

**University of Pennsylvania  
School of Medicine**

**Procedures for Establishing Facilities and Administrative (F&A) Costs in a  
Sponsored Project Proposal**

**PURPOSE**

To establish procedures for setting the level of Facilities and Administrative (F&A or indirect) cost recovery in the budgets of sponsored project proposals and to ensure that departments, centers and institutes maintain the highest possible F&A recovery in the conduct of their research space.

**POLICY STATEMENT**

- University Financial Policy Number 2116 – Facilities and Administrative (F&A) Costs  
<http://www.finance.upenn.edu/fpm/2100/2116.asp>

Quarterly reviews will occur at which point the department may be required to transfer an amount equal to or a portion of the F&A rate that falls below the 20% minimum required.

**REASON FOR PROCEDURE**

To ensure that the School of Medicine receives appropriate compensation for the facilities and administrative costs associated with sponsored projects and that a procedure is in place to consider requests for exceptions to the general rules.

**WHO SHOULD KNOW THIS PROCEDURE**

- Dean's Staff
- Department Chairs
- Center and Institute Directors
- Departmental Administrators
- School of Medicine Faculty
- Principal Investigators
- Office of Human Research
- Office of Research Support Services
- Office of Sponsored Program Services
- University Research Services

## **GENERAL INSTRUCTIONS**

### **Excerpt from University Financial Policy # 2116:**

1. The policy of the University is to charge all sponsored projects F&A costs at the current federally approved rate. The only exceptions to this policy are as follows:
  - A. Awards for sponsors who have a stated policy of awarding funds with an F&A cost at other than the negotiated rate, e.g., foundations and charitable organizations;
  - B. Clinical trials of drugs and devices; and
  - C. Other awards which have been specifically approved by the dean/director of the cognizant school/center at an F&A cost rate other than the negotiated rate.
2. All waivers of F&A cost recovery on sponsored projects must be approved by the cognizant dean/resource center director. Waivers or reductions of \$25,000 or more in F&A cost recovery for sponsors which normally accept the negotiated rate must additionally be approved by the Vice Provost for Research or the Vice President for Finance, or their designees, prior to acceptance of the award.

### **School of Medicine Application of University Policy #2116:**

1. The School of Medicine follows the University's F&A cost recovery policies in all respects.
2. Subject to the approval of the sponsor, proposals to non-federal sponsors which do not permit full reimbursement of F&A cost recovery, should include among the direct costs of the project, items of costs that are typically considered among the "indirect" costs of grants which provide full F&A recovery (e.g., administrative salary support and administrative supplies, rental space).
3. The School will normally decline awards for which the sponsor's policies preclude minimum reimbursement of F&A cost recovery currently defined as 20%. As an alternative, the School will require departments, centers and institutes to reimburse the School for F&A costs not reimbursed by the sponsor. .

## **GUIDELINES**

THE SCHOOL HAS ESTABLISHED GUIDELINES FOR WHEN SUBVENTION OF F&A COST RECOVERY BY THE SCHOOL WOULD BE APPROVED

### **Assistant Professors (Standing Faculty)**

1. While at the rank of Assistant Professor, the School will allow an unlimited number of submissions to foundations and/or charitable organizations and will subvent the minimum F&A recovery (20%) on those submissions under the condition that the principal investigator will request salary commensurate with the level of effort devoted to the project.
2. In addition, a waiver of salary support will be permitted if the sponsor policy specifically prohibits salary and benefits for the principal investigator, for one award per faculty member during the time they are in the rank of Assistant Professor.

### **Professors and Associate Professors (Standing Faculty)**

1. The School will grant exceptions for the minimum required F&A recovery (20%) from a foundation or charitable organization for one active award at a time per faculty member provided that the principal investigator requests salary support commensurate with the level of effort devoted to the project.
2. If the sponsor does not allow salary and benefits for the principal investigator and the department still wishes to submit the proposal, the principal investigator and/or the department will be expected to provide salary coverage commensurate with the level of effort devoted to the project.
3. Additional awards from a foundation or charitable organization that do not meet the minimum F&A recovery rate (20%) will be at the expense of the principal investigator and/or the department.

### **Non-Standing Faculty (all ranks)**

1. The School will not subvent the minimum F&A cost recovery on any proposal submissions. Exceptions will include career development awards, fellowship awards, and training awards.

## **PROCEDURES FOR ROUTING, REVIEW, AND APPROVAL OF PROPOSALS**

The Departments will be expected to manage this process using the following guidelines.

1. As long as a proposal meets the above guidelines, neither a subvention request nor a letter of justification is required.
2. In those instances where a proposal falls outside of the above guidelines and the department wishes to request a subvention of the minimum F&A recovery rate, a completed F&A Subvention Request Form must accompany the proposal transmittal form and application at the time the proposal is routed to the Office of Research Support Services. The form must be reviewed and counter-signed by the chair of the administering department.
3. The review of the subvention request will occur at the time of submission only if this is requested by the administering department and the request is received ten (10) days before the receipt date of the proposal to the sponsor. In all other instances, it will occur prior to a potential award or when the principal investigator receives notification that an award is likely to be made. Departments should be prepared to absorb the F&A cost recovery if a subvention request is denied.
4. If F&A costs fall below the minimum established rate and costs that typically are considered "indirect" costs of the project (e.g. administrative salaries and administrative supplies, rental costs) are included among the direct costs of the project, the department, center or institute must make arrangements through School of Medicine Finance to transfer those funds to the School of Medicine's General Operating Fund.

## **PROCEDURES FOR SCHOOL OF MEDICINE ADMINISTRATION IN RESPONSE TO A SUBVENTION REQUEST FORM, AFTER NOTIFICATION THAT AN AWARD IS TO BE MADE**

- A. The request is first subjected to a financial review, taking into account the following considerations:
  - the F&A costs that will be incurred by the School of Medicine related to the project, including University allocated costs;
  - the savings, if any, of direct costs to the School that would result from the sponsored project award;
  - the overall impact on the School of Medicine's General Operating Budget.

- the existing sponsored program portfolio and indirect cost recovery of the principal investigator;
- discretionary funds available to the principal investigator;
- departmental discretionary funds;
- departmental sponsored program F&A effective rate

B. Upon completion of the financial review, the Dean's designee will attempt to arrange for the requisite level of reimbursement of F&A costs to the School through the following steps:

- Discussion between the Dean's designee and the principal investigator and/or the business administrator to explore possible alternative solutions (e.g., charging F&A costs as direct costs to the project or departmental contribution); and/or
- Discussion between the Dean's designee and the sponsor, or the principal investigator and the sponsor, to negotiate for appropriate F&A reimbursement

C. In the event that these discussions do not result in the requisite level of reimbursement of F&A costs to the School, a programmatic review will be conducted as follows:

- The Vice Dean for Research and Research Training and/or other School officials, as appropriate, will prioritize the research program request and needs in concert with the School's strategic plan.
- The result of the financial review will be communicated to the Vice Dean for Research and Research Training, and, in concert with the programmatic review, be used to formulate a decision on the request for the School's subvention of F&A costs.

D. The outcome of the review may include the following:

- Denial of the request for School subvention of the F&A costs (or non-acceptance of the formal F&A rate of a foundation or charitable organization)
- Approval of some or all of the request for subvention of the F&A costs
- Acceptance of the sponsor's F&A cost recovery rate, accompanied by a requirement that items of costs that typically are considered to be "indirect" costs of the project (e.g. administrative salaries and administrative supplies, rental space) be built into the direct costs of the project
- Acceptance of the sponsor's F&A cost recovery rate, accompanied by a requirement that the department, center

or institute reimburse the School's General Operating Fund for the F&A costs.

**CONTACTS**

**Vice Dean Administration and Finance  
School of Medicine Administration**

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**Vice Dean for Research and Research Training**

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**Executive Director Office of Research Support Services  
School of Medicine Administration**

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**Executive Director Finance  
School of Medicine Administration**

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School of Medicine  
Facilities and Administration (F&A)  
Subvention Request Form

Principal Investigator: \_\_\_\_\_  
Rank: \_\_\_\_\_ Track: \_\_\_\_\_  
Administering Department and ORG: \_\_\_\_\_  
If awarded Anticipated Project Period: \_\_\_\_\_ through: \_\_\_\_\_

Please complete the following information:

Does the sponsor provide any F&A cost recovery? Yes  What is the rate? \_\_\_\_\_  
No   
Does the proposal include salary support for PI? Yes  Amount \_\_\_\_\_  
No   
Is the salary support commensurate with the level of PI effort? Yes  No   
Effort Amount \_\_\_\_\_

Please provide the following information:

The existing sponsored program portfolio and indirect cost recovery of the Principal Investigator;  
Discretionary funds available to the principal investigator; (e.g., gifts, endowments, tech transfer, special purpose, etc.)  
Departmental discretionary funds; and  
Departmental sponsored program F&A effective rate

Justification for Subvention Request:

The below signatures indicate awareness that the Dean's approval on the transmittal form at the time of proposal submission does not signify an approval of the sponsor's F&A rate unless the subvention was approved at the time of submission. If the administering department did not request the review of subvention at the time of proposal submission, the subvention request will be reviewed prior to a potential award being made. The department accepts full responsibility for the F&A cost recovery if the subvention request is denied.

Approvals:

Principal Investigator: \_\_\_\_\_ Date: \_\_\_\_\_  
Administering Department Business Administrator: \_\_\_\_\_ Date: \_\_\_\_\_  
Department Chair: \_\_\_\_\_ Date: \_\_\_\_\_

School of Medicine Review:

Subvention Request: Approved: \_\_\_\_\_ Date: \_\_\_\_\_  
Denied: \_\_\_\_\_ Date: \_\_\_\_\_