

# THE UNIVERSITY OF ALABAMA IN HUNTSVILLE

## INDIRECT COST WAIVER

**Number** 07.02.07

**Division** Office of Sponsored Programs

**Date** September 17, 2012

**Purpose** To establish policy regarding the charging of Facilities and Administrative (F&A) Costs to Sponsored Projects.

**Policy** The University's policy on full cost recovery imposes a duty on all University administrators and Principal Investigators to perform sponsored projects on a full cost recovery basis. Administrators and Principal Investigators are obligated to ask for and recover indirect costs from all sponsors. Full cost recovery is necessary to support the University's physical and administrative capacity to perform extramural projects. Without full indirect cost recovery, the University is subsidizing the cost of the project for the sponsor.

It is the policy of the University to charge all sponsored projects F&A costs at the appropriate federally approved rate. The only exceptions to this policy are as follows:

- A. When a statutory limitation is imposed by the U.S. Congress for certain U.S. Government-funded programs, or
- B. When a regulatory restriction is imposed by a U.S. Government agency and is published in the solicitation for proposals, program guidelines, or RFP, or
- C. A U.S. domestic, non-profit (501.c.3) charitable organization imposes a limit that is published in its program solicitation and uniformly applied to all grantees.

**Definition:**

The total costs of a sponsored project include (a) those directly attributable to its performance, e.g., salaries of project personnel, supplies, materials, equipment and travel, and (b) F&A costs, e.g., depreciation of buildings and equipment, utilities, administration and libraries. These latter costs are recovered through the application of an F&A cost rate, calculated in accordance with the cost principles set forth in the Office of Management

and Budget Circular A-21 (Cost Principles for Educational Institutions).

The University negotiates with the Federal Government (for UAH: *Department of Health and Human Services (DHHS)*) F&A cost rates for the following categories:

- a. Research (on/off campus)
- b. Instruction
- c. Other Sponsored Projects
- d. Interpersonel Agreement (IPA)

UAH's current [F&A cost rates](#) are available on Contracts and Grants Accounting website.

## **Procedures**

Under exceptional circumstances, requests for waivers of F&A cost recovery or acceptance of a reduced rate on sponsored projects should be made during the proposal budget preparation. Requests must include the proposed F&A rate and dollar value of the waiver and justification for the request. The Vice President for Research or designee is authorized to waive all or a portion of the F&A cost recovery.

*Researchers are neither authorized to negotiate reduced indirect cost rates with sponsors, nor to submit proposals that do not include the applicable full indirect cost rate as part of the budget.*

*When funding flows from the prime sponsor through an intermediary sponsor, as in the case of federal flow-through awards, then the indirect cost rate applicable to the prime sponsor will apply.*

The request to cost share indirect cost must be submitted as follows:

- A. The PI must prepare a justification as to why cost sharing/reducing or waiving F&A is vital to the sponsored project. All justifications to seek exception to the policy to apply less than full indirect cost rate to a proposal must go through the Office of Sponsored Programs. All exception requests must be accompanied by appropriate documentation for the basis of the request.
- B. It is recommended that requests be forwarded to OSP at the earliest convenient time so that proposals can be finalized and submitted to the funding agency in time to meet their deadlines. If the request is not received by OSP in time to process the proposal, the proposal will be submitted to the sponsor, with the budget reflecting the applicable Federally-negotiated indirect cost rate.
- C. Once all applicable information is received in OSP, the administrator will prepare the *Indirect Cost Rate Exception Form OSP2012-001*.

- D. The form with appropriate documentation will be submitted to the Director, Sponsored Programs for review and concurrence/non-concurrence. The form will be returned to the administrator for submission to the Vice President for Research or designee decision. *Note: Only the Office of the Vice President for Research (OVPR) can approve/disapprove a request to cost share/reduce or waive F&A Cost.*
- E. Once a decision has been made by the OVPR, a single PDF copy of the signed form will be emailed to the PI and serve as notification of approval/disapproval of the indirect cost waiver request.
- F. Questions regarding F&A (indirect) cost waivers should be directed to your contract administrator or C&G Coordinator.
- G. For waiver/reduction of F&A (indirect) cost on parts (materials and supplies) to Fabricate Equipment, see **07.07.06: Fabricated Equipment Policy**.

**Review**

The Office of Sponsored Programs is responsible for the review of this policy every five years, next review: (or whenever circumstances require).

**Approval**



\_\_\_\_\_  
Chief University Counsel



\_\_\_\_\_  
Vice President for Research and Economic Development

**APPROVED:**



\_\_\_\_\_  
President