

August 31, 2022

To: Contracts & Grants Officers

Subject: Indirect Cost Exception Procedures

Memo History

This RPAC Memo cancels and replaces [RPAC Memo 16-03](#).

Purpose

The purpose of this memo is to provide guidance on the University's current practices and procedures for managing indirect cost exceptions.

Background

On March 10, 2016, under Delegation of Authority DA-2254/2592, the Chief Financial Officer (CFO) delegated authority to the [Chancellors](#) and the [Vice President - Agriculture and Natural Resources \(ANR\)](#) to approve indirect cost exceptions other than (1) funding from the US federal government and (2) State of California funding below an established rate.

On August 24, 2022, the CFO expanded such delegated authority to include federal or State of California funding, received directly or indirectly, containing a documented IDC recovery restriction applicable broadly to all UC grantees. A "documented IDC recovery restriction" means a written restriction on the recovery of indirect costs broadly applicable to a sponsor's grantees, for example in a statute or regulation, a funding opportunity announcement, or a sponsor policy.

This expanded delegation of authority to campuses and ANR represents a shift from previous practice where the Office of the President (UCOP) reviewed and approved all indirect cost exceptions for federal- and California State-funded projects on behalf of the University.

Guidance

The principle that the University should make every effort to recover all costs of extramurally-funded projects is found in in the [University of California Academic Personnel Manual](#) at [APM-020](#):

"For all tests and investigations made for agencies outside the University, a charge shall be made sufficient to cover all expenses, both direct and indirect."

An approved indirect cost exception is the official authorization to accept indirect cost recovery other than what would be recovered under the appropriate federally-negotiated rate agreement or UC Rate (see #3, below) for a given award.

1. Expanded Delegation of Authority to Approve Indirect Cost Exceptions

The Chief Financial Officer delegated to the [Chancellors](#) and the [Vice President - Agriculture and Natural Resources](#) the authority to approve exceptions to certain indirect cost rates in DA-2254/2592 in 2016, and expanded such delegations in 2022.

Chancellors and the Vice President of ANR have been delegated authority to approve IDC exceptions except:

- When the sponsor is the State of California and recovery is less than 30 percent of the Modified Total Direct Cost (MTDC) as defined in UC's federally-negotiated rate agreement and there is no "documented IDC recovery restriction."
- When the sponsor is a Federal agency and there is no "documented IDC recovery restriction."
- When the sponsor is a pass-through entity issuing a subaward of federal funds to UC and there is no "documented IDC recovery restriction."

2. Verified Sponsor Policies

UCOP will continue to create and manage (with campus stakeholder input) a Verified Sponsor Policy list of sponsors whose policies limit indirect cost recovery. The sponsors listed in the VSP list have been reviewed and vetted by UCOP as having published, uniformly applied policies limiting indirect cost recovery. Inclusion of a sponsor's policy on the VSP list is prompted when a policy is verifiable and the campuses frequently submit proposals and receive awards from that sponsor. UCOP will review the VSP list on a periodic basis to ensure that it is current and reliable. RPAC will work with campuses to refine the VSP list and include additional entries as needed.

The VSP list is maintained in the indirect cost exception module of the [Research Enterprise Management System \(REMS\)](#). When applied to a specific proposal or award, the VSP identifier code should be noted in quarterly reporting in the [Corporate Sponsored Projects Information System \(SPX\)](#). There is no requirement to request a case-by-case exception when the VSP listing is applied. Campuses may use this list as part of a local expedited approval process.

3. UC Rates

UCOP has established indirect costs rates for certain classes of sponsored activities separate from federally-negotiated rates (UC Rates).

UC Rates were created in response to a recommendation in the [2012 Report](#) to "Centrally publish a set of systemwide minimum rates for specific types of projects or sponsors where

expectations for cost recovery may differ from standard practices (e.g. clinical trials, industry-sponsored research).”

UC Rates have been established for, but not limited to, the following classes of sponsored activity:

- Human Clinical Trials at a *minimum* of 26 percent of Total Direct Costs.
- Absent a VSP record to the contrary, State of California awards have a minimum IDC rate of 30 percent of the Modified Total Direct Costs (MTDC), where MTDC is as defined in UC’s federally-negotiated rate agreements.

4. Guidance and Application Changes

As of August 25, 2022, campuses are no longer required to submit IDC exception requests for California State and federal awards if the federal or state sponsor provides a documented IDC recovery restriction, as defined above. Each UC location should develop its own internal practices and procedures in accordance with DA-2254/2592 and UCOP-issued guidance. Locations may choose to document location-authorized IDC exceptions in REMS at the award stage instead of at the proposal stage.

If it wishes to, a campus or ANR may request that RPAC/UCOP consider the approval of any particular exception that normally would be reviewed and approved under the campus or ANR delegation. Such requests should be routed to the “UCOP *Review*” inbox in REMS.

Exception requests that do not fall under campus or ANR delegated authority must be routed to UCOP via the “UCOP *Special Approval*” inbox in REMS. Requests must include evidence of VCR approval. The Chief Financial Officer has delegated to the Vice President–Research and Innovation the authority to approve any indirect cost rate exception. That authority has been redelegated to the Research Policy Analysis and Coordination (RPAC) unit. To enable visibility of systemwide consistency, a report of all UCOP-approved exceptions will be made available to the Council of Vice Chancellors for Research.

RPAC will update applicable materials including Chapter 8 of the Contracts & Grants Manual, Sponsor Guidance ID 306, and RPAC’s web pages.

Contact

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A handwritten signature in black ink, appearing to read 'D. Motton', with a long horizontal flourish extending to the right.

Deborah Motton, Ph.D.
Executive Director
Research Policy Analysis & Coordination

Attachment: August 24, 2022 Letter from CFO Nathan Brostrom re: DA-2254/2592



EXECUTIVE VICE PRESIDENT-
CHIEF FINANCIAL OFFICER

OFFICE OF THE PRESIDENT
1111 Franklin Street, 6th Floor
Oakland, California 94607-5200
510/987-9029

August 24, 2022

CHANCELLORS
EXECUTIVE VICE PRESIDENT-CHIEF OPERATING OFFICER
VICE PRESIDENT-AGRICULTURE AND NATURAL RESOURCES


Delegation of Authority - Approval of Exceptions to Approved Indirect Cost Rates DA2254/2592

The authorities granted to the President under [Section 100.4 \(m\) of the Standing Orders of the Regents](#) regarding the negotiation and approval of indirect cost rates in accordance with 2 CFR 200 (successor to 2 CFR 220, and before that OMB Circular A-21), and including the authority to approve the application of an indirect cost rate other than the appropriate federally-negotiated indirect cost rate, were delegated to me on June 19, 2015 (DA 2592, attached). That delegation made explicit the same authorities that had been incorporated into my job description roles and responsibilities on March 17, 2014, superseding a similar delegation on July 13, 2010 (DA 2254), which itself superseded a delegation made on March 10, 1995 (DA 2040). This letter supersedes my previous letter dated March 10, 2016 (attached).

Within the above authority delegated to me, I hereby delegate to you the authority only to approve the application of an indirect cost rate other than the "approved indirect cost rate" in the submission and acceptance of extramural contracts and grants. The "approved indirect cost rate" is the rate determined in accordance with 2 CFR 200 and reflected in the campus rate agreement, or another UCOP-established rate. This authority is not applicable to federal or State of California funding that is received directly or indirectly where there is no documented IDC recovery restriction. A "documented IDC recovery restriction" means a written restriction on the recovery of indirect costs broadly applicable to a sponsor's grantees, for example in a statute or regulation, funding opportunity announcement, or sponsor policy.

Any such application of an indirect cost rate other than the approved rate shall be in accordance with existing policy, practice, and UCOP guidance.

This authority may be redelegated.


Nathan Brostrom
Executive Vice President
Chief Financial Officer

cc: Secretary and Chief of Staff to the Regents
Division Leaders
Universitywide Policy Office
Vice Chancellors Administration
Vice Chancellors Planning and Budget
Vice Chancellors Research



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June 19, 2015

EXECUTIVE VICE PRESIDENT--CHIEF FINANCIAL OFFICER
Delegation of Authority to Negotiate and Approve Indirect Cost Rates

Section 100.4 of the Standing Orders of the Regents, Duties of the President of the University, states that:

(m) The President is authorized to negotiate and approve indirect cost rates to be applied to contracts and grants under which the University conducts programs supported by extramural funds, provided that such negotiations shall be directed toward full recovery of indirect costs, except that the fixed payment in lieu of indirect costs under the major United States Department of Energy contracts shall be approved by the Committee on Finance. Newly approved indirect cost rates determined under the provisions of Office of Management and Budget Circular A-21, and any successor publication thereto, shall be reported to the Committee on Finance annually.

On July 15, 2010, I delegated to you the authority to negotiate and approve indirect cost rates in accordance with 2 CFR 220 (successor to OMB Circular A-21), including the authority to approve the campus requests for applying an indirect cost rate other than the federally negotiated rate (DA 2254), superseding a similar delegation made on March 10, 1995 (DA 2040). That authority was incorporated into your job description roles and responsibilities on March 17, 2014, and is now being made explicit again in this Delegation of Authority.

I hereby delegate to you the authority to negotiate and approve indirect cost rates in accordance with 2 CFR 200 (successor to 2 CFR 220, and, before that, OMB Circular A-21), including the authority to approve the application of an indirect cost rate other than the federally negotiated indirect cost rate.

Any redelegation of this authority to the Vice Presidential level and above shall be in writing with copies provided to the Secretary and Chief of Staff to The Regents.

Yours very truly,

Janet Napolitano
President

cc: Chancellors
Director, Lawrence Berkeley National Laboratory
Division Leaders
Universitywide Policy Office

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EXECUTIVE VICE PRESIDENT—
CHIEF FINANCIAL OFFICER

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1111 Franklin Street, 6th Floor
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March 10, 2016

CHANCELLORS

Delegation of Authority – Approval of Exceptions to Approved Indirect Cost Rates DA2254/2592

The authorities granted to the President under Section 100.4 of the Standing Orders of the Regents regarding the negotiation and approval of indirect cost rates in accordance with 2 CFR 200 (successor to 2 CFR 220, and before that OMB Circular A-21), and including the authority to approve the application of an indirect cost rate other than the appropriate federally-negotiated indirect cost rate, were delegated to me on June 19, 2015 (DA 2592, attached). That delegation made explicit the same authorities that had been incorporated into my job description roles and responsibilities on March 17, 2014, superseding a similar delegation on July 13, 2010 (DA 2254), which itself superseded a delegation made on March 10, 1995 (DA 2040).

Within the above authority delegated to me, I hereby delegate to you the authority only to approve the application of an indirect cost rate other than the “approved indirect cost rate” in the submission and acceptance of extramural contracts and grants. The “approved indirect cost rate” is the rate determined in accordance with 2 CFR 200 and reflected in the campus rate agreement, or another UCOP-established rate. This authority is not applicable to federal funding that is received directly or indirectly. For State of California funding, this authority is granted only for indirect cost rates above a threshold established by the Office of President, and only for funds that are not covered by 2 CFR 200.

Any such application of an indirect cost rate other than the approved rate shall be in accordance with existing policy, practice, and UCOP guidance.

This authority may be redelegated.

A handwritten signature in black ink, appearing to read "Nathan Brostrom".

Nathan Brostrom
Executive Vice President
Chief Financial Officer

cc: Secretary and Chief of Staff to the Regents
Division Leaders
Universitywide Policy Office
Vice Chancellors Administration
Vice Chancellors Planning and Budget