



# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER EL PASO

## Operating Policy and Procedure

**HSCEP OP:** 65.02, **Facilities and Administrative Cost Recovery Plan**

**PURPOSE:** The purpose of this Texas Tech University Health Sciences Center El Paso (TTUHSC El Paso) Operating Policy and Procedure (HSCEP OP) is to establish a policy and procedure for the recovery of facilities and administrative (F&A) costs charged to various contract and grant programs.

**REVIEW:** This HSCEP OP will be reviewed in May 15 of every odd-numbered year by the directors of Accounting Services and the directors of the Sponsored Programs (SP), with recommendations for revisions submitted to the chief financial officer (CFO) and the vice president for research by June 1.

### **POLICY/PROCEDURE:**

#### **1. Definitions and Background**

- a. The Federal Office of Management and Budget (OMB) 2 CFR Part 200 defines Facilities and Administrative (F&A) or Indirect Costs (IDC) as, "those costs incurred for a common or joint purpose benefitting more than one cost objective and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved."
- b. Funds paid to an institution for F&A costs are reimbursements to the institution for expenditures already incurred and are necessary to support the programs of the institution. Examples of costs covered include, but are not limited to:
  1. General Administration
  2. Sponsored Projects Administration
  3. Operation and Maintenance of Plant
  4. Library
  5. Departmental Administration
  6. Student Administration and Services
- c. Chapter 2106 of the Texas Government Code established the Indirect Cost Recovery Program, which requires state agencies and institutions of higher education to recover indirect costs associated with federally funded programs and other services. It mandates the development of statewide and agency-specific cost allocation plans, ensuring transparency and accountability in cost recovery.

#### **2. Full Cost Recovery**

- a. F&A cost calculations must include the allocated share of costs as identified in the latest Statewide Cost Allocation Plan issued by the Governor's Budget and Policy Division.
- b. Contracts or agreements with other state agencies or institutions of higher education offering goods or services must fully recover all costs associated with the delivery of such goods and services. Contracts or agreements should include a statement that recovery of all costs associated with the provision of goods and services has been included in the stated contract amounts.

### **3. Indirect Cost Proposal**

- a. The director of Accounting Services oversees the preparation and transmittal of the F&A cost proposal in accordance with the federal guidelines outlined in OMB 2 CFR Part 200. The proposal must be submitted by the due date noted in the current rate agreement with the Department of Health and Human Services - DHHS.
- b. The CFO is responsible for negotiating the indirect cost rate with DHHS based on the submitted cost proposal.

### **4. Applicable Credits**

- a. Applicable credits refer to transitions that offset or reduce direct or indirect costs allocable to the Federal award (e.g., purchase discounts, adjustments of overpayments or erroneous charges, etc.).
- b. Rebates are used as administrative expenses, not distributed. They are included in the General Administrative pool within the proposal.
- c. Library fines are the only applicable credit that can be identified and summarized within the proposal and are offset against the library cost pool.

### **5. Space Study**

- a. Building and equipment use allowances and operation and maintenance of plant expenses are allocated to cost pools on the basis of a space study, which determines the utilization of space by function as defined in Appendix III to OMB 2 CFR Part 200.
- b. The study is to be conducted every proposal base year by the Facilities and Support Services department in cooperation with Contracts and Grants Accounting (CGA).

### **6. The Negotiated Indirect Cost Rate**

- a. Contact SP to obtain the current negotiated F&A cost recovery rates for on-campus and off-campus research, instruction, and other sponsored activities. The on-campus rate applies to all TTUHSC El Paso owned or operated facilities where facility costs are not directly charged. The off-campus rate applies to activities performed in facilities not owned or operated by the institution **and** where facilities costs are directly charged to the activities taking place in those facilities.
- b. The negotiated rates are used when entering into a contract or grant agreement with federal agencies or other agencies. After careful consideration of the institutional costs and benefits, the vice president for research may approve reduced F&A rate exceptions. The request must be submitted via email by the principal investigator to Sponsored Programs and approved by the vice president for research.

### **7. Modified Total Direct Costs (MTDC)**

- a. TTUHSC El Paso calculates MTDC in accordance with the currently negotiated U.S. DHHS rate agreement.
- b. MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs, and the portion of each subaward in excess to the amount listed on the negotiated Indirect Cost Rate.

Patient care, defined as “costs of routine (standard of care) services provided by a

hospital or clinic to patients participating as research subjects,” is excluded from the MTDC base. Therefore, indirect cost rates are applied to the cost of patient visits and expenses that are solely for the purpose of the research project and not a result of standard care services.

**8. Application of Indirect Cost Rate**

- a. The indirect cost rate must be specified in the sponsored program agreement.
- b. The full indirect cost rate must be applied to all federal agencies unless otherwise specified in the sponsor guidelines at proposal time.
- c. Any approved exemptions to the indirect cost rate must be documented and attached to the New Fund Request. If written approval is not available at the time of the request, it should be forwarded to CGA as soon as possible.
- d. Indirect cost rate is applied at the negotiated rate as costs are incurred.
- e. According to HSCEP OP 65.03, CGA will review indirect cost charges to the sponsored program account to ensure correct application and allocation prior to completion of any final reports or fund closure.

**9. Use of Recovered Indirect Costs**

- a. Accounting Services will distribute on a monthly basis to all appropriate internal offices and investigators the actual indirect cost charged to active sponsored programs based on the internal distribution policy approved by the administration.
- b. The use of these funds must comply with institutional policies, any federal restrictions, and section 145.001 of the Texas Education Code.