TITLE OF POLICY: Indirect Cost (IDC) Rates

1.0 PURPOSE

To document indirect cost (IDC) rates applicable to various sponsored programs

2.0 SCOPE

All activities administered by VHF are subject to an indirect cost rate

3.0 DEFINITIONS

Indirect Costs

Indirect costs are real expenses incurred by VHF in support of sponsored projects, but which by federal regulation cannot be charged directly to a specific grant, contract, or other sponsored agreement. Indirect costs stem from the institutional need to maintain a shared infrastructure that supports the research and scholarly activities of all investigators. Indirect costs are divided into facilities costs (e.g., building depreciation, operation and maintenance, utilities) and administrative costs (e.g., sponsored projects administration, purchasing, accounting, legal services).

Costs incurred for the same purpose must be treated consistently as either direct or indirect costs and may not be double charged.

Federal regulations governing indirect costs or F&A costs are described in 2 CFR 200. The federal indirect cost rate is negotiated periodically with VHF's cognizant agency, the Department of Health and Human Services (DHHS).

Base

The budget costs, (e.g., salary and supplies) that must be multiplied against the IDC rate to determine the indirect costs.

Modified Total Direct Costs (MTDC)

Total direct costs excluding capital expenditures (building, individual items of equipment; alterations and renovations), and that portion of each subaward in excess of the subaward exclusion threshold specified in our current negotiated indirect cost rate agreement. VHF applies

its federally negotiated F&A rate to Modified Total Direct Costs (MTDC) in accordance with 2 CFR 200 Appendix IV."

Total Direct Costs (TDC)

The sum of all expenses, without exclusions, that can be specifically and accurately traced to a particular project.

4.0 POLICY

Current F&A Rates

Indirect Cost Rates are reviewed and renewed periodically, and current rates will be posted on the VHF website. Changes to existing rates will be distributed to VHF investigators and must be incorporated into all new submissions. VHF will apply its approved rates unless a documented exception is approved by the Chief Executive Officer following a business case review that demonstrates financial viability and alignment with organizational objectives.

Competitive Renewals

To ensure that direct costs available to PIs are not adversely impacted by rate changes, awards received in response to previously submitted new or renewal proposals will, when necessary, be accepted using the IDC rate contained in the submitted proposal.

Existing Awards and their Non-Competitive Proposals

All existing awards and their associated non-competing continuation proposals will continue to use the IDC rate in effect at the time of their initial award (or most recent renewal) throughout the remainder of the award. This is necessary because governmental regulations require fixed rates over the life of a sponsored agreement and define "life" as each new competitive segment.

5.0 IDC POLICY EXCEPTION

An exception to the policy of charging full indirect costs may be granted to non-profit sponsors and governmental funding agencies with explicit, published policies that limit allowable IDC rates, provided the exception is approved by the Chief Executive Officer following a documented business case review demonstrating financial viability and alignment with organizational objectives.

Non-profit funding agencies

VHF may grant an exception to the policy of applying the full federally negotiated indirect cost rate for awards from non-profit funding agencies that maintain an explicit published policy limiting allowable indirect costs, provided such policy applies uniformly to all recipients Any such exception must be approved by the Chief Executive Officer following a documented business case review demonstrating financial viability and alignment with organizational objectives.

Governmental funding agencies

VHF may grant an exception to the policy of applying the full federally negotiated indirect cost rate for awards from governmental sponsors that do not reimburse at the maximum allowable rate, provided the agency maintains an explicit, published policy limiting the indirect cost rate that applies uniformly to all applicant organizations. Any such exception must be approved by the Chief Executive Officer following a documented business case review demonstrating financial viability and alignment with organizational objectives.

For-profit funding agencies

VHF's Board-approved indirect cost rate for industry-sponsored projects will be applied to all funding from for-profit agencies, unless a documented policy requires the use of another rate. Recovery of full indirect costs is essential to ensure that VHF is not subsidizing project-related administrative and infrastructure expenses on behalf of the sponsor. Any deviation from full cost recovery must be justified through a documented business case and approved by the CEO, demonstrating that the arrangement is financially viable and aligned with organizational objectives.

An exception may be granted only under exceptional circumstances and must be supported by a documented justification which addresses monetary, scientific, and programmatic value, and demonstrates that the overall benefit to VHF and/or the VA justifies the exception while maintaining financial viability.

An IDC exception will not be approved solely on the basis that it may increase the competitiveness of an application or because the total award amount is capped. Investigators may discuss scope of work with potential sponsors; however, they are not authorized to negotiate indirect cost rates. Any prior understanding between an investigator and a sponsor regarding indirect costs is not binding.

Investigators are expected to consider allowable alternatives for recovering administrative costs, including identifying other funding sources or appropriately budgeting such costs as direct expenses where permitted by the funding agency.

Procedure for Petitioning for an Exception of Indirect Costs:

To avoid unnecessary delays in proposal planning, the CEO or another officer may authorize the exception of any portion of eligible indirect cost recovery prior to the submission of the application. Under no circumstances shall indirect cost exceptions be considered after an award is accepted by VHF.

Considerations will include a written justification that provides:

- The amount of the exception expressed as a reduction of the applicable federally-negotiated or industry IDC rate;
- Overall project budget;
- Other available research funding for the proposing PI;
- Career stage of the PI;
- The reason for the request, including the programmatic benefits of the proposed project to the VA;

- Area of research, including whether the proposed research falls into an area of high strategic importance for VA, or if the investigator is exploring a new area of research with the intention of using the project's data for future applications through VHF;
- Funding agency's published policies regarding IDC;
- The impact on VHF of granting the IDC exception, given the anticipated complexity of the administrative requirements for managing the funding;
- Attempts to recover administrative costs by alternate means.

To allow for timely review, a petition for an IDC exception must be received by the Grants and Contracts Manager at least ten (10) working days prior to the funder's deadline.

6.0 RESPONSIBILITIES

6.1 VHF Board of Directors: The Board of Directors is responsible for establishing and approving the overall framework for indirect cost (Facilities & Administrative) rate policies to ensure alignment with federal regulations, organizational sustainability, and mission priorities.

6.2 Chief Executive Officer: The Chief Executive Officer is responsible for the implementation, administration, and enforcement of this policy and for ensuring that indirect cost practices align with federal regulations, the organization's negotiated rate agreement, and institutional financial objectives.

6.3 Grants and Contracts Manager: The Grants and Contracts Manager is responsible for the accurate preparation and review of proposal budgets to ensure that the correct indirect cost rate and base are applied in accordance with federal regulations, the organization's negotiated rate agreement, and funding agency requirements.

6.4 Controller: The Controller is responsible for ensuring that indirect costs are accurately calculated, recorded, invoiced, and monitored post-award in accordance with the terms of the award and the organization's negotiated rate agreement. The Controller will also conduct triennial review of this policy.

7.0 RELATED DOCUMENTS

A) IDC Rate Sheet

B) Extramural Research Policy

C) IDC Exception Petition