

University of Pennsylvania
Perelman 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 being submitted to external sponsors and to ensure that departments, centers and institutes maintain the highest possible F&A recovery.

DEFINITION OF FACILITIES & ADMINISTRATIVE (F&A) COSTS

The total costs of a sponsored project include (a) those directly attributable to its performance, e.g., salaries of project personnel, supplies, materials, services, equipment and travel, and (b) F&A costs, e.g., use and depreciation of buildings and equipment, utilities, administration and libraries. These latter costs are recovered through the application of an F&A cost rate, calculated in accordance with the cost principles set forth in 200 CFR Subpart E (Cost Principles).

To prevent inequity to federal sponsors when non-federal sponsors impose limitations on F&A reimbursement, OMB rules require that a university calculate its F&A rate by allocating F&A costs across **all** research, not just federally-sponsored research. This results in research rates which represent the cost of conducting all sponsored research and ensures that the federal government does not subsidize the F&A costs for research sponsored by non-federal sponsors.

UNIVERSITY POLICY REFERENCES

- University Financial Policy Number 2116 – Facilities and Administrative (F&A) Costs
<http://www.finance.upenn.edu/fpm/2100/2116.asp>
- University Financial Policy Number 2117 – Facilities and Administrative (F&A) Cost Rate Proposal
<http://www.finance.upenn.edu/fpm/2100/2117.asp>
- University Financial Policy Number 2118 – Negotiation of F&A Cost & Employee Benefit Rates
<http://www.finance.upenn.edu/fpm/2100/2118.asp>

The University negotiates with the Federal Government F&A cost rates for the following categories:

a. Research (on and off campus)

On-Campus rates are used for proposals where all work is done using University facilities or facilities rented by the University where rent is NOT charged as a direct cost to a sponsored project.

Off-campus rates are used when it's necessary for University personnel to be physically located at an off-campus site for a substantial period (normally 30 days or more) while engaged in the sponsored program.

If a sponsored program is being simultaneously conducted both on and off campus, separate budgets for the on and off campus work should be developed and charged accordingly (e.g., a project can have 2 fund numbers created each with the appropriate budget and corresponding F&A rate for the appropriate activity).

b. Instruction:

Includes all teaching, course and curriculum development, and academic advising and development.

c. Other Sponsored Projects

The “other sponsored programs” rate is used when the project does not meet the criteria for research or training. Typical programs are health service projects, community service programs, seminars, conferences, public exhibition, and lecture series programs.

d. DOD Contracts

Current F&A cost rates are available at: <http://www.upenn.edu/researchservices/penndata.html>

REASON FOR POLICY AND PROCEDURE

To ensure that the University and the Perelman School of Medicine receives appropriate recovery for the facilities and administrative costs associated with all sponsored projects at our current approved rates and that a procedure is in place to review requests to consider accepting a lower F&A rate.

WHO SHOULD KNOW THIS PROCEDURE

- Department Chairs, Center and Institute Directors
- Department Business Administrators and Grant Managers
- Penn Center for Innovation (PCI)
- Principal Investigators, Clinical Research Coordinators and Project Managers
- PSOM Office of Clinical Research (OCR)
- PSOM Office of Research Support Services (ORSS)
- University Office of Research Services (ORS)

GENERAL INSTRUCTIONS

1. It is the policy of the University to charge all sponsored projects F&A costs at the appropriate federally approved rate. There are three scenarios where the F&A rate is charged at a rate other than the federally approved rate:
 - a.** Awards from *not* for profit sponsors which have a stated published policy of awarding funds with an F&A rate at other than the negotiated rate, e.g., foundations and charitable organizations.
 - b.** Industry (for profit) funded (investigator and industry initiated) clinical trials of drugs and devices¹ - current F&A rate of 35%.

¹ “Clinical trials” are defined as a research study in which one or more human subjects are prospectively assigned to one or more interventions (which may include placebo or other control) to evaluate the

submitted to the Executive Director of ORSS for review.

6. If this path is being pursued, the Penn budget negotiator must ensure that the sponsor has been informed that the proposed budget requires an exception to university F&A policy and thus is subject to review and approval of PSOM leadership. In addition, the request must be submitted, reviewed and adjudicated prior to sponsor deadlines and/or contract approvals.

7. Review Process:

The proposal along with the requested budget must be submitted to the Executive Director of ORSS. Requests must include (a) the requested F&A rate, (b) amount in dollars that would be incurred if the reduction is approved, (c) a summary of the efforts to negotiate the budget, (d) a justification for the request and a completed F&A Reduction Request Form signed by the PI, BA, and the Department Chair.

8. When reviewing requests for a reduction in F&A, consideration will be given to the following:
 - a. the loss in F&A that will be incurred
 - b. the savings, if any, of direct costs to the School that would result from the sponsored project award
 - c. the overall impact on the School of Medicine's General Operating Budget.
 - d. the existing sponsored program portfolio and indirect cost recovery of the PI
 - e. discretionary funds available to the PI and the Department;
 - f. departmental sponsored program F&A effective rate
 - g. incurring more than normal compliance burden, risk, and administrative burden
9. 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:
 - a. Discussion between the Dean's designee and the PI and/or the BA to explore viable alternative solutions (e.g., charging F&A costs as direct costs to the project or departmental contribution);

As a rule, if the F&A costs fall below the established F&A rate and costs that typically are considered "indirect" costs of the project have been included among the direct costs of the project, but still fall below the established rate, the expectation is that the department, center or institute will be required to provide those funds to make up the difference. To execute this ORSS will complete a journal to transfer those funds from the department or the PI to the Perelman School of Medicine's General Operating Fund.

- b. Discussion between the Dean's designee and the sponsor, or the PI and the sponsor, to negotiate further for appropriate F&A reimbursement
10. It is an expectation that if a request is denied by the Dean or his/her designee or was not submitted for review, the Departments will absorb the F&A cost recovery.

SUMMARY

Keep in mind that the Perelman School of Medicine understands the importance of working and partnering with our industry sponsors to enhance our research mission and bring the research endeavors of our faculty to its highest potential. However, there are real facility and administrative costs the School must cover in the execution of all grants, regardless of funding source. The University engages in a very lengthy negotiation process with the federal government for our F&A rates and acceptance of lower rates from for profit industry for the same costs that the federal government reimburses us, compromises that process and can jeopardize future negotiations.

CONTACTS

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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: _____