

Research and Sponsored Projects Manual (RSP)

RSP 508–02: Indirect Costs

Effective: 1/6/1986

Revised: 3/1/2025

Purpose

To require the use of the federally negotiated indirect cost rates on sponsored projects

Sources

[Cost Accounting Standards Board Disclosure Statement Form DS-2, Revision #6, Effective December 26, 2014](#)

[Negotiated Indirect Cost Rate Agreement \(NICRA\)](#)

[Code of Federal Regulations 2 CFR 200.414 Indirect Costs](#)

Knowledge Enterprise (KE)

Policy

Overview

ASU applies the fully burdened indirect cost (facilities and administrative (F&A)) rate to projects with industry sponsors or whenever ownership of intellectual property is granted to sponsors. All other sponsored projects must use the federally negotiated rates except as noted below. These rates are charged throughout the sponsored project's period of performance; however, competitive renewal applications must include the most recently negotiated rates.

General requirements

Indirect cost rate agreements are generally negotiated every four years with the U.S. Department of Health and Human Services, Cost Allocation Services. In accordance with the university's indirect cost rate agreement, indirect costs are calculated by applying the negotiated indirect cost rate to modified total direct costs (MTDC) expenditures on each project. In accordance with federal regulations, these cost rates are legally binding.

In some cases, sponsors limit the F&A charges that they will allow on grants and other assistance agreements.

Agency limits

ASU will not endorse proposals to, nor accept awards from, these sponsors, unless the principal investigator (PI) provides evidence confirming that it is the policy of the funding agency to uniformly limit the F&A on all awards.

Exceptions to full recovery

In some cases, Knowledge Enterprise (KE) will waive the full recovery requirement if a compelling argument is made to justify the university's investment in the project. Favorable consideration will be given to the following:

1. projects that lead to funding from sponsors that do not restrict indirect cost charges
2. projects that support research capacity growth in strategic areas

or

3. projects that promise greater quantifiable recognition for ASU.

Should PIs wish to request a waiver to this policy, a request must be submitted via the Enterprise Research Administration (ERA) system. The request includes a written justification in which the PI must address items 1, 2, and 3 in the preceding paragraph and explain how accepting the award will support the PI's research and teaching. Indirect cost waiver requests are routed to the KE Research Operations director for consideration.

Note: Projects receiving a waiver of full indirect cost recovery are not eligible for Research Incentive Distribution (see [RSP 106](#), "Allocation of Recognition, Research Incentive Distribution, and Investigator Incentive Awards").

Federal Program Limitations

Federal programs with agency mandated F&A rate limitations (e.g., U.S. Department of Education, NIH Training Grants, NSF Research Experience for Undergraduates) will receive an automatic waiver.

Note: Projects that meet this criterion are eligible for Research Incentive Distribution (see [RSP 106](#), "Allocation of Recognition, Research Incentive Distribution, and Investigator Incentive Awards").

Arizona Board of Regents (ABOR) program limitations

ABOR grant-supported programs mandate indirect cost limitations and will receive an automatic waiver.

Transfers

Award transfers from other institutions with lower indirect cost rates than ASU will retain the lower rate throughout their period of performance. If the transferred award is a federal/sub-federal grant that has a higher rate than ASU, ASU's negotiated rate will be applied. Funds will be re-budgeted to the extent allowed by the sponsor.

Procedure(s)

For more information on how ASU's indirect cost rates and determining which rate to apply, see the ORSPA site [researchadmin.asu.edu>facilities and administrative costs](https://researchadmin.asu.edu/facilities-and-administrative-costs).

Cross-References

[RSP 101](#), "General Research Policy."

[RSP 106](#), "Allocation of Recognition, Research Incentive Distribution, and Investigator Incentive Awards."