

Indirect Cost Waiver Policy and Procedure

Policy Statement: Indirect Cost Waivers on Sponsored Projects

As a policy of Utah State University (USU), Indirect Costs, sometimes referred to as Facilities and Administrative (F&A) costs, should be recovered on all sponsored projects. However, USU recognizes that some sponsors require a restricted indirect cost rate. Therefore, a reduction or waiver of USU indirect costs may be allowed under certain circumstances explained hereafter.

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1.0 PURPOSE

The purpose of this policy is to set forth the circumstances and establish the procedure for requesting a reduction in or waiver of indirect costs on sponsored projects.

2.0 BACKGROUND

The practice of reimbursing indirect cost to recipients of research, training, and other sponsored activity grants originated with the U.S. government, which recognized that it is extremely difficult for grantees to accurately proportion an organization's overhead costs among its various, and often numerous, activities and funded projects. Indirect costs are those costs incurred by an organization that are not readily identifiable with a specific project, program, or activity but are necessary to the general operation of the organization. These are costs of operating the facilities and may include the costs of maintenance, depreciation, general and departmental administration, utilities, janitorial services, purchasing services, research and grants administration, accounting services, and library operations, etc.

In recognition that such indirect costs are real costs of doing business, the process of negotiating indirect cost rates was developed as a means to provide reimbursement to grantees for these supportive services. Grantee organizational expenditures are grouped into indirect cost pools and then distributed to appropriate organizational activities in a cost allocation process. This information is presented by the grantee organization to one of several agencies empowered to negotiate a federal indirect cost rate. Utah State University's indirect cost rate is negotiated and established annually with The Office of Naval Research.

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The grantee's fiscal information is analyzed by federal officials to determine the allowable indirect cost rates, which are expressed as percentages. They are usually applied to either "modified total direct costs" (MTDC) base, which excludes certain expenditure categories such as subaward expenses and capital outlay (equipment); to salaries and wages (S+W) only; or to salaries, wages and fringe benefits (S+W+F) only. The base upon which the rate is applied is determined during the rate negotiation with the cognizant federal agency. USU's rate is the MTDC base.

The indirect cost rate is re-negotiated periodically to allow for inflation, changes in the operations of the grantee organization, and/or changes in the level of sponsored activity. USU's rate is currently re-negotiated on an annual basis at the end of each fiscal year.

3.0 CRITERIA FOR INDIRECT COST REDUCTION OR WAIVER

USU may consider a reduction in or waiver of indirect costs in the following situations:

- 3.1 The sponsor's publicly published policy or statute restricts or prohibits reimbursement of USU's full indirect cost rate.
- 3.2 Approval provided by the PI's/PD's Department Head and College Dean

4.0 PROCEDURE FOR REQUESTING INDIRECT COST REDUCTION OR WAIVER

- 4.1 Documentation of a sponsor's publicly published policy or statute limiting or restricting indirect cost should be included with each proposal developed in Kualu. Sponsored Programs will verify that the policy or statute meets this requirement as part of the proposal review process.
- 4.2 Principal Investigators are not authorized to negotiate a reduction or waiver of indirect costs with the sponsor. Should need for negotiation be anticipated, the PI/PD should contact Sponsored Programs well in advance of budget development and proposal submission.
- 4.3 If the PI wishes to seek an internal reduction or waiver of indirect costs, he/she must obtain approval his/her Department Head and College Dean and provide the Internal Waiver of Indirect Cost Form in the proposal entry in Kualu.
- 4.4 All waivers must be approved by the Executive Director of Sponsored Programs or the Vice President for Research. This approval is delegated to Sponsored Programs' staff who review proposals unless specifically stated otherwise in documentation uploaded in Kualu.

5.0 ADMINISTRATIVE FEES

In instances where the indirect costs will be waived and/or restricted, an administrative fee should be considered if it is allowed by the sponsor. If an administrative fee is approved by the sponsor, the fee will be split 70% to cover general administrative costs (20% to Pre Award, 20% to Post Award and 30% to Central administration) and 30% to the generating units.