Administrative Policy 93

Indirect Costs Policy

Issued: 7/1/14
Revised: 
Institution Approval: 
Chancellor's Cabinet: 7/1/14

Reference:

Reviewers: 
Office of Institutional Effectiveness
Finance & Administration

Maintained By: 
Office of Institutional Effectiveness

Purpose

To support activities and related expenses for sponsored research and provide a financial incentive to faculty and staff for continued sponsored research and grant activities.

Background

Indirect costs are overhead expenses incurred by the organization as a result of the project but that are not easily identified with the specific project. Generally, indirect costs are defined as administrative or other expenses that are not directly allocable to a particular activity or project; rather they are related to overall general operations and are shared among projects and/or functions. (Indirect costs are sometimes referred to as “overhead costs” and more recently by the government as “facilities and administrative costs.”) Examples include executive oversight, accounting, grants management, legal expenses, utilities, technology support, and facility maintenance.

Direct Costs are costs that are directly related to the function of a grant project. Direct costs include: salaries and fringe benefits of employees directly related to the grant project, travel expenses, consultants, supplies, sub-awards, sub-contracts, equipment, renovation or construction.

Procedure

Applications for federal and non-federal grants and contracts must include indirect costs calculated at the agreed upon rates set forth in the University/DHHS Negotiation Agreement. The University will accept a different rate if the sponsor has a stated policy that limits or does not allow the inclusion of indirect costs. In this case, the applicant will abide by the sponsor’s stated indirect cost rate.

UW-Parkside’s Indirect Cost Rates (effective 07/01/12 - 06/30/16):

59% - on-site

20% - off-site (more than 50% of project is performed off-campus)

The above rates are applied to modified total direct costs (MTDC), which include salaries and wages, fringe benefits, materials, supplies, services, travel and sub-grants/subcontracts up to the first $25,000 of each sub-grant/subcontract. Excluded from the MTDC indirect cost rate are equipment, capital
expenditures, student tuition remission, rental costs of off-site facilities, scholarships, fellowships and the portion of each sub-grant/subcontract in excess of $25,000.

Allowable Uses of Indirect Funds

- Conducting pre-grant literature review and feasibility studies,
- Preparing grant proposals for sponsored programs,
- Travel expenses to meet with potential extramural funding sources for sponsored projects,
- Providing carryover funding for research and creative efforts to provide sustainability,
- Purchasing equipment and supplies directly related to expanding research and creative capability of the institution,
- Paying for sponsored project costs that are unallowable as direct costs,
- Supporting faculty summer salaries for research and proposal writing to assist the investigator in developing additional sponsored projects and extramural funding,
- Graduate and undergraduate assistantships for performing work on sponsored grants,
- Match or cost-sharing contributions for sponsored projects,
- Other reasonable and allocable expenditures related to sponsored project activity.

Unallowable Uses of Indirect Funds

- Expenses on items not reasonably related to research or sponsored project activities,
- Pay in excess of the full-time base salary for principal investigators during the academic year,
- Expenses that do not comply with federal, state, or university fiscal policies.

Indirect Cost Distribution

UW-Parkside’s Office of Institutional Effectiveness, Research Administration and Grants, uses indirect funds in support of allowable research-related activities that benefit the entire campus. In years when indirect cost revenue exceeds budgeted expenses for the Office Institutional Effectiveness, Research Administration and Grants, there will be the option to distribute a portion of indirect funds to originating principal investigators and their colleges (or, in the case of principal investigators not affiliated with a college, their academic/administrative division). Distribution of indirect funds is intended to support activities and related expenses for research and creative efforts, and to provide a financial incentive to faculty and staff for continued research and grant activity.

In years when indirect fund revenue is available for distribution, a project is eligible for distribution of indirect costs when that project supports indirect costs at the full 59% on-site rate, and when the collected indirect costs for the entire grant total $5,000 or more. Indirect cost distribution will not be allowed unless both of these criteria are met.
When all conditions are met, UW-Parkside will distribute indirect costs from individual grant awards in the following manner:

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>85%</td>
<td>Office of Institutional Effectiveness, Research Administration and Grants</td>
</tr>
<tr>
<td>10%</td>
<td>Principal Investigator</td>
</tr>
<tr>
<td>5%</td>
<td>College/Division of Principal Investigator</td>
</tr>
</tbody>
</table>

The recipients, with oversight by the Assistant Vice Chancellor for Institutional Effectiveness, will be responsible for using indirect costs in support of research/creative activity and grant activity, within the parameters of allowable uses of indirect costs. Funds must be used within three years. At that time, unspent funds will be returned to the Office of Institutional Effectiveness, Research Administration and Grants.