FAS and SEAS Policy on Assessments on Current Use Gifts and Sponsored Awards: Frequently Asked Questions

APPLICABILITY

Q1: What is the real change under this policy? I thought the long-standing practice of both FAS and SEAS was to accept the rate specified by a sponsor even if that rate is less than 15% (even 0%) as long as the sponsor’s policy on Indirect Costs is documented in writing. How is this new policy different?

A: For sponsored projects, the real change is that FAS and SEAS will no longer accept a sponsor’s published overhead rate of less than 15% to be consistent with our policy and practice on gifts. The new policy treats gifts and sponsored awards the same by having a minimum threshold of 15%. For sponsored awards, the PI has an opportunity to make up the difference between the amount of overhead calculated at the rate allowed by the sponsor and the amount of overhead calculated at the FAS and SEAS minimum rate of 15%. If none of the options are feasible, funds may be requested from the Dean of FAS or the Dean of SEAS, as applicable.

For projects funded by gifts, there is no effective change since the required 15% gift assessment fee has been accounted for in the University Gift Policy for some time.

Q2: Will the policy apply to all proposals submitted and awards accepted as of July 1, 2017?

A: The policy applies to proposals submitted on or after July 1, 2017. Any awards resulting from proposals that were reviewed and approved by the FAS and SEAS school-level reviewers and OSP and subsequently submitted to the sponsor prior to July 1 will not be subject to the new policy.

Q3: I sent a proposal directly to the sponsor without submitting it through the required school-level and/or OSP review and approval process and I have now learned that the proposal has been funded. Will the policy apply to this project even though I am only telling the school about it now?

A: Yes, proposals that have been previously submitted directly to the sponsor without institutional approval and the minimum 15% overhead will be subject to the new policy.

Q4: Does this policy apply to applications for supplemental funding and non-competing renewals on existing awards?

A: No. Supplements and non-competing renewal proposals associated with existing grant award will not fall under this policy. Only proposals that would result in the creation of a new fund number in GMAS, such as proposals for new or competing continuation/renewal funding, will be subject to the policy.

Q5: I have an existing gift with an assessment fee less than 15%. Will this change as of July 1? What will happen with new funds deposited into this gift account?

A: Existing gifts are “grandfathered in” at whatever assessment rate was set at the time the gift was established. Additional gifts given for the same purpose will not be added to the existing fund with the lower than 15% AEA. Instead, a new gift account will be set up and will be assessed the full 15%.
Q6: I have an existing grant with an overhead rate lower than 15%. Will I have to make up the difference on this existing award?
A: Existing grants are “grandfathered in” and will not fall under this policy.

Q7: Is there a dollar threshold for exceptions? What if my grant is only $1,500?
A: This policy applies regardless of the dollar amount of the grant.

Q8: Does this policy apply to internal grants?
A: No. Internal grants will not be subject to the policy.

Q9: Does this policy apply to sabbatical fellowships?
A: No. Faculty Affairs should be notified upon receipt of sabbatical fellowship funding regardless of whether the award is made directly to the faculty member or is managed by Harvard. If an award covers a portion of the faculty member’s academic year salary, it would not be considered a fellowship and it may be subject to the policy.

Q10: The policy mentions that postdoctoral fellowships with specific stated limits on the assessment of Indirect Costs will not require any further action, such as the submission of a plan to show how the forgone IDC will be recouped. Will NIH Career (“K”) awards, which come with an 8% IDC rate, be considered postdoctoral fellowships for the purposes of this policy?
A: Yes. The “K” phase of NIH K awards will be considered fellowships for the purposes of this policy since they provide up to two years of funding for mentored postdoctoral training. The 8% IDC rate will be honored and departments/local units will not be required to “make up” the difference.

Q11: Similar to the question above, will NIH Training (“T”) awards that provide funding for postdocs and/or grad students at an 8% Indirect Cost rate be automatically exempted from submitting a plan to make up the difference between the 8% and the FAS/SEAS minimum of 15%?
A: Yes. The 8% IDC rate allowed on NIH Training (“T”) awards will be honored and no further action will be required by the PI.

CATEGORICAL WAIVERS
Q12: How will categorical waivers (e.g., an award for “student support”) be managed?
A: For sponsored awards, Research Administration Services (RAS) will be responsible for determining what funding meets the waiver. For gifts, FAS Finance and SEAS Finance, as applicable, shall be responsible for coordinating such determinations with the Gift Policy Committee, as applicable.
Q13: How does the “categorical waiver” in this policy relate to gifts?

A: The FAS gift assessment considers financial activity on object codes 6000-8999, excluding student aid charges in object codes 6140, 6401-6449, 6460, 6461, 6490, and object 8922 (where the administrative charge itself will be posted).

Q14: How does the “categorical waiver” in this policy relate to grants?

A: Under this policy, if the overhead rate is less than 15%, the PI must make up the difference between the sponsor-allowed overhead rate and the 15% minimum threshold. However, if the entire the purpose of the grant is for student support, construction costs, or equipment and instrumentation costs, the award will be considered exempt from this policy and FAS and SEAS will accept the sponsor’s published overhead rate.

INTER-SCHOOL SPONSORED AWARDS

Q15: How does this policy impact interfaculty initiative projects with part-of accounts? If I am the lead PI on a project involving schools other than FAS or SEAS, will this policy apply to the total cumulative budget or just to the budget of the FAS/SEAS portion of the project?

A: If the project's primary department/center is in FAS or SEAS, this policy will only apply to the FAS/SEAS portion of the project budget. Other schools may have similar policies regarding shortfall assessments so the portions of the budget that will be managed by other schools should be prepared based on the applicable policy of each school.

Q16: Related to the question above, how does the policy apply if the lead PI on the project is from a school other than FAS or SEAS and I am receiving funds for my portion of the project through a part-of account?

A: Because schools have different policies on Indirect Cost assessments, each portion of the budget should be prepared according to the policy of the relevant school. When a FAS or SEAS PI participates in a project but is not the lead PI, his or her portion of the budget will be subject to the FAS/SEAS policy on assessments.

BUDGET-RELIEVING COSTS AND TRACKING

Q17: What budget relieving costs can be included in our proposals to ensure we have met the 15% commitment?

As stated in the policy, there are several types of costs that can be direct charged in order to meet this policy’s requirements. One such type of costs is direct-charging of an equivalent amount of faculty academic year salary and benefits that would have otherwise been funded from central sources and which is allocable to the sponsored award. Another type is direct-charging of costs attributable to the sponsored activity of that normally would have been charged to FAS or SEAS central unrestricted sources, such as administrative salary, office supplies, postage and printing costs, rent, renovation costs, etc. For direct charging of space costs and IT costs, OSP has designated 2 specific object codes - 8402 (F & A Fee on
Non-Fed Grants and Contracts Facilities) and 8404 (F & A Fee for Non-Fed Grants and Contracts, Network and Library Costs) – to direct charge costs that are normally considered indirect costs such as space, network access, and library services as direct to a non-federal award. FAS/SEAS will develop a business process on how to calculate the cost for Space and IT charging to 8402 and 8404.

Q18: The policy mentions that charging academic-year salary to the grant can be one way to offset any IDC shortfall. What if we have faculty members with 12-month appointments or individuals with staff appointments who serve as PI? If we charge their salary to the grant, will that be an acceptable way to make up any shortfall?

A: Any costs that provide budgetary relief to the school towards guaranteed salary will be allowed to meet the shortfall.

Q19: If we have faculty whose appointments already result in savings (e.g., a faculty member is contracted for 1 FTE in FAS/SEAS but a portion of the salary is paid by another school), can that savings be applied towards making up an IDC shortfall?

A: The concept of “budget relieving costs” refers to cost savings related to the FAS/SEAS budget. If a faculty member has a split appointment, funds provided by a school other than the school submitting the proposal would not count as “budget relieving costs” for the purposes of this policy.

Q20: If an award doesn’t allow for 15% overhead and the shortfall is applied to faculty annual year salary (AYS), what impact does this have on teaching commitment?

A: The new policy is not intended to have any impact on teaching commitments. When a faculty offers to charge a fraction of academic year salary to a grant to meet a shortfall, the salary and benefits charged should reflect effort devoted to the project, not effort spent on teaching. This effort will be devoted to the project regardless of whether the salary is charged or not.

Q21: What is the maximum number of academic year months that I will be able to include as shortfall in my budget? Who is responsible for tracking the number of academic months my PI has budgeted across all of my PI's grants?

A: Faculty in FAS and SEAS are permitted to charge three months of their academic year salary to sponsored awards. Departments/units should distinguish between academic year and supplemental effort commitments when tracking their faculty members’ sponsored effort. Such distinctions are only needed on internal budget (i.e., not budgets that are submitted to the sponsor), unless such clarification is required by sponsor.

Q22: Who is responsible to making sure that the commitments that I have made in my proposals have been charged to the grant?

A: Research Administration Services and OSP are currently implementing the use of a separate Subactivity (88XX) to track any direct-charged expenses that have been included as “budget relieving”
costs. Having a separate Subactivity will make it easy for departments to clearly demonstrate that their IDC shortfall commitments have been met. More information will be forthcoming once the business process has been finalized.

Q23: If my PI has pledged his or her unrestricted or discretionary funds to cover an IDC shortfall, how will those commitments be tracked and assessed?
A: FAS Finance and SEAS Finance will be responsible for tracking and recouping funds provided from a PI’s unrestricted or discretionary sources. Typically, the full amount of IDC shortfall will be debited from the cited account string once the award has been set-up in GMAS. If the grant awards funds are not used in full, the department will be responsible for notifying RAS and FAS/SEAS Finance.

Q24: What is the course of action if an award doesn’t allow for Academic Year Salary and/or if the dollars needed to reach 15% of an award exceed the faculty member’s AYS? What funds the remaining shortfall?
A: There are other options available to meet the shortfall, including charging “budget relieving” costs such as the salary of an administrator, space related costs, use of discretionary funds, or a combination of these. Research Administration Services (RAS) will work with FAS/SEAS faculty and departments to determine how to meet a shortfall. If none of these options are available to support the PI, a request may be made to the Dean of FAS to provide funds to pay for the shortfall.

Q25: How will exceptions be determined? Is there a limit to the number of exceptions granted?
A: Exception requests related to grants in the FAS should be submitted to Patrick Fitzgerald, Associate Dean for Research Administration. Requests for exceptions for FAS gifts should be submitted to Jay Herlihy, Associate Dean for Finance. In SEAS, contact Pamela Baker-Webber, Senior Sponsored Research officer for exceptions related to grants and Timothy Fater, Assistant Dean of Finance for gifts. The Gift Policy Committee (GPC) should be consulted for waivers of gift assessments. There are no limits on exception requests.

Q26: In some schools, when faculty receive a federal award, a portion of the overhead that is over and above the school’s minimum rate is deposited in an unrestricted account with their root. These funds can then be applied to any shortfall on future awards. Does FAS or SEAS have a plan to proceed in this manner?
A: FAS and SEAS do not return indirect cost recovery to faculty or departments/centers and there are no plans to change that policy. Indirect cost recovery represents a reimbursement of costs that FAS or SEAS incurs to support the research infrastructure. FAS pays for the costs and receives the reimbursement. However, faculty may use discretionary funds generated under the Faculty Academic Salary Incentive Program (FASIP) for Sponsored Awards to make up an indirect cost shortfall.

Q27: What documentation do we need to upload to GMAS for any proposal budgets that are submitted with a rate of less than 15%? Will there be a flag to indicate which proposals are subject to the new policy?
A completed copy of the FAS / SEAS Overhead Shortfall Calculator spreadsheet should be uploaded to GMAS along with a copy of the proposal and budget. In addition, please make sure to answer the school-specific question regarding use of a non-standard IDC rate as this flag will be used for tracking purposes.

Q28:  If the sponsor's policy states that overhead should be calculated on a Modified Total Direct Cost basis, how do I calculate the project's overhead shortfall?

A:  The FAS/SEAS policy states that the minimum 15% overhead should be applied on a Total Direct Costs basis when allowed by the sponsor. As such, the shortfall amount should be calculated using the 15% rate on a Total Direct Costs basis.

Q29: How will the closeout of my sponsored awards that have an overhead shortfall be affected by this policy? Do I have to make sure that someone reviews my grant to make sure that the shortfall has been met before the final financial report is submitted to the sponsor?

A: Departments should regularly monitor their grant accounts to insure that all “budget relieving” expenses pledged towards an IDC shortfall have been charged by the end of the grant period. For any grants on which a PI has pledged his or her unrestricted/discretionary funds, please consult with FAS Finance or SEAS (Pam Baker-Webber) to confirm that the unrestricted/discretionary funds have been recouped in proportion with how the expenses were charged to the grant.

Q30: If the sponsor budget I am submitting does not require a breakdown of line items or details, do I need to submit something that shows the breakdown between supplemental and academic salary being used for budget-relieving costs?

A: Typically, sponsors do not require a breakdown academic and salary types. As such, budgets submitted with the proposal do not need to represent this breakdown. However, in order to conduct a review and ensure compliance with this policy, departments/units will need to provide RAS with internal budgets that clearly show which types of salary are being requested. By making those distinctions, RAS will be able to easily confirm that the amount of AY salary and associated benefit costs being proposed matches the potential IDC shortfall that needs to be made up.

Q31. How does this policy effect my effort reporting?

A: This policy has no negative effect on effort reporting. The amount of pay is the same regardless of whether a faculty member, at post-award stage, choses to charge the salary to academic year or supplemental salary. Faculty are compensated at a ninths rate of pay for either salary type.

Faculty certify one statement (an annual statement), therefore, all pay types are included in that statement. For example, if a faculty member has academic year salary, supplemental salary and a chairship salary, all pay types would be used in calculating percentage of effort. The only way a certifier or reviewer can see the difference between salary types is through the cert payroll report via the object code. The only affect direct charging academic year salary would have in cert vs. charging supplemental salary is the total pay would change. This isn’t an issue in terms of effort reporting because the percentage certified is based on total pay. Per our effort policy, the total pay should reflect total time worked. For additional information about effort reporting, please visit: https://osp.finance.harvard.edu/effort-reporting-policy.
Q32: How does the PI Dashboard handle the gift administration fee in relation to the balance I see on the main PI Dashboard gift page?

A: The PI Dashboard automatically estimates potential future grant administration fees without taking into account student support costs that are exempt from the assessment. The assessment is not charged until expenses actually hit the fund and are assessed at the end of every month. If all expenses are for graduate student salary/tuition, no assessment fees will be charged. In practice, this may mean that the estimated remaining funds are underestimated if any will be spent on exempt student support costs.

Q33: On the PI Dashboard, how can I see the math behind the estimated gift admin fee?

A: On the gift dashboard page, click + on the gift fund. Look under Estimated Gift Admin Fee at 15% line; If you hover over it, it shows you how it is calculated – remember the total shown is the estimated remaining amount after the automatic estimated.