



TO: Deans, Directors, Chairs and Senior Business Officials

FROM: Scott Douglass, Vice President for Finance and Treasurer  
Perry Molinoff, Vice Provost for Research  
Andrew Rudczynski, Associate Vice President for Finance

DATE: July 1, 2005

SUBJECT: University Policies on the Reimbursement of Direct and F&A Costs  
By Non-Federal Sponsors

Handwritten signatures in black ink, including "Scott Douglass", "Perry Molinoff", and "Andrew Rudczynski".

We are writing to update a previous (November 24, 2003) memorandum on this topic and to reiterate a number of policies directed at improving recovery of direct and F&A costs from sponsors not subject to the federal OMB Circular A-21 Cost Principles.

As a matter of policy, the University expects full reimbursement of all direct and Facilities & Administrative (F&A) costs associated with the conduct of sponsored research projects. Addressed below are policies applicable to a variety of non-federal sponsors

### **Commercial Sponsors**

With the exception of clinical trials, effective immediately, commercial sponsors are expected to pay the federally negotiated DOD Research Contract F&A rate (currently 59.9%). In addition, certain other costs associated with the proposal and performance of industry sponsored projects should be budgeted and charged directly to such projects. One cost that must be included is the Spouse and Dependent Tuition Benefit (2.1% of salaries). Examples of other such costs may include clerical salaries, administrative costs such as office and other general supplies, and IACUC and IRB review fees where they are an appropriate charge to the sponsored project ( see Sponsored Projects Policy No. 2138, Direct Cost Expenditures for Non-Federal Organizations).

Where a School wishes to accept a commercially sponsored project at less than the 59.9% F&A rate, it must comply with Sponsored Projects Policy No. 2116, Facilities and Administrative Costs.

### **Commercial Sponsors of Clinical Trials**

In April 2003, the University announced that a rate of 26% of total direct costs was to be used in developing budgets for clinical trials. The memorandum also reminded faculty that all appropriate costs, including minimal expected faculty effort and

corresponding salary and benefits be included. As with commercial sponsored research agreements, clinical trial proposals must include the Spouse and Dependent Tuition Benefit rate. In addition, clinical trial budgets must include non-refundable clinical trial protocol design fees if applicable, protocol review fees, and pharmacy set up fees. Other costs such as clerical salaries and office supplies necessary for the conduct of the trial should also be included.

### **Not for Profit Foundations and Associations**

Foundations and other charitable organizations often have a formal published policy of awarding funds with F&A reimbursement rate other than the federally negotiated rates. Irrespective of the organization's published policy on the F&A rate, the principal investigator must budget Spouse and Dependent Tuition Benefits, and, where permitted, allocate space costs, clerical salaries, administrative costs such as office supplies, and IRB and IACUC review fees where these are appropriate charges to the sponsored project. Sponsored Projects Policy 2138, Direct Cost Expenditures for Non-Federal Organizations describes other costs that can be included in proposals. Most of the listed costs can be attributed to the costs of performing the sponsored projects yet are not included in the minimal F&A reimbursements provided by Not for Profit Associations and Foundations.

In addition, where permitted and applicable, applicants should calculate the organization's F&A reimbursement rate against total direct costs including the full value of any sub-awards.

### **Exceptions to Full F&A Reimbursements**

Where a school wishes to accept a sponsored project at less than the appropriate federally negotiated rate (For FY2006, federal research on/off campus: 57/26 %; instruction 52%; other sponsored activities: 36%; or non-federal research on/off campus: 59.9/26%), it must comply with Sponsored Projects Policy No. 2116, Facilities and Administrative Costs.

A number of schools have already developed policies on minimal expected F&A recovery targets. The cost items enumerated in Sponsored Programs Policy No. 2138 should be used to help achieve those targets.

cc: R. Daniels  
L. Hudson  
B. Gibson