

## Office of Sponsored Programs, Research & Outreach

**TO:** Office of Vice President of Advancement  
Office of Vice President of Academic Affairs

**DATE:** January 8, 2024

**SUBJECT:** Policy for Indirect Costs

The Office of Sponsored Programs, Research and Outreach 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) 2 CFR 200 Uniform Administration Requirements, Cost Principles, and Audit Requirements

**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, and preparation of applications, technical assistance, and costs of academic central administrative units. (2 CFR 200.414).

### **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 research and outreach 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:

1. The University encourages the pursuit of external funding and provides resources, guidance and assistance through the Office of Sponsored Programs, Research and Outreach (OSPRO).
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 OSPRO 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 OSPRO 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 all contact and grant applications proposals, if allowable, are to be determined as a percentage of the total modified 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 OSPRO.
4. In the event the University does not have a negotiated indirect cost rate with the cognizant agency it will use the federal approved DeMinimis rate of 10% Modified Total Direct Costs.

5. 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 college or respective unit indirect cost recovery account associated with the faculty or staff member assigned in the agreement/award document as the Principal Investigator (PI) or Project Director (PD) (see 6a).
  - 25% distributed to the college or unit in which the faculty or staff member reports (for the awarded 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.
  - 25% distributed to OSPRO, and
  - 25% distributed to the University general fund.
6. Faculty/Staff and College Indirect funds will be placed in a restricted account for use by the lead PI or PD and the college Dean or Division Director for university allowable expenses approved by the appropriate dean, unit director, or Provost.
  - a) **When tenured faculty or vested staff member has accumulated over \$20,000 of indirect cost recover balance, the faculty/staff member can request a Indirect Cost Recovery account separate from the college or head unit's account. The faculty/staff member must make this request in writing and obtain signature approval from OSPRO Executive Director and the Office of the Comptroller.**
  - b) **All purchase requests and invoices require the Dean/Director of the unit's approval and are also responsible for a positive balance remaining in account. Any negative balance in account will be the responsibility of the Dean/Director. All University purchasing policies and procedures must also be followed.**
  - c) **When a faculty/staff member exits the institution, any remaining funds will be transferred into the Dean's or Director's Indirect Cost recovery overhead account.**
7. Funds allocated to the OSPRO will be used to provide federal administrative guidance, strengthen support services, support funded projects and support application preparation and submission. All expenditures will be approved by the OSPRO Executive Director and the VP for Advancement and must follow all University purchasing policies and procedures.
8. Funds allocated to General Fund of the University will primarily provide support for the expenses that are incurred by the University relevant to the project implementation.
9. OSPRO is responsible for providing guidance, negotiating federally sponsored agreements related to indirect costs consistent with 2 CFR 200, and providing PI's and PD's with needed information related to grant administration.
10. 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.
11. If a Faculty/Staff member overspends any contract/ grant account and no resolution is made between the Faculty/Staff personnel during the grant close out process and/or the institution fiscal year end in close out, the UWA Business Office will transfer the overage balance to the Faculty/Staff's 25% indirect cost overhead recovery account. If the Faculty/Staff personnel recovery account does not have sufficient funds to cover the overage, the balance will be covered by the College/Division indirect cost recovery fund or other College/ Division account.

This policy is effective January 2024, per approval of the Deans' Council, VP of Advancement, 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.