

Office of Sponsored Programs
Procedure 20001 Facilities & Administrative Waiver or Reduction

 Revision Date: 6/01/2016

TABLE OF CONTENTS

1.	INTRODUCTION	1
2.	SCOPE	1
3.	PROCEDURE STATEMENT	1
4.	REASON FOR THE PROCEDURE	2
5.	DEFINITIONS	2
6.	SPECIAL CASE F&A RATE REDUCTIONS	3
7.	CASE BY CASE EXCEPTIONS	5
8.	PROPOSALS TO A NON-PROFIT	5
9.	NON-SPONSOR MANDATED WAIVERS	6
10.	THINGS TO CONSIDER WHEN REQUESTING AN F&A WAIVER OR REDUCTION	7
11.	REQUEST AND APPROVAL CONSIDERATIONS FOR F&A WAIVERS OR REDUCTIONS.....	7
12.	REFERENCES.....	8
13.	CONTACTS	8
14.	ROLES AND RESPONSIBILITIES	9
15.	DISSEMINATION	9
16.	APPROVAL AND REVISIONS	9

1. Introduction
Responsible Officials: Directors of Pre Award or Contracts, as applicable

Effective Date: March 9, 2009

Revision Date: June 1, 2016

IMPORTANT: For federal awards/subawards issued to Virginia Tech with a start date prior to December 26, 2014, 2 CFR Part 215 (OMB Circular A-110) and 2 CFR, Part 220 (OMB Circular A-21) apply. For all new funds (new awards and new monies, such as continuation awards, supplements, etc. received for existing awards) with a start date on or after December 26, 2014, these new funds are subject to 2 CFR Part 200 (commonly referred to as Uniform Guidance—Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards) but hereinafter referred to as “2 CFR Part 200”).

Due to the change in federal regulations the language in this procedure specific to the new regulations, 2 CFR Part 200, is highlighted in **red font** below.

2. Scope

This procedure outlines the requirements necessary to seek a Facilities and Administrative (indirect cost) rate (F&A) less than the current active, federally approved, and applicable rate for Virginia Tech. The procedure applies to all principal investigators, staff, and university departments and offices that are involved in the administration or use of sponsored award funds.

3. Procedure Statement

The Office of Sponsored Programs (OSP) functions as the steward of Virginia Tech’s research portfolio and is responsible for ensuring that all research proposals and projects comply with university, federal, and sponsor regulations, policies, and procedures. This procedure establishes the steps necessary to allow a waiver or reduction to be given through OSP. It is also to assure that

departments, centers and institutes maintain an average recovery rate as close as possible to the calculated and approved F&A rate in the conduct of their sponsored efforts. This, in turn, results in the research program that is as self-supporting and self-sustaining as is federally allowable and practicable.

4. Reason for the Procedure

The university charges sponsors a percentage of costs that is over and above the direct project costs in order to recover the infrastructure expenses of running its research enterprise. These costs are not readily identifiable with a specific project, program, or activity but which are necessary for the general operation of the university's research program. These are costs of operating the facilities and may include the costs of maintenance, depreciation, general and departmental administration, utilities, janitorial services, accounting and purchasing services, research and grants administration and accounting services, library operations, etc. This rate was originally referred to as the "overhead rate" and is commonly called that today. The term "indirect costs" has been used for much of the last decade. Today, the official government terminology is "Facilities and Administrative Costs" or F&A.

The university is dependent upon the recovery of F&A costs in order to maintain the infrastructure necessary to support sponsored activities. Faculty, staff, and students involved in research and sponsored programs experience the benefits of F&A cost recovery every day when they enter a building, turn on the lights, consult with a research assistant, get help from research administration professionals when they write proposals or in managing grants and contracts, or use the telephone, internet or the libraries just to name a few examples.

The development, negotiation and application of the university's F&A cost rates are the responsibility of the [University Controller](#).

It is the practice of Virginia Tech to charge all awards, grants, contracts and other sponsored agreements the allowable federally negotiated [F&A rate](#), if allowed by the sponsor. Certain agencies, foundations, and other sponsors have firm policies that cap the F&A rate. These capped rates are generally acceptable if the sponsor is not a commercial entity and their policy is well documented and consistently applied. This rate must be part of the proposal for the award and included in the applicable budgets submitted for the award and approved by the Department Head. PIs are not authorized to negotiate reduced F&A rates with a sponsor or to submit proposals that do not include the applicable F&A rate as part of the budget. Rarely, waivers to the federally negotiated or other maximum allowable rate are necessary or prudent. In those cases, a waiver approval through OSP is needed.

5. Definitions

Cost Sharing Commitment – Principal Investigator (PI) and Virginia Tech commit to contribute university resources towards the performance of the project.

Facilities and Administrative Indirect or Overhead Costs – the federal government refers officially to indirect costs as facilities and administrative (F&A) costs, sometimes simply called "overhead" costs. F&A costs are costs that are not readily identifiable with individual projects or, those that are incurred for common or joint objectives. In other words, indirect costs cannot be

specifically attributed to an individual project. For example, it is difficult to determine how much of a PI's lab space is used for a specific research project when multiple projects are being conducted in the same lab. We know the project benefits from the lab space, but it is impractical to accurately calculate the cost associated with that benefit. Accordingly, F&A costs are estimated for each project using a formula that compares all university project expenditures against all the university facility and administrative costs necessary to support all projects. They include such categories as library operations, utility costs, depreciation of buildings and equipment, operations and maintenance costs, grant and contract administration and accounting, and general administrative expenses for central offices.

F&A Rate Reduction – The university through OSP accepts a rate lower than the federally approved F&A rate on the basis of a well documented and consistently applied sponsor policy OR a clearly documented and universally applied limitation to all participants in a specific opportunity.

F&A Waiver – Appropriate university officials and the Assistant Vice President of Sponsored Programs approve the waiver of a share of the maximum allowable F&A rate for a program on the rare occasions when it is prudent for reasons of proposal competitiveness, economic development, experiential learning, partnership development, meeting cost-sharing requirements, etc.

OSP Official Electronic File – The electronic file is a mechanism for storage of electronic documents regarding awards associated with Virginia Tech sponsored research. This repository may change its format as technology changes, but the duty of organization, maintenance, upkeep and implementation resides with OSP.

Principal Investigator (PI) – The Principal Investigator (PI) is the primary individual in charge of an award, grant, contract, cooperative agreement, or other externally sponsored activity. The term "project director" is commonly used in relation to education and public service projects, while the term "principal investigator" is commonly used for research projects. Since the terms are generally used interchangeably by the OSP and sponsors, we will use the term "PI."

In many cases, there are multiple investigators included in applications for external funding. However, federal agencies and the university require that one individual be designated as the principal investigator since both the sponsor and the university must have one individual designated as ultimately responsible for the conduct of the project. If co-investigators are named on an application without identifying an individual as the PI, the person listed first is considered the PI by the university and the federal agency.

6. Special Case F&A Rate Reductions

Virginia Tech calculates and includes F&A costs in all sponsored award budgets as set out in the [F&A rates](#), unless one of the following applies:

Special Cases	Description
Affiliated organizations and partner state agencies	When the university has an established agreement in place with an affiliated organization or state agency that determines the rate applicable to the funding, the university will accept that rate. Generally, for state agencies the university strives to recover the administrative

Special Cases	Description
	portion of the federally approved rate at a minimum.
Federal sponsors (including federal flow-through, no matter the pass-through entity type)	Since all federal awarding agencies must accept negotiated rates and all pass-through entities must honor negotiated rates, the university will accept a rate cap only if the rate is limited by federal statute or regulation, or when approved by a federal awarding agency head or delegate based on documented justification, after proper notification to the Federal Office of Management and Budget. Such criteria used to cap the rate must be publicly available.
For Profit sponsors	The university rarely accepts a rate cap or reduction on projects sponsored by a for-profit entity. The full federally approved F&A rate without any administrative caps should be charged in most cases. Exceptions can be granted in unique, rare circumstances where the project compliments and supports another university mission such as economic development or experiential learning.
Industry Sponsored Clinical Trials	Industry sponsored clinical trials and testing agreements should utilize the federally approved “Other Sponsored Activities” rates.
Non-profit sponsors	The university will accept a rate cap or reduction if the non-profit entity has a published policy as evidenced by reference on the non-profit's website, in the official program announcement, or on the sponsor approved application forms.
Membership Fee Supported and Other Affiliate Programs supporting General Research, Academic Programs or Learning Experiences	7% of membership fees are allocated to administrative costs. A 7% administrative fee to funds deposited in membership fee programs established after January 1, 2016, is assessed to both the Virginia Tech Foundation and OSP shares (see OSP 10007 Membership Fee Supported and Other Affiliated Programs). Annual membership fees are inclusive of the 7% rate. Membership Fee Supported and Other Affiliated Programs members must pay full F&A for all other non-qualifying sponsored projects.
A single project with a total cost of \$25,000 or less over the life of the award	The university will accept a rate cap or reduction if it is for a single project with a total cost of \$25,000 <u>or less over the life of the award</u> . This exception does not apply to multiple awards of \$25,000 or less from the same sponsor on a recurring basis or for the same continuing effort, nor does it typically apply to industry sponsors. The university generally assesses only the administrative portion of the federally negotiated F&A rate for sponsors such as this.
Transfer from another institution with a lower F&A rate on established project	The university will accept a reduced rate when a PI transfers a project to Virginia Tech from another institution, and the rate awarded for the project is lower than the maximum allowable federally negotiated F&A rate . This does not apply to requests for additional funding from the sponsor for the project, once the project is transferred.

Special Cases	Description
Fabrication of Equipment	Equipment that is being fabricated for use at the university has the cost of fabrication broken into individual direct costs towards the fabrication, and can include salaries and supplies. These direct costs are excluded from the base calculation when applying F&A. Other costs associated with the project that are not costs towards equipment fabrication are charged F&A per the rate agreement. Costs associated with equipment fabrication when the equipment is for delivery to an external entity are charged F&A at the rate set out in the federally negotiated F&A rate .
Subawards to another entity	The university will honor an approved federally recognized F&A cost rate negotiated between the subrecipient and the federal government for the activity proposed. If no such rate exists, the university will include a de minimis indirect cost rate of 10% of Modified Total Direct Cost (MTDC) or will negotiate an appropriate rate. Please see 2 CFR Part 200.414.f, Indirect (F&A) Costs for more information.

7. Case by Case Exceptions

Any deviation below the [F&A rate](#) or not listed under [Special Cases](#) will require advanced approval of an F&A rate reduction by OSP. This approval will only be granted in limited situations. An application for an F&A rate reduction must be made to OSP and included with the sponsored award proposal materials.

The university may charge an [F&A rate](#) that is higher than the applicable federal rate for a sponsored program funded by a for-profit entity, and in all cases, will not accept a rate reduction for profit entities which results in F&A rates that are lower than those applied to comparable federally sponsored programs.

F&A rates are applied to the cost base associated with the location and type of project as specified in the [F&A rate](#) unless a sponsor has a stated cost base in the official program announcement. When a non-federal sponsor's policy does not specify a base type, the Total Direct Costs (TDC) cost base may be applied.

The [F&A rates](#) for Virginia Tech provides a summary of the negotiated rates within the current F&A Rate Agreement for the university.

8. Proposals to a Non-profit

In the case of non-profits based outside of the United States, or those established as an arm of a for-profit organization, indirect cost rate reductions will not be preapproved; such requests will be considered only on a case-by-case basis. In these cases, care must be taken to determine the non-profit status of the sponsor. The PI should confer with their OSP Pre Award Associate (PAA) in advance to determine the applicability of F&A costs.

Indirect (F&A) cost rates will not normally be reduced solely because a non-profit has expressed a desire to limit the use of its funds for a particular award to Virginia Tech. Unless the program solicitation includes such a limitation for all recipients, or the non-profit has an official written and publicly disclosed policy in this regard, a rate reduction will not be approved. In such cases, a waiver of the College/Department or Administrative shares of the F&A such as is described in section 9 may be considered.

In cases where Virginia Tech's agreement to accept a lower F&A rate is based on our understanding of the sponsor's policy, and where Virginia Tech becomes aware of a higher F&A rate paid by that sponsor to another recipient, the university reserves the right to apply the higher rate to that sponsor's Virginia Tech projects.

9. Non-sponsor Mandated Waivers

On rare occasions when it is determined it is prudent to request that portions of the approved F&A rate be waived for reasons of proposal competitiveness, economic development, experiential learning, partnership development, meeting cost-sharing requirements, etc.; the following procedures apply:

- **College/Department Share:** The College/Department can waive their entire share of the F&A rate by providing the PAA written authorization from the Dean or their designee. A portion of the College/Department share could also be waived, but only in increments of 10% (10%, 20%, 30%, etc.). The authorization will be placed in the OSP Official Electronic File to document the reduction.
- **Administrative Share:** If the above does not achieve the desired waiver, a request initiated by the PI and endorsed by the department head or center director and college dean would be addressed to the Assistant Vice President for Sponsored Programs. This request should specify the project and the rationale for the request. The Assistant Vice President for Sponsored Programs will review the request and make a recommendation to the Vice President for Research and Innovation or designee for final approval.
- **Capital Share:** Only under extraordinary circumstances would the university consider waiving the capital share. The approval would have to be decided by the President, Executive Vice President and Provost as well as the Vice President for Finance and Chief Financial Officer. A detailed justification endorsed by the department head, center director, or dean should accompany the request sent to the Assistant Vice President for Sponsored Programs. The Assistant Vice President for Sponsored Programs will review the request and make a recommendation to the Vice President for Research and Innovation who will take the request forward to the President, Executive Vice President and Provost and the Vice President for Finance and Chief Financial Officer for approval.
- **State Share:** In order to ensure compliance with [subsection 4-2.03 of the Appropriations Act in 2015 Acts of Assembly](#) (see also [Virginia's CAPP Manual Section 20705](#)), the Commonwealth of Virginia portion will not be waived. Any changes by the laws of the Commonwealth supersede this section and indirect cost shares are to be apportioned accordingly.

10. Things to Consider When Requesting an F&A Waiver or Reduction

F&A cost waivers or reductions involving multiple academic units must have written concurrence of all responsible departments, colleges and directors.

PIs are reminded that while they are free to discuss the scope of work with a potential sponsor, they are not authorized to negotiate F&A costs. Any “prior understanding” between an investigator and a sponsor regarding F&A rate is not binding on the university.

To accept an F&A rate different from the federally negotiated rate, the PI or sponsor will need to supply a copy of the sponsor’s policy at the time of proposal review.

Allow plenty of lead time. The waiver or reduction process can take up to four (4) weeks.

If an F&A waiver or reduction is approved, it should not be viewed as precedent setting. Requests are evaluated and determinations will be made on a case-by-case basis.

11. Request and Approval Considerations for F&A Waivers or Reductions

The Assistant Vice President of Sponsored Programs will consider requests for F&A rate reductions or waivers only in very limited circumstances.

Special requests must be approved by the PI and school dean's office before being routed for approval to the Office of Sponsored Programs, Assistant Vice President for Sponsored Programs who is assigned the task of further approvals and routing. In determining the institutional costs and benefits of such requests, requestors or approvers of rate reductions and waivers should take the following into consideration:

- Is it in the best interest of the university and the furtherance of its multiple missions to conduct this project without receiving full F&A reimbursement?
- Is there something unusual or special about the project that warrants it being treated differently from other worthwhile projects?
- What is the likelihood of more significant funding for this project from this same agency in the future?
- What will be the specific impact on the project if the reduction or waiver is not granted?
- Has the PI taken all appropriate measures to recover the full F&A and/or to make budgetary adjustments to make the project viable?
- What is the equity or opportunity cost of granting the waiver or reduction when the projects of other faculty carry full F&A cost to Virginia Tech?
- Is it likely that an award would be seriously jeopardized without a waiver or reduction, and what is the potential effect of the loss on the faculty member's overall research program?
- Could there be a significant benefit with the F&A waiver or reduction to new or junior faculty members or in support of research efforts in new directions which otherwise might not be sufficiently developed to attract typical peer reviewed awards?

- Does the F&A waiver or reduction increase direct costs available for student support or learning experiences?

As additional information: Virginia’s [CAPP Manual Topic Number 20705](#): Indirect Costs Recovery under General Exemption, Waiver: “The requirement to apply a negotiated indirect cost rate to a specific grant or contract may be waived or the rate limited by the President of the institution or his designee if the grant or contract is judged to be of exceptional academic merit. Or, the inclusion of indirect cost recoveries would result in the potential grantee's proposal not being cost competitive. All exemptions or rate reductions should be reviewed and approved annually by the President of the institution or his designee.”

Approval Summary:

Waivers of a portion of the approved F&A rate require approval from the following personnel:

Departmental Share	Department Head/Center Director
College Share	College Official (i.e. Dean)
Administrative Share	Vice President for Research and Innovation (or designee)
Capital Share	President (or designee). Executive Vice President and Provost And Vice President for Finance and Chief Financial Officer

12. References

- [2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards \(Uniform Guidance\)](#)
- [OSP 10007](#), Membership Fee Supported and Other Affiliated Programs
- [OSP 30007](#), Facilities and Administrative Overhead Rate Distribution
- Virginia Tech’s Facilities and Administrative Rates: [Office of Sponsored Programs](#) or [University Controller’s Office](#)
- Virginia’s [CAPP Manual Topic Number 20705](#): Indirect Costs Recovery under General Exemption, Waiver
- Appropriation According to the Appropriation Act, [Section 4-2.03c](#)

13. Contacts

- **Senior Director of Post Award**
Office of Sponsored Programs
North End Center, Suite 4200
300 Turner Street NW
Blacksburg, VA 24061
540.231.9372
- **Assistant Vice President for Sponsored Programs**
540.231.5281

14. Roles and Responsibilities

- **Principal Investigators (PIs):**
 - Contact OSP PAA when negotiating proposals that may require an F&A rate waiver as soon as possible.
 - **Office of Sponsored Programs**
 - Advise PIs on F&A waiver process.
 - Once received, forward F&A waivers to the Assistant Vice President of Sponsored Programs (or designee).
 - Maintain appropriate files and documentation in support of negotiated awards and agreements.
-

15. Dissemination

This procedure may be posted on a Virginia Tech internet accessible site. Open public dissemination of this procedure is allowable.

16. Approval and Revisions

This procedure was originally approved by the Assistant Vice President for Office of Sponsored Programs Administration, March 9, 2009.

This revision approved June 1, 2016 by the Assistant Vice President for Sponsored Programs. This major revision updates the formatting of the procedure, brings the procedure into compliance with [2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards \(Uniform Guidance\)](#) and other edits for clarity and title changes.

The official version of this information will only be maintained in an on-line web format.

Any and all printed copies of this material are dated as of the print date.

Please make certain to review the material on-line prior to placing reliance on a dated printed version.
