

INDIRECT COST WAIVER POLICY

Category: Sponsored Programs / Research Administration

Policy Number: [To be assigned]

Policy Manager: Office of Sponsored Research and Programs

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PURPOSE

The purpose of this policy is to provide guidance to the Virginia State University (VSU) community on when and under what conditions indirect costs, also known as facilities and administrative (F&A) costs, may be waived in externally sponsored project proposals.

TARGET AUDIENCE

This policy applies to all principal investigators, research administrators, and unit leaders involved in the development, review, and submission of externally funded proposals that include indirect cost considerations.

AUTHORITY

Authority to approve any waiver of indirect costs lies with the Chief Research Officer or their designee.

DEFINITIONS

- **Facilities and Administrative (F&A) Costs:** As defined in 2 CFR §200.56, these are costs incurred for common or joint objectives benefiting multiple activities and not easily assignable to specific cost objectives without disproportionate effort.
- **Indirect Costs (IDC):** A more commonly used term for F&A costs; refers to institutional overhead expenses recovered from external sponsors in support of sponsored project activity.
- **Principal Investigator (PI):** The individual responsible for leading a sponsored project and ensuring compliance with technical, fiscal, and administrative requirements.

POLICY STATEMENT

VSU expects full recovery of indirect costs on all externally funded grants, contracts, and subawards. Indirect cost waivers should only be granted under exceptional circumstances where such waivers are necessary to ensure the viability of the project or are mandated by the sponsor.

PRE-APPROVED EXCEPTIONS

Sponsor Guidelines

If a funding agency or sponsor, including a nonprofit organization, has a stated policy limiting or prohibiting indirect cost recovery, VSU will typically honor such restrictions. In such cases, the PI must either provide a link to the sponsor's IDC policy on the proposal processing and approval form or include a copy of the sponsor's guidelines with the submission.

Small Proposals

For proposals with total direct costs of less than \$25,000 per year, VSU automatically grants an IDC waiver if inclusion of IDC would restrict the feasibility or competitiveness of the proposal. However, PIs are strongly encouraged to include IDC wherever possible.

CASE-BY-CASE EXCEPTIONS

In all other circumstances, waiver requests will be considered individually and only in limited cases. A request for an IDC waiver must be submitted to the Chief Research Officer (CRO) at least 30 days prior to the proposal deadline. All requests must first be approved by the PI's Dean (for instructional units) or Director (for administrative units). The request must include the following:

1. The total proposed budget and the amount of IDC requested to be waived, expressed both in dollars and as a percentage reduction.
2. A justification for the waiver, including any sponsor-imposed restrictions or caps, and documentation of such restrictions if available.
3. A statement addressing whether additional institutional support is being provided by the department or college and in what form.
4. The importance and impact of the proposed project, including why the waiver would enhance the project's chances of success.
5. The PI's history of and expected future engagement with the sponsor.

The CRO will provide a decision on the waiver request within 10 calendar days of receiving a complete submission. The decision will consider several factors, including:

- The equity of granting a waiver when other projects carry full IDC
- The total financial impact to VSU
- The likelihood that a waiver would make the difference between funding success and failure
- The strategic benefit of the project, particularly for junior faculty or novel research areas
- The potential of the waiver to increase direct costs available for student support

RELATED PROCEDURES

RELATED MATERIALS/REFERENCES

2 CFR 200 Subpart E – Cost Principles

VSU Facilities and Administrative Rate Agreement

Proposal Processing and Approval Form