

## **Approval of F&A (Indirect) Cost Exception or Waiver Procedures**

**Definition of F&A Costs:** Facilities & Administrative (F&A) costs are real costs that the institution incurs in support of extramural activities but which cannot be charged as direct costs to a specific grant or contract. The costs result from shared services such as libraries, physical plant operation and maintenance, utility costs, general, departmental and sponsored projects' administrative expenses, and depreciation or use allowance for buildings and equipment. F&A costs also are sometimes called indirect costs or institutional overhead.

F&A rates for all Federal grants and contracts are negotiated on a regular schedule with our cognizant Federal audit agency, the Office of Naval Research. For more information on F&A cost policies at George Mason and how rates are determined and applied to projects, please see University Administrative Policy No.72.

**Application of F&A Rates:** It is the policy of George Mason to charge the maximum allowable federally negotiated F&A cost rate on all sponsored projects regardless of funding source unless a sponsoring agency's written policy will not allow full recovery of F&A costs. This may often apply to a not-for-profit organization. For-profit entities are always charged full F&A costs. Please see the George Mason University Table of F&A Rates <http://osp.gmu.edu/> for a current list of appropriate federally negotiated F&A rates.

If a solicitation or an agency's written guidelines specify an F&A rate less than the rate currently approved by the University, the rate is accepted as the maximum rate allowed by the funding agency. For example, certain Federal training grant program guidelines allow only an 8% F&A rate, as specified in the relevant training grant program announcement. Similarly, the American Cancer Society's (ACS) published guidelines specify that the ACS will pay only 20% on its research grant programs.

### **F&A Exception**

**Definition of F&A Exception:** George Mason University has referred to the published F&A rates of non-profit foundations which are lower than George Mason's established Federal negotiated rate as F&A Exceptions. Please note that this policy document makes a distinction between an F&A Exception and an F&A Waiver, as defined below. George Mason procedures for the two categories differ as outlined below.

**Application of F&A Exceptions:** Rates prescribed by formal written sponsor policy uniformly applied to all university grant recipients do not require F&A waivers under University policy. As noted above, George Mason accepts sponsor F&A exceptions without any special approval process as long as their rates are published and applied consistently to all university grant recipients. Therefore, F&A rates of private foundations should be considered to be pre-approved by George Mason whenever the foundation has

an *explicit published policy* limiting the amount that they will allow for F&A costs. When a sponsored project proposal is being prepared for routing for institutional signature, Principal Investigators must provide OSP with evidence of the sponsor's published rate either in the sponsor application forms or by including a copy of the sponsor's guidelines.

If a non-profit sponsor does not specify the maximum amount it will allow, or if its policy states the F&A rate as "negotiable," any application to such a program must include F&A costs at the fully negotiated rate or a waiver should be requested per the guidelines below.

Federal grant programs that have published F&A caps lower than George Mason's negotiated Federal F&A rate will be automatically approved. Thus, for Federal grant programs that have published F&A rates lower than George Mason's negotiated Federal IDC rate, it is not required to route documentation of the rate with the proposal (for example, Federal training grants with rates of 8%). If the PI or department has a copy of the program announcement or RFP, please forward it to OSP.

### **F&A Waiver**

**Definition of F&A Waiver:** An F&A waiver is an institutional agreement that F&A costs will be charged at a lower rate than the sponsor's published rate. These waivers are obtained on a case-by-case basis from the Director of the Office of Sponsored Programs and must be approved by the Vice President for Research.