



University of California, Merced
5200 N. Lake Road
Merced, CA 95343

February 24, 2020

VICE CHANCELLOR RESEARCH AND ECONOMIC DEVELOPMENT

RE: Delegation of Authority – Approval of Exceptions to Approved Indirect Cost Rates

An 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 for a given award. Section 100.4 of the Standing Orders of the Regents provides authority to the President to negotiate and approve indirect cost rates to be applied to contracts and grants in accordance with 2 CFR 200, including the authority to approve requests for applying an indirect cost rate other than the federally negotiated rate. The President further delegated the authority to the Executive Vice President and Chief Financial Officer (CFO) through Presidential Delegation of Authority (DA) 2592 dated June 19, 2015. On March 10, 2016, the CFO re-delegated limited authority to campus Chancellors to approve exceptions in accordance with existing policy, practice, and UCOP guidance.

Effective immediately, as Chancellor and pursuant to the authority delegated to me through the March 10, 2016 letter from the CFO (referenced DA 2592), UC policy and guidelines, I delegate the following to you:

- Authority 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 with the following requirements and restrictions:
 - No exceptions may be provided for California State or Federal submissions; these exceptions continue to be reviewed by UCOP.
 - UC system-wide policies, procedures and guidelines must be used to design and implement operational procedures and appropriate controls that assure indirect cost exceptions are carried out properly.
 - Campus written process attached to this delegation must be kept current, accurate and complete to ensure compliance with policies, procedures, guidelines, separation of duties in submission and approvals, and appropriate coordination and approvals from UCOP when appropriate.
 - Campus process should highlight situations where sponsor policy dictates indirect cost rates. Campus sponsored programs office may process these types of exceptions without special approvals.
- This authority may not be re-delegated by you.
- Source of authority: Re-delegation letter from Executive Vice President and CFO dated March 10, 2016.
- This is a new delegation.

Sincerely,

Nathan Brostrom
Interim Chancellor

cc: Chief Campus Counsel, Elisabeth Gunther
Deputy Campus Ethics and Compliance Officer, Sheryl Ireland



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UC Merced Campus Process to Assure Indirect Cost Exceptions are Carried Out Properly

F&A (indirect cost) Exceptions:

UC Merced campus will typically approve an indirect cost exception for most sponsors who have formal written public policies of the F&A rate which is different from the campus federally negotiated rate. The University of California Contract and Grant Manual provides guidance on when to accept a sponsor's policy and provides specific guidance for foreign government and for-profit sponsors.

The written documentation from a sponsor must:

1. Be provided by an authorized representative of the sponsor on their letterhead, via electronic communication that confirms that the person stating the policy is authorized to do so, or in publicly available policy statement by the sponsor, such as a URL or application packet
2. Identify the F&A rate and the base which it is calculated upon (e.g. 15% of Total Cost).

If the sponsor cannot provide a written policy governing F&A, the campus federally negotiated F&A rate will be applied.

If a sponsor does not have a verified policy to justify an indirect cost exception, then, at its discretion, UC Merced may use its authority to approve a "campus determination" exception.

Factors considered a "campus determination" exception include, but are not limited to:

- small seed grants which may attract future larger awards;
- cases of hardship for a new investigator;
- awards which include contributions of major equipment, or building renovation funds;
- awards for a community relations interest vital to the campus;
- awards transferred from another campus or institution with an existing rate that is less than the negotiated federal rate, when this does not constitute prohibited, voluntary cost sharing;
- supplements for a student services activity which the campus must provide;
- other types of supplemental funding for an established campus program such as for library holdings, performances, or exhibits.

UC Merced must follow UCOP guidance on the treatment of federal and State of California exceptions. A "campus determination" may not be used to usurp regulatory, statutory, or special rules promulgated by UCOP for the review and approval of such exceptions.

Requesting an F&A Exception:

The F&A exceptions request with a full compelling explanation of the reasons for the request must be included in the proposal and submit through Cayuse to the Sponsored Projects Office at least five working days prior to the sponsor's proposal due date. The SPO Contract and Grant Officer will forward the request along an estimate of any waived F&A to the Vice Chancellor for Research for approval, before submission of the request to UCOP.



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UCOP will approve or deny the request and the Principal Investigator will be notified of the decision. Because this process could take several weeks, it is recommended that requests be forwarded to the SPO at the earliest convenient time so that proposals can be submitted to sponsors to meet the deadlines. If the request is not received by the SPO in time to process the request before the proposal must be submitted to the sponsor, the budget must reflect the applicable federally negotiated indirect cost rate. The proposal may contain a cover letter stating that an exception has been requested from the UCOP, and if approved a revised budget will be forwarded.