

ARKANSAS STATE UNIVERSITY GOVERNING PRINCIPLES FOR RECOVERY OF FINANCE AND ADMINISTRATION COSTS

1.0 INTRODUCTION

It is the policy of Arkansas State University (ASU) to request and recover the full indirect (F&A) costs to which it is entitled. Indirect costs reimburse the University for legitimate and real expenses that cannot easily be charged as direct costs on external grants and contracts. Recovered indirect costs in no sense represent a “profit” or otherwise discretionary disposable general revenue. Rather, indirect-cost recovery offsets expenses attributable to externally sponsored projects. These expenses include use of space and equipment, depreciation on equipment and facilities, utility costs, financial accounting, departmental administrative costs, and numerous other support services.

2.0 PURPOSE

The purpose of this statement is to clarify and reaffirm the University’s policy concerning Finance and Administration (indirect) costs.

2.0 DEFINITIONS

Facilities and Administrative Costs (F&As). F&As are broad categories of costs that are incurred for common or joint objectives and cannot be identified readily and specifically with a sponsored project, an instructional activity, or any other institutional activity. “Facilities” refers to depreciation and use allowances, interest or debt associated with certain buildings, equipment and capital improvements, and operation and maintenance expenses. “Administration” is defined as general administration and expenses, departmental administration, sponsored projects administration, student administration and services, and all other types of expenditures not listed specifically in one of the subcategories of Facilities (including cross allocations from other pools.¹

Principal Investigator. The individual(s) who has primary responsibility for management of a grant or contract.

4.0 APPLICABILITY

This policy applies to all external grant and contract proposals, external grants, and externally-funded contracts.

5.0 REGULATIONS

OMB Circular A-21, Revised 05/10/04

¹ OMB Circular 21, Revised 5/10/04.

6.0 GOVERNING PRINCIPLES

6.1 Overview

Federal regulations require institutions of higher education to charge uniform F&A's for federal and non-federal awards when permitted and when such charges are not governed by organizational rules or regulations. All proposals submitted by ASU employees therefore must recover full F&A costs, except under the conditions identified below. Any variation from the full rate, including the exceptions noted below, must be approved by the School/College Dean or designee and the Associate Vice Chancellor for Research or his/her designee.

6.2 Exceptions and Conditions

- **Agency Limitations.** The University will accept the maximum allowed by agencies that have a written policy limiting indirect costs to a specific percentage of the grant.
- **In-Kind Contributions.** When an agency requires significant in-kind contributions, the School/College Dean and University's research administrators may choose to reduce the amount of indirect-cost collection, but only in cases in which the agency allows F&As to be used in lieu of other cost sharing or matching funds. **Such in-kind match is at the University's discretion, and principal investigators must understand that such an agreement is granted only in unusual circumstances.**
- **Contracts of Less than \$10,000.** The University will accept a waiver of indirect costs for any fixed-price contract or agreement that is less than \$10,000 in total direct costs.
- **When F&As are Waived.** Provided F&As are allowed by the funding organization, any indirect costs that are waived must be identified in the proposal as matching or cost-sharing contributions.

7.0 RESPONSIBILITIES

Principal Investigators

Principal Investigators are responsible for including all F&As that ASU is eligible to collect in their grant proposals and/or contracts. Deviations from this principle must be approved by the Chair, Dean, Institute Directors, and the Associate Vice Chancellor for Research.

Chairs, Deans, Institute Directors or Equivalent Administrators

The chairs, deans, institute directors or equivalent administrators have responsibility for ensuring adhering to these governing principles and for approving any deviations, as articulated in Section 6.2 above.

Associate Vice Chancellor for Research

The Associate Vice Chancellor for Research has responsibility for approving any deviations from these governing principles, as articulated in Section 6.2 above.