



SAINT LOUIS UNIVERSITY

Overview and Table of Contents for Policies and Procedures Regarding Direct & Indirect Costs Associated with Sponsored Programs

Classification: Research
Responsible University Office:

Effective Date: July 1, 2014
Vice President for Research

INTRODUCTION

Saint Louis University applies for and receives funding for research, instruction, and other scholarly activities from federal, and state, local governments, and from private sponsors. Because the federal government requires consistency in treating external funding from all sources, the University's policies are based on the regulations contained in the Office of Management and Budget (OMB) Circular A-81.

OMB Circular A-81 defines two ways of treating costs to a sponsored agreement – directly or indirectly. The documents contained in this collection of Policies and Procedures are meant to assist investigators and their research staffs in the correct allocation of both direct and indirect costs. Each of the policies and procedures apply to all investigators, all colleges and schools, and all departments at Saint Louis University.

Questions regarding any of these policies or procedures may be directed to:

Director of Sponsored Programs, 977-2380
Director of Research Development and Services, 977-2238

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SAINT LOUIS UNIVERSITY

Definitions Relating To Sponsored Projects At Saint Louis University

Classification: Research
Responsible University Office:
Vice President for Research

Version Number: 1.0

Effective Date: 07/01/2014

1.0 DEFINITIONS

Definitions listed below refer to terms in all policies and procedures associated with Sponsored Projects at Saint Louis University.

1.1 Academic Advising Time

Compensated time used by a researcher and their advisor as an academic development tool within the department's curriculum plan. The advisor, a faculty member, helps guide the advisee, a student, through the program requirements as well as introduces the student to resources for academic and career success. Academic Advising is classified as "Instruction" and is not subject to cost sharing.

1.2 Activity Code

A user-defined, six-character code within the Banner Finance Module Chart of Accounts used to designate and document cost sharing related to this policy. It is the fifth element of the financial account code used to record transactions for a specific event or activity within a fund and/or organization.

1.3 Allocate

To assign an item of cost, or a group of items of cost, to one or more sponsored agreements, function (e.g., research or instruction), or subdivision (e.g., college or center). (Adapted from *Cost Accounting Standards*.)

"A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received or other equitable relationship." (From [OMB Circular A-81](#)).

- Example: An educational institution normally allocates the cost of equipment required to conduct a project directly to the sponsored agreement.

1.4 Allowable Costs

Costs that are (a) reasonable; (b) allocable to sponsored agreements under the principles and methods outlined in *OMB Circular A-81*; (c) given consistent treatment through application of those generally accepted accounting principles appropriate to the

circumstances; and (d) conform to any limitations or exclusions set forth in *OMB Circular A-81* or in the sponsored agreement as to types or amounts of cost items.

- Example: A piece of equipment required to conduct the study is an allowable cost to the project but costs for equipment that serves broader purposes (e.g., general departmental printers) are not.

1.5 Appendix III, F-1 Certification

Specific certification language set out in OMB Circular A-81 required for all approved budget reports, annual and final fiscal reports, and vouchers requesting payment under the federal agreements. The certification statement reads as follows: “By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims and otherwise.”

1.6 Applied Research

Research that is conducted to gain the knowledge of understanding to meet a specific, recognized need or to translate the results of basic research.

1.7 Base

The budget costs (e.g., salary and supplies) that are multiplied against the F&A rate to determine the F&A costs.

1.8 Basic Research

Research undertaken primarily to acquire new knowledge, often without any particular application or use in mind.

1.9 Career Development Awards

A series of sponsored awards designed to support individuals during the early years of their research career or to recruit research faculty into areas where there is a growing need for research and instructional capabilities.

1.10 Clinical Time

Compensated time used by a research physician concerned with or based on actual observation and treatment in disease in patients rather than experimentation or research. Clinical time is typically not an allowable cost on a sponsored award.

1.11 Collaboration with No Measurable Effort

The act of working or cooperating with another on a shared task with a marginal contribution of time and effort. This type of collaboration is typically not an allowable cost on a sponsored award.

1.12 Contributed Facilities & Administrative Cost (Unrecovered F&A/Indirects)

F&A costs that are otherwise available to be recovered by the University, but the University has agreed to accept less than the full F&A rate.

1.13 Cost Accounting Standard CAS 9905.505 (CAS 505)

The Cost Accounting Standard that requires unallowable costs be segregated and separated as to not be included in charges to sponsored activity.

1.14 Cost Sharing or Matching

Cost sharing/matching can refer to circumstances that apply to both direct and indirect costs of an externally funded project. When the direct costs of a project exceed the costs covered by the project sponsor and the University covers the difference in costs, that difference represents a University cost share. When/if full indirect cost charges are not provided for an award, any difference between the indirect costs received and the amount to which the University would be entitled (under its indirect-cost agreement negotiated with the U.S. Department of Health and Human Services) would be considered as a cost share if approved by the funding agency.

- Mandatory Committed Cost Share is an amount of funds and/or resources required by the sponsor and included in the budget and budget justification
- Voluntary Committed Cost Share is an amount of funds and/or resources not required by the sponsor but offered by the University and included in the budget and budget justification
- Voluntary Uncommitted Cost Share occurs when researchers donate effort or resources to sponsored agreements *above and beyond* that which is *committed and budgeted* for in a sponsored agreement as either sponsor paid or cost shared.

1.15 Development

The systematic use of knowledge or understanding gained from research directed toward the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes.

1.16 Direct Costs

"Those costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy." (*OMB Circular A-81*). Costs paid by the awardee of a sponsored award that directly benefit, and are specifically associated with a sponsored award, and repaid by the sponsor.

- Example: Project specific travel is normally charged as a direct cost to a project.

1.17 eRS Transmittal Form

An internal form used to route a proposal for sponsored funding through the process of administrative review and approval.

1.18 Facilities and Administration Costs (F&A Costs)

F&A costs, also called Indirect Costs, are "costs that are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity. These costs are based on audits of University facilities and operations conducted by an outside consultant. Audit findings form the basis of subsequent negotiations with the federal government. The federal government ultimately approves the appropriate F&A cost rate.

- Examples include operation and maintenance expenses, and costs incurred for sponsored projects administration. (See *OMB Circular A-81*. F&A costs are synonymous with indirect costs.)

1.19 Indirect Costs

See "Facilities and Administration Costs."

1.20 Indirect Cost Recovery (IDCR)

Reimbursement received by the University when F&A rates are applied to direct costs charged to sponsored projects. This recovery is returned to investigators and academic units consistent with the University Facilities and Administrative Costs/Indirect Costs Recovery Policy.

- Examples are operation and maintenance of buildings and grounds, central administrative expenses, research administration and library costs.

1.21 Indirect Cost Rate or F&A Cost Rate

A composite rate applied as a percentage of the sponsored project's direct costs to recover the University's F&A/indirect costs. In business and industry, this is known as "overhead." The federally negotiated F&A/indirect cost rates for research and other sponsored activities are developed by the University in accordance with *OMB Circular A-81* and negotiated on behalf of all federal agencies with the Department of Health and Human Services (DHHS). The rate is variable according to the type of project and where it is being conducted. See *Determination of Facilities and Administrative/Indirect costs: Definitions and Rates*.

1.22 Instruction

The teaching and training activities of an institution. Except for research training, which is defined as research, this term includes all teaching and training activities, whether they are offered for credits toward a degree or certificate or on a non-credit basis, and whether they are offered through regular academic departments or separate divisions, such as summer school division or extension division. Also considered part of this major function are departmental research and, where agreed, university research.

- Sponsored instruction and training means specific instructional or training activity established by grant, contract, or cooperative agreement. For purposes of the cost principals, this activity may be considered a major function even though an institution's treatment may include it in the instruction function.
- Departmental research means research, development and scholarly activities that are not organized research and consequently, are not separately budgeted and accounted for. Departmental research, for purposes of this document, is not

considered as a major function, but as a part of the instruction function of the institution.

1.23 Like/Unlike Circumstances

A “like circumstance” refers to the routine and normal circumstances that typically describe the costs and conditions that comprise an externally sponsored program/project. An “unlike circumstance” describes costs and conditions that are significantly different from the routine level of such service provided by an academic institution. Unlike circumstances are rare exceptions to standard grant accounting practice and never should be invoked without prior consultation with the Office of Sponsored Programs Administration.

1.24 Modified Total Direct Costs

Modified total direct costs consist of all salaries and wages, fringe benefits, materials, supplies, services, travel, sub-grants, and up to the first \$25,000 of each sub-grant or sub-contract (regardless of the period covered by the sub-grant or sub-contract). Modified total direct costs shall exclude equipment, capital expenditures, charges for patient care, student tuition remission, rental costs or off-site facilities, scholarships, and fellowships, as well as the portion of each sub-grant and sub-contract in excess of \$25,000.

1.25 Off-Campus Activity

All activities performed in facilities not owned by the University and not on the Medical Center campus are considered to be “off-campus.” F&A rates for off-campus activities differ from those for on-campus activities. Grants or contracts cannot be subject to more than one F&A cost rate. If more than 50% of a project is performed off-campus, the off-campus rate will apply to the entire project.

1.26 OMB Circular A-81

This document is a set of uniform regulations that the University must follow in regards to charging of costs to grants, contracts, and other agreements with educational institutions. Each federal agency implements these regulations in its own policy handbook. The OMB Circular is the backbone of agency regulations; the agency cannot impose regulations that are inconsistent with the Circular or impose additional requirements.

1.27 Organized Research

All research and development activities of an institution for which separate budgeting and accounting exists.

1.28 Other Sponsored Activities

Programs and projects financed by Federal and non-Federal agencies and organizations which involve the performance of work other than instruction and organized research. Examples of such programs and projects are health service projects and community service programs. When any of these activities are undertaken by the institution without outside support, they may be classified as other institutional activities.

1.29 Principal Investigator/Project Director

The terms Principal Investigator (PI) and Project Director (PD) may be used interchangeably. The PI/PD is the person who assumes primary responsibility and accountability for the design, conduct, administration, and reporting of the research project. Eligibility criteria for a Principal Investigator/Project Director at Saint Louis University include holding full-time faculty or staff status, having expertise and experience in the project topic, and devoting measurable effort to the project.

Ineligible individuals include:

- a. Part-time, adjunct, or visiting faculty. An exception may be if an adjunct has left the University and wishes to continue working on a project that began at the University. Approval of the appropriate dean and chair must be obtained.
- b. Undergraduate or graduate students may not be PI's/PD's except where the funding agency so directs and then only with the student's mentor/advisor responsible for oversight of the project. The mentor/advisor shall be listed as the PI/PD of record in eRS.
- c. Emeritus faculty may contribute to a research project with the written approval of the appropriate dean and chair, but may not serve as PI or PD except in rare instances and only with the written approval of the appropriate dean and chair.

1.29.1 Co-Principal Investigator/C-Project Director

An individual who qualifies as Principal Investigator/Project Director may also serve as Co-Principal Investigator/Project Director. Persons from institutions outside of SLU may not be designated as Co-PI's or Co-PD's, but rather their relationship should be handled through subcontracts to their home institutions.

1.30 Reasonable Costs

"A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made."(*OMB Circular A-81*).

1.31 Research and Development (R&D)

Creative work conducted systematically with the intent to increase the stock of knowledge (research) and to use this stock of knowledge to devise new applications (development). R&D covers three activities—basic research, applied research, and development.

1.32 Sponsored Project

An externally funded activity that is governed by specific terms and conditions. The terms Sponsored Project and Sponsored Program are interchangeable. Sponsored projects must be separately budgeted and accounted for subject to terms of the sponsoring organization. Sponsored projects may include grants, contracts (including fixed price agreements), and cooperative agreements for research, training, and other public service activities. Sponsored projects typically require financial reporting on an annual and/or final basis. Other characteristics of a sponsored project follow:

- activities relating to a proposal funded by an entity outside the University,
- funded for a specific purpose,
- an exchange transaction where the sponsor receives value in return for the funding provided to the University,
- executed by an award, contract, cooperative agreement, memorandum of understanding, or other formal mechanism,
- for the purpose of supporting any research, scholarly, instructional or public service activity,
- names a specific person to conduct the work (PI),
- the sponsor may retain some claim (option or otherwise) to intellectual property that may be developed as a result of a sponsored project,
- the sponsor may have a direct interest in the development and ownership of the intellectual property resulting from the activity, and
- the project may have restrictions requiring regulatory compliance.

1.33 Sponsored Research

All research and development activities that are sponsored by Federal and non-Federal agencies and organizations. This term includes not only basic and applied research activities, but also activities involving the training of individuals in research techniques (commonly called research training) where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function.

1.34 Total Direct Costs (TDC)

All of the allowable costs of the project not including Facilities and Administrative (F&A)/Indirect Costs.

1.35 Transmittal Form

A form internal to the eRS transmittal system that is used to route a proposal for sponsored funding through the process of administrative review and approval.

1.36 Unallowable Costs

Costs that cannot be charged to a project per sponsor guidelines or any other costs incurred by the University that Office of Management and Budget (OMB) Circular A-81 specifies cannot be included in the development of the indirect cost rate charged, nor as a direct cost to a federally sponsored project, nor included in ISO/department recharge rates.

1.37 University Research

All research and development activities by the institution funded by an internal use of institutional funds.

APPROVAL SIGNATURE

Raymond C. Tait, Ph.D.

June 26, 2014

Vice President for Research
Saint Louis University

Date:

DOCUMENT HISTORY

EFFECTIVE DATE	VERSION NUMBER	MODIFICATION
July 1, 2014	1.0	New Document



SAINT LOUIS UNIVERSITY

Direct Costs Policy: Allowable and Unallowable Costs

Policy Number: RA-014

Classification: Research

Responsible University Office:

Vice President for Research and Office of Sponsored Programs Administration

Version Number: 2.0

Effective Date: July 1, 2014

1.0 INTRODUCTION

Saint Louis University conducts a significant level of research and training that is sponsored by the federal government. The government generally supplies the recipient of a federal grant or contract with the funds necessary to cover the expenditures directly associated with a project. In addition, the sponsors will reimburse the institution for the indirect expenditures necessary to create and maintain the environment in which the research is conducted.

There are other expenditures, however, that the federal government deems inappropriate and will not reimburse; the government refers to these categories of costs as *unallowable*. These categories are identified by the government's Office of Management and Budget in Circular A-81. It is the university's responsibility to maintain an accounting system that clearly identifies and segregates unallowable cost categories so that they will be excluded from the university's proposals for cost reimbursement. In order to accomplish this, schools and departments should identify unallowable costs by using appropriate natural account codes on transactions.

Please note that the term *unallowable* is defined by the federal government and is for the purpose of complying with federal costing regulations only. The University's goal is to comply with appropriate federal regulations while supporting departmental management and control of university accounts.

2.0 PURPOSE

This policy is designed to ensure that costs recorded to sponsored programs at Saint Louis University are compliant with federal regulations and cost accounting standards.

3.0 SCOPE

This policy is applicable to all sponsored programs and clinical trials at all schools/colleges and departments at Saint Louis University.

4.0 DEFINITIONS

See "Definitions Relating To Sponsored Projects At Saint Louis University."

5.0 POLICY

5.1 To ensure all costs recorded on an award are allowable, the accounting treatment of costs for sponsored awards must be consistent with generally accepted accounting principles. The University must use a general ledger account on all transactions that reflects the true nature of the transaction.

5.2 Transactions for sponsored awards should be authorized and recorded by skilled, trained staff with appropriate authorization to record costs to the related funds.

5.3 Only allowable costs are to be charged to the funds of sponsored activities.

5.4 Allowable costs for Saint Louis University are consistent with the allowability rules promulgated in OMB Circular A-81:

A. For costs to be allowable they must be:

1. Reasonable
 - a. Prudent business person would make the same decision in like circumstances
 - b. Timely
 - c. Can benefit the award in time remaining (costs incurred in the last 90 days can be questioned)
 - d. Necessary
 - e. Arms-length transaction
2. Shows due prudence to all constituencies
3. Allocable
 - a. Assignable in accordance of the relative benefit to the award
 - b. Necessary
 - i. Required for this specific award
 - c. If the cost is allocable to a specific award
 - i. It cannot be shifted to another
4. Consistent treatment
 - a. As direct or indirect
 - b. Regardless whether the funding source is internal or external
5. Conforms to limitations in the specific agreement, related regulations or Laws.

5.5 PI Approval

For costs to be allowable for a specific award, the Principal Investigator must indicate the allowability consistent with Federal Regulations set out in OMB Circular A-81:

A. Initial/sign and date the transaction

B. For feeder systems (like payroll, purchasing card and postage),

1. An e-mail from the PI contemporaneously dated to the start of the

- award indicating the specific award as the proper place to charge.
2. Other documentation contemporaneously dated to Saint Louis University personnel requesting the service be started and charged to the specific fund.

5.6 Unallowable Costs (*Direct or Indirect costs*)

Unallowable costs must be identified and excluded from any billing, claim, or proposal submitted to the federal government. Unallowable costs must be classified using the appropriate expense account to meet the federal CAS 505 accounting standard.

The following examples of unallowable costs cannot be charged to federal sponsored agreements either as a direct cost or as part of the F&A rate.

- Alcoholic beverages
- Donations and contributions
- Fines and penalties
- Goods and services for personal use, such as automobiles
- Memberships in any civic or community organization
- Bad debt expense
- Entertainment
- First class travel
- Housing and personal living expenses for officers of the institution
- Sponsor-agreement specific unallowable costs, i.e. salary above a cap
- In addition to the specific costs listed above, the costs associated with certain activities are unallowable on sponsored agreements and must be separately accounted for in the University's Chart of Accounts.

5.7 Charging F & A costs as Direct.

When a sponsored agreement has what is considered an “**unlike circumstance**”, administrative, clerical salaries, and other administrative costs may be an allowable direct cost. An unlike circumstance requires an extensive amount of administrative or clerical support, which is **significantly greater** than the routine level of such service provided by an academic department. Office supplies is another cost that is normally deemed F & A unless the burden on a specific award is significantly greater than the normal volume of office supplies used for the academic department.

Departments must petition OSPA for a determination of “unlike circumstance” prior to costs being charged. OSPA and the department will compile documentation that supports the finding and include it in the funds master file.

5.8 Uncertain costs must be submitted to OSPA for a determination of allowability.

5.9 Profit or Fee

A non-Federal entity **may not earn or keep any profit** resulting from Federal financial assistance, unless expressly authorized by the terms and conditions of the Federal award, (OMB Circular A-81 §200.400 (g)). The guidance in 200.400(g) is

intended only to make this long-standing requirement explicit for purposes of accountability and oversight. It has always been true that costs under Federal awards must be reasonable, allocable and allowable. By definition, this has always excluded any additional increment for profit beyond cost.

6.0 Sanctions

Unallowable costs charged to sponsored projects will be removed from the award and charged to a non sponsored fund in the PI's home department.

APPROVAL SIGNATURES

This policy has been approved by:

Raymond C. Tait, Ph.D.

June 26, 2014

Date:

Vice President for Research
Saint Louis University

DOCUMENT HISTORY

EFFECTIVE DATE	VERSION NUMBER	MODIFICATION
December 31, 2013	1.0	New Document
July 1, 2014	2.0	Modification/Update



SAINT LOUIS UNIVERSITY

Facilities & Administrative (F&A) Indirect Costs Policy

Policy Number: RA-006

Version: 4.0

Classification: Research Administration

Effective Date: July 1, 2014

Responsible University Official: Vice President for Research

1.0 INTRODUCTION

Facilities & Administrative (also known as Indirect) costs are additional to the direct costs associated with a funded project. The Office of Management and Budget (OMB) requires that recipients of federal funds undergo a proposal and negotiated rate process with the University's cognizant agency, the Department of Health and Human Services (DHHS) on a periodic basis in order to assess the appropriate level of F&A costs to be associated with federal awards. The institutional rate that is negotiated with DHHS must be supported by audited financial statements and is intended to defray actual costs incurred by the recipient institution in the conduct of a project. OMB requires that the F&A costs that are negotiated will apply not only to federal awards, but also to projects funded by other sponsors (i.e., they expect consistency in the application of F&A rates). If a project is conducted with F&A rates that differ from those negotiated with DHHS, the rate must be managed in a systematic manner that reflects consistent administrative oversight of the applied rates. This policy describes the systems to be applied to F&A rate negotiation and implementation.

2.0 PURPOSE

This policy has been established to meet the compliance standards set forth in Office of Management and Budget (OMB) Circular A-81. These require that all costs incurred for the same purpose, (e.g., research, instruction) and in like circumstances, are treated only as either direct costs or F&A/indirect costs. Principal investigators and administrators involved in sponsored projects must understand and comply with this policy in order to ensure that costs are properly charged and meet federal costing standards. See "Definitions Relating To Sponsored Projects At Saint Louis University" for definitions of "Like" and "Unlike" Circumstances.

This policy and its associated procedures streamline the process for many routine transactions.

3.0 DEFINITIONS

See [“Definitions Relating to Sponsored Projects at Saint Louis University”](#)

4.0 RESPONSIBILITIES

Principal Investigators

Ensure the appropriateness of all charges on sponsored projects. Ensure the consistent application of direct costing practices to their federally sponsored projects with the assistance of the unit administrator, the Office of Research Development and Services (ORDS), and/or the Office of Sponsored Programs Administration (OSPA). Prepare proposal budgets, justify expenses, charge costs, and track expenses. Determine whether it is appropriate to request an F&A exception. If so, prepare the exception request and forward for review. Adjust the proposal budget as needed to accommodate the approved rate exception, or to charge full applicable F&A costs if an approval is not granted by the sponsor’s deadline.

Unit Administrator

Assist principal investigators in preparing proposal budgets, justifying expenses, charging costs and tracking expenses. Ensure consistency of charging practices within the unit, review sponsored project proposals for justification of direct costs requested, especially when costs normally charged as F&A/indirect are proposed as direct costs (e.g., computers for general use). Assign the appropriate function code for nonsponsored accounts. In conjunction with principal investigators, maintain financial records for reviews by internal or external auditors.

Department Chair/Division Head

Establish effective processes and controls that will ensure compliance with this policy. Communicate these practices to all responsible employees within the college and departments.

College Associate Dean for Research

Establish effective processes and controls that will ensure compliance with this policy. Communicate these practices to all responsible employees within the college and departments.

Director, Office of Research Development and Services

When appropriate, evaluate F&A exception requests and make recommendations to Vice President for Research. Implement tracking and reporting function for regular and strategic exceptions as outlined in procedure.

Vice President for Research

Review, assess, and approve or deny F&A exception requests.

Office of Research Development and Services (ORDS) and Office of Sponsored Programs Administration (OSPA)

Assist in interpretation of federal regulations, such as OMB Circular A-81. Develop and maintain policies and procedures in accordance with the regulations. Establish sponsored project accounts in the University's accounting system and assign the appropriate function codes. Maintain files of sponsors' published F&A policy documents. Maintain F&A rate charts. Contact principal investigators to communicate whether or not an F&A exception has been approved.

5.0 POLICY

Principal Investigators are responsible for including the appropriate full Facilities and Administrative (F&A or indirect) costs in proposals for sponsored projects funded by external entities unless an exception has been approved in advance. Typically, these are the rates negotiated with the Department of Health and Human Services (DHHS), based upon analysis of facilities and administrative costs incurred in the conduct of research. In no case should investigators and/or the associated department staff agree to a rate that differs from the negotiated institutional rate.

Sponsored Programs Administration (SPA) sets F&A rates with the federal government based on formulas and negotiation processes set form in OMB A-81. Principal Investigators (a) must use the federally approved rates for all sponsored projects, unless they meet the criteria for an exception to policy that has been granted in advance of proposal submission; and (b) may not offer or promise a reduced rate to a Sponsor in advance of receipt of an approved exception. Principal Investigators can petition the dean for their respective schools for such F&A exceptions for an individual project. While the dean's approval is required, the Vice President for Research has final authority for decisions on such exceptions. See *Procedure for Requesting Facilities and Administrative/Indirect Cost Exceptions* for guidance. Exceptions will be granted on a case-by-case basis.

6.0 REFERENCES

ACKNOWLEDGMENT

Saint Louis University gratefully acknowledges that the policies of the University of Minnesota (UMN) have been used as models for this policy, and portions of UMN's policies have been adapted for this policy with the permission of UMN.

APPENDICES/RESOURCES/FORMS

- [Definitions Relating To Sponsored Projects at Saint Louis University.](#)

- [Direct Costs Policy: Allowable and Unallowable Costs, Policy Number RA-014](#)
- [Procedures for Determination of Facilities and Administrative/Indirect Cost Rates](#)
- [Procedure for Requesting Facilities and Administrative/Indirect Cost Exceptions](#)
- [Form for Requesting Facilities and Administrative Cost Exceptions](#)
- [Procedure for Determining Allowable Facilities and Administrative \(F&A\) Rates on Outbound Subawards and Contracts \(Where SLU is the Prime Awardee and Subcontracts to an External Entity\)](#)

RELATED INFORMATION

- Administrative Policy: [Cost Sharing, Matching, and In-Kind Contributions on Sponsored Projects](#)
- Federal Office of Management and Budget [Circular A-81](#)

APPROVAL SIGNATURE

This policy was approved by:

Raymond C. Tait, Ph.D.

June 26, 2014

Vice President for Research
Saint Louis University

Date

REVISION HISTORY

EFFECTIVE DATE	VERSION NUMBER	MODIFICATION
08/04/08	1.0	New Document
08/09/2010	2.0	Revision
09/07/2012	3.0	Revision
07/01/2014	4.0	Revision



SAINT LOUIS UNIVERSITY

Procedure for Determination of Facilities and Administrative/Indirect Cost Rates

Procedure Number: PRA-01

Version Number: 1.0

Classification: Research

Effective Date: July 1, 2014

Responsible University Office: Vice President for Research

PROCEDURE

Determination of F&A rate

Facilities and administration (F&A/indirect) rates are based on audits of actual University expenses and then are negotiated with the Department of Health and Human Services (DHHS). Different rates are applied to different categories of sponsored activities. DHHS expects that the University will use similar rates for both federal and non-federal sponsored program activities, unless a specified exception process is followed.

Assignment of the correct F&A rate depends on correct classification of the type of program for which an award is sought. Award classifications are based on the function described in the scope of work. Three classifications exist: Research and Development (R&D), Instruction, and Public Service/Other Institutional Activities (Other). These three categories cover all types of sponsored programs—no other F & A categories exist.

Typically, federal agencies designate the function of the funds that they award in the program announcement with a specific assignment related to the Catalog of Domestic Assistance (CFDA—see [http:// www.CFDA.gov](http://www.CFDA.gov)). The University classifies awards it receives so that they are consistent with the designation of the CFDA under which the funds have been awarded.

Some funding announcements, however, may not have an assigned CFDA. When the funds do not have a CFDA assigned, or the program announcement is not clear, the program classification is based on the following criteria,

- If the scope of work to be performed is Research and Development in nature, then the designation is R & D,
- If the scope of work to be performed is instruction in nature, then the designation is instruction.
- Any activities that do not meet the criteria above are designated other.
- If the function in the scope of work is unclear, or uncertain, the default function is R & D.

Federally-Negotiated F&A Rates

:

RATE APPLIES TO	ON-CAMPUS	OFF-CAMPUS	EFFECTIVE PERIOD
Organized Research (Incl. federally-sponsored clinical trials)	51.5% MTDC	26.0% MTDC	7/01/2013- 6/30/2015
Instruction (Including Title IV-E)	45.0% MTDC	26.0% MTDC	7/01/2013- 6/30/2015
Other Sponsored Activities	27.5% MTDC	26.0% MTDC	7/01/2013 – 6/30/2015

Under new federal regulations for Federal research proposals, voluntary committed cost sharing (e.g., charging an F&A rate lower than the designated rate) is not expected or allowed. Further, it cannot be used as a factor during the merit review of applications or proposals, but may be considered if it is both in accordance with Federal awarding agency regulations and specified in a notice of funding opportunity (OMB Circular A-81).

Other Sponsor-Established Rates

The link below includes rates that have already been approved by OSPA for use in sponsored projects' proposals and awards. It is not necessary to use the F&A exception/reduction process to use one of these pre-approved rates. This includes many but not necessarily all approved other sponsor rates. For questions regarding rates for other specific sponsors, contact OSPA.

https://docs.google.com/a/slu.edu/document/d/1O82W9rD_AWwkOYrd_98QFH-jG4qUcPFbtg4ZPkdkC1U/edit

For those agencies and non-profits that have a **written** policy posted that broadly limits indirect costs that are allowed and/or in the case of a Congressional Act that limits indirect costs, the University will accept the maximum allowed under that policy/Act. Please furnish evidence (e.g., a copy of the agency web page citing the rate, a copy of the agency published guidelines, a letter from the grants office at the sponsor, a reference to the applicable Act) to OSPA.

If the University determines that the agency or sponsor who has asserted a published lower rate is actually paying other grantees their full rate, the University will rescind the reduction, and collect full F&A for the Project. In addition, the entity may be subject to additional monitoring.

Exceptions are not granted to for-profit sponsors, as these entities are expected to pay full F&A.

Industry-Funded Clinical Trials

RATE APPLIES TO:	ON-CAMPUS	OFF-CAMPUS	EFFECTIVE PERIOD
Industry-Funded Clinical Trials	35.0% TDC	35.0% TDC	07/01/2014 – 6/30/2015

APPROVAL SIGNATURES

This procedure has been approved by:

Raymond C. Tait, Ph.D.

June 26, 2014

Vice President for Research
Saint Louis University

Date:

DOCUMENT HISTORY

EFFECTIVE DATE	VERSION NUMBER	MODIFICATION
July 1, 2014	1.0	New Document



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

_____ Date:

Vice President for Research
Saint Louis University

DOCUMENT HISTORY

EFFECTIVE DATE	VERSION NUMBER	MODIFICATION
July 1, 2014	1.0	New Document

Request for Exception to [Facilities and Administrative \(Indirect Costs\) Rate Form](#)

Please refer to "Facilities and Administrative/Indirect Cost Policy {RA-006},"

"Procedures for Requesting Facilities and Administrative (Indirect) Costs Exceptions" and "Cost Sharing Policy" prior to completing this form.

Principal Investigator:	
Department:	
School/College:	
Proposal Title:	
Sponsor Name:	
If Subcontract, Prime Sponsor Name:	
Proposal Deadline/Due Date:	
Anticipated Project Start/End Dates:	

Exception Calculation:

Total Direct Costs:	
Exclusions from F&A:	
Total Base:	
F&A @ full IDC Rate (See PRA-01 for appropriate rate)	
F&A @ reduced rate: (_____ %)	
Amount of Exception Requested:	

Reason/Justification for this request:

Please indicate below the reasons the University should consider approval of this request, and explain how the project will benefit from the reduction. Please see 'Procedure for Requesting Facilities and Administrative (Indirect Cost) Exceptions' policy for acceptable and unacceptable reasons. Use additional sheets if necessary.

Instructions: Fill out the form completely. Obtain Department Chair and Dean signatures and dates. Forward to the Vice President for Research for final decision. Upload completed, signed form into eRS five (5) days prior to submission deadline.

Chair Signature	Date	Dean Signature	Date
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Vice President, Research Signature	Approved: ___ Denied: ___	Date
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SAINT LOUIS UNIVERSITY

Procedure for Determining Allowable Facilities and Administrative (F&A) Rates on Outbound Subawards and Contracts (Where SLU is the Prime Awardee and Subcontracts to an External Entity)

Procedure Number: PRA-03

Classification: Research

Responsible University Office: Vice President for Research

Version Number: 1.0

Effective Date: July 1, 2014

PROCEDURE

The University typically requires a current Facilities and Administration Rate agreement to be in place in order for a subawardee to be reimbursed for F & A costs on a subagreement, subaward, or subcontract.

Non Profit Awardees

When a non-profit subawardee has a negotiated F&A rate with the federal government, that entity may charge their full, approved rate on a subcontract with SLU, as long as this is allowed by the sponsor and SLU is also receiving its full F&A rate.

In a case where the University has a non-profit subawardee that requests indirect costs but has no official negotiated rate agreement with a federal agency, the University may deem it appropriate to pay a maximum of 10% of MTDC to that subawardee for F & A costs. A sound business reason should exist and the request must be submitted to the Director of the Office of Research Development and Services (ORDS) and approved by the Vice President for Research. The entity may not charge the award for items included in F & A (office supplies, accounting fees, copies, administrative salaries, etc...) and recover F&A on those items.

For- Profit Awardees

The University generally will require for-profit awardees to have a current Facilities and Administration Rate agreement before it will agree to pay F & A recovery on an outgoing award. Evidence of this agreement should be provided to ORDS. In the absence of such agreement, SLU will not pay F&A (AKA overhead) to a for-profit entity.

It some cases, it may make business sense for the University to agree to pay for-profit entities F&A recovery. This may be appropriate:

- due to the nature of the work,
- because of alignment with the mission of the University, or
- for basic equity due to requirements contained in the scope of work.

Where deemed appropriate, the University may reimburse "For-Profit" subawardees without a negotiated rate for Facilities and Administration costs a default rate of 10% Modified Total Direct Costs (MTDC). The request must be submitted to the Director of ORDS and approved by the Vice President for Research. The entity may not charge the award for items included in F & A (office supplies, accounting fees, copies, administrative salaries, etc...) and recover F&A on those items.

For-Profit Hospitals

For-Profit hospitals may submit their most recent Medicaid report to ORDS for an appropriate rate to be determined and paid.

APPROVAL SIGNATURES

This procedure has been approved by:

Raymond C. Tait, Ph.D.

June 26, 2014

Vice President for Research
Saint Louis University

Date

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