



## **PROCEDURAL STATEMENT**

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

**Functional Area:** Research Administration

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<b>Related Policy:</b>	CRS 24-113-104; University of Colorado Boulder Indirect Cost Rate Agreement; Indirect Cost Recovery Policy Statement
<b>Effective Date:</b>	August 15, 2018
<b>Approved by:</b>	Terri Fiez, Vice Chancellor for Research
<b>Responsible Office:</b>	Research and Innovation Office
<b>Procedural Statement Contact:</b>	Gary Henry, Director and Assistant Vice Chancellor for Research
<b>Reviewed/Updated Date:</b>	May 5, 2021

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### **I. BACKGROUND**

University of Colorado Boulder policy requires the campus to seek full recovery of direct and indirect costs (F&A) except in rare situations as detailed in this procedural statement. Federal and state law and regulations require that the University's 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.

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 their designee.

This procedural statement outlines circumstances and procedures for mandatory and voluntary reduction or waiver of indirect costs (F&A) on sponsored projects.

### **II. MANDATORY INDIRECT COST (F&A) REDUCTIONS AND WAIVERS**

The University of Colorado Boulder will honor sponsor imposed (mandatory) F&A reductions and waivers in the following circumstances:

- By law or regulation a governmental agency limits the amount or rate of indirect costs.
- A non-profit organization has a formal written policy, consistently applied to all such awards, limiting indirect costs.
- A corporation is a prime contractor under a federal award, and the IDC rate is limited by the governmental agency.
- Rate-based Service Activity managed through a Fund 33 (only GAIR charged).

Such reductions or waivers are documented through the IDC Addendum form. If a reduced F&A rate is requested for any other reason, an IDC Waiver Request must be completed and returned to the appropriate Proposal Analyst at least 10 business days in advance of the deadline to receive full consideration.

### III. VOLUNTARY INDIRECT COST (F&A) REDUCTION AND WAIVER REQUESTS

#### A. General Information

Case-by-case, voluntary indirect cost (F&A) reductions or waivers are granted only under exceptional circumstances. Per the IDC Policy Statement, the decision and authority to approve voluntary F&A reduction requests is held by CU Boulder's Vice Chancellor for Research or his/her designee. 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).

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 proposal submission deadline.

#### B. Disallowed Requests

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

- Sponsor is a Federal entity or 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.

#### C. Review Criteria for Requests

The following criteria will be used when reviewing voluntary F&A reduction and waiver requests:

- Relation of project to and in support of university strategic initiatives
- Education and public outreach grants promoting public awareness and understanding of science and making informal contributions to science education
- Effect of a reduction in F&A to increase direct costs available for student support
- Evidence that an award would be seriously jeopardized without a reduction, and evidence of the potential effect of the loss on the PI's overall research program
- Benefit of the reduction to new or junior faculty members or in support of research efforts in new directions that otherwise might not be sufficiently developed to attract typical peer-reviewed awards
- Equity of granting the reduction when the projects of other campus researchers carry full F&A

### IV. PRE-APPROVED VOLUNTARY REDUCTIONS

The following types of projects or agreements are pre-approved for voluntary indirect cost rate reductions and do not need to go through the waiver process.

- Student Design Projects have been granted a pre-approved reduction in the indirect cost rate as long as all criteria on the approved Memorandum of Understanding have been met.
- Rate Based Service Agreements have an automatic waiver of all indirect costs.
- Requests for waivers or reductions on sponsored projects of less than \$15,000 in direct costs will be automatically approved if all of the following conditions are present:
  - The funds will be used solely for the support of a student or students or solely for the support of a conference;
  - The unit Chair/Director supports the request in writing to the Office of Contracts and Grants; and
  - The request is **not** for a supplement.
- Requests for waivers or reductions on sponsored projects of less than \$50,000 in direct costs will be automatically approved if all of the following conditions are present:

- The funds will be used solely for outreach programs where the funds will be used to develop educational materials;
- 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.

## V. EXISTING PROJECTS WITH APPROVED REDUCTION OR WAIVER

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.

## VI. 10 BUSINESS DAYS 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 deadline may not be considered.

## VII. DEFINITIONS

- A. Direct Costs:** Direct costs are costs that can be readily or easily assigned 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, etc.; project travel; and others.
- B. Indirect Costs (F&A):** Indirect costs (also known as IDC, overhead, facilities and administrative costs, or F&A) are real costs to CU Boulder that are not readily or easily assignable to a specific funded project. Indirect costs help promote organized research at CU Boulder by providing funds for research-related expenses such as heat, light, water, electricity and custodial services in offices and laboratory spaces; occupational safety and hazardous waste removal; telecommunications; computers and internet access; and many other support services.
- C. Indirect Cost Rate Agreement:** Indirect costs are negotiated with the federal government regularly, in accordance with guidelines set forth in Appendix III to 2 CFR 200. CU Boulder recovers indirect costs as a percentage of some or all of the direct cost expenses of funded projects.

## VIII. RESOURCES

[Indirect Cost \(F&A\) Recovery Policy Statement](#)

[Application of Indirect Costs \(F&A\) on Sponsored Projects Procedural Statement](#)

[IDC on the Transfer of Existing Subawards](#)

[Indirect Cost Addendum](#)

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

[Guidelines for DA-ICR Distribution](#)

[Current F&A rates](#)

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

[CRS 24-113-104: Competition with private enterprise by institutions of higher education - rules](#)

**IX. HISTORY**

Adopted	August 15, 2018
Revised with updated format and addition of resources section, incorporated procedures from former IDC Reduction and Waiver Policy, added definitions and sections on mandatory waivers and reductions, and revised voluntary waivers and reductions section to include “voluntary” descriptor.	May 5, 2021