



# VCU

## Facilities and Administrative Cost Recovery

**Policy Type:** Administrative

**Responsible Office:** Office of Sponsored Programs

**Initial Policy Approved:** 01/07/2013

**Current Revision Approved:** 01/23/2017

### Policy Statement and Purpose

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This policy sets forth the requirement for full cost recovery on all sponsored program activities. It also establishes the criteria and procedure to seek a Facilities & Administration (“F&A”) rate lower than the federally-approved rate applicable to Virginia Commonwealth University (“VCU”).

### Full Recovery Principle:

As required by the General Assembly, VCU will apply the full federally negotiated Facilities and Administrative (“F&A”) cost rate(s) to proposals and agreements for all grants, contracts or other agreements proposed and/or accepted, including those with other agencies and instrumentalities of the Commonwealth.

The following situations will NOT qualify as justification for less than full F&A cost recovery:

- Sponsor limitation of total project cost. Projects should be scoped and costed to meet the sponsor limitation with applicable negotiated rate applied.
- Price quotations with less than full F&A provided to a sponsor without approval of the Office of Sponsored Programs (“OSP”).

### Exemptions for Government and Non-Profit Sponsors:

Faculty seeking approval to apply a lower F&A rate may submit a request to the Vice President for Research and Innovation (VPRI) based on one of the following justifications:

Exemption #1. F&A costs will be reduced or waived when expressly limited or forbidden by federal law or administrative regulation, or the published policy of a governmental or non-profit sponsor.

Exemption #2. F&A costs may be reduced or waived for governmental or non-profit sponsors when the Vice President for Research and Innovation judges the project to be of exceptional academic merit. Complete justification must be provided by the PI and approved by the Chair and Dean. In these instances, any F&A costs recovered will be retained by the University and not

included in the Facilities and Administrative Costs Recoveries (“FACR”) revenue distributed to the school/department.

Exemption #3. F&A costs may be reduced or waived when the Vice President for Research and Innovation approves unrecovered F&A as one of the costs for VCU to contribute to meet Mandatory Cost Sharing.

**Exemption for Corporate Sponsors:**

In accordance with the policy *Corporate Research Agreements*, Exemptions #2 and #3 above do not apply to corporate (for-profit) initiated projects when the for-profit entity acts as the sponsor.

Exemption #1 may apply to corporate supported projects initiated by VCU. Such projects are considered to be funded by corporate sources but sponsored by VCU and shall comply with the requirements contained in the policy *Corporate Research Agreements*.

Noncompliance with this policy may result in disciplinary action up to and including termination. VCU supports an environment free from retaliation. Retaliation against any employee who brings forth a good faith concern, asks a clarifying question, or participates in an investigation is prohibited.

**Table of Contents** \_\_\_\_\_

Who Should Know This Policy.....	2
Definitions.....	2
Contacts.....	3
Policy Specifics and Procedures.....	3
Forms.....	4
Related Documents.....	4
Revision History.....	4
FAQ.....	4

**Who Should Know This Policy** \_\_\_\_\_

All individuals involved in the conduct or administration of sponsored programs are responsible for knowing this policy and familiarizing themselves with its contents and provisions.

**Definitions** \_\_\_\_\_

**Facilities and Administrative (“F&A”) Costs**

Facilities and Administrative costs, also referred to as indirect costs, are those costs incurred in support of many activities and that cannot be identified with a single sponsored project. The cost of operating and maintaining buildings, use of equipment, general and departmental administrative expenses, sponsored

projects' administration, and library costs are usually considered F&A costs. These costs are essential in the support of sponsored program activities. In accordance with regulations and principles promulgated by the Federal Office of Management and Budget ("OMB"), institutions of higher education are permitted to recover F&A costs associated with supporting sponsored programs.

### **Facilities and Administrative Costs Recoveries ("FACR") Revenue**

The University retains a portion of the Facilities and Administrative Costs Recoveries centrally and the remainder is allocated to the schools. The dean of each school or college determines the allocation of the school's share.

### **Mandatory Cost Sharing**

Mandatory Cost Sharing is cost sharing required by a sponsor as a condition of making an award. If mandatory cost sharing is required, the requirement is always specified in the published description of the sponsor announcement. The requirement is usually expressed in terms of a percentage of the total project cost or a percentage of the sponsor share of the total project cost although occasionally it is expressed as a fixed dollar amount. Mandatory cost sharing expenses must be identified for cost accounting purposes and must be reported to the sponsor in the financial report of the project. Failure to document the agreed upon cost sharing during the conduct of the project will generally result in reduction of funds available from the sponsor.

### **Contacts**

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The Office of Sponsored Programs officially interprets this policy. The Office of Sponsored Programs is responsible for obtaining approval for any revisions as required by the policy *Creating and Maintaining Policies and Procedures* through the appropriate governance structures. Please direct policy questions to the Office of Sponsored Programs.

### **Policy Specifics and Procedures**

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#### **Procedures for Obtaining and Documenting Each Exemption:**

Each proposal forwarded to OSP for review that includes less than full appropriate F&A under Exemption #1 above must include a copy of or reference to the law, regulation, program announcement, or published policy of the sponsor. A letter from a sponsor's program official is not acceptable as a published policy.

For Exemptions #2 or #3 – Prior to submission of a proposal that includes less than full appropriate F&A, the PI must complete the F&A Exemption Request Form, obtain the signatures of their Chair and Dean, and forward to OSP for review and approval.

#### **Approval/Review Process:**

The Vice President for Research and Innovation or designee has the authority to grant requests for reduction or waiver of F&A costs for appropriately documented requests.

## Forms

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1. [F&A Exemption Request Form](#)
2. [Cost Share Authorization Form](#)

## Related Documents

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1. VCU Policy: [Corporate Research Agreements](#)

## Revision History

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This policy supersedes the following archived policies:

01/17/2013

*Facilities and Administrative Cost Recovery*

## FAQ

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1. **If I want to request a waiver under Exemption #2 or Exemption #3, when should it be forwarded to OSP?**

All requests should be forwarded for review as soon as one becomes aware of the need for the exemption. You should obtain approval of your exemption request prior to preparing your budget and proposal.

2. **A non-profit has agreed to fund my research but does not want to pay F&A. What are my options?**

If the non-profit has a published policy stating that they do not pay F&A costs for any research project, you may use Exemption #1 and charge less than full F&A. If Exemption #1 does not apply, then complete the F&A Exemption Request Form based on Exemption #2 or #3, obtain the signatures, and submit to OSP for review and approval.

3. **The for-profit company that I am working with will pay only 30% F&A even though this is not a clinical trial. Is this acceptable?**

No. Full F&A must be charged to all for-profit sponsored research when the for-profit entity has initiated the research and/or is acting as the sponsor in accordance with the *Corporate Research Agreements* policy. If VCU has initiated the project and the for-profit entity has a published policy stating that they pay a reduced rate for investigator initiated projects, you may use Exemption #1 and charge less than full F&A.