

## Office of Sponsored Programs & Research

**TO: Office of Provost**

**DATE: September 14, 2016**

**SUBJECT: Policy for Indirect Costs**

The Office of Sponsored Programs and Research proposes the following revision of the Policy for Indirect Costs for Grants, Contracts, and Other Agreements. Definition of Direct and Indirect Costs as defined by the Office of Management and Budgets (OMB) of the Federal Government in Circular A-21 are stated below:

**Direct Cost:** Direct costs are those expenditures or costs that can be identified specifically with a sponsored project, instructional activity, training activity, or other activity with a high degree of accuracy. These identifiable costs include salaries, fringe benefits, travel, equipment, supplies, contracted services, and other expenses. (2 CFR 200.413)

**Indirect Costs:** Indirect Costs, commonly called overhead or facilities and administrative costs, are those expenditures or costs that are not readily identifiable with a particular project or activity, but nevertheless are necessary to the general operation of the university and the conduct of its activities. The types of expenses usually considered as indirect costs include the cost of operation and maintenance of buildings and grounds, depreciation of buildings, accounting, utilities, preparation of applications, technical assistance, and costs of academic central administrative units. (2 CFR 200.414).

## **University of West Alabama Policies Manual**

### **Indirect Cost Rate Policy**

The University of West Alabama encourages faculty and staff to apply for or solicit external funding from Federal, state, and private sources for individual, departmental or institutional programs. External funding is important to the development of new programs and research on the campus. Indirect costs are generated from funded projects and are an important component in strengthening the ability of the University to support these activities.

The following policies apply to the indirect cost rates:

1. The University encourages the pursuit of external funding and provides resources, guidance and assistance through the Office of Sponsored Programs and Research.
2. The U.S. Department of Health and Human Services, Division of Cost Allocation is the Federal cognizant agency in which the University of West Alabama negotiates the federally recognized Indirect Cost (or Facilities and Administrative Cost Rates). The indirect cost rate is evaluated near the end of the current approved rate agreement with the Federal Government in order to see if it should be renegotiated for an adjustment or extended for another predetermined period determined by the Division of Cost Allocation. These predetermined Indirect Cost Rates will apply to Sponsored Programs proposals throughout the effective period of the executed negotiated agreement. If the university receives a new rate during the time period of a multiple year Sponsored programs award the new rate will be adjusted to the awarded budget unless the federal award document specifically restricts the indirect costs rate from doing so.
3. The indirect costs included in grant applications proposals are to be determined as a percentage of the total direct costs of the project unless another method of calculation is required in the request for proposal. In this instance, the exception must be approved by the Office of Sponsored Programs and Research.
4. Indirect costs included in the budget application will be charged to the project account at the month end close out procedure by the Office of Comptroller, Vice President of Financial Affairs. The funds will be allocated to the faculty/college/division using the following distribution percentages:
  - 25% distributed to the faculty or staff member categorized as the Principal Investigator or Project Director.
  - 25% distributed to the college or unit in which the faculty or staff member reports to for that proposals specific project. (Faculty and Staff who have more than one responsibility may allocate the indirect cost to the unit in which the grant proposal scope of work is allocated for.
  - 25% distributed to the Office of Sponsored Programs and Research, and
  - 25% distributed to general fund of the University.
5. Faculty/Staff and College Indirect funds will be placed in restricted accounts for use by the generating individual or individuals and the college for university allowable expenses approved by the appropriate dean, unit director, or Provost.

6. Funds allocated to the Office of Sponsored Programs and Research will be used to provide federal administrative guidance, strengthen support services, support funded projects and support application preparation and submission. All expenditures will be allowable expenses approved by the **Provost**.
7. Funds allocated to General Fund of the University will provide support for the expenses that are incurred by the University relevant to the project implementation.
8. The Office of Sponsored Program is responsible for providing guidance, negotiating federally sponsored agreements related to indirect costs consistent with 2 CFR 200, and providing principal investigators/directors with needed information related to grant administration.
9. The Comptroller of Financial Affairs will facilitate the establishment of appropriate accounts, review negotiated indirect rates; assist in determining costs related to indirect application, and assure that accounting procedures meet standards of OMB Uniform Guidance. University procedures are to be followed for the requests, purchases, approvals, payments, and reimbursements will be applicable to indirect funds.

This policy is effective October 1, 2008, per approval of the Deans' Council and President's Council. The policy shall be reviewed and revised annually, with changes to become effective at the beginning of the university's fiscal year.