FIN-009

Facilities & Administrative Rate Application and Exception Process

Effective Date Friday, October 21, 2016

Status Final

Last Revised Wednesday, August 26, 2026

Policy Type University

Contact Office Financial Planning & Analysis

Sponsored Programs (Office of)

Oversight Executive
Vice President and Chief Financial Officer Vice President for Research

Applies To Academic Division and the College at Wise.

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Policy Statement

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Reason for Policy

The University has established guidelines to assist in complying with Title 2 of the Code of Federal Regulations Part 200 and applicable cost accounting standards for determining On-Grounds or Off-Grounds and the appropriate Facilities and Administration (F&A) rates while submitting proposals and managing awards for federally funded programs.

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)

Description

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) (Indirect Cost) Rate

Description

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, other sponsored program, intergovernmental personnel agreement, and Department of Defense contracts/subcontracts). 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 approves the University's F&A rates is the Department of Health and Human Services.

Modified Total Direct Costs (MTDC)

Description

All direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first $50,000 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 $50,000.

Off-Grounds Rate

Description

The University's approved F&A rate for sponsored programs on which >50% of a project 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 benefited 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 Cost Recovery within Financial Planning & Analysis. Off-Grounds locations may be privately rented/leased, government-owned, or owned by another university.

On-Grounds Rate

Description

The University's approved F&A rate for sponsored programs on which >50% of a project 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 Cost Recovery within Financial Planning & Analysis.

Sponsored Program

Description

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 grants, agreements, and contracts that 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*, s*ponsored award*, and/or *sponsored activity* are often used interchangeably.

Policy Statement

The Office of Financial Planning & Analysis, under the direction of the Executive Director of Financial Planning and Analysis, is responsible for developing the University's Facilities & Administrative (F&A) rate proposal in accordance with Federal regulations and for negotiating with the University's cognizant Federal agency, i.e.,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 project 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 project activities 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 reviewed on a case-by-case basis and may be approved if one or more of the following conditions established by the University and approved by the Commonwealth's Department of Accounts are met:

   - 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 Associate Vice President for Research.

Proposals including a deviation from the appropriate full F&A rate must include documentation of the 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.

   Direct questions about this policy to the Office of Financial Planning & Analysis 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
2 CFR 200.414 Indirect (F &A) Costs
Appendix III to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs)

Major Category Finance and Business Operations

Next Scheduled Review Sunday, August 26, 2029

Revision History

Edited terms and minor revisions 8/26/26; Updated $ amt in MTDC 7/1/26; Updated Contact Office 2/11/26; 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.

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.

Approved By Policy Review Committee

Approved Date Friday, October 21, 2016