

## **F&A Cost Recovery Sharing**

### **Feedback from the Research Administrator Focus Group**

The One VCU Research Strategic Priorities Plan has, at its foundation, an emphasis on a culture of collaboration. Supporting researchers to work across disciplines and campuses to engage in creative, innovative research is key to goal 2 of this initiative of the plan, with one objective being to address barriers to collaboration to incentivize transdisciplinary research.

One solution proposed to meet this objective is a modification of the method used for sharing of facilities & administration cost recovery (FACR). FACR rates vary across different types of sponsored projects and contracts, but are intended to support the required administrative and operational expenses of conducting the work agreed upon in the projects/contracts. Presently, the distribution of FACR follows guidelines set forth by the Office of the Vice President for Finance & Budget, with a portion of the amount recovered returning to the awarded unit in a 1:1 ratio based on expenditures. The proposed revision to this model would change the ratio of distribution to reflect a shared responsibility formula agreed upon by collaborating investigators.

At the charge of Lisa Ballance, Associate Vice President for Strategy and Regulatory Affairs, a group of research administrators representing units across the university was convened to review and evaluate the proposed model. Facilitated by Camilo Medina, Assistant Director of Grants & Contracts Accounting and Lydia Klinger, Project Manager, OVPRI, the group met in March 2022 to provide feedback related to this issue.

### **Background**

Addressing barriers to and incentivizing collaborative research at VCU can be approached from many angles. A focus on the FACR sharing model proposes to address two specific barriers: inequity of compensation in different units and the cost of administering research. In many cases, investigators in hard science fields such as medicine and engineering have higher salaries than those in the humanities or social sciences. When collaborating, this difference in compensation can create a lopsided distribution of grant funds even when two investigators are equally sharing the responsibility for the work to be performed for a given project. For example, if two researchers are contributing 10% effort to a project but one has a salary of \$300,000 and the second's is \$100,000, the budget is distributed at a 3:1 ratio even though the responsibility for the project is 1:1 for each unit. It follows that the FACR returned to each unit is also skewed in this manner. Additionally, while investigator salaries vary across units, the effort required to administer and support research does not. This creates an unfortunate imbalance of funds available for infrastructure and administration in units whose faculty compensation is lower overall.

To correct this imbalance, the Strategic Plan Advisory Council has recommended a compliance notice that would require a modified approach to distributing FACR on collaborative projects. In lieu of having these recovered costs be returned to units based on expenditures, investigators would use a reasonable approach to determine the value of each unit's overall contribution to the project. This approach would consider personnel supported by the grant whose salaries are guaranteed by a unit, as well as facilities and their operational expenses, administrative costs, and other activities that are not charged directly to the grant. Investigators and their respective deans or directors would agree on a percentage of FACR to be allocated to each unit and distribute these funds accordingly.

## **Process**

Understanding the importance of evaluating a proposed solution from many perspectives, the co-facilitators of the research administrators focus group used a multifaceted approach to achieve the charge of this group, including:

- Reviewing best practices from other institutions
  - [University of Minnesota](#)
  - [University of Nebraska-Lincoln](#)
  - [University of Dayton](#)
  - [University of Tennessee](#)
- Conferring with individuals in multiple roles beyond the RAFG
  - OVPRI Division of Sponsored Programs
  - Grants & Contracts Accounting
  - OVPRI Division of Finance and Administration
  - Research Deans
  - Financial Reporting Office

Members came to the RAFG in two ways. The group's formation was advertised to research administrators at the January 2022 CAR and RABTS meetings and individuals were invited to volunteer to participate. To ensure broad representation from across the university, volunteers were reviewed and the co-facilitators invited additional members from units who were not yet represented. Participants hold a variety of roles, from departmental research administrators to clinical research coordinators to dean's office-level roles.

Group members received a draft compliance notice outlining the proposed modifications to FACR sharing. Jeremy Bost and Shana Ryman from VCU's HR Learning, Development and Organizational Culture team provided guidance in planning the group's 90-minute meeting, helping to craft an appreciative inquiry approach and keeping in mind the principles of change management.

During the meeting, the group divided to breakout rooms and responded to the following questions:

- What are you already doing? What's working well?
- What are the biggest changes you see impacting you from this document?
- What would it take to make this work for you?
- What does this look like in practice?
- How do we incentivize collaboration while potentially sharing FACR differently?
- What are we missing in the process?
- What are the biggest potentials for breaking the system?

## **Assessment**

Overall, while the proposed solution of modifying FACR sharing among collaborators offers an opportunity to increase the funds recovered by each unit, the cost of revising the model in this way outweighs the potential benefit. In fact, the RAFG felt that the current process for budgeting multi-unit grants is working well, and that this revised model may disincentivize collaboration.

## **Benefits of Proposed Model**

According to this group's assessment, the benefits of modifying FACR sharing as proposed are limited. Currently, project responsibility, intellectual merit, and intangible contributions are not effectively captured when budgeting or submitting collaborative grants. Providing a mechanism for documenting and agreeing upon these elements of collaborative research could support a more accurate understanding of the true research contributions of individual faculty and the full extent of research performed by each unit in the research enterprise. This information could also be useful in promotion and tenure exercises, particularly for junior faculty members serving as collaborators with more established investigators.

## **Risks of Proposed Model**

While gathering information and in the focus group meeting, the risks of moving from our current model to the proposed method were quickly identified. To provide context, in the current model, collaborative grants are set up in Banner using sub-accounts (indexes) for each department/unit involved. FACR distribution codes, created by the Financial Reporting Office for each department, are then entered for each sub-account. As the grant proceeds, FACR follows the expenditures on each sub-account.

The current approach is popular amongst the RA community for a multitude of reasons. Primarily, it allows the collaborating units to clearly outline their budget & proposed expenditures

during the proposal stage with the understanding that FACR will follow said expenditures. Moreover, the administrative burden placed on Financial Reporting and Grants & Contracts to implement the proposed method would be significant and potentially risky from a compliance and logistical standpoint.

Outlined below are additional concerns related to the proposed method, identified by the RAFG.

- **Complication of the Proposal Stage**
  - In what is already a time-sensitive process, having PIs and/or Deans negotiate FACR distribution during the proposal stage has the potential to significantly delay submission to the sponsor. This will almost certainly increase the burden and pressure on the Division of Sponsored Programs to review and approve proposals with even less time, and could lead to fewer proposals being submitted.
  - Contingency measures would need to be in place in the event an agreement can't be reached on FACR distribution, further increasing administrative burden for all parties involved.
  - Training and adequate resources would need to be developed to ensure PIs and Deans can negotiate FACR distribution in good faith and with proper awareness of all factors that should be considered.
- **Counteracting the Culture of Collaboration Initiative**
  - Smaller schools & units are at a disadvantage in this new model as they often get lower IDC rates on their sponsored projects. With less money to share, there could be less interest in collaborating with these projects. This existing problem would be exacerbated under the proposed method.
  - In our research of other Universities using the proposed method, a consistent theme arose in which senior faculty and PIs use their name and status as leverage in FACR negotiations. This places junior faculty members in a vulnerable position and serves to disincentivize collaboration.
  - The negotiations necessary to achieve consensus on FACR distribution could inadvertently lead to an intimidating culture amongst faculty by creating a space for backdoor deals, undue pressure/influence, and unethical decisions.
- **Increased Administrative Burden**
  - The Controller's Office would be in a constant state of creating new FACR distribution codes for individual projects in what is already a time-sensitive process. Further, each new code would have to be ready by the time of award setup in Banner by Grants & Contracts Accounting (G&C).
  - Complicates the award setup process in Banner by having a significant increase in new FACR codes, many of which may be used only once or twice.
  - Distribution channels would need to be established to ensure that the G&C accountants are aware of new codes as they are created and to which projects they apply. Lack of awareness could lead to the wrong FACR code being selected in Banner and the IDC funds not flowing to their intended destination.

- Banner is incapable of deleting and/or inactivating old FACR distribution codes. Adding new codes for each collaborative project, that may only be used 1-2 times, could cause issues for Banner down the road that we aren't able to foresee at the present moment. Additionally, if the 80/20 split is adjusted in the future, as it was in 2018 and more recently 2021, all distribution codes will need to be updated to reflect the change, raising additional concerns surrounding one-time use codes.
- It should also be noted that an increase in FTE will be needed to across the units (central and department/school level) to effectively handle the expected increase in sponsored for VCU in the coming years. The proposed FACR model would further contribute to this existing concern/problem.

### **Proposed Alternatives to Incentivize Collaboration**

1. Create a multitude of venues for faculty across VCU to interact and share their research with one another. Existing examples include the Faculty Club hosted by the Office of the Provost. Importantly, the RA focus group stated that the lack of these spaces is one of the most significant barriers preventing collaboration.
2. Establish an annual event where program officers, grant managers, and various representatives from sponsored agencies (NIH, NSF, DOD etc.) are invited to engage with our faculty face-to-face. The sponsored agencies can share their top priorities and interests in funding research as well as tips on proposal submission. Faculty can also share their research with the agencies and one another, increasing opportunities for collaboration.
3. Institute cross-disciplinary faculty mentors for junior faculty.
4. Provide more resources to faculty for research development. Examples include: grant writing, proposal submission, and interaction with research administrators.
5. Reinstate a mechanism to track intellectual contributions to a project. Prior to RAMS-SPOT, this was done using a "green sheet" that allowed PIs & faculty to document their intellectual contribution irrespective of their effort on the project. This can assist faculty on the tenure track as it is an alternative way to measure the amount of research they've done, regardless of the F&A returned to their department. This may increase the incentive to collaborate despite the potential lack of financial support in the form of F&A.

### **Conclusion**

Summarily, input from across the research administration community and other FACR stakeholders within the University has indicated that the proposed method of determining FACR distribution on collaborative research would not be worth the investment in resources, culture, and processes needed to ensure its success. While the concerns outlined in this document

have focused primarily on administrative burden, counteracting the culture of collaboration, and disrupting existing processes, there are also significant and valid compliance concerns that must be acknowledged. More specifically, effort, faculty, and staff frequently change over the life of sponsored projects. Scenarios may arise in which the validity and reasonability of previously negotiated FACR distribution is called into question. Additionally, having a methodology that enables what can be described as arbitrary decisions to determine FACR distribution also raises questions around audit risk and our ability to negotiate F&A rates with federal sponsors.

Finally, it must also be noted that the research administration community is invested in growing collaborative research and is supportive of the intention behind the proposed changes to FACR distribution. Alternative solutions have been proposed, outlined in the section above that warrant further consideration. If there are any questions as to the specifics of this document and the process taken to develop it, please contact [leklinger@vcu.edu](mailto:leklinger@vcu.edu) and [medinacn@vcu.edu](mailto:medinacn@vcu.edu).