



**POLICY TITLE**  
**Indirect Cost Recovery & Reallocation Plan**

**POLICY NUMBER**  
**11-002**

<b>Responsible Unit:</b> <i>Office of Research, Strategic Initiatives &amp; Economic Development</i>	<b>Effective Date:</b> <i>07/01/2019</i>
<b>Responsible Official:</b> <i>Vice Chancellor for Research, Strategic Initiatives &amp; Economic Development</i>	<b>Last Reviewed Date:</b>
<b>Policy Classification:</b> <i>Research Expenditures &amp; Sponsored Funds Administration</i>	<b>Origination Date:</b> <i>05/01/2019</i>

**I. POLICY STATEMENT AND RATIONALE**

The purpose of the Indirect Cost Recovery & Reallocation Plan is to recover the total indirect (facilities and administration (F&A)) cost for each sponsored award (grants, contracts & cooperative agreements) unless specifically prohibited or limited by the funding agency and determine percentages to be applied to the indirect (F&A) costs and distributed to the departments and personnel involved in conducting research.

**II. POLICY SCOPE AND AUDIENCE**

This policy applies to all sponsored projects administered by the Office of Sponsored Programs (OSP) under the authority of the Office of Research, Strategic Initiatives & Economic Development (ORSI-ED). Offices responsible for affecting this policy include:

- **Vice Chancellor for ORSI-ED** - reviews requests for indirect cost waivers and approves only those that have exceptional circumstances and potential benefits that are compelling and well-justified. Also reviews and approves requests for changes to credit distributions that do not affect prior fiscal year indirect (F&A) distribution, and for which appropriate approvals have been obtained.
- **Deans/Chairs/Center Directors** - reviews requests for indirect (F&A) cost waivers and endorses only those that have exceptional circumstances and potential benefits that are compelling and well-justified. Also reviews and endorses only those changes to credit

distributions that do not affect a prior fiscal year. Forward the endorsed requests to the VC ORSI-ED for final review and approval.

- **OSP** - provides SPAPDCO with the percentages of indirect (F&A) cost allocations distributed to each area.
- **Office of Sponsored Programs Accounting, Policy Development & Operational Compliance (SPAPDCO)** - establishes appropriate SUBR accounts\* and distributes the indirect (F&A) costs per the distribution plan provided by OSP.
- **The Budget Office** - ensures daily management of indirect (F&A) cost accounts and expenditures.
- **Office of the Comptroller** - approves indirect (F&A) cost accounts and expenditures.

*\*Note: if any awarded unit has a current account, the indirect (F&A) costs will be allocated to the current account.*

### III. POLICY COMPLIANCE

Compliance with this policy ensures that the faculty, staff, and their home units (Colleges/Schools, Departments or Centers) receive the recognition and rewards for their efforts.

### IV. POLICY DEFINITIONS

**Indirect Cost (Facilities and Administrative (F&A) Cost)**: the costs of administrative and support functions of the university including general administration and expense, operations and maintenance, building and equipment depreciation, and library expenses. Costs incurred for common or joint objectives that cannot be readily assigned to a particular sponsored project, instructional activity, or any other institutional activity.

**General Fund**: Forty-five percent (45%) of the collected indirect cost (F&A) charges will be dedicated to the University's General Fund. Funds will be expended according to University established protocols.

**Faculty Incentive Fund**: Five percent (5%) of the collected indirect cost (F&A) charges will be channeled toward a Faculty Incentive Fund. The main purpose of this fund is to make dollars available to faculty members as incentives toward scholarship and research. These funds can be utilized to fund stipends for publications, mini-grants within SU that foster inter-departmental/inter-disciplinary research, excellence in teaching/research awards, etc.

**Grantee's College/School**: Five percent (5%) of the collected indirect cost (F&A) charges will be allocated to the Grantee's College/School. A grantee is an individual who serves as the main principal investigator of a grant. His/her College will be entitled to this portion of the indirect costs. Funds can be used to strengthen the overall effectiveness of the College's operation. While personal equipment purchases will be discouraged, equipment that will be used in laboratories and classrooms will be allowed. Dependent upon the research success of its faculty, Colleges may choose to establish a new faculty fund to be used toward matching salary support. The University Research Council will be engaged to support the development of a more defined distribution policy within each College. Each department will have to seek approval of the budget from the Provost and Vice Chancellor for Research to ensure compliance with Indirect Cost Recovery and Reallocation Policy.

**Grantee's Department:** Ten percent (10%) of the collected indirect cost (F&A) will be allocated to the Grantee's Department. A grantee is an individual who serves as the main principal investigator of a grant. His/Her Department will be entitled to this portion of the indirect cost (F&A). Monies spent from this fund can only be used toward faculty development (conference fees, publication costs, travel, etc.). If adequately justified, these funds may also be used toward the purchase of equipment for faculty offices. Dependent upon the research success of its faculty, Departments may also choose to establish a new faculty fund to be used toward matching salary support. The University Research Council will be engaged to support the development of a more defined distribution policy within each Department. Each department will have to seek approval of budget from the Dean of the Grantee's College and Vice Chancellor for Research to ensure compliance with Indirect Cost Recovery and Reallocation Policy.

**Research Center:** Since Research Centers are devoid of colleges and departments, these units are allocated 15 percent (15%: 10 percent plus 5 percent) of the collected indirect cost (F&A) charges. Funds will be spent to purchase equipment, facilitate travel of personnel to conferences/workshops, purchase software, and other center needs. The University Research Council will be engaged to support the development of a more defined distribution policy within each Center. Each Center will have to seek approval of annual budget from the Vice Chancellor for Research and Chancellor to ensure compliance with Indirect Cost Recovery and Reallocation Policy before expending these funds.

**Principal Investigator (Grantee):** The principal investigator of the project will be entitled to 15 percent (15%) of the collected indirect cost (F&A) funds of the associated award. These funds will be utilized by the investigator in the conduct of his/her current and future research needs, such as travel, supplies, and the engagement of postdocs, and graduate and undergraduate student engagement. The investigator will follow approval protocols that apply to grant funds.

**Office of Research, Strategic Initiatives and Economic Development (ORSI-ED):** Ten percent (10%) of the collected indirect cost (F&A) charges will be allocated to the ORSI. Funds will be utilized by this office to offer matching funds, travel, research development workshops, and research incentives to colleges and departments that are lesser engaged in the research enterprise. Funds may be used to initiate and support new and emerging strategic initiatives.

**Office of Sponsored Programs (OSP):** Five percent (5%) of the collected indirect cost (F&A) will be allocated to OSP to support pre- and post-award activities related to funded programs and to strengthen the efficiency and effectiveness of services provided by the unit. Funds will be used to enhance the professional capabilities of the unit by funding educational resource seminars/workshops, meetings, infrastructure support, personnel, collaborations and other support costs.

**Office of Sponsored Programs Accounting, Policy Development & Operational Compliance (SPAPDCO):** Five percent (5%) of the collected indirect cost (F&A) will be allocated to the SPAPDCO to support post-award financial services related to the funded programs and to strengthen the efficiency and effectiveness of services provided by the unit. Funds will be used to enhance the professional capabilities of the unit by supporting educational resources seminars, meetings, infrastructure support, collaboration and other support costs.

**V. POLICY IMPLEMENTATION PROCEDURES**

**A. Budgeting Indirect (Facilities and Administrative) on Sponsored Project Proposals**

1. Grantee (PI) will prepare a budget which provides for the recovery of total costs for each sponsored program administered by the OSP, the SPAPDCO, and the ORSI-ED. The budget must include full indirect (F&A) costs that are calculated by multiplying the direct cost base by the indirect (F&A) cost rate. In all but exceptional circumstances, the total budget, including full indirect (F&A) costs, will be the budget proposed to the external sponsor.
2. When potential benefits are compelling and well-justified, the PI may submit a Request for F&A (Indirect) Cost Waiver. The waiver must be endorsed by the department chair(s) and the cognizant dean(s), and forwarded to the VC ORSI-ED.
3. When a not-for-profit sponsor has a published rate that is used for all awardees and differs from the federal indirect (F&A) cost rate, the sponsor’s rate should be used; an indirect (F&A) cost waiver is not required. However, a waiver is required if the indirect (F&A) cost rate to be charged is below the sponsor’s published rate. When a sponsor limits indirect (F&A) costs but allows some costs normally charged as indirect (F&A) to be charged as direct (e.g., administrative or accounting costs), then allowable costs are to be included in the direct cost budget.

**B. Indirect (Facilities and Administrative) Distribution Percentage**

The University’s indirect (F&A) distribution percentage rate is currently 40% of MTDC.

<b>Indirect Rates</b>	<b>On-Campus</b>	<b>Off-Campus</b>
Research	40%	26%
Education and Training	40%	26%
Contracting Services	40%	26%
Other (Outreach)	40%	26%

**Included in the MTDC base:** all salaries and wages, fringe benefits, materials and supplies, services, travel, and sub-grants and subcontracts up to \$25,000 of each sub-grant or subcontract.

**Excluded from the MTDC base:** all equipment, capital expenditures, charges for patient/test subject care, tuition remission, rental costs of off-site facilities, participant support costs (to include scholarships, fellowships, stipends, travel and other support costs) as well as the portion of each sub-grant and subcontract in excess of \$25,000.

**C. Stages of F&A (Indirect) Cost Reallocation Implementation**

Southern University and A&M College, through agreement of the URC, President and SUS Board of Supervisors will enact this policy in three phases (to be described) and allow for any future changes in allotments/distribution percentages up to 50% of the collected F&A (Indirect) Costs to be approved by agreement of the URC and final approval of the Chancellor.

**Phase I:** Will allow for the Grantee (PI) to collect an allocated 15% of the collected F&A (Indirect) Costs in support of activities, travel, stipends, equipment, supplies and other costs not directly

covered by the grant activity. Date of enactment to be determined by the Chancellor. Total indirect cost reallocation equates to 15% for Phase I.

**Phase II:** Will allow for the Grantee's (PI's) Department, College, or Research Center to receive an allocated 5% - Department, 5% - College, and 10% - Research Center of the collected F&A (Indirect Cost) to be used in support of activities associated with their daily operations. Date of enactment will be two (2) years after implementation of Phase I. Total indirect cost reallocation equates to 30% for Phase I and Phase II.

**Phase III:** Will allow for the final phase of distribution of allocated percentages (see Table 1) of the collected F&A (Indirect Costs) to be used in support of activities associated with daily operations and in professional development activities faculty through the disbursement of Faculty Incentive Fund Awards. Date of enactment will be one (1) year after implementation of Phase II. Total indirect cost reallocation equates to 50% for Phase I, Phase II, and Phase III.

#### **D. Allocating Indirect (Facilities and Administrative) Cost to Units**

1. The allocation of indirect costs recorded on a proposal is determined by the OSP and then entered into the SPAPDCO system when budget accounts are requested/established.
2. OSP prepares a report for SPAPDCO that provides the credit distribution percentages.
3. A one-fiscal year (FY) lag ensues between the time that indirect (F&A) is credited in the Financial System and subsequently reallocated to university entities (i.e., indirect (F&A) credited in FY 2019/20 is distributed in FY 2020/21).
4. Requests to change the allocation of indirect (F&A) costs indicated in the proposal will be honored, provided the requested changes do not affect a prior fiscal year indirect (F&A) distribution, and the appropriate vice chancellor, or dean endorsements have been obtained.
5. Disbursement of reallocated F&A costs will follow established protocol for budgeting. The division of general funds will be in accordance with established University guidelines. Disbursement through Faculty Incentive Fund, Grantee's College, Grantee's Department, Research Center and Office of Research, Strategic Initiatives and Economic Development will follow policies and signatory guidelines (Indirect Cost Recovery and Reallocation Policy) that have been recommended by the University Research Council and adopted by the University.
6. The Office of Finance and Administration will provide a fiscal discussion of generated funds for the previous fiscal year by July 15<sup>th</sup> of each year. The Office of Research, Strategic Initiatives and Economic Development will review and provide concurrence and signature acknowledging reported funds.
7. Upon concurrence, the 50% of the collected total indirect (F&A) cost funds (minus the 50% designated for allocation to the General Fund:  $100\% - 50\% = 50\%$ ) will be deposited in an account designated as Generated Indirect Cost Account. The Office of Research, Strategic Initiatives and Economic Development will provide written communication to the grantee, department chair, and college or school dean stating the amount of funds to be reallocated to their accounts for the fiscal year.
8. All areas receiving reallocated funds must provide to ORSI-ED a proposed budget and budget justification of expenditures with required signatures as stated in the Indirect Cost Recovery and Reallocation Policy guidelines. If the proposed budget meets the policy

guidelines, the Vice Chancellor for ORSI-ED will approve the request, followed by approval of other signatories (identified herein). If the proposed budget does not meet the policy guidelines, the VC ORSI-ED will make recommendations and ask the requestor to send a revised proposed budget and justification.

9. In the case of the Faculty Incentives Fund, the University Research Council will suggest to the Vice Chancellor of Research unique faculty incentives such as mini-university grants, scholarship stipends, etc. These incentives will be awarded through a competitive process. The process guidelines will be recommended by the Council. Protocols for the competitive process will be established by the Council and implemented in a fair and cohesive manner.
10. Ten different categories are recommended for indirect (F&A) cost reallocation. These categories are defined in the preceding **Section IV – Policy Definitions** and include: (a) General Fund, (b) Faculty Incentive Fund, (c) Grantee’s College, (d) Grantee’s Department, (e) Research Center, (f) Principal Investigator, (g) ORSI-ED, (h) Office of Sponsored Programs, (i) Sponsored Programs Accounting, Policy, Development & Operational Compliance (SPAPDCO). Implementation process of distribution categories is described in **Section V – Policy Implementation Procedures, Subsection C – Stages of F&A (Indirect) Cost Reallocation Implementation**.

Table 1.  
*Recommended distribution rates.*

<b>Recipient</b>	<b>Academic / Administrative Unit</b>	<b>Research Center</b>
General Fund	50% of collected IDC	50% of collected IDC
Faculty Incentive Fund	5% of collected IDC	5% of collected IDC
Grantee’s College	5% of collected IDC	<b>0% of collected IDC</b>
Grantee’s Department	5% of collected IDC	<b>0% of collected IDC</b>
Research Center	<b>0% of collected IDC</b>	10% of collected IDC
Principal Investigator	15% of collected IDC	15% of collected IDC
ORSI	10% of collected IDC	10% of collected IDC
Office of Sponsored Programs	5% of collected IDC	5% of collected IDC
Sponsored Programs Accounting, Policy Development & Operational Compliance (SPAPDCO)	5% of collected IDC	5% of collected IDC

**Source: Office of Research and Strategic Initiatives, 2012**

11. The University Research Council will be responsible for providing recommendations for revision of the policy guidelines. The proposed updates will be provided to ORSI-ED for concurrence with final approval of the Office of the Chancellor.

**E. Examples of Distribution**

If the IDC Recovery and Reallocation Policy is approved under the current indirect cost rate (40% Modified Total Direct Cost), then the following will apply for distribution of the collected funds.

**Example One:** Engineering Faculty PI has received a **\$500,000** research award for undergraduate research experiences, and **\$300,000** of this award includes expenditures such as salaries and wages, pieces of equipment \$5,000 and under, supplies, travel, operating services, sub-awards under \$25,000, and other costs (software, licensing, etc.). Expenditures excluded from the MTDC include the remaining **\$200,000** allocated for student stipends, tuition, scholarships/fellowships, any portion of each sub-award more than \$25,000, rental of off-campus space, capital expenditures, and any individual piece of equipment over \$5,000. The total collected IDC would then be **40% of \$300,000 or \$120,000**.

Table 2.

*The distribution of the funds in Example One would then occur as follows:*

<b>Recipient</b>	<b>Academic / Administrative Unit</b>	<b>Research Center</b>
General Fund	<b>50%</b> of <b>\$120,000</b> or <b>\$60,000</b>	
Faculty Incentive Fund	<b>5%</b> of <b>\$120,000</b> or <b>\$6,000</b>	
Grantee’s College	<b>5%</b> of <b>\$120,000</b> or <b>\$6,000</b>	
Grantee’s Department	<b>5%</b> of <b>\$120,000</b> or <b>\$6,000</b>	
Research Center	<b>N/A Academic Award</b>	
Principal Investigator	<b>15%</b> of <b>\$120,000</b> or <b>\$18,000</b>	
ORSI	<b>10%</b> of <b>\$120,000</b> or <b>\$12,000</b>	
Office of Sponsored Programs	<b>5%</b> of <b>\$120,000</b> or <b>\$6,000</b>	
Sponsored Programs Accounting, Policy Development & Operational Compliance (SPAPDCO)	<b>5%</b> of <b>\$120,000</b> or <b>\$6,000</b>	
<b>TOTAL IDC</b>	<b>100%</b> of <b>\$120,000</b> or <b>\$120,000</b>	

**Example Two:** Research Center PI has received a **\$1,000,000** research award for faculty and student research & training and **\$800,000** of this award is in non-excluded costs (see examples in the description above). The collected total IDC would then be **40%** of **\$800,000** or **\$320,000**.

Table 3.

*The distribution of the funds in Example Two would then occur as follows:*

<b>Recipient</b>	<b>Academic / Administrative Unit</b>	<b>Research Center</b>
General Fund		<b>50%</b> of <b>\$320,000</b> or <b>\$160,000</b>
Faculty Incentive Fund		<b>5%</b> of <b>\$320,000</b> or <b>\$16,000</b>
Grantee's College		<b>N/A Research Award</b>
Grantee's Department		<b>N/A Research Award</b>
Research Center		<b>10%</b> of <b>\$320,000</b> or <b>\$32,000</b>
Principal Investigator		<b>15%</b> of <b>\$320,000</b> or <b>\$48,000</b>
ORSI		<b>10%</b> of <b>\$320,000</b> or <b>\$32,000</b>
Office of Sponsored Programs		<b>5%</b> of <b>\$320,000</b> or <b>\$16,000</b>
Sponsored Programs Accounting, Policy Development & Operational Compliance (SPAPDCO)		<b>5%</b> of <b>\$320,000</b> or <b>\$16,000</b>
<b>TOTAL IDC</b>		<b>100%</b> of <b>\$320,000</b> or <b>\$320,000</b>

## **VI. POLICY RELATED INFORMATION**

OMB Circular A-21 established principles for determining costs applicable to grants, contracts, and other agreements with educational institutions

([https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/circulars/A21/a21\\_2004.pdf](https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/circulars/A21/a21_2004.pdf)). The OMB Circular A-21 is the basis for the "determination" of the 40% MTDC indirect cost rate at Southern University for all sponsored grants. The 40% indirect cost rate should also be used for identifying reinvestments for the units from which these charges are based (department, college, ORSI/OSP, University (with emphasis on the Office of the Comptroller). A copy of the University's current Facilities and Administrative Costs Rate Agreement can be found at: <http://www.subr.edu/assets/subr/OSP/IDCAgreement2013.pdf>.

## **VII. POLICY HISTORY AND REVIEW CYCLE**

This Indirect Cost Recovery and Reallocation Policy is submitted to the Southern University System Board of Directors for approval - June 2019. The policy shall be revisited every two years.

## **VIII. POLICY URL**

A copy of this Indirect Cost Recovery and Reallocation Policy can be found on the Southern University website at <http://www.subr.edu/indirectcostplan>.