Facilities and Administration (Indirect Cost)
Definition and Waivers

**Indirect Costs:** Indirect costs are real costs incurred by the Schools/Centers and institution in support of sponsored activities but cannot be directly identified with a specific grant or contract. The costs result from shared services such as libraries, physical plant operation and maintenance, utility costs, general, departmental, unit/school and sponsored projects’ administrative expenses, and depreciation for buildings and equipment. These are real costs built into the University budget.

The indirect costs recovered on grants allow the institution to build, maintain, and operate research facilities (as opposed to teaching facilities). It is the obligation of all researchers who use institutional facilities to bring in grant funding along with the attendant indirect costs. The indirect cost dollars received are not extra dollars, but are part of the budget and are fully used to make the system work. Without them, research laboratories and facilities cannot be built and maintained.

Indirect cost and fringe benefit rates for all Federal grants and contracts are periodically reviewed and negotiated with our cognizant Federal audit agency, the Department of Health & Human Services.

**Application of Indirect Cost Rates:** It is the policy of the University to request the appropriate federally negotiated indirect cost rate in the proposal budget on all sponsored projects regardless of funding source unless a nonprofit sponsoring agency’s written policy will not allow full recovery of indirect costs.

**Indirect Cost Waiver:** An indirect cost waiver is an institutional agreement that indirect costs will be charged at a rate lower than the sponsor’s published rate. Waivers, while rare, may be requested from the appropriate Dean/Director’s Office. If the Dean/Director’s Office approves the request, it is then forwarded to OSP for review and approval/disapproval.

An indirect cost waiver is not necessary when the lower rate is the agency’s published rate. However, a copy of the program announcement or RFP stating the limitation on indirect cost funding must be routed to the appropriate Dean/Director’s Office and OSP in order to document the lower rate.

OSP’s review consists of the application of DHHS or other Federal sponsor regulations, OMB regulations, bond agreement restrictions, IRS guidelines, state and local government regulations/laws, the proper application of this policy, and consistency in applying waivers within the University. In the event the PI and the School/Center disagree with a decision by OSP, they may appeal the decision to the EVP for Health Affairs (if in WHSC) or Provost (if outside of WHSC) and the EVP for Finance and Administration.
Routing Requests for Indirect Cost Waivers: If the PI is contemplating the submission of a waiver request, he/she should contact the appropriate Dean/Director’s Office to discuss prior to submitting the official request. The request for the waiver must be transmitted to the appropriate Dean/Director’s Office one week before the proposal deadline. It may be routed separately from the completed proposal in order to adhere to this deadline. The Director/Dean’s office must permit 48 hours for OSP review. When waiver requests are submitted after this timeframe, OSP reserves the right to request full indirect costs.

Budgeting Indirect Costs as Direct Costs: When preparing proposal budgets for nonfederal sources paying lower than the federal negotiated rate, PI’s are encouraged to include costs that are normally considered to be indirects on federal projects such as office supplies, telephone, dues and subscriptions, general purpose equipment, administrative and clerical salaries, etc., as appropriate. If such costs are included in the proposal, this information should be included in the waiver request. This practice will be favorably viewed in the waiver review/approval process.

Indirect Cost Charging: The rate negotiated will be the rate charged.

Federal Sponsors: The full indirect cost rate will always be charged when permitted by the government. A rate lower than the rate permitted by the federal sponsor requires a waiver.

Nonprofit Sponsors: Emory accepts lower indirect cost rates from non-profit sponsors as long as their rates are published and applied consistently to all university grant recipients. Indirect cost waivers for non-profit foundations/voluntary health organizations/corporations are not required when the organization has an explicit published policy limiting the amount. If a non-profit sponsor does not specify the maximum amount allowed, or if its policy establishes the indirect cost rate as "negotiable," then the Faculty member should discuss with his/her Dean’s/Director’s Office, prior to submitting the grant application. In these cases, the PI, the School/Center and the University will be expected to negotiate a mutually agreeable indirect cost rate. Exceptions to the full rate will require a waiver.

In budgets to corporate foundations that do not have a true arms-length relationship with their For-Profit (Parent) or where the non-profit corporation is a management/fiscal pass-through for clinical trials oversight on behalf of a Federal Agency, the School/Center and the University generally expect that the full federal indirect cost rate will be charged. Exceptions to the full rate will require a waiver.

State and Local Governments: The School and the University treat these programs in the same manner as Federal grant programs. The full indirect cost rate will be expected unless the agency’s published rate is less.
**Clinical Trials:** A clinical trial is a prospective intervention study in human subjects that has measurable outcomes. It may employ one or more intervention technique(s) including prophylactic, diagnostic or therapeutic agents, devices, or procedures. It must have approval of the IRB or review with determination of exemption. Clinical Trials are distinguished from other types of Clinical Research that may need IRB approval but do not meet the other criteria of a Clinical Trial.

**Industry:** Industry is expected to pay the full federally negotiated indirect cost rate on all sponsored research excluding clinical trials.

**Foreign Governments:** Foreign governments are expected to pay the full federally negotiated indirect cost rate.

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