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**Facilities & Administrative
Cost Recovery and F&A
Cost Waivers for
Extramurally Sponsored
Research**

APPROVALS:

SLT: 09/09/14; BOD: 3Q-14

Scope: Medical Center Beckman Research Philanthropy/External Relations

I. PURPOSE/BACKGROUND

The following policy sets out to describe when Facilities and Administrative (F&A) costs must be imposed on extramurally funded research and the process by which these costs may be waived. This policy is not intended to discourage initiative in the application for research support or pursuit of funding from sponsors that may not pay City of Hope's ("COH") full, federally negotiated rate. It is intended to provide guidelines for how these costs should be handled and provide a process by which a waiver may be submitted.

II. POLICY

A. Facilities & Administrative Costs:

1. COH's policy on full cost recovery imposes a duty on all COH administrators and Principal Investigators to perform sponsored projects on a full cost recovery basis. Administrators and Principal Investigators are obligated to ask for and recover F&A costs from all Sponsors in all types of extramurally funded research agreements. These include, but are not limited to:
 - a. Sponsored Research Agreements,
 - b. Fee for Service Agreements,
 - c. Fixed Price Agreements and Clinical Trial Agreements.
2. In fairness to all faculty and researchers, the full cost burden should be shared equally. Full cost recovery is necessary to support COH's physical and administrative capacity to perform extramural projects. Each approved exception reduces revenue to COH. Requests for exceptions to F&A cost recovery must balance the researcher's interests with institution-wide interests.
3. Principal Investigators are not authorized to negotiate reduced F&A cost rates with a sponsor or to submit proposals that do not include the applicable F&A cost rate as part of the budget. F&A cost rates may only be negotiated by the Senior Vice President, Research Operations, or such other authorized individual, as designated by the Chief Operating Officer.

B. Sponsor Policy

1. Sponsors sometimes restrict reimbursement of indirect cost to less than the full rate. Sponsor restrictions may be by statute, codified agency regulations, or program terms published in the Sponsor's solicitation or announcement. However, a Sponsor's policy restricting indirect cost recovery is sometimes imposed individually by program managers and provided in a letter from an organization official or program manager.
2. In cases where the Sponsor's policy restricts reimbursement as outlined above, a waiver will not be required. The applicable Sponsor statute, codified agency regulation or published program terms indicating a lower rate must be included with the proposal documentation or at time of award. A proposal will not be processed without this documentation and an award will not be set up without this documentation.

C. Facilities and Administrative Cost Waiver

1. At times, the development of research, training, public service programs or infrastructure may best be served by accepting a sponsored award at less than the indirect cost rate normally paid by the Sponsor. These situations may include, but are not limited to: small seed grants which may attract future larger awards; cases of hardship for a new investigator; awards which include contributions of equipment or building renovation funds; awards for a community relations interest vital to COH; acceptance of scholarships or fellowships; or other types of supplemental funding for an established program such as for library holdings, performances, or exhibits. Such interests must be viewed as vital to COH to the extent that funding the proposed project at a loss is more important than recovering the full indirect costs. In the case of equipment contributions in lieu of indirect cost recovery, the value of the equipment must be equal to or greater than the indirect costs not recovered. The equipment must not be required for performance of the proposed work as it would be required as part of the direct cost funding in such a case. Title to the equipment must be retained by COH so that the value from the use of the equipment continues beyond the period of the award.
2. In order to support research for the reasons outlined above, COH may approve a F&A Cost Waiver. The waiver form must be completed by the Principal Investigator stating the vital interest being served by waiving the indirect costs. The waiver form must be approved by the following individuals:
 - a) Department Chair
 - b) Senior Vice President, Research Operations (Federal, State, Industry Sponsored Clinical Trials and Foundation Funded Research)
 - c) Chief Operating Officer
3. An exception request should be approved before a proposal is submitted. In some situations, the PI may find it necessary to submit proposal budgets with a note stating that an indirect cost exception has been requested but not yet approved. In all cases, an exception request must be approved before an award may be accepted.

D. Facilities and Administrative Cost Reductions and Cost Sharing

1. Volunteering F&A costs for cost sharing is not appropriate. When the Sponsor does not restrict reimbursement of indirect costs, indirect costs may not be offered to a Sponsor to meet cost sharing requirements. When a governmental or nonprofit Sponsor has a published policy which restricts reimbursement of indirect costs, the difference between the full indirect cost amount and the restricted amount may be applied to meet mandatory cost sharing, unless the Sponsor specifically prohibits this. Under the Federal Cost Accounting Standards, any cost sharing offered, whether for direct or indirect costs, must be documented and is subject to external audit.

E. Administrative Fee or Institutional Allowance in Lieu of F&A Costs

1. When a Sponsor does not allow for COH's approved indirect cost rate to be charged to an award, but does provide an administrative fee or institutional allowance in lieu of indirect costs, this amount is remitted as indirect costs unless the Sponsor has restricted it for another purpose such as for paying the fringe benefits on a fellowship. If the allowance is greater than the amount recoverable as indirect costs using the approved COH rate, as could happen in budgets where the majority of the direct costs would be excluded from the Modified Total Direct Cost (MTDC) base, the Principal Investigator should contact the appropriate research administration office (Office of Foundation Relations, Office of Sponsored Research, Clinical Trials Support Services, Office of Technology Licensing) to determine allowable uses of these funds.

F. Intellectual Property Provisions and F&A Waivers

1. A request for an exception to applicable indirect cost rates requires consideration of the intellectual property rights to be provided to the Sponsor under the terms of the subject agreement. COH must consider what intellectual property rights, a potentially valuable consideration, to provide to a sponsor that does not pay full applicable indirect costs to COH. Any requests for an exception to applicable indirect cost rates in exchange for intellectual property rights shall be referred to the Office of General Counsel for consideration. The Office of General Counsel will confer with the Principal Investigator and Office of Technology Licensing, as appropriate.
2. If a Sponsor does not have a stated policy on indirect costs (as indicated in Section B of this policy) and the Sponsor refuses to accept the standard rates as outlined in Section H of this policy, intellectual property rights should be secured for COH. In addition, an F&A waiver must be obtained in order to proceed with the agreement.

G. Retroactive F&A Waivers for Overdrafts, Sponsor Default or Disallowed Costs

1. F&A Cost Waivers are not approved retroactively after work under an award has started or after termination to cover expenses not paid for by the award Sponsor. Such situations can include: overdrafts of the award amount; disallowed costs; sponsor default where the sponsor does not provide full payment; and withholding of payments due to non-performance or disputes. Campus sources including overhead recovery returned to the departments should be used for such costs.

H. F&A Costs and Fee for Service or Fixed Price Agreements

1. In recognition of the fact that fee for service, fixed price agreements or other types of sponsored agreements may have less administrative burden than other basic research agreements, COH’s policy for F&A requested on these projects may be less than the current federally negotiated rate.

2. In addition, there are some agreements in which the preponderance of work is taking place in an off campus facility or by a third party. In those cases, an off campus rate may be applied to the agreement. The following rates should be used when negotiating other sponsored agreements:

Sponsor Type	Contract Type	COH Approved F&A Rate*
Pharmaceutical	Clinical Trial Agreement	30% (Total Direct Costs)
Basic Research Agreements regardless if the preponderance of work is performed <u>On Campus</u> and/or <u>Off-Campus</u> (Pharmaceutical, Foundation, Non-Pharmaceutical and Non-Federal)	Fee for Service or Fixed Price Agreement	35% (Total Direct Costs)

*Current rates as of October 1, 2014. Rates are subject to change.

In order to request a rate lower than those indicated above, an F&A waiver must be completed and signed by the applicable institutional officials as outlined in Section C of this policy.

Owner and Sponsor: Senior Vice President, Research Operations

Appendix One: Acronyms, Terms and Definitions Applicable to this Policy

Attachment: Request for Waiver of Facilities and Administrative (F&A) Costs

APPENDIX ONE

Acronyms, Terms and Definitions Applicable to this Policy:

1. **City of Hope (COH)** – City of Hope National Medical Center, (“COHNMC”), Beckman Research Institute (“BRI”), and Philanthropy and External Relations, collectively referred to as City of Hope (“COH”) for the purposes of this policy.
2. **Clinical Trial Agreements** – Agreements in which COH is receiving materials, drugs and/or funding from an external entity for the conduct of clinical research.
3. **Facilities and Administrative (F&A) Costs** – Costs incurred as part of the administrative duties completed in the course of conducting research. These costs are added on as part of the total cost of conducting research on an individual research project basis.
4. **F&A Cost Waiver** – An F&A Cost Waiver is a form allowing for a lower F&A rate or no F&A to be charged to a particular research project.
5. **Fee for Service Agreements** – Agreements in which COH is providing a service in return for an agreed upon amount per deliverable provided.
6. **Fixed Price Agreements** – Agreements in which COH is providing a service for a fixed amount of funding from the sponsor, no matter the cost to COH for each deliverable.
7. **Institutional Allowance or Administrative Fee** – a portion of the total research funding the sponsor allows to be used for F&A costs.
8. **Modified Total Direct Cost base (MTDC)** – MTDC is the total direct costs minus any expenditures within the following categories: equipment, alterations and renovations, patient care, tuition remission, off-campus rental costs, the portion of a subaward in excess of \$25,000. For sponsored agreements using federally-negotiated rates, indirect costs are not assessed on direct expenditures identified as MTDC exclusions.
9. **Negotiated F&A Rate** – COH’s federally negotiated F&A rate that is applicable at the time of proposal submission.
10. **Off Campus** – A project, or part of a project, is considered to be performed “off campus” if the activity is conducted in a facility that is not owned by COH and the facility-related costs (rent, utilities and other maintenance) are charged directly to the project **or** if the project is conducted at a location or facility at no cost to COH.
11. **On Campus** – A project, or part of a project, is considered to be performed “on campus” if the activity is conducted in a facility that is owned or leased by COH.
12. **Sponsor** – A sponsor is an external entity paying for all or part of the research being conducted by a particular project.
13. **Sponsored Research Agreements** – Agreements between an external entity and COH that provide funding to conduct a particular research project at COH.



City of
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**Request for Waiver of Facilities and Administrative (F&A) Costs
Effective: <Insert Date>**

Please waive F&A costs on behalf of:

PI Name: _____

Department: _____ E-Mail: _____

Phone: _____

This waiver applies to the Research Project listed below:

Proposal Title: _____

Sponsor/Agency: _____

Other Investigators/Co-Pis (if any): _____

Proposal Submission Date: _____

Please justify this request for an exception below - refer to COH Policy on Facilities & Administrative Cost Recovery and F&A Cost Waivers for Extramurally Sponsored Research (please attach extra documentation, if needed):

Required Approvals:

By signing this approval, you are confirming:

This project poses a vital interest for City of Hope in terms of the development of research, training, public service programs or infrastructure, thus justifying the waiver of otherwise applicable F&A costs.

Required Signatures:

PI: _____ **Signature:** _____

Dept. Chair/Director: _____ **Signature:** _____

Approved By:

Sr. VP, Research Operations: _____ **Signature:** _____

Chief Operating Officer: _____ **Signature:** _____