



EXECUTIVE ORDER 01-2005
POLICY VPFA-AVPSPFM-02.01

ISSUED: 18/JUL/03

REVISED: January 25, 2005

ALLOCATION AND MANAGEMENT OF RECOVERED FACILITIES AND ADMINISTRATIVE (F&A) COSTS FOR SPONSORED PROGRAMS

1. PURPOSE:

This Policy sets forth written principles for the ALLOCATION and management of RECOVERED Facilities and Administrative Costs (F&A) related to SPONSORED PROGRAMS.

2. AUTHORITY:

Vice-presidency of Financial Affairs

3. POLICY STATEMENT:

Facilities and Administrative Costs (F&A) on grant applications (proposals) will be included in the total project cost of the proposed project/program, unless specified by the potential sponsor that F&A Costs are not allowable or when law or regulation requires a different rate. The F&A Cost will be computed based on the current negotiated rate with the U. S. Department of Health and Human Services.

The allocation of recovered F&A Costs will extend to the units that are successful in obtaining external funds and for the development of a research endowment fund. The primary objective for the allocation is to increase the institutions' competitiveness for obtaining sponsored programs and research.

4. OVERVIEW:

Every proposal for external funding must include a budget indicating the total dollar amount requested from the SPONSORING AGENCY consisting of subtotals for allowable DIRECT COSTS and F&A COSTS. The amount of F&A COSTS is calculated by applying the current negotiated RATE to the total applicable DIRECT COST base. No proposal shall voluntarily waive the maximum allowable reimbursement of F&A COSTS.

The allocation of the recovered F&A costs will be extended to the institutions generating the funded proposals and for the development of a research endowment fund. The distribution of the recovered F&A costs will follow the allowance model for universities and for the Research Endowment Fund respectfully.

ALLOWANCE MODEL: Fifty percent (50%) will be re-invested in the University that obtained the funds, the distribution is as follows: 30% School, 20% Chancellor's Office, and 50% will be deposited in a research endowment fund.

ALLOWABLE ACTIVITIES - UNIVERSITIES: The Universities will use the recovered F&A Cost for the promotion of additional external sponsored activities, for meeting the needs of existing sponsored research and programs, and for operational non-recurrent expenditures.

ALLOWABLE ACTIVITIES - RESEARCH ENDOWMENT FUND: Earnings from the Research Endowment Fund will be used to support activities that will expand the research and research/training activities in the universities. Only investment income will be assigned for use, while the principal will remain in the fund. Investment income not assigned at the end of the fiscal year will remain in the fund. Earnings assigned from the endowment will be used to support the activities described below

- Matching funds for sponsored programs
- Technology Enhancement
- Technology Transfer
- Visiting Professorship Award
- Seed Money for pilot projects

5. PROCEDURES:

SPONSORED PROGRAM PROPOSAL SUBMISSION

AGMUS officers, faculty and associates interested in submitting a proposal for external funding must be familiar with this policy prior to preparing and submitting a proposal. AGMUS officers, faculty and associates involved in the AWARD AND/OR ADMINISTRATION of SPONSORED PROGRAMS must obtain the applicable F&A COST RATE to be used in the calculation of reimbursable FACILITIES & ADMINISTRATIVE COSTS from the Sponsored Programs Financial Management. The F&A COSTS will be included in the SPONSORED PROGRAM proposal budget.

ASSISTANT VICE-PRESIDENT FOR SPONSORED PROGRAMS FINANCIAL MANAGEMENT (SPFM)

- Provide a copy of this policy to each officer, employee, associate or agent of AGMUS, engaged in the AWARD AND/OR ADMINISTRATION of SPONSORED PROGRAMS
- Enforce this policy to the extent permissible under Federal, State and local law or to the extent to which the SPFM determines it has practical enforcement capacity.
- Immediately report infringements to this policy to AGMUS' PRESIDING OFFICER or his/her delegate
- Provide orientation regarding this policy and/or the Agency Guidelines referred to herein, as appropriate, to officers, employees, associates or agents of AGMUS
- Prepare monthly ALLOCATIONS of RECAPTURED F&A COSTS in the AGMUS finance system in compliance with the ALLOWANCE MODEL
- Prepare and submit to the responsible party any questionable findings resulting from audit of the management and expenditure of RECAPTURED F&A COSTS
- Record appropriate adjustments for any disallowed transactions from RECAPTURED F&A COSTS
- Update the web page with the revised F&A Cost Rate Agreement 5 working days following the official receipt.

SPONSORED PROGRAM PROPOSAL ENDORSEMENT

The Assistant Vice-chancellor of Sponsored Programs shall verify and endorse the SPONSORED PROGRAM proposal to ensure the applicability and completeness of all budget items, including the calculation of reimbursable F&A COSTS. And, will verify for accuracy and completeness the proposals submitted to the Research Endowment Fund.

ALLOCATION OF RECOVERED F&A COSTS – RESEARCH ENDOWMENT FUND

Fifty percent (50%) of all recovered F&A costs will be deposited in the Research Endowment Fund. The Fund's earnings, after covering the Fund's administrative costs, will not be used for an initial period of two years from the date of inception of said fund.

The Standing Committee of Sponsored Programs (SCSP) will establish guidelines, number of proposals to be funded and amounts per allowable activity, funding criteria, application forms and deadlines for the receipt of proposals from AGMUS officers, faculty and associates interested in developing projects

described in Item 4, Overview: Allowable Activities – Research Endowment Fund.

The proposals submitted to the SCSP include the endorsement of the Assistant Vice-chancellor for Sponsored Programs, the approval from Dean and Chancellor of the School originating the request. Any determination of approval of funds will be notified to the Vice President of Finance. Approval of funding requests may not surpass amounts assigned by the SPFM for the fiscal year.

ALLOCATION OF RECOVERED F&A COSTS – UNIVERSITIES

AGMUS' financial information system, Banner Finance, provides for the automatic application of the F&A COST RATE to the applicable DIRECT COSTS expended in order to record the budgeted amount of F&A COSTS expended, which are eventually RECOVERED from the SPONSORING AGENCY. The amount of RECOVERED F&A COSTS is in direct relation to the amount of expended DIRECT COSTS and may not necessarily equal the total amount of approved reimbursable F&A COSTS by the SPONSORING AGENCY. BANNER Finance simultaneously allocates the RECOVERED F&A COSTS as income to the appropriate units and for the deposit of the Research Endowment Fund as described in the Allowance Model, Item 4, Overview.

AGMUS shall record on a monthly basis a budget increase or decrease based on the previous month's RECOVERED F&A COSTS income registered in AGMUS financial system in accordance to the allowance model.

6. RESPONSIBILITIES:

ACCOUNTING OFFICE

Biannually negotiates the F&A cost rate based on actual AGMUS F&A cost data.

AGMUS OFFICERS, FACULTY AND ASSOCIATES ENGAGED IN THE AWARD AND/OR ADMINISTRATION OF SPONSORED PROGRAMS

- Obtain, thoroughly read, understand, comply with and/or request an orientation about this policy
- Immediately report known infringements to this policy
- Ensure that every proposal for external funding include the correct amount of reimbursable F&A Costs based on the federally negotiated F&A Cost Rate applicable to Direct Costs before the proposal is submitted
- Request the applicable F&A Cost Rate from SPFM at the time of proposal preparation
- Make certain that the management and expenditure of Recaptured F&A Costs are spent in accordance to the allowable activities specified in Item 4, Overview.

7. DEFINITIONS:

ADMINISTRATIVE – means general administration and expenses, departmental administration, SPONSORED PROGRAM administration, student administration and services, and any other costs not classified as FACILITIES

AGMUS – acronym for Ana G. Méndez University System refers to the Central Administration; all its Colleges, Universities and Centers, including, but not limited to Universidad del Este (UNE), Universidad Metropolitana (UMET), Universidad del Turabo (UT) and Centro de Telecomunicaciones y Educación a Distancia (CETED)

ALLOCATION – means the distribution of recapture F&A costs based on the allowance model.

ALLOWANCE MODEL – 30% School, 20% Chancellor's Office, and 50% Research Endowment Fund.

AWARD AND/OR ADMINISTRATION – includes all activities related to the preparation, revision, packaging and/or submission of a proposal to a SPONSORING AGENCY; all decision making activities regarding the subcontracting or purchasing of goods and/or services utilizing funding from a SPONSORED PROGRAM; and the financial management of a SPONSORED PROGRAM including, but not limited to budgeting, purchasing, reporting, accounting, travel preparation, disbursements, collections, inventory and SPONSORED PROGRAM close-out.

CHANCELLORS – Authorized representative for the university.

DIRECT COSTS – are expenditures incurred that can be specifically documented to a particular SPONSORED PROGRAM, instructional activity, institutional activity, or that can be directly assigned to such activities readily and with a high degree of accuracy

F&A COSTS – acronym for FACILITIES & ADMINISTRATIVE COSTS

F&A COST RATE – Federally negotiated and approved rate for the recovery of FACILITIES & ADMINISTRATIVE COSTS incurred

FACILITIES – refers to depreciation and use allowances, interest on debt associated with certain buildings, equipment and capital improvements, operation and maintenance expenses and library expenses.

FACILITIES & ADMINISTRATIVE COSTS – are expenditures incurred for common or joint objectives not readily and specifically identified with a particular

SPONSORED PROGRAM, instructional activity, or institutional activity. F&A COSTS is synonymous with "indirect" costs.

PILOT PROJECTS - Activity planned as a test or trial.

POLICY VPFA-AVPSPFM-02.00 – the index number assigned to the policy pertaining to the Vice-president of Financial Affairs, Assistant Vice-president of Sponsored Programs Financial Management, Policy number two (02), Original version (.00).

PROJECT – a collection of processes, activities and supporting resources, whose objective is to carry out AGMUS' mission or specific program-associated element of AGMUS's mission.

RECAPTURED – means the amount of reimbursable F&A COSTS that is returned to AGMUS.

RESEARCH ENDOWMENT FUND – A fund created for the support of research and research/training activities in AGMUS.

SPFM – acronym for the Assistant Vice-presidency of Sponsored Programs Financial Management.

SEED MONEY - Funds provided to finance the initial stages of a new venture. Seed money may be utilized to conduct research, develop the prototype for a product, or determine if an idea is workable or economically viable.

SPONSORED PROGRAMS – all PROJECTS financed through an external funding source including Federal, State, Municipal, or Local Government and/or Private agencies and organizations which involve the performance of work in the form of instruction, research, service and/or support.

SPONSORING AGENCY – means organization providing external funding for the performance of SPONSORED PROGRAMS.

STANDING COMMITTEE FOR SPONSORED PROGRAMS

TECHNOLOGY ENHANCEMENT – Purchase, implementation and training in the use of computerized hardware/software that will upgrade and/or expand existing technology.

TECHNOLOGY TRANSFER – Activities related to the creation and protection of intellectual property, proof of concept, development and testing of prototypes and technology commercialization.

TOTAL COSTS – is the aggregate amount of allowable DIRECT COSTS plus the allocable portion of AGMUS' F&A COSTS necessary to complete the performance of a SPONSORED PROGRAM

VISITING PROFESSORSHIP - someone visiting another college or university to teach for a limited time; this may be someone who is a professor elsewhere or a distinguished scholar or practitioner.

12. EFFECTIVE DATE:

This policy is effective as of August 1, 2004 and rescinds all previous policies pertaining to the ALLOCATION and Management of RECAPTURED F&A COSTS Related to SPONSORED PROGRAMS.

Date signed

4/13/05



José F. Méndez
President