Accounting for Facilities & Administrative Cost Recoveries

Section: Accounting and Financial Reporting
Title: Accounting for Facilities & Administrative (F&A) Cost Recoveries
Number: 05.553

Index

POLICY

- .100 POLICY STATEMENT
- .110 POLICY RATIONALE
- .120 AUTHORITY
- .130 APPROVAL AND EFFECTIVE DATE OF POLICY
- .140 KNOWLEDGE OF THIS POLICY
- .160 RESPONSIBILITIES
- .170 POLICY SCOPE
- .200 ACCOUNTING FOR F&A COST RECOVERIES
- .250 REDISTRIBUTING A PORTION OF F&A COST RECOVERIES TO CHANCELLOR'S OFFICE
- .300 FISCAL YEAR-END REDISTRIBUTIONS
- .690 CONTACT INFORMATION
- .695 HISTORY

APPENDIX

- .700 REDISTRIBUTION OF COST RECOVERIES DUE TO CHANCELLOR'S OFFICE
- .710 ACCOUNTING ENTRIES
- .720 YEAR-END FINANCIAL STATEMENT ADJUSTMENTS

.100 POLICY STATEMENT

The policy sets forth system-wide requirements for the accounting of Facilities & Administrative (F&A) cost recoveries.

.110 POLICY RATIONALE

OUS seeks to ensure that the policies and procedures related to the accounting of F&A cost recoveries are documented, communicated, clearly understood, and consistently applied.

.120 AUTHORITY
.130 APPROVAL AND EFFECTIVE DATE OF POLICY

Approved by the Associate Vice Chancellor for Finance & Administration/Controller on 11/16/06, with an effective date of 11/16/06.

.140 KNOWLEDGE OF THIS POLICY

All institutional and Chancellor's Office personnel with financial oversight responsibilities and accounting and financial reporting responsibilities related to F&A cost recoveries should be knowledgeable of this policy.

.150 DEFINITIONS

Facilities & Administrative (F&A) Cost Recoveries: Monies received from a granting agency to reimburse an institution for the overhead costs incurred on sponsored agreements. The primary source of funding for these agreements is the Federal Government.

The recovery amount is based on the F&A rate and application method in the approved sponsored agreement. The institutional predetermined rates negotiated with the Federal government should be used unless there are specific sponsor restrictions.

The negotiated rates take into consideration the facilities and administrative costs associated with sponsored projects, including State-Wide Public Service activities funded by the U.S. Department of Agriculture (OSU only). A proposed rate for each institution is determined from a study of the institution's facilities and administrative costs in compliance with OMB Circular A-21, and is renegotiated with the Federal government on a periodic basis, generally every three to five years.

Sponsored Agreement: An agreement between an external sponsor and the institution under a grant, contract, cooperative agreement, purchase order, memo of understanding, or any other mutually binding agreement that restricts the use of funds or property and stipulates conditions with which the institution must comply.

.160 RESPONSIBILITIES

A. CHANCELLOR'S OFFICE

<table>
<thead>
<tr>
<th>High level roles</th>
<th>High level responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy Making</td>
<td>Create policies pertaining to the accounting of F&amp;A cost recoveries.</td>
</tr>
<tr>
<td>Reporting</td>
<td>Report the system-wide F&amp;A cost recoveries in the annual financial statements and other reports.</td>
</tr>
<tr>
<td>Monitoring</td>
<td>Monitor F&amp;A cost recoveries system-wide for purposes of management reporting.</td>
</tr>
</tbody>
</table>
A. INSTITUTIONS

<table>
<thead>
<tr>
<th>High level roles</th>
<th>High level responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant/Contract</td>
<td>Calculate the amount of F&amp;A cost recoveries for each sponsored agreement.</td>
</tr>
<tr>
<td>Administration</td>
<td>Ensure that all sponsored agreements are assigned the appropriate F&amp;A cost recovery rate.</td>
</tr>
</tbody>
</table>
| Accounting             | Record the accrual and receipt of the F&A cost recoveries in the institutional accounting records. The accrual is calculated and recorded automatically by Banner FIS when paying expenditures from sponsored/restricted funds. |}

Record the accounting transactions that redistribute a portion of the university's F&A cost recovery revenue to the Chancellor's Office.

Ensure that all accounting transactions pertaining to F&A cost recovery revenues are recorded in the correct time period in the correct funds and account codes and for the correct amount.

.170 POLICY SCOPE

The scope of this policy is limited to the accounting of F&A cost recoveries from external sources and does not address the policies for calculating, proposing, and negotiating the F&A rate. Nor does this policy address the accounting of indirect (overhead) cost recoveries that are internal within an institution.

.200 ACCOUNTING FOR F&A COST RECOVERIES

The accounting for F&A cost recoveries shall be uniform at all institutions so that it is possible to monitor the amount of F&A cost recovery revenue system-wide. The accounting records must show:

- ORS 351.085 - Duties and Powers of Chancellor
- ORS 351.090 - Standardization of Accounts and Records; Preparation of Budget; Allocation of Funds
- OAR 580-040-0005 - Delegation and Assignment of Responsibility
- IMD 6.001 - Finance and Business Affairs Accounting Policies - Assignment of Responsibility
- The amount of F&A cost recovery revenue for each sponsored agreement.
- The distribution of F&A cost recovery revenue to the funds that will use the F&A cost recoveries.
  - F&A cost recovery revenues are distributed to budgeted operations and, if applicable, as required by OMB Circular A-21, Section J.14.h, a portion of the F&A cost recovery revenue is distributed to renewal and replacement funds. This requirement is specific to the top 100 research institutes as listed in OMB Circular A-21, Exhibit A, and is currently applicable to only OSU.
• The portion of cost recovery revenue redistributed to the Chancellor's Office.

POLICY

• .250 REDISTRIBUTING A PORTION OF F&A COST RECOVERIES TO CHANCELLOR'S OFFICE

A percentage of each institution's Federal F&A cost recoveries is redistributed to the Chancellor's Office. The percentage is determined on a periodic basis by the Vice Chancellor of Finance and Administration and institutional management. Appendix .700 below lists the current percentages of each institution's Federal F&A cost recoveries to be redistributed to the Chancellor's Office.

Institutions are required to redistribute the portion of F&A cost recoveries to the Chancellor's Office, on at least a quarterly basis, prior to the close of period 3 (September 30), period 6 (December 31), period 9 (March 31), and period 12 (June 30). The redistribution is made by inter-institutional journal voucher (IIJV), which the university must enter into OWAG by the monthly IIJV deadline before month-end closing to ensure posting to the accounting records prior to the close of the period.

• .300 FISCAL YEAR-END REDISTRIBUTIONS

Additional redistributions may be needed at fiscal year-end to ensure that the portion of F&A year-end cost recoveries applicable to the Chancellor's office are redistributed in the correct fiscal year. Period 14 IIJVs are initiated by the institution, but entered into the Banner system by the Controller's Division. (See annual Closing of the Books Instructions for further information on period 14 IIJVs.)

• .690 CONTACT INFORMATION

Direct questions about this policy to the following offices:

<table>
<thead>
<tr>
<th>Subject</th>
<th>Contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>General questions from institutional personnel</td>
<td>Institution Office of Business Affairs</td>
</tr>
<tr>
<td>General questions from institutional central administration and Chancellor's Office personnel</td>
<td>Chancellor's Office Controller's Division, Accounting &amp; Reporting Section</td>
</tr>
</tbody>
</table>

• .695 HISTORY

11/16/06 - Approved

01/18/07 - Wording changes approved
APPENDIX

.700 REDISTRIBUTION OF COST RECOVERY DUE TO CHANCELLOR'S OFFICE

The following listing provides the current percentage of institutional F&A cost recoveries to be redistributed to the Chancellor's Office, as determined by the Vice Chancellor for Finance & Administration and institutional management. Rates shown are effective 7/01/06 until further notice.

<table>
<thead>
<tr>
<th>Institution</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>EOU</td>
<td>4%</td>
</tr>
<tr>
<td>OIT</td>
<td>4%</td>
</tr>
<tr>
<td>OSU</td>
<td>4%</td>
</tr>
<tr>
<td>PSU</td>
<td>4%</td>
</tr>
<tr>
<td>SOU</td>
<td>4%</td>
</tr>
<tr>
<td>UO</td>
<td>4%</td>
</tr>
<tr>
<td>WOU</td>
<td>4%</td>
</tr>
</tbody>
</table>

.710 ACCOUNTING ENTRIES

The following attachment illustrates the entries to the accounting records of the institution and the Chancellor's office pertaining to the charging, receipt, and distribution of F&A cost recoveries. The illustration contains the fund types and account codes used for each transaction.

Illustration of Accounting Entries for F&A Cost Recoveries

The redistribution of the portion of F&A cost recovery to the Chancellor's Office uses the following Chart K index, fund, organization, account and program codes:

- Index: **INDCST**
- Fund: 001005
- Orgn: 251000
- Acct: **03410**
- Prog: 80200

.720 YEAR-END FINANCIAL STATEMENT ADJUSTMENTS

The accounting entries for charging, receiving, distributing and spending F&A cost recoveries result in double-counting of revenues and expenses. Revenue is recorded when
received in the grant funds and again when moved to the budgeted operating funds. Expenses are recorded when charged in the grant funds and again when spent in the budgeted operating funds. Therefore, for financial reporting purposes, the Controller’s Division prepares an adjustment to the financial statements. Duplicate revenues and expenses relating to F&A cost recoveries are eliminated at a university-wide level so each respective fund retains the activity. The adjustment is made solely to the financial statements for financial statement purposes only, and not to the underlying accounting records.

- Appendix Last Updated: 01/18/07