



Overhead/Indirect Cost Recovery Overview

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Indirect Cost Rate Types and Preparation

RATES – LIFE CYCLE

> Fixed Rates

- > Negotiated with Federal government (based on CMU projections)
- > Charged to Sponsored awards = F&A recovery
- > Provisional Rates –temporary rates superseded by Fixed Rates

> Actual Rates

- > Rates calculated with actual expenses based on fiscal year activities
- > Compared to Fixed Rates to get annual variance/carryforward

> Carryforward

- > Variance between the fixed (the charged rate) and the actual rate
- > Audited CFW amount is applied to a subsequent rate negotiation

RATE PREPARATION

- > Carnegie Mellon uses MAXIMUS CRIS.net, a software tool to prepare F&A rate proposals. This software incorporates all the reporting requirements of 2CFR Part 200-Uniform Administrative Requirement, Cost Principles and Audit Requirements for Federal Awards.

Indirect Costs Federal Oversight and Auditing

- > **Department of Defense (DoD)**
 - > CMU assigned to the DoD for rate cognizance.
 - > 45 Institutions of Higher Education (IHE) assigned to the DoD
 - > most IHE are Dept of Health and Human Services cognizant

- > **Office of Naval Research (ONR)**
 - > ONR Indirect Cost Branch is responsible for administering (negotiation and approval) of indirect cost rates for the university.

- > **Defense Contract Audit Agency (DCAA)**
 - > provides audit services to DoD and other federal sponsors
 - > operates under the authority of the Under Secretary of Defense (Comptroller)/Chief Financial Officer
 - > DCAA maintains an office at CMU
 - > auditing year-round
 - > 2 full-time and 1-3 part-time auditors on site

Facilities & Administration Definitions

- > **F&A** Recovery of university overhead or indirect costs from sponsored research activities.

Overhead = Real Costs

- > **F&A rate** =
$$\frac{\text{Facility Overhead} + \text{Administrative Overhead}}{\text{Modified Total Direct Costs (MTDC) for Research}} = \%$$

- > **Facility:** Cost of the physical infrastructure of university identified as benefitting research through review of space utilization (exception Library)

- > **Admin:** Administrative costs of both central and department administration offices benefitting research

- > **MTDC:** Total direct cost less equipment expense, subcontracts > \$25k, graduate tuition

Facility components

Building

- Depreciation expense for new bldgs./renovations >\$100k
- Renovations <\$100k

Interest

- Interest expense for bond financed research buildings

Equipment depr

- Depreciation expense for non-sponsored equipment

Operation & Maintenance

- General maintenance/utilities; protection/preservation of physical plant
- Central: FMCS, CDFD, EH&S, Campus Police, Insurance
- Department funded FMCS activities (e.g. dept moves, kitchen cleaning, day porters)

Library

- Operating costs of university libraries

Administrative components

General Admin

- President's office, accounting, payroll, general counsel, institutional research, human resources, internal audit, budget office, computing services (does NOT include advancement/fundraising)

Sponsored Projects Admin

- VP Research, OSP, SPA, Cost Analysis

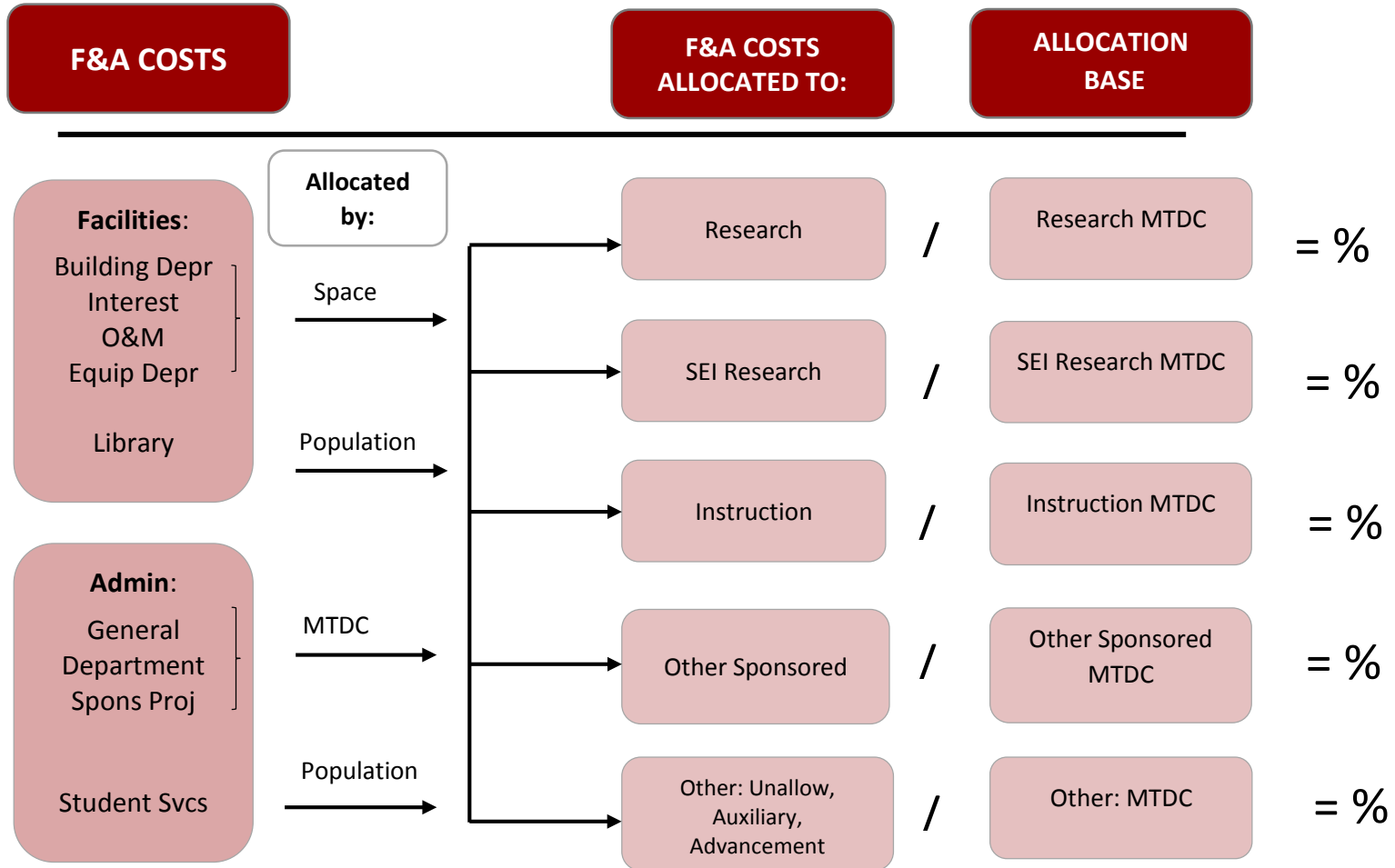
Student Services Admin

- University Health Services, Counseling and Psychological Services

Department Admin

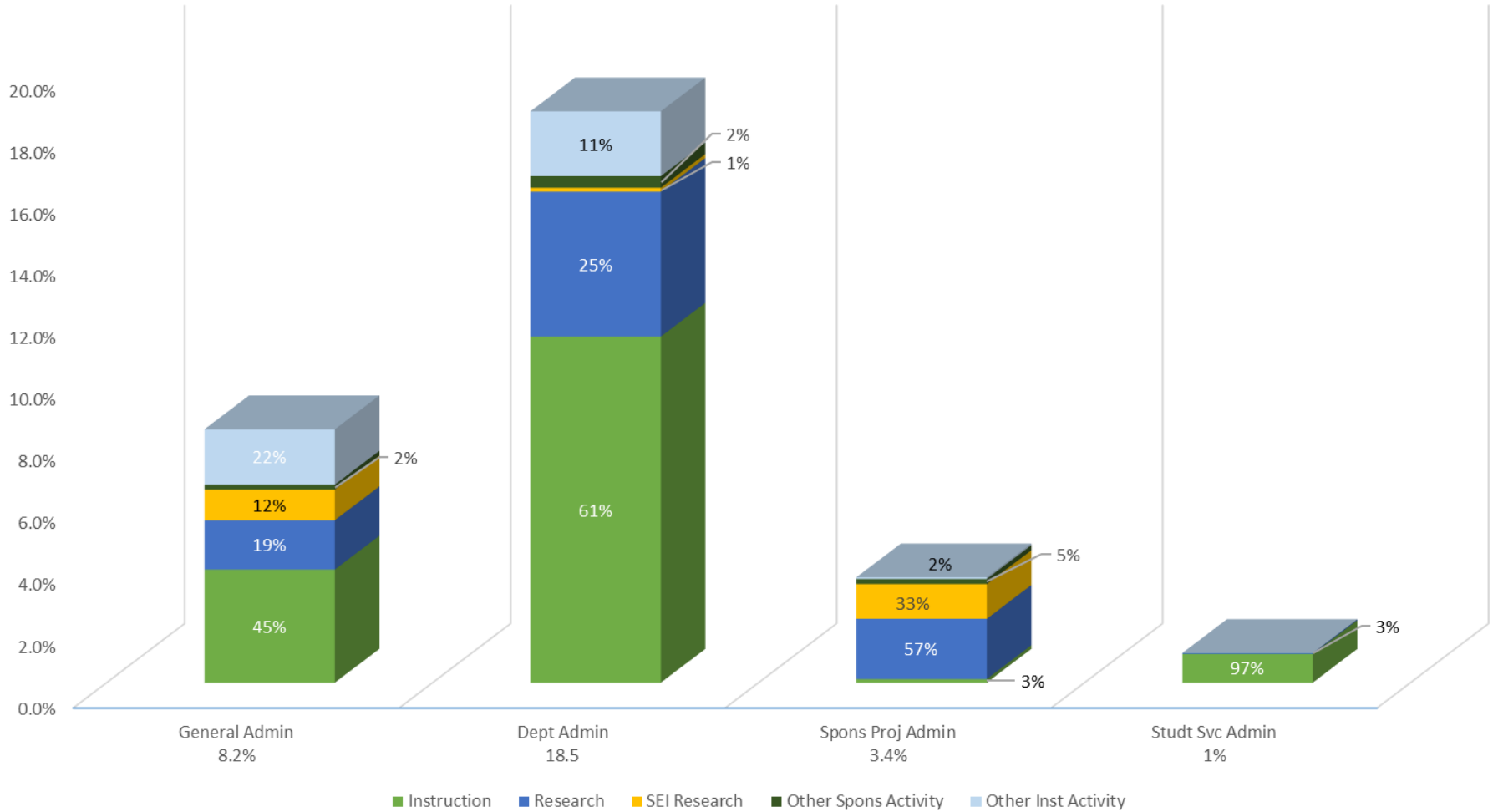
- Deans/department heads offices, academic business offices (personnel and pro rata share of non-sponsored operating expenses)
- federal "allowance" for faculty administrative efforts (3.6%)
- Provost administrative office

F&A allocation methodology

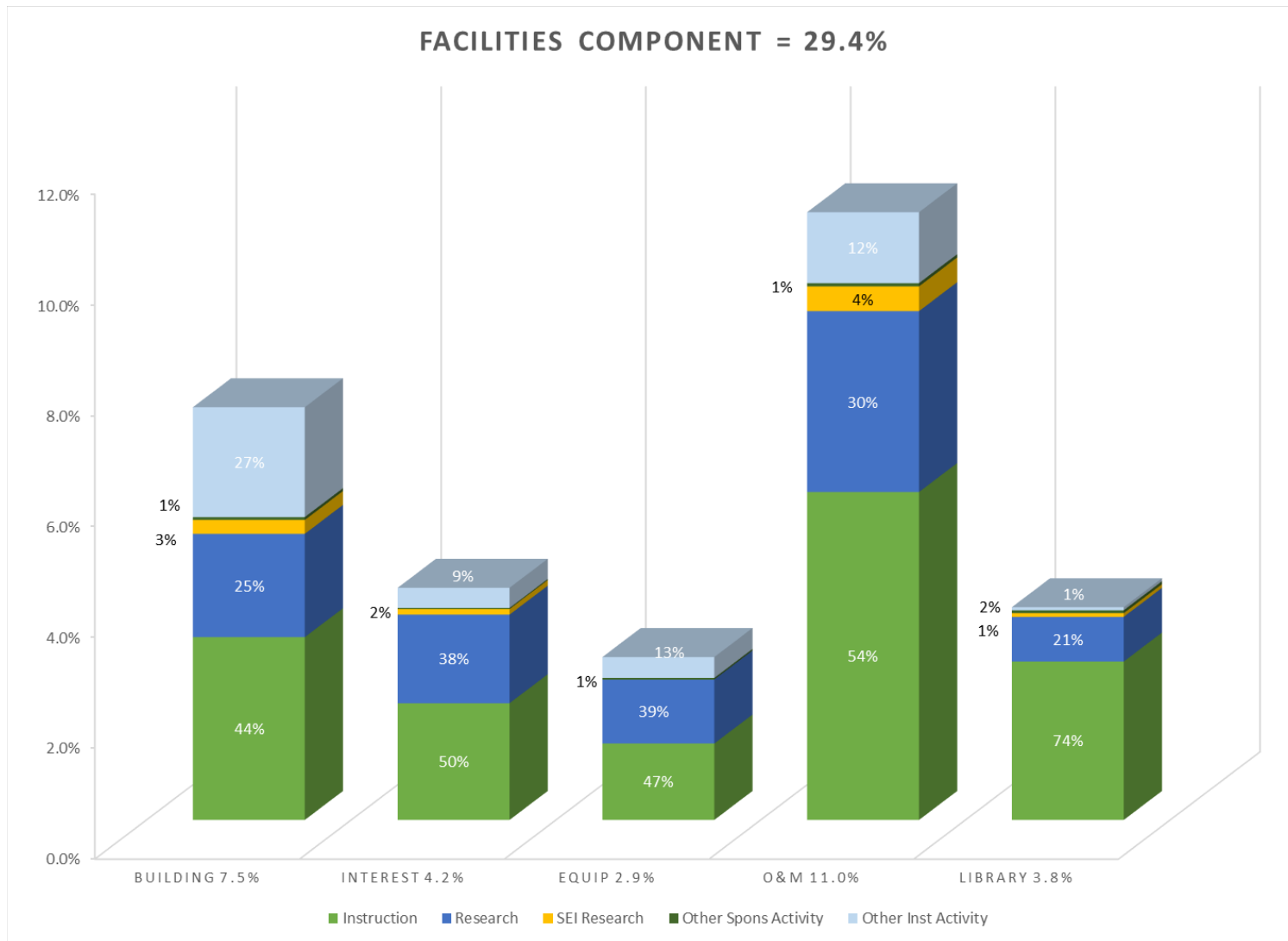


Administrative Cost Allocations – FY19 rate

Administrative Rate = 31.1%



Facility Cost Allocations – FY19 rate



Effective Overhead Rate

- Effective overhead rate = $\frac{\text{F\&A recovered}}{\text{Total Direct Sponsored Cost}}$
- FY17 effective rate = 28%

CMU Peer Institutions

School	Year	Rate Type	Cognizant Agency	Capped		Total Spons R&D expenditures - FY14 NSF survey
				On Campus	Off Campus	
Cal Tech	FY 2018	Fixed/Predetermined*	ONR	67.5%	26.0%	\$341.7M
Cornell	FY 2018-21	Predetermined	DHHS	64.0%	26.0%	\$688.6M
Princeton	FY 2015-18	Predetermined	DHHS	62.0%	26.0%	\$199.8M
RPI	FY 2016-19	Predetermined	ONR	62.0%	26.0%	\$77.0M
Penn	FY2018 forward	Provisional	DHHS	61.0%	26.0%	\$773.1M
Duke	FY 17 & 18	Predetermined	DHHS	59.0%	26.0%	\$898.1M
MIT	FY 2018	Fixed w/CF	ONR	59.0%	5.0%	\$826.5M
Penn State	FY 2018	Fixed w/CF	ONR	58.6%	26.0%	\$646.9M
CMU	FY 2018	Fixed w/CF	ONR	58.1%	26.2%	\$240.0M
			<i>without CF</i>	<i>56.0%</i>		
Northwestern	FY 2018 forward	Predetermined	DHHS	58.0%	26.0%	\$479.8M
Georgia Tech	FY 2018-19	Predetermined	ONR	57.8%	26.0%	\$581.7M
Stanford	FY 2016-18	Predetermined	ONR	57.0%	30.0%	\$858.3M
Rice	FY 2017-20	Predetermined	DHHS	56.5%	26.0%	\$105.3M
Emory	FY 2016-19	Predetermined	DHHS	56.0%	26.0%	\$399.7M
Washington	FY 2018	Predetermined	DHHS	55.0%	26.0%	\$541.9M
	FY 2019-20	Predetermined	DHHS	55.5%	26.0%	

* Cal Tech's on campus rates are fixed and off campus rates are predetermined.

MIT's rate includes negative cf due to an audit finding, rate is in low 60's; off-campus rate is so low because Lincoln Labs (FFRDC) is included in MIT rates; CMU negotiates a separate rate for the SEI which is 12%

