Overview:

If your budget incurs under-recovery, you must update the Budget Settings and identify the sources of funding that will support the expense and distribute it to those sources. Under-recovery (unrecovered F&A) is generated by indirect costs that are not paid by the Sponsor. Some ways this can happen are:

- The Sponsor will not pay the Institute's full F&A expenses.
- The Sponsor uses a different indirect cost base, such as Total Direct Cost (TDC).
- The Sponsor uses a different rate than the current Institute rates, such as a fixed-for-the-life award.

Procedure:

1. While in the Budget, click the Budget Settings link at the top of the page.

   The Budget Settings window will open.
**F&A Rate Type** represents the Sponsor’s normal rate type. This may be **TDC** (total direct cost base), **MTDC** or **Fund with Transaction Fee (FUNSN)**. **Select** appropriate Unrecovered F&A Rate Type using the drop-down menu.

**Unrecovered F&A Rate Type** represents the Institute’s normal rate type – for Research activities, this is **MTDC**. For Non-Research activities, this is **Fund with Transaction Fee (FUNSN)**. **Select** appropriate F&A Rate Type using the drop-down menu.

2. After clicking **Apply Changes** button, you will receive a **Please Select** window with a message that states ‘Changing F&A Rate Type or Unrecovered F&A Rate Type will result in recalculation of budget. You may need to distribute underrecovery. Do you want to change the F&A/Unrecovered F&A Rate Type?’ **Click the Yes** button to proceed with the changes (click **No** to disregard the changes made).

![Please Select window](image)

**Distributing Under-recovery**

While in the Budget, click the **Institutional Commitments** -> **Unrecovered F&A** on the **Navigation** panel. The **Unrecovered F&A** screen will open with default settings for each Project Period (Fiscal Years, On/Off Campus, etc.).

![Unrecovered F&A screen](image)

1. **Click the View Summary** button, to see the Unrecovered F&A amounts that must be distributed per project period. Click the **Close** button or **X** to close out of this window.
2. In the **Unrecovered F&A** screen, for each Fiscal Year/Project Period:
   a. Click on the rate in the **Applicable Rate** column to enter the applicable F&A rate. The field will become editable upon clicking on it. (This rate will default from the rates entered in the **Rates** panel. Skip this step if the correct rate appears in the field.)
   b. Click in the field in the **Source Account** column to enter the Account Number for Underrecovery. The field will become editable upon clicking on it.

   **Note:** If the Account is yet to be determined, enter one of the applicable placeholder source accounts:
   - 0000001 – Institute
   - 0000002 – Provost
   - 0000003 – School
   - 0000004 – DLC
   - 0000005 – Tuition Subsidy
   - 0000006 – UROP
   - 0000007 – Unknown
c. Click on the field in the **Amount** column to enter the amount being distributed to the Source Account for the selected Fiscal Year/Budget Period. The field will become editable upon clicking on it.

![Figure 5 – Editing Amount](image)

**Note**: If the entire project is taking place On Campus, then the Off Campus lines can be deleted from the screen by clicking the in the **Actions** column for those lines (and vice versa).

3. Repeat these steps to distribute all the Unrecovered F&A.

**Note**: The **Total Unallocated** field should be **0.00** once all the Underrecovery is distributed.

![Figure 6 – Total Unallocated](image)

**Related Documentation:**

Federally sponsored, Non-Research programs [De Minimis Rate Application](#)

**Getting Help**

For questions regarding Kuali Coeus Quick Reference Cards, email the Support Team at ra-help@mit.edu.