

**MANAGING THE DEPARTMENT OF DEFENSE
LIMITATION ON PAYMENT OF
FACILITIES AND ADMINISTRATIVE (F&A) COSTS**

THIS PROCESS APPLIES TO THE URBANA-CHAMPAIGN CAMPUS ONLY.

Effective November 14, 2007, the Department of Defense (DOD) implemented a limitation of 35% of the total award costs for payment of negotiated Facilities and Administrative (F&A, indirect) costs for “basic research” awards (grants, contracts, cooperative agreements, or other similar arrangements). This applies to awards funded from “Budget Activity 1” (i.e., 6.1 funds). The funding source may or may not be identified in the solicitation. The following information is provided as an update on how this limitation will impact operations at the University of Illinois.

A. December 6, 2007 Council of Governmental Relations (COGR) Guidance

The COGR guidance answers many questions on what awards are affected (see Attachment 1 at the end of this document).

B. Department of Defense Memorandum to DOD Departments regarding Indirect Cost Limitation for Basic Research Awards

Official DOD guidance instructs DOD personnel to include a term or condition requiring **compliance with Section 8115** in each new “basic research” award executed on or after November 14, 2007 with Federal FY2008 funds.

The limitation **applies** to:

- Prime awards executed on or after November 14, 2007
- Competitive renewals and supplements awarded on or after November 14, 2007

The limitation **does not apply** to:

- Grant continuations (renewals) executed prior to November 14, 2007
- Incremental funding of awards executed prior to November 14, 2007
- Subawards flowed down to the University

C. Proposal and Billing Process at University of Illinois, Urbana

The administration and monitoring of this limitation will be handled through these offices:

- Office of Sponsored Projects Research Administration (OSPRA) for pre-award issues
- Grants and Contracts, Post-Award for identification, monitoring, billing, close-out issues
- Departmental Units for proposal submission and unit post-award activities

Pre-Award (OSPRA)

Departmental units and Principal Investigators (PIs) will not change their process for preparing and submitting DOD proposals. If the PI or departmental business manager becomes aware that the award will be made from 6.1 funding, either through direct communication from the agency or from specific directions/language in the solicitation, they should communicate that to OSPRA by entering “6.1 funding” on the proposal transmittal form in the area where links to the solicitation are noted (i.e., “Agency RFP,#, BAA#...”). Additionally, if DOD program and awarding offices contact the

P.I. directly regarding such limitation, please refer them to OSPRA to address the issue. When 6.1 funding is identified after proposal submission and award execution, the limitation will be monitored at the post-award stage. In this case, the department may rebudget F&A costs in excess of the cap to an allowable direct cost category.

Post-Award (GCO Post-Award) and Departmental Units

GCO Post-Award and departmental units will be responsible for the oversight and monitoring of the limitation. Periodic reports will be generated by GCO, Post-Award and distributed to departmental units for review.

Upon award of a DOD project, GCO Post-Award will flag for oversight any funds requiring compliance with Section 8115 limitations. Inclusion of the Section 8115 term or condition is not a foolproof indicator of source of funding, so Post-Award will work with DOD agencies for final identification (see Attachment 2 at the end of this document). Those funds identified as DOD basic research 6.1 funding will be charged and billed at the appropriate full F&A rate but will be monitored by Post-Award staff to ensure that the F&A cap is not exceeded. Units will be contacted as needed for any re-budgeting requirements and/or expenditure adjustments to remain within the F&A limitation.

As more details are received on this limitation, affected units will be informed. This limitation is effective for FY08 funding within the specified parameters and has been extended to the FY09 DOD Appropriations Bill. Campus departmental units will be notified of the applicability of the limitation to future funding as these details unfold.

QUESTIONS

If you have any questions about the limitation or are asked to respond to DOD agency questions on particular projects, please contact the Office of Sponsored Programs and Research Administration (333-2187, GCOAward@uillinois.edu) for pre-award questions and the Grants and Contracts Post-Award Administration (333-2186, obfsgcopostawarduiuc@uillinois.edu) for post-award questions.

Attachment 1 - [COGR GUIDANCE DOD](#)

Attachment 2 - [Dec1_2007_DOD_Memo_Section8115](#)