
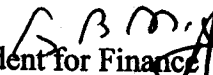
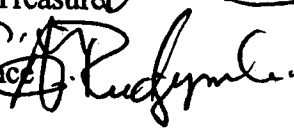


# UNIVERSITY of PENNSYLVANIA

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TO: Deans, Directors, Chairs and Senior Business Officials

FROM: Craig Carnaroli, Senior Vice President for Finance and Treasurer   
Perry Molinoff, Vice Provost for Research   
Andrew Rudczynski, Associate Vice President for Finance 

DATE: November 24, 2003

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

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 projects. Two years ago, the University undertook a study to determine the full costs of research. The results of the study demonstrated that the University is not being adequately reimbursed for the research activities it performs in conjunction with external sponsors. We are writing to remind Schools of existing policies on the reimbursement of F&A costs by sponsors and to announce new policies directed at improving the recovery of direct and F&A costs from sponsors not subject to the federal OMB Circular A-21 Cost Principles.

## Commercial Sponsors

With the exception of clinical trials, commercial sponsors are expected to pay the federally negotiated F&A research cost rate (currently 58.5%). 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 (currently 1.8% 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 Programs Policy No. 2138, Direct Cost Expenditures for Non-Federal Organizations).

Where a School wishes to accept a commercially sponsored project at less than the federally negotiated F&A research rate, it must comply with Sponsored Programs 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

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agreements, clinical trial proposals must now 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 an 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, allocated space costs, clerical salaries, administrative costs such office supplies, and IRB and IACUC review fees where these are appropriate charges to the sponsored project. Sponsored Programs Policy No. 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 subawards.

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

Where a School wishes to accept a sponsored project at less than the appropriate federally negotiated rate (research on/off campus: 58.5/26%; instruction: 49%; other sponsored activities: 36%), it must comply with Sponsored Programs 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. Barchi  
L. Hudson  
B. Gibson