, however, there are some active PI IDC indices at MSU.</i>	PI	N
PI Support	Provided to the PI to support a specific research related purpose.	PI	Sometimes
Internal awards: S&C, REF, HASS, PEG	Awarded by VPRED, via application process, for specific research related scholarly activity.	PI	Y
Startup	Provided to assist new faculty establish research programs and activities.	PI	Y
Support	Provided to an area or individual to support a specific research related purpose.	PI	Sometimes

Note:

1. Per MSU policy, all F&A funds are subject to a 6% administrative fee.
2. Per MSU policy, all supplies and equipment purchased with MSU funds (including F&A funds) are property of MSU.

## Expenditure Controls for F&A Funds

All F&A funds are subject to the University Business Procedures Manual. The controls listed below detail additional requirements that apply to F&A funds.

### Hospitality

1. Entertainment hospitalities are not allowable expenses on F&A funds.
  - a. Examples of entertainment are holiday and graduation parties and dinners.
  - b. Any HAF's with entertainment checked will automatically be declined by VPRED budget director.
2. Education/Research Training hospitalities may be allowed on F&A funds if the event has a clear research related business purpose.
  - a. Lab or staff meetings may be allowed if the meeting agenda has a research focus. The business purpose must be clear; "lab meeting" for example, would not be a complete business purpose.
  - b. Social and drop-in may be declined unless you demonstrate a research related purpose.
  - c. Light refreshments for thesis defenses may be allowed.

- d. Team building activities and retreats must have an agenda that shows a learning opportunity which benefits MSU's research mission.
    - i. Team building should be during normal business hours; if team building will be outside of regular business hours, justification is required and must be pre-approved by VPRED budget director.
  - e. While traveling, if a meeting is held during a meal, the cost of the meal may be allowed (in lieu of per diem) if at least one non-MSU employee is present, and the meeting has a clear business purpose that supports MSU's research mission. Meal expenses should be reasonable.
3. VPRED requires one Hospitality Approval Form (HAF) per event.
- a. The HAF must be approved in advance of the event by the VPRED budget director.
  - b. Year- and semester-long HAFs are not allowed.
  - c. If a multi-day event is on one HAF, a spreadsheet logging all hospitality expenses for that event must be processed.
    - i. The HAF and spreadsheet must be included in all Chrome River and BPA documentation. This helps ensure compliance of section d (i) below.
  - d. As defined in the Business Procedures Manual (BPM):
    - i. If the amount spent for hospitality exceeds the amount approved, the HAF must be modified and re-routed for review and approval by all signatories.
    - ii. HAFs for private events require an attendee list and HAFs for events open to the public must include a flyer or email of the event announcement (requirements for public events are not specified in BPM but are stated on the HAF).

## Travel

1. Pre-approval:
  - a. As defined in the BPM, pre-approvals must detail travel destination and provide a clear business purpose. "Research" or "field work" are not complete business purposes; please provide more detail.
    - i. Please include full conference name in comment section or description field if acronyms are used in the business purpose.
2. Travel expense reports:
  - a. Lodging:
    - i. Lodging that exceeds state/GSA rates must show high-cost justification for additional expense.
      - Justification is required for both hotels and AirBNB/VRBOs.
      - Price comparison of hotels, showing higher prices in area, would be sufficient justification.
  - b. Passport fees are not allowable on F&A funds.
  - c. As per the BPM:
    - i. Expenses for non-business travelers cannot be expensed to an MSU index.
      - Side note: If there is an increased lodging rate resulting from non-business traveler accompanying the business traveler, the difference needs to be noted and paid by the employee.
    - ii. Employees cannot claim actual meal expenses for in- and out-of-state travel. Per diem must be claimed.
    - iii. Airline seat upgrades and TSA pre-check enrollment fees are unallowable unless required for ADA (Americans with Disabilities Act) approved accommodation (per MSU Business Procedure Manual). Seat selection fees not due to upgrades may be allowable.

This is a working document and is intended to provide guidance on best practices for facilities and administrative (F&A) costs

- Side Note: If economy seats are sold out, there is not another airline offering that flight, and travel is necessary to do MSU business, seat upgrade may be allowed with justification and documentation of unavailable economy seating.
  - Side Note: If traveler prefers a seat upgrade this is considered a personal expense. Traveler must pay the difference between the economy seat and the upgrade.
- iv. Travel visas expensed to F&A funds must be for travel that clearly supports MSU's research mission.

### Internet Services

Internet connectivity expenses are not allowable on F&As for MSU employees unless they are incurred while in travel status or are needed for specific research related activity. If internet connectivity is needed for specific research related activities, pre-approval by VPRED budget director is needed.

### Vehicle Expenses

Per the BPM, repair and maintenance of state-owned vehicles used for research related activities is allowable. Chrome River or BPA documentation must state that the vehicle is state-owned.

### Salary

Salary for research activity is allowable on F&A funds.

1. F&A funds cannot be used to pay for academic/teaching labor.
2. Appointment paperwork must provide a clear statement of what research will be performed. "Research" or "field work" are not sufficient statements.

### Mandatory Paperwork for F&A Funds

All F&A funds are subject to the University Business Procedures Manual. The forms listed below detail additional requirements that apply to F&A funds.

1. 90 Day Memo
  - a. Required whenever a payroll or finance correction is made moving expenses on or off F&A funds 90 days after the original expense was incurred.
2. Missing Receipt Statement
  - a. Required documentation for BPA's and Chrome River expense reports when a pcard holder has lost a pcard receipt.
    - i. Missing receipt statement should also be issued for non-itemized receipts.

**Please see attached link for additional information regarding F&A Costs [Frequently Asked Questions about Facilities and Administrative \(F&A\) Costs of Federally Sponsored University Research | Association of American Universities \(AAU\)](#)**

Best Practices for F&A's committee members:

Morgan, Tawnya (head of committee)

Elias, Emily (committee), Kastella, Peggy (committee), McCarthy, Wanda (committee), Schmidt, Leslie (committee), Trage, Maryalice (committee)