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*SUBJECT: Timely Establishment of Indirect Cost and Fringe Benefit Rate Agreements*

Dear Mr. Karim,

We are reaching out to you to share concerns from the membership of the [Council on Governmental Relations \(COGR\)](#). Specifically, we are requesting your help to facilitate timely establishment of indirect cost and fringe benefit rate agreements between research institutions and the U.S. Department of Health and Human Services (DHHS).

Indirect cost rates, also known as facilities and administrative (F&A) cost rates, determine the reimbursement of F&A costs associated with federal research awards to research institutions. Similarly, fringe benefit rates determine fringe benefit reimbursements applicable to the salary portion of direct charges on federal research awards. Recently, the research community has had challenges with the timely establishment of both F&A and fringe benefit rate agreements. ***COGR, whose membership includes over 200 research universities, research institutions, and affiliated academic medical centers across the nation, is requesting your help to facilitate improvements in the speed of the review and approval process.***

COGR and DHHS/CAS have had a longstanding and trusted partnership for over four decades—and to this day, the productive relationship continues. However, since the COVID-19 pandemic, our members have experienced long delays in establishing timely F&A and fringe benefit rate agreements. While this is not an issue with the quality and professionalism of the CAS staff, it does appear to be an issue of CAS being under-resourced. In fact, CAS has introduced innovative ideas, such as the virtual campus visits, which have proven to be a time-saver for the research institutions and the federal government. Nonetheless, delays persist, and the impact to research institutions is significant. The impacts include:

- 1) Budget uncertainty. Research institutions rely on fair and predictable F&A and fringe benefit reimbursements to effectively manage their research enterprise. When F&A and fringe rates are not established in a timely manner, the ability to manage awards within budgets and anticipate support for indirect costs is compromised.

- 2) Financial and audit risk. When research institutions have not been able to establish F&A cost rates in a timely manner, they are reimbursed based on “provisional” rates. Later, if it is determined that these provisional rates overstated reimbursement, the institution will be required to refund the difference to the federal government either by direct payment or a reduction in its negotiated rates. This creates administrative burden in implementing retroactive rates, and also increases audit risk due to retroactive adjustments.
- 3) Lost F&A reimbursement. In those cases where an institution has proposed (and expects to negotiate) an increase in their F&A cost rates, a delayed establishment of new rates results in the loss of legitimate F&A cost reimbursement. This can result in the loss of millions of dollars to the institution.
- 4) Volatile fringe benefit reimbursement. Fringe benefit rates are established on an annual basis, with prior year under/over-recoveries incorporated into these rates. When these rates are not established in a timely manner, multiple years of under/over recoveries must be processed, which can result in volatile fluctuations of these rates. And since grants must be budgeted at the current negotiated rates, fluctuations can result in awards having to be rebudgeted in the future by using other approved expenses to cover higher fringe rates.

The under-resourcing of CAS would help to explain why the timeliness of establishing F&A and fringe benefit rate agreements has been negatively impacted. ***However, this is an unsustainable position for research institutions, and the impacts described above are real and potentially detrimental to the financial stability of research enterprises.***

We believe there are a number of strategies that can be used to expedite the process and which would result in the more timely establishment of both F&A and fringe benefit rate agreements. COGR, on behalf of its membership, would be glad to share perspectives and engage in dialogue that could be beneficial to CAS and the entire research community.

Thank you for considering our request and we look forward to speaking with you at your earliest convenience.

Sincerely,



Wendy D. Streitz  
President

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