

Number: PPD - 0221
Subject: Facilities and Administrative (F&A) Costs Rate Reduction/Waiver Policy

Office of Sponsored Programs

DEFINITIONS AND BACKGROUND

Facilities and Administrative (F&A) costs, also known as overhead or indirect costs, are real costs incurred during the course of performing work that cannot be readily and specifically identified with a particular sponsored project. Some examples of F&A costs are utilities, operations and maintenance of plant, general and departmental administrative staff, library services and Sponsored Programs administration.

The F&A rate is established every two years through a detailed cost analysis; then reviewed, audited and approved by the Institute's cognizant federal agency, the Office of Naval Research. The rate agreement establishes the rate to be used on grants, contracts and/or other agreements covering sponsored projects, issued or awarded to VIMS in accordance with the Code of Federal Regulations (CFR).

Although activities covered by F&A costs benefit research, they are initially paid for by the Institute because they cannot be specifically attributed to an individual project. The F&A cost rate (percentage) is applied to the Modified Total Direct Costs (MTDC) of the sponsored project to reimburse the Institute for the projects portion of these costs.

MTDC as defined by the 2 CFR Part 220 (Cost Principles for Educational Institutions, formerly OMB Circular A-21), consists of "all salaries and wages, fringe benefits, materials and supplies, services, travel, and subgrants or subcontracts up to the first \$25,000 of each subgrant or subcontract (regardless of the period covered by the subgrant or subcontract). Equipment, capital expenditures, charges for patient care and tuition remission, long term space rental costs, scholarships, and fellowships as well as the portion of each subgrant and subcontract in excess of \$25,000 shall be excluded from MTDC." Equipment is defined as items costing \$5,000 or more. In addition to the items specifically mentioned in the negotiation agreement, F&A is not applied to charges for VIMS field operations services, VIMS publications center, VIMS analytical services center, or VIMS Seawater Research Lab services.

Agency imposed F&A restrictions can be found in several places. The F&A rate on most awards is established at the time a funding opportunity is announced; in the published Request for Proposals. These announcements typically include specific language indicating the allowable rate for that agency. When no limitation or restriction is specified, the full Institutional rate applies. Some agencies address limitations in their grant procedures or policies document, i.e., NSF's "Proposal and Award Policies and Procedures Guide." Finally, funding organizations also include final F&A rate authorization in the official award documents by including the rate in the agreement language and/or by attaching the approved budget.

POLICY

It is the policy of the Virginia Institute of Marine Science that sponsored projects will recover the full amount of the Federally Negotiated F&A Rate. This policy allows for two variances:

1. An agency mandated restriction on full F&A Recovery:

The governmental or non-profit sponsor has a published rate lower than the institution's full negotiated rate. To be acceptable, the F&A restriction or lower rate must appear in published guidelines of the agency (request for proposal, request for application, funding announcement, or other published guideline/policy) or be published on their web site or confirmed in writing by their Sponsored Programs office (not a program official). The restriction/lower rate must apply universally to all proposals submitted to the project or agency. It is the Principal Investigator's (PI) responsibility to furnish evidence of the published rate by the time the proposal budget and budget justification are submitted to the Office of Sponsored Programs for institutional review and endorsement.

2. A voluntary reduction/waiver, obtained by following the procedures set forth in this policy:

A three person committee has been established to consider all requests for reduced or waived F&A. The committee is made up of the Associate Dean for Research & Advisory Services, the Chief Administrative & Financial Officer, and the Director of Sponsored Programs. Requests will be forwarded by the PI to the Director of Sponsored Programs, who will coordinate the committee's review and respond to the PI in a timely manner.

PROCEDURE FOR REQUEST OF VOLUNTARY REDUCTION/WAIVER OF F&A

1. The request will come from the lead Principal Investigator, via email to the Director of Sponsored Programs no later than five (5) business days before the proposal is due, and will include:
 - a. The proposed F&A rate to be used.
 - b. An explanation/rationale for why the reduced rate is necessary or justified in relation to accomplishing the work.
 - c. The impact on the budget and/or completion of the project if the full negotiated F&A rate were to be used.
2. The request will be reviewed by the administrative committee for approval of the reduced or waived rate within two business days of submission of the request. This process will be coordinated by the Director of Sponsored Programs.
3. The Director of Sponsored Programs will prepare a response on behalf of the committee indicating approval or denial of the request with an explanation of the decision.

Effective Date: 1 July 2014

VIRGINIA INSTITUTE OF MARINE SCIENCE
REQUEST OF VOLUNTARY REDUCTION/WAIVER OF F&A COSTS

Date: _____

To: Connie Motley, Director of Sponsored Programs

From: (Lead PI) _____

Proposed F&A rate to be used: _____

Amount of F&A costs requested to be reduced/waived: \$_____

Explanation/rational for why the reduced rate is necessary or justified in relation to accomplishing the work:

Explain the impact on the budget and/or completion of the project if the full negotiated F&A rate were to be used:

Approved

Denied

Signature of Director of Sponsored Programs

Date