



# SAINT LOUIS UNIVERSITY

## Procedure for Requesting Facilities and Administrative/Indirect Cost Exceptions

**Procedure Number: PRA-02**

**Version Number: 1.0**

**Classification: Research**

**Effective Date: July 1, 2014**

**Responsible University Office: Vice President for Research**

### PROCEDURE

Saint Louis University undergoes routine audits of facilities and administrative (F&A) costs that are associated with the conduct of sponsored projects. Those audits provide the basis for the F&A rate that the University negotiates with the Department of Health and Human Services, resulting in a set of F&A rates associated with various categories of sponsored activities. Because those rates are based on demonstrated costs, the University expects to collect the full F&A rate on sponsored awards. There are some instances, however, where the University may make exceptions to the full F&A rates.

**In no event shall the University enter into agreements in which the rate of F&A recovery paid out to another entity, no matter the mechanism, exceeds the rate being recovered by Saint Louis University unless it is the other entity's full negotiated rate, in which case Saint Louis University must also recover its full negotiated rate.**

Exceptions to full F&A rates for federal awards generally will not be considered because, as of December 26, 2013, agencies are prohibited from requesting, imposing or further suggesting that grantees reduce their F&A Rates in order to receive funding. New Federal regulations stipulate, "**The negotiated rates must be accepted by all Federal awarding agencies.**" Further, a signed exception from the department head of the federal agency is required when an F&A reduction from a university's full rate will be in effect for a specific proposal or CFDA Program. The University will require a copy of that signed memo before any F&A exception is considered for an award.

If Facilities and Administrative (Indirect) Cost exceptions are approved, the approved rate must be charged on Total Direct Costs (TDC), not Modified Total Direct Costs (MTDC).

## **Requesting Facilities and Administrative (Indirect) Cost Reductions**

### **A. Obtaining an F&A Cost Exception:**

A facilities and administrative (F&A) cost exception is an institutional agreement that the University will charge F&A costs at a lower rate than the federally approved rate that is published by the Office of Sponsored Programs Administration (OSPA). Unless a project falls into a limited number of pre-established exceptions (see Section B below), Principal Investigators must request approval for such an exception on a case-by-case basis. Exceptions are not guaranteed and should not be included in project budgets without formal approval as listed below. If Facilities and Administrative (Indirect) Cost exceptions are approved, the approved rate must be charged on Total Direct Costs (TDC), not Modified Total Direct Costs (MTDC).

### **B. Determining if an Individual Project Exception Should be Requested:**

The Facilities & Administrative (indirect) Cost Rates table reflects the federally approved rates for three different types of projects (research, instruction, other sponsored activity). The table shows rates that vary, depending on whether the project will be conducted on or off-campus. Most projects will adhere to these published rates. These projects are considered to be carrying “full F&A”. In a case where less than the pre-determined rate is applied (e.g., the full rate is not allowed by the sponsor), costs usually associated with F&A should be included in the project budget as direct costs whenever permissible (e.g., administrative costs, supplies, computers, etc.).

In addition to these projects, an individual project exception as outlined in Section D does not have to be obtained if one or more of the following criteria exists:

- The rate applied to the project is the full applicable rate for your type of project (e.g., industry-funded clinical trial). A note should be added to the Transmittal Form identifying the reduced rate and noting that the reduced rate is posted on the “Other Sponsor Established Rates” Table.
- The governmental or non-profit sponsor has a published rate lower than the University’s full applicable rate. [This does not apply to for-profit entities, which are expected to pay the full applicable rate.] To be acceptable, the published rate of the non-profit or governmental agency must appear in its guidelines (request for proposal, request for application, broad agency announcement, or other published guidelines) of the agency, be published on their web site, or be confirmed in writing by an authorized institutional official (e.g., executive director.) The lower rate must apply universally to all proposals submitted for that particular program or that agency (not solely the University proposal.) The Principal Investigator must furnish evidence of the published rate when the proposal budget and eRS Transmittal Form are submitted to the Office of Research Development and Services (ORDS). Without such documentation, the

Principal Investigator must include the full applicable F&A rate in the proposal.

- The award is being transferred from another institution/entity under the condition of direct cost equivalency (the amount of direct costs remaining at the old institution are the same as the direct costs awarded to the University). In this instance, ORDS will establish an F&A rate that ensures that the same amount of direct costs remaining upon departure from the old institution/entity will be made available so that the project can continue unabated. SLU will adjust its F&A rate as needed to ensure direct cost equivalency. Evidence of the direct cost amounts remaining at the time of the transfer (e.g., via a PHS relinquishing statement, final financial report or similar documentation endorsed by an institutional official) is required. In cases where F&A rate adjustment is needed to insure direct cost equivalency, the adjustment will be noted on the Transmittal Form identifying the reduced rate and the reason for it. Any additional reduction in rate (beyond maintaining direct cost equivalency) requires an approved F&A exception.

### **C. Acceptable and Unacceptable Reasons for Individual Project F&A Exceptions:**

**Acceptable Reasons.** Decisions by the Vice President for Research to make an exception to customary F&A rates are made on a case-by-case basis. While the reason to grant an exception will vary across cases, such decisions typically are based on strategic considerations relevant to a department, a school, or the University. Therefore, any such request should be accompanied by a strategic justification. In no case will an exception to F&A rates be granted without the approval of the dean of the relevant school/college.

**Unacceptable Reasons.** A partial list of reasons that University policy will not allow F&A exceptions to be granted follows:

- The Principal Investigator failed to submit the proposal via approved institutional channels prior to submission to the Sponsor. In these cases, the Sponsor will be expected to pay the full applicable F&A rate or the department will be responsible for cost-sharing the portion of the F&A that the sponsor refuses to pay. The University also may refuse to accept an award that has not been submitted through appropriate University channels.
- To increase (or perceive to increase) the competitiveness of a proposal.
- When collaborating or subcontracting with another institution that is the “prime” submitter, SLU’s budget should request full F&A if the other institution is recovering full F&A. No exception will be granted in this instance.
- Saint Louis University will not enter into agreements in which the rate of F&A recovery paid out to another entity, no matter the mechanism,

exceeds the rate being recovered by the University. The only exception involves instances where the other entity's full negotiated rate is higher than that for the University, in which case Saint Louis University must also recover its full negotiated rate.

#### **D. How to Request an Individual Project F&A Exception:**

As noted above each request is subject to approval of the Vice President for Research and is decided on a case-by-case basis. Therefore, Principal Investigators may not offer or promise a reduced rate to a sponsor in advance of an official approval. Any promises made in such manner are not binding on the University and, in fact, may hinder such approval. Recommended turnaround times for exception requests are shown below.

Exceptions typically are made because of strategic considerations. This type of exception is granted when it is deemed to be in the overall best interest of the Institution, although the primary advantage may derive for the department or the school that is requesting such an exception. This type of exception requires department and college/school approval of the project, as well as the approval of the Vice President for Research.

- Completion of an [F&A Exception Form](#) is required, and a fully approved copy of the form must be furnished to ORDS no later than 5 days before the proposal will be submitted.

#### **E. Processing of Reduced-Rate Proposals without Evidence of an Approved Exception:**

If a proposal is submitted to ORDS at a reduced rate without evidence of an approved exception, ORDS will contact the principal investigator or his/her unit to determine whether an F&A Exception Form has been initiated. If an exception request is in process, ORDS will facilitate a decision. If the process cannot be completed prior to the Sponsor's proposal deadline, the Principal Investigator is responsible for updating the proposal to use the full institutional F&A rate applicable to that type of project prior to its submission to the Sponsor.

#### **F. At the End of the Project:**

For fixed price awards or other awards where the University is allowed to retain the unexpended balance, all exceptions are granted with an understanding that if there is a balance at the end of the project, the F&A rate reduction no longer applies. Instead, the published rate will be charged to the entire project and the value of the reduction will be subtracted from the remaining balance. For example, if a balance of \$5,000 remains at project end and the principal

investigator was granted an exception valued at \$1,500; \$3,500 would be available to transfer to the department account.

## APPROVAL SIGNATURES

This procedure has been approved by:

Raymond C. Tait, Ph.D.

June 26, 2014

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Vice President for Research  
Saint Louis University

Date:

## DOCUMENT HISTORY

<b>EFFECTIVE DATE</b>	<b>VERSION NUMBER</b>	<b>MODIFICATION</b>
July 1, 2014	1.0	New Document