

## **Facilities & Administrative Rate Application and Exception Process**

**Effective Date** Friday, October 21, 2016

**Status** Final

**Last Revised** Tuesday, April 18, 2023

**Policy Type** [University](#)

**Contact Office**

[Business Assets & Cost Recovery \(Office of\)](#) [Sponsored Programs \(Office of\)](#)

**Oversight Executive**

[Vice President and Chief Financial Officer](#) [Vice President for Research](#)

**Applies To**

Academic Division The College at Wise

**Table of Contents**

[Policy Statement](#)

1. [Rate Application](#)
2. [Exceptions](#)
3. [Compliance with Policy](#)

### **Reason for Policy**

The University has established guidelines to assist in complying with Title 2 Code of Federal Regulations Section 200 and applicable cost accounting standards for those individuals who prepare and submit proposals for sponsored programs on behalf of the University. To prevent over-charging sponsors, these guidelines provide a basis for determining whether an activity is considered to occur On-Grounds or Off-Grounds and thus the respective Facilities & Administrative (F&A) rate to apply.

It is the policy of the Commonwealth of Virginia and the University to recover full F&A costs on sponsored programs. This policy is consistently applied except where there are limitations imposed by the sponsor, where a sponsor has no formal policy on the reimbursement of F&A costs, or where the uniqueness of the program warrants exceptional action; an exception request process is available to address these situations.

### **Definition of Terms**

#### **Facilities and Administrative (F&A) Costs (Indirect Costs)**

Costs that are incurred for common or joint objectives benefiting more than one cost objective and therefore cannot be identified readily and specifically with a particular cost objective, a sponsored program, an instructional activity, or any other institutional activity.

#### **Facilities and Administrative (F&A) Rate**

The rate the University is authorized to charge Federal sponsors to cover F&A costs for sponsored programs. The rates are set based on location (On-Grounds/On-Campus or Off-Grounds/Off-Campus) and the type of activity (organized research, instruction, or other sponsored program). For federally funded sponsored programs, rates are applied as a percentage of the Modified Total Direct Costs supporting the sponsored program. The Federal agency that sets the University's F&A rates is the Department of Health and Human Services.

### **Modified Total Direct Costs (MTDC)**

All direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward (regardless of the period of performance of the subawards under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs, and the portion of each subaward in excess of \$25,000.

### **Off-Grounds Rate**

The University's approved F&A rate for sponsored programs on which >50% of professional effort will be conducted in or on land, buildings or other space not owned by the University (state agency 207 or state agency 246) where all operation and maintenance expenses are directly incurred by the cost objective specifically benefitted or are initially incurred by a Revenue Generating Activity (recharge center/service center) and then allocated to the cost objectives specifically benefitted based on an allocation plan approved by the Office of Business Assets and Cost Recovery. Off-Grounds locations may be privately rented/leased, government-owned, or owned by another university.

### **On-Grounds Rate**

The University's approved F&A rate for sponsored programs on which >50% of professional effort is conducted in or on land, buildings or other space owned by the University (state agency 207 or state agency 246) and land, buildings or other space leased by the University where the operation and maintenance expenses are incurred by non-sponsored University funding sources, e.g., state or local award types, and cannot be readily and specifically assigned to a particular project or cost objective. For the purposes of this policy, On-Grounds locations do not include leased land, buildings, or other space where all operation and maintenance expenses are initially incurred by a Revenue Generating Activity (recharge center/ service center) and then allocated to the projects or cost objectives specifically benefitted based on an allocation plan approved by the Office of Business Assets and Cost Recovery.

### **Professional Effort**

Work performed by key/senior personnel (e.g., faculty) on a specific sponsored program.

### **Sponsored Program**

Any externally funded research, public service, or scholarly activity (including hosting or attending conferences) at the University that has a defined scope of work often including a set of specific programmatic objectives and/or deliverables, and line-item-based budget, providing the basis for sponsor expectations and awardee accountability (i.e., a reciprocal transfer of something of value). Sponsored programs are funded through agreements that usually include terms and conditions for the disposition of tangible properties and outcomes (e.g., equipment, records, specified technical reports, theses, or dissertations) or intangible properties and outcomes (e.g., rights in data, copyrights, and inventions). **Note:** The terms sponsored program, sponsored project, and/or sponsored activity are often used interchangeably.

## Policy Statement

The Office of Business Assets and Cost Recovery, under the direction of the Executive Director of Financial Planning and Analysis, is responsible for developing the University's Financial & Administrative (F&A) rate proposal in accordance with Federal regulations and for negotiating with the University's cognizant Federal agency (Department of Health and Human Services) to establish approved rates.

### 1. **Rate Application:**

Individuals who prepare and submit proposals for sponsored programs (e.g., grants, contracts, cooperative agreements, clinical trial agreements, Intergovernmental Personnel Agreements, and other awarding instruments supporting research, instruction, public service, and clinical trials) on behalf of the University must apply the appropriate approved F&A rate, i.e., either the On-Grounds Rate or the Off-Grounds Rate, based on where the majority of the professional effort supporting the sponsored programs will occur.

As stipulated in the University's rate agreement, a federal proposal can only have one F&A rate for the University's portion of the work, i.e., subcontractors are expected to apply their own negotiated indirect cost rate.

Sponsored program proposals requesting the use of an Off-Grounds rate must include a summary chart of all professional effort showing the amounts to be expended On-Grounds and Off-Grounds.

### 2. **Exceptions:**

Exceptions to the application of the appropriate full F&A rate are contingent on establishment of one or more of the following conditions established by the University and approved by the State Department of Accounts:

- The academic merits of the program are exceptional;
- The program is part of an unusually important instructional or service role within the overall mission of the University;
- Available funding is very limited; or
- The application of the full rate would result in an inequitable recovery as in the case of a conference or institute involving a short period of time.

Requests for deviations from the full F&A rates must be submitted in writing. The request must include a justification for the exception and the amount of F&A recoveries that will be forgone. The request must obtain sequential approvals from the department chair, dean, and Senior Associate Vice President for Research. Proposals including a deviation from the appropriate full F&A rate must include documentation of the Senior Associate Vice President for Research's approval at the time it is submitted to the Office of Sponsored Programs.

### 3. **Compliance with Policy:**

Failure to comply with the requirements of this policy may result in disciplinary action up to and including termination or expulsion in accordance with relevant University policies.

Questions about this policy should be directed to the [Office of Business Assets & Cost Recovery](#) or the [Office of Sponsored Programs](#).

## **Related Information**

The University designates indirect cost recoveries from sponsored programs to specific departmental F&A revenue accounts. Because these funds are reimbursements of expenses paid from institutional funds, they are considered University, not sponsored, funds.

Letters authorizing the University's current and past indirect cost rates are available on the [Office of Sponsored Programs](#) website.

[FIN-017: Consistent Treatment of Sponsored Program Costs](#)  
[Recovery of Facilities & Administrative Costs; Facilities & Administrative Recoveries](#)  
[Uniform Guidance 2 CFR 200.414 Indirect \(F &A\) Costs](#)

**Major Category** [Finance and Business Operations](#)

**Next Scheduled Review** Saturday, April 18, 2026

## **Revision History**

Confirmed 4/18/23; Updated Titles 7/18/22; Added 2nd CO/OE 3/8/19; Updated 6/13/18; Reorganized 2/23/18; Minor revision, 11/7/17; Added VIII.D.3, Application of Indirect Cost Rates, 08/3/17.

## **Applies To Text**

Academic Division and the College at Wise.

## **Category Cross Reference**

[Research Administration](#)

## **Supercedes Policy Text**

FIN-009: Determination of Whether Sponsored Activities Occur On-Grounds or Off-Grounds for Indirect Cost Rate Application; VIII.D.3, Application of Indirect Cost Rates; VIII.D.2, Determination of On-Grounds/Off-Grounds

**Last modified** March 29, 2024 - 1:23pm

**Approved By** Policy Review Committee

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