

Carnegie Mellon University

Under-Recovered Overhead Process on Sponsored Research – Non-Federal Sponsors

The total cost of performing research consists of both: 1. direct costs, which are costs that are directly identifiable to a specific project (effort, supplies, travel), and 2. indirect cost, which are costs that cannot be attributed to any specific project (space, utilities, departmental and central administration labor). Indirect costs, also referred to as ‘overhead’ or ‘facilities & administration (F&A)’ costs, are funded primarily from a rate that is applied to the direct costs of each project. Carnegie Mellon negotiates this rate annually with the Office of Naval Research based on the proposed costs of providing research facilities and research administration for the forthcoming fiscal year. This rate also includes adjustments for prior year variances of the proposed costs to the actual costs.

Overhead recovery is essential to maintaining a dynamic research program for any institution. However, despite the real costs behind the overhead rate applied to research awards, many non-federal sponsors place limits on the amount of indirect cost recovery. Accepting these underfunded research awards imposes a financial burden on the university. Therefore, Carnegie Mellon has implemented the process described below to lessen the overall university burden and share some responsibility for the unrecovered costs with the school receiving the award.

Note that by submitting a proposal that includes less than the current federal F&A rate, the submitting department is assuming responsibility for a portion of the under-recovered overhead, detailed below. Therefore, approval from the Office of the Vice President for Research is not required prior to proposal submission.

PROCESS

Beginning in fiscal year 2016, all non-federal sponsored research awards with a start date of 7/1/2015 or later and awarded with an overhead rate less than Carnegie Mellon’s current federally negotiated capped rate, the school/college are required to pay a portion of the under-recovered overhead (“Variance”), as detailed below.

- The Variance is:
 - collected at the school level, not from individual awards,
 - collected quarterly
 - based on 25% of the difference between the amount of the F&A that would have been collected using the current federal rate (at the time of the calculation) (an example calculation is provided below) and the amount of overhead provided in the award.

- The calculated Variance amount is charged to the applicable task/school/college at the Dean's level – listed in the attached Appendix
- Sponsored Projects Accounting will calculate and record the Variance in conjunction with the calculation and recording of the administrative fee
- A list of project-task-awards (PTA) which are subject to the administrative fee or the 25% Variance are posted to the Financial Reporting website (<https://www.cmu.edu/finance/reporting-and-incoming-funds/admin-fee/>).

Example #1:

Awarded amount (direct):	\$100,000
Current Federal F&A Rate:	53%
F&A included in the award:	0%

Under this process, the school/college is responsible for 25% of \$53k or \$13,250.

Example #2:

Awarded amount (direct):	\$100,000
Current Federal F&A Rate:	53%
F&A included in the award:	10%

Under this process, the school/college is responsible for 25% of \$43k (the unrecovered portion of the overhead) or \$10,750.

Q & A

Does this process apply only to non-federal sponsored research awards?

Yes, this applies only to non-federal sponsored research awards beginning on or after 7/1/2015. This does not apply to sponsored instruction, other sponsored projects, or other sources of revenue.

Does this apply to federally funded awards?

No.

Does this process replace the administrative fee?

Yes, this process replaced the administrative fee for *non-federal sponsored research awards beginning 7/1/2015 or later*, however the administrative fee will continue to be applied to all other sponsored awards.

If an award is subject to this process, but the administrative fee would recover a larger amount of overhead, will the under-recovery process or the administrative fee process apply?

The under-recovery process – all sponsored research awards with a start date on or after 7/1/2015 will be subject to the new process regardless of the amount that could have been recovered using the administrative fee process.

Is the Vice President for Research approval required before submitting a proposal with this new process?

No. The participating academic units will accept responsibility.

Is the amount charged to the schools be calculated on Total Direct Costs (TDC) or Modified Total Direct Costs (MTDC)?

The calculation will be based on: Applicable Rates X MTDC
(MTDC = TDC less: 100% of subcontracts, graduate tuition,
and capital equipment).

Which federal rate will be used in the calculation?

The federal rate that will be used to calculate the variance will be the current negotiated fixed or provisional capped rate at the time of the calculation. The same rate will be used for all awards, with the exception of projects performed offsite. For projects performed offsite, the current negotiated fixed or provisional offsite capped rate will be used.

Will the calculation of the amounts charged to the schools/colleges be available for review?

Yes, the calculation will be prepared in the same spreadsheet as the administrative fee. The spreadsheet will be posted by the end of the month following the calendar quarter (January, April, July, and October) to the Financial Reporting website: <http://www.cmu.edu/finance/reporting-and-incoming-funds/financial-reporting/admin-fee/index.html>

Should the 25% be shown as cost sharing in the proposal budget?

No. The unrecovered F&A should not be reflected in the proposal budget.

Are there any exceptions to this process?

The only exception is for research performed on the Qatar campus; these awards will not be assessed the administrative fee or the under-recovered overhead charge.

Will the 25% change in the future?

The Office of the Vice President for Research will evaluate the policy on an annual basis.

To whom should questions about this process be directed?

The Office of Sponsored Programs can answer any questions regarding this process. Please direct questions to: osp-preaward@andrew.cmu.edu.

Appendix

School / Division	Organization (Entity if not 01)	Organization Name
CFA	210000	CFA Dean's Office
CIT (including Silicon Valley & CyLab)	220000	CIT Dean's Office
H&SS	240000	H&SS Dean's Office
Heinz	253050	Heinz General Research
MCS	260000	MCS Dean's Office
Provost	100000	Provost's Office
SCS	270000	SCS Dean's Office - College
Tepper	232100	Tepper Faculty Affairs