

NORTHERN ARIZONA UNIVERSITY ACADEMIC AFFAIRS, RESEARCH Usage of Recovered Indirect (Facilities and Administrative) Costs NOTE: This policy is formatted for the NAU Policy Manual, a web based manual which is currently being tested by the Policy Manual Committee.	DOCUMENT NO.	101
	Effective Date	June 3, 2003
	Revision Date	May 30, 2011
	Revision No.	02
	Page No.	1
	Producer: Vice President for Research	

## 1.0 Purpose

The purpose of this policy is to define the use and distribution of indirect costs recovered through sponsored projects and programs.

## 2.0 Applicability

All employees

## 3.0 Policy

### Operating Principles:

- The use of indirect cost monies will be guided by the priorities set forth by the President and the Provost and by the University's Strategic Plan.
- Indirect cost monies are to be used to recover the costs of research and to facilitate growth in research activity, in the following areas. Note that the listed examples are meant as illustrations and not as exhaustive or prescriptive lists:
  - (1) Develop new funding for sponsored projects and programs (e.g., by supporting the development and writing of new proposals, by supporting the Office of Grant & Contract Services);
  - (2) Increase university research capabilities (e.g., in recruiting and providing startup for research-active faculty, in supporting student research, in providing infrastructure related to specialized research programs);
  - (3) Provide necessary cost-share or matching funds for new contracts or grants;
  - (4) Support research administrative and management services (e.g., the Office of Grant & Contract Services, the Office of Sponsored Projects Services, and other research and administrative support);
  - (5) Develop intellectual property and support technology transfer activities;
  - (6) Recover university costs in fulfilling the terms and provisions of research agreements and the overall university mission (e.g., the Office of Regulatory Compliance, the university's Biosafety and other regulatory programs);
  - (7) Build and/or renovate research facilities included in the University's capital projects strategic plan, use for operating or building maintenance and/or use for the purchase or maintenance of equipment as needed to support research.

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	Page No.	2
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- Only those indirect costs recovered at the fully allowable rate (i.e., the rate established and accepted by the sponsor as the maximum permissible rate) will be available for distribution. Indirect costs recovered at less than the fully allowable rate will be retained by the President and central administration in order to cover University costs related to the research endeavor.
- Fixed priced contracts and grants will include indirect costs in the project/program budget. Indirect costs will be distributed only if recovered at the sponsor's fully allowable rate. If residual funds (funds not including indirect costs) remain in the account, 5% of the total project budget (up to \$1000) will be distributed to the PI (Principal Investigator). Residual funds in excess of this amount will be transferred to the Vice President for Research in accordance with policy CMP 402-02: Residual Funds (see Comptroller's Office Policies and Procedures Manual).
- Indirect costs eligible for distribution to individual units (the standard 30%) will be conveyed as follows:

PI	5% (minimum required)
Department	5% (recommended)
College, School or Similar Unit *	20%

\*Colleges, schools or similar units must establish a policy detailing the use of indirect costs. The policy must be in writing and approved by the Provost and VPR before indirect costs are distributed to the units. Similarly, changes or deviations to the policy must be approved by the Provost and Vice President for Research before implementation.

Distribution of the remaining 70% among the priorities listed above will continue to be the responsibility of central administration.

- Indirect costs will be distributed to each college, school, institute, center, office, or similar unit for disbursement to departments and PI. Disbursement will occur annually.

The indirect cost distribution policy will be reviewed every three years by a committee composed of faculty and administration and chaired by the VPR. The committee will report their recommendations to the President's Cabinet.