



University Policy: Internally Designated Faculty Research Accounts

Policy Category: Operational Policies

Office Responsible for Review of this Policy: Office of the Provost and Office of the Vice President for Finance and Treasurer

Procedures: Attached Exhibit A

Related University Policies: Travel Policy; Procurement Policy; the Instructional Revenue Center (IRC) Guidelines; Facilities & Administrative (F&A) Costs on Sponsored Projects

I. SCOPE

This policy provides guidance for the establishment and use of Internally Designated Faculty Research Accounts (IDFRAs) for the purpose of enhancing investments in faculty research. The purpose of this policy is to ensure sound business practices, accountability, transparency, and better management of institutional research funds.

II. POLICY STATEMENT

The University receives funds from various sources to support faculty members' research activities. This policy provides guidance regarding how to establish, use, and manage IDFRAs. This policy does not apply to faculty start-up funds or any other funds that faculty receive from the Provost's Office, academic units or teaching units. The creation of IDFRAs to track the status of research funds assigned to faculty members has been identified as a method to increase transparency and accountability for the expenditure of funds shared from Facilities & Administrative (F&A, indirect costs) cost recovery, instructional revenue center (IRC) residual returns, and residuals from fixed price contracts. Deans of Colleges and Schools have the option of requesting IDFRAs for faculty members in their units.

III. DEFINITIONS

- **Internally Designated Faculty Research Accounts (IDFRA):** Individual research accounts assigned to faculty members that are funded by specific sources of external funding/revenue, limited to indirect cost recovery, instructional revenue center residual return, and fixed price contract residual balance.
- **Instructional Revenue Center (IRC):** A specialized and intensive course, or sequence of courses, offered on an experimental basis, or a program contracted by an outside agency to offer credit or noncredit training, which is closely related to the academic mission of the sponsoring teaching unit, and is designed primarily for an audience external to the existing student population.
- **Instructional Revenue Center Residual Return:** The amount of net revenue generated by an IRC that is returned to the sponsoring college or school after an indirect cost assessment,

50 percent of net income is returned to the school. The sponsoring college or school also shares equally in the net deficit of an IRC.

- **Indirect Cost Recovery:** Indirect Costs, i.e., Facilities and Administrative (F&A) Costs, are real expenses incurred by the University for the use of its facilities and services. Indirect costs are not profit, but are real costs to the University to support sponsored research activities. Examples include building maintenance and operation, utilities, libraries, technology infrastructure, research computing support, human resources and payroll, accounting, purchasing, research administration, departmental administration, compliance audit, and general administration. The University attempts to recover all of these research support costs, in accordance with guidelines in the U.S. Office of Management and Budget Uniform Guidance (incorporating previously separate Circulars), through the inclusion of F&A costs in grants and sponsored project proposal budgets. At the end of each fiscal year, a portion of indirect costs recovered is distributed to the School/College responsible for the sponsored research per the University F&A Policy.
- **Durable Assets:** Assets or other property with a useful life of more than one year and usually are not consumable. Examples: computer or laboratory equipment.

IV. GUIDELINES

Sources of funds that can be credited to an IDFRA upon approval of a Dean (no other funds may be credited to IDFRA's):

- Indirect cost recovery
- Instructional revenue center residual return
- Fixed price contract residual balance

Establishment of IDFRA accounts:

To establish an IDFRA, faculty members should contact their unit's senior budget administrator. If approved by the Dean, the senior budget administrator will submit a request to Accounting to create a new IDFRA project code. The structure for the faculty research accounts will be as follows:

11- <School's Research Unit>- <Expense Object Code>- <Faculty Member Project Code>

Use of IDFRA accounts:

Faculty must provide the academic unit Dean or his/her designee a description, along with appropriate documentation, referencing the research or scholarly activity being conducted with expense requests to be paid from an IDFRA. Requests must comply with all University policies and procedures for expenses.

Allowable costs covered by IDFRA accounts:

- Research supplies including: books, journals, electronic resources, and laboratory supplies
- Research equipment
- Computer hardware and software
- Designated research travel, including travel, accommodations, and per diem

- Travel to conferences to present research, including conference registration, travel, accommodations, and per diem
- Course release (with the approval of the Department Chair and Dean)
- Research assistance to support research activities
- Membership in professional organizations

Prohibited Uses of Funds:

The University prohibits the use of an IDFRA for gifts, donations, entertainment, and any costs unrelated to faculty research or scholarly activities. IDFRA-related funds cannot be used to enhance faculty members' salaries.

Account Management/Reporting:

The academic unit Dean or his/her designee is responsible for ensuring that approvals of faculty research support expenses and reimbursements are made in accordance with this policy and that an inventory of all durable assets purchased with IDFRA funds in the unit is maintained.

It is the faculty member's responsibility to manage and use funds in an IDFRA. Upon request, the Budget Manager in each unit can run a report to inform the faculty member of their spending history and available balance. All research expenditures from the accounts will be included in NSF annual reports of research expenditures. All IDFRA accounts will be subject to audit by the university's Office of the Controller. The unit Budget Manager is responsible for resolving any issues in consultation with the faculty member and the dean to prevent the IDFRA accounts from being in deficit at the year-end closing.

University ownership of research funds and the items purchased with research funds:

- Durable assets purchased with faculty support funds, including IDFRA, are the property of American University.
- Any funds credited to an IDFRA, in excess of a threshold of 30% of the faculty member's base salary shall revert to the academic unit in which the faculty is employed at the close of the University fiscal year. For example, the distribution of FY2013 funds, which will be available in summer 2013, will be calculated based on the faculty member's AY2012-13 base salary.
- If the faculty member separates from the university the balance of funds in the IDFRA and durable assets purchased with research funds revert back to the academic unit.

Timeframe:

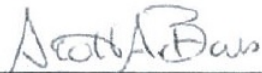
Funds will be disbursed and credited to IDFRA accounts within a reasonable period of time following the close of the University fiscal year. Allocated funds will be available for expenditure from that point forward, except for those funds that exceed the threshold of 30% of the faculty member's base salary. Those shall revert to the academic unit in which the faculty is employed at the close of the University fiscal year. IDFRA account balances carry over from fiscal year to fiscal year.

V. APPROVAL

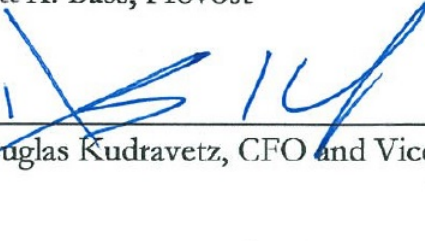
Approved: April 27, 2012.

Revised: July 18, 2016.

This policy needs to be signed by the appropriate officers (listed below) before it is considered approved.

Approved: 
Scott A. Bass, Provost

Date: 7/18/16

Approved: 
Douglas Kudravetz, CFO and Vice President and Treasurer

Date: 7/18/2016

EXHIBIT A

RELATED PROCEDURES FOR APPROVING AND SPENDING INTERNALLY DESIGNATED FACULTY RESEARCH ACCOUNTS

- I. Procurement of durable assets, supplies, and other goods and services
<http://www.american.edu/finance/controller/PC-Policies-Procedures-and-Guidelines.cfm>
- II. Travel Expenses
<http://www.american.edu/loader.cfm?csModule=security/getfile&pageid=3614602>
- III. Disbursement Requests
<http://www.american.edu/finance/controller/Disbursements-versus-Purchase-Orders.cfm>
- IV. Instructional Revenue Center (IRC) Guidelines
http://www.american.edu/finance/budget/upload/AU-IRC-Guidelines-_Revised-11-10-15.pdf
- V. Use of faculty support funds for research personnel
 - a) Faculty must submit a request in writing to the teaching unit head or the unit dean describing the research activity and the need for hiring research personnel.
 - b) Internally designated faculty research funds used for salaries and wages are considered taxable compensation to the recipient.
- VI. Contacts:
Questions regarding these Policy and Procedures may be referred to:

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