



# **Eastern Kentucky University**

## **Policy and Regulation Library**

Academic Regulation: 4.4.10ACR

Responsible Office(s): Office of the Provost

Effective: October 22, 2015

Next Review Date:

## **Academic Regulation: 4.4.10ACR**

### **Indirect Costs Recovery**

#### **Statement**

All externally-sponsored projects are expected to recover the University's full negotiated indirect costs recovery rate. If a sponsor imposes a limit on indirect costs recovery, the University may, at its discretion, accept a lesser rate if written documentation (i.e., policy statement or application guidelines) from the sponsor is provided prior to the submission of the proposal.

This Policy provides guidelines for the recovery of indirect costs on externally-sponsored projects. This Policy applies to all externally-sponsored project awards at the University.

#### **Entities Affected**

- Departments
- Colleges
- Units involved with externally-sponsored projects

#### **Background**

Also referred to as Facilities and Administrative (F&A) costs, indirect costs are expenses incurred by an organization that cannot be readily and specifically identified with a particular sponsored project, but that contribute to the ability of the University to conduct sponsored projects.

Expenses of maintaining and operating the University's sponsored project infrastructure include costs related to buildings (labs, offices, training facilities, etc.), technology infrastructure, utilities (water, electricity, heating, air conditioning, etc.), maintenance (custodial and facilities services, etc.), equipment, libraries, general administration (purchasing, accounting, payroll, human resources, legal services, etc.), departmental administration (deans offices, academic departments, etc.), and sponsored project

administration. F&A costs are real costs that are incurred by the University in administering sponsored award. Because it is not practical for a project budget to allocate funding for all such costs, the Federal government utilizes a rate model to account for these expenses and to provide a fair and consistent method through which reimbursement can be made.

The Federal government outlines specific procedures to be used in determining the rates and requires institutions to provide a proposal and financial data in accordance with these procedures. The government then uses a detailed review process to arrive at approved rates for each organization based on the institution's actual expenditures. The rates are not set by the University and cannot be amended without a new Federal rate agreement.

## Criteria

### **Indirect Costs Recovery Requirements**

All externally-sponsored projects are expected to recover the University's full negotiated indirect costs recovery rate. If a sponsor imposes a limit on indirect costs recovery, the University may, at its discretion, accept a lesser rate if written documentation (i.e., policy statement or application guidelines) from the sponsor is provided prior to the submission of the proposal.

With appropriate justification and support from the department chair/director and dean/unit head, a project director may request a partial waiver of indirect costs for a proposal in a situation where doing so is clearly in the best interest of the University. If there is no limit to the amount of funds that may be requested in a sponsored project proposal, if the budgeted costs do not reach the maximum amount that may be requested, or if the maximum amount of funding that may be requested is based on direct costs only, a waiver is not appropriate, and such proposals must use the maximum allowable rate. The approval of partial waiver requests is at the discretion of the institutional official for grants and contracts.

## Procedures

### **Inclusion of F&A in Proposal Budgets**

1. Sponsored Programs shall provide project directors with access to the current federally-negotiated indirect costs rate agreement and assist in the calculation of indirect costs for proposal budgets.
2. Project directors shall include the full indirect rate on all proposals submitted unless the sponsor imposes a limit on the indirect cost recovery. If such a limit is imposed, project directors shall provide written documentation from the sponsor indicating so.
3. When a partial waiver of indirect costs is requested, project directors shall complete a Waiver Request Form and include the approved form with the internal review submission for the proposal. Project directors shall not submit proposals

with voluntarily waived indirect costs unless authorized approvals have been granted in advance.

4. The institutional official for grants and contracts shall review requests for partial waivers of indirect costs recovery and shall approve such requests only when doing so is clearly in the best interests of the University.
5. Sponsored Programs shall ensure that the full indirect costs rate is used on all proposals unless written sponsor documentation has been provided or a waiver has been approved in advance.
6. College deans and administrative unit heads shall ensure that the full indirect costs rate is used on all proposals unless written sponsor documentation has been provided or a waiver has been approved in advance.

### **Indirect Costs Funds Draw-Down**

Accounting and Financial Services shall ensure the appropriate draw-down of indirect costs on awarded projects in accordance with each award's approved budget.

## **Definitions**

- **Indirect Costs:** Indirect costs are those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect costs. Indirect cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived (Uniform Guidance, §200.56).

## **Responsibilities**

- Institutional Official for Grants and Contracts
  - Review and approve requests for waivers of indirect costs only when doing so is clearly in the best interests of the University.
- College Dean / Administrative Unit Heads
  - Ensure that the full indirect costs rate is used on all proposals unless written sponsor documentation has been provided or a waiver has been approved in advance
- Department Chair / Division Head
  - Review proposals for inclusion of appropriate indirect costs rates
- Program Directors
  - Include appropriate indirect costs rate in proposals

- Sponsored Programs
  - Provide project directors and others with access to current indirect costs rates
  - Review proposals for inclusion of full indirect costs rate or documentation that indirect costs are not permitted by sponsor
- Accounting and Financial Services
  - Ensure appropriate draw-down of indirect costs funds in accordance with approved budget for each award.

## Violations of the Policy

Policy compliance is the joint responsibility of all involved. If non-compliance issues are identified by the Office of Graduate Education Research, corrective action may be necessary and shall be completed following consultation with the Principal Investigator, respective Dean, Department Chair, and/or Financial Manager. Corrective action may include, but is not limited to, movement of unallowable or inappropriate charges to departmental, college, or other university accounts, suspension of grant accounts, and/or withdrawal of a proposal or award. Any actions deemed necessary in response to policy non-compliance may be appealed to the Provost and/or Vice President for Finance and Administration.

## Statutory or Regulatory References

2 CFR, Part 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards [http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200\\_main\\_02.tp](http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tp)

## Regulation Adoption Review and Approval

### Regulation Revised

<u>DATE</u>	<u>ENTITY</u>	<u>ACTION</u>
May 2, 2025	University Counsel	Editorial Revision
October 18, 2024	University Counsel	Editorial Revision
October 22, 2015	Vice Provost	Editorial Revision

### Regulation Issued

<u>DATE</u>	<u>ENTITY</u>	<u>ACTION</u>
January 26, 2009	Board of Regents	Adopted
December 19, 2008	President Whitlock	Approved
October 6, 2008	Faculty Senate	Approved