



POLICY STATEMENT

OCG Policy Statement Title: Indirect Cost (F&A) Waivers and Reductions

Functional Area: Research Administration

Related Policy:	CRS 24-113-104; CU Boulder Indirect Cost Rate Agreement; Indirect Cost Recovery Policy Statement; Indirect Cost Recovery Procedural Statement
Effective Date:	August 15, 2018
Approved by:	Terri Fiez
Responsible Office:	Research and Innovation Office

I. BACKGROUND

Facilities and Administrative Costs (F&A), also commonly known as Indirect Costs, are real costs to CU Boulder for implementing sponsored projects. The F&A recovery pool covers expenses such as utilities and other space costs associated with the labs and offices needed to conduct a project and the administrative staff and systems needed to manage projects. If CU Boulder agrees to conduct a project without charging full F&A costs, the campus is subsidizing that project. The F&A rate is established by the federal government through a formal review and negotiation process.

This policy describes CU Boulder's expectations for full Indirect cost recovery on extramurally funded projects and the process for requesting a reduction in the rate identified in the [federally negotiated rate agreement](#).

II. DEFINITIONS

- A. Contract:** A mechanism for procurement of a product or service with specific obligation for both sponsor and recipient. Typically the topics, scope, budget, and performance period of the work are specified in detail by the sponsor. There is little, if any, latitude to modify scope of activities and expenditure. Sponsor approval is typically required for any such changes. The outcome is often a tangible deliverable.
- B. Cooperative Agreement:** A legal instrument of financial assistance between a Federal awarding agency or pass-through entity and a non-Federal entity. Both Grants and Cooperative Agreements are instruments that transfer anything of value from the Federal awarding agency or pass-through entity to the non-Federal entity to carry out a public purpose, however, the Cooperative Agreement provides for substantial involvement by the sponsor in carrying out the activity of the award.
- C. Direct Costs:** Direct costs are costs that can be readily or easily allocated to a funded project. These costs include, among others, materials and supplies needed to carry out the project; salaries and fringe benefits for faculty, graduate students, postdocs, research assistants, and other project personnel; project travel; and others.
- D. Facilities and Administrative (F&A) Costs:** F&A costs (also known as Indirect Costs, IDC, or overhead) are defined as "those (costs) 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." Office of Management and Budget Circular 2 CFR 200, Appendix III to Part 200, Section A.
- E. F&A Rate Agreement:** F&A costs are negotiated with the Federal government in accordance with guidelines set forth in Appendix III to 2 CFR 200. CU Boulder recovers F&A as a percentage of some or all of the direct cost expenses of funded projects.

- F. Federal Flow-Through:** A sponsored activity that is funded, in total or in part, by a federal agency.
- G. Federal Provisions:** Federal law or federal agency administrative policy.
- H. Grant:** An award of financial or other assistance to the grantee institution to accomplish a public purpose. The project is conceived and details are defined by the investigator at the grantee institution. The sponsor is not significantly involved in the conduct of the project. The investigator retains scientific freedom.
- I. IPA (Intergovernmental Personnel Act):** IPAs are agreements in accordance with the *Intergovernmental Personnel Act* that involve the retention of employment appointments of CU Boulder personnel during a period of time s/he may be physically working at the facility of a federal entity on a temporary assignment. During the period of performance of an IPA CU Boulder is responsible to maintain various administrative functions on behalf of the employee including, but not limited to, negotiating and administering the agreement as a sponsored project, performing payroll and benefits functions, and in some cases facilitating travel arrangements and course coverage. The Indirect Cost (F&A) rate on IPAs is generally mandated by the sponsor.
- J. Reduction (also known as F&A Reduction):** Institutional agreement that CU Boulder will charge F&A costs at a rate lower than the federally negotiated rate agreement stipulates.
- K. Sponsored Projects:** Externally funded activities in which a formal written agreement (i.e. grant, contract, subaward, subcontract, etc.) is entered into by CU Boulder and by the sponsor.
- L. Student Design Projects:** Structured student design projects arising out of University offered courses where the project is funded by an external sponsor.
- M. Waiver (also known as F&A Waiver):** Institutional agreement that CU Boulder will waive or reduce our normal Indirect Costs (F&A) when a determination is made that an activity constitutes an unlike circumstance and to do so is of significant enough benefit to CU Boulder to offset the loss of Indirect Costs.

III. POLICY

CU Boulder policy requires the campus to seek full recovery of Direct and Indirect costs (F&A) except in rare situations as detailed in this policy statement. Federal and state law and regulations require that the approved F&A rate be applied consistently to all sponsored projects, and CU Boulder is scrutinized for compliance. In addition, state law and University policy require CU Boulder Principal Investigators (PIs) to perform sponsored projects on a full-cost basis unless such recovery is restricted by law or public policy, or unless a determination has been made that accepting less than full-cost recovery is in the best interests of the University. CU Boulder expects that F&A costs will be recovered to the maximum extent possible. F&A reduction requests are required if the PI, sponsor, or others related to the project request an F&A rate other than CU Boulder's federally negotiated rate and there is no sponsor published guidelines indicating the required use of a lesser rate.

Failure to recover allowable direct and F&A costs jeopardizes the negotiation of the federally approved rate agreement and reduces CU Boulder's fiscal capacity to perform sponsored research and to support faculty scholarship and artistry. Documentation of all F&A reductions is required to ensure CU Boulder has reviewed requests for consistency in costing proposals. The decision and authority to approve F&A reduction requests is held by CU Boulder's Vice Chancellor for Research or his/her designee.

IV. Case-by-Case F&A Reduction and Waiver Requests

Case-by-Case F&A Reductions or Waivers are granted only under exceptional circumstances. PIs must complete an [Indirect Cost Reduction or Waiver Request form](#) and provide it to the appropriate Proposal Analyst a minimum of 10 business days before the published submission deadline for a

proposal. Please refer to the Indirect [Cost \(F&A\) Reduction and Waiver Procedural Statement](#) for instructions.

F&A reduction requests are generally **not** considered in the following circumstances:

- Sponsor is providing Federal flow-through funds, regardless of whether such funds are flowed through state government, local government, industry, etc.
- Sponsor is a for-profit entity, including those in which the project has a financial interest in the entity.
- Sponsor is a foreign government, including organizations funded by a foreign government

If an existing project has an approved F&A reduction in place, and additional **non-competing** funding (i.e. supplement or renewal) provided by the sponsor exceeds 25% of the original award amount, then a new reduction request must be submitted. All **competing** continuation/supplemental/renewal funding will require a new reduction request.

If F&A is reduced on a project per a case-by-case F&A Reduction or Waiver Request, all associated project unit(s) will forgo any indirect costs that might otherwise be returned to the unit(s).

V. Pre-approved Reductions

- Student Design Projects have been granted a pre-approved reduction in the Indirect Cost rate to be assessed as long as all criteria on the approved Memorandum of Understanding have been met.
- Indirect Costs are automatically waived for all *Rate Based* Service Agreements.
- Requests for waivers or reductions on grants of less than \$15K will be automatically approved if all of the following conditions are present:
 - The unit Chair/Director supports the request in writing to the Office of Contracts and Grants and
 - The request is **not** for a supplement and
 - The funds will be used solely for the support of a student or students or solely for the support of a conference
- Requests for waivers or reductions for outreach programs where the funds will be used to develop educational materials will be automatically approved if all of the following conditions are present:
 - The unit Chair/Director supports the request in writing to the Office of Contracts and Grants and
 - The request is for a pilot program and follow on programs would carry full indirect costs or is a supplement to an award that carries full indirect costs and
 - The funds available for the total project are capped at less than \$50K.

VI. 10 Business-Day Rule

Completed F&A Reduction requests must be received by the OCG Proposal Analyst at least ten (10) business days in advance of the sponsor deadline. Requests submitted after this internal deadline may not be considered.

VII. RELATED PROCEDURAL STATEMENTS, FORMS, POLICIES, & TOOLS

Indirect Cost Recovery Policy Statement

[Guidelines for DA-ICR Distribution](#)

[Current F&A rates](#)

[Understanding Facilities and Administrative \(F&A\) Costs handout](#)

[Indirect Cost Reduction or Waiver Request Form](#)

[IDC Addendum](#)

[Cost Share Addendum](#) and [Cost Share Addendum Instructions](#)

[Negotiated ICR Split Agreements](#)