



<b>Policy Title:</b>	<b>Indirect Cost Recovery and Distribution</b>
<b>Policy Number:</b>	ACAD- 134
<b>Revision Date:</b>	July 2020
<b>Policies Superseded:</b>	ACAD-301 (in part)
<b>Policy Management</b>	Research

**SUMMARY:**

Coastal Carolina University’s policy is to recover the full amount of indirect cost (IDC) allowable by a sponsor, whether public or private. In acknowledgement of the effort required to seek and secure external funding, the University elects to return 25 percent of the IDC recovered by faculty members who serve as principal investigators (PI) on grants that include indirect cost.

**POLICY:**

- I. The University encourages faculty and staff to seek external funding for research, scholarship, and improvements to the facilities. Funding which allows for the recovery of IDC, also commonly known as overhead costs or facilities and administration costs, reduces the burden of maintaining research at the University that is borne by the units incurring overhead costs. The Office of Financial Services negotiates the University’s IDC rate with the federal Department of Health and Human Services (DHHS) every four years.
  - A. This policy has been established to comply with standards set forth in the Office of Management and Budget (OMB), Circular A-21, Cost Principles for Educational Institutions, and 2 CFR 200 Uniform Guidance. These require that all costs incurred for the same purpose, in like circumstances, are treated only as either direct costs or indirect costs.
  - B. The policy and its associated procedures create a uniform understanding of how IDC should be shared when there are contributions from more than one department or school. A transparent, equitable way to distribute the recovered IDC to contributing units is critical in promoting interdisciplinary projects.
  
- II. **FIXED RATES FOR THE LIFE OF THE FEDERALLY SPONSORED AGREEMENT**
  - A. Federal agencies will use the negotiated rates for IDC in effect at the time of the initial award throughout the life of the sponsored agreement.

“Life” for this purpose means each competitive section of a project (grant award, contract, or other agreement). A competitive segment is a period approved by the federal funding agency at the time of the award. If negotiated rate agreements do not extend through the life of the sponsored agreement at the time of the initial award, then the negotiated rate for the last year of the sponsored agreement will be extended through the end of the life of the sponsored agreement. Award levels for sponsored agreements may not be adjusted in future years as a result of changes in negotiated rates.

- B. If a circumstance should occur wherein the University has not reached agreement with the cognizant federal agency and, therefore, does not have a negotiated rate in effect, the provisional rate used at the time of the award will be adjusted once the rate is negotiated and approved by the cognizant agency.

### III. CHANGES IN NEGOTIATED RATES

When the University negotiates a change in its IDC rate with the cognizant federal agency, all proposals, including renewals and continuations having a new life of the sponsored agreement, submitted after the effective date of the rate change will reflect the new indirect cost rate as soon as the University has been notified of the approved new rate.

### IV. APPLICATION OF INDIRECT COST ON NON-FEDERAL PROJECTS

Unless the IDC rate for a non-federal grant, contract, or other agreement is approved to be negotiated as part of the award, proposals must use the rate for federal programs in effect at the time of submission for determining that portion of the non-federal program's budget. This rate will be applied as a fixed rate for the duration of the life of the project once the program is accepted and supported by the sponsoring agency. Proposals for supplemental funding, however, should use the most recently negotiated rate in effect at the time of submission.

### V. AMENDMENT OF INDIRECT COST REQUESTED AND/OR APPROVED FOR NON-FEDERAL SPONSORS

If the amount of IDC to be charged to a non-federally sponsored project, whether cost reimbursement or fixed price, changes from the amount included in the proposal and/or grant or contract award, the following guidelines apply. In general, an IDC rate used in the award of a non-federal program grant, contract, or other funding instrument is fixed for the entire life of the award unless an award provides terms and conditions to the contrary.

## VI. CHANGE IN BASE AMOUNT COMPUTATION OF INDIRECT COST

An increase in the base amount to which an IDC rate is applied must be authorized through the same administrative offices that approved the original budget and/or the sponsor according to the terms of the grant or contract. If the approved revision results in an increase in the allowable IDC recovery, the budget for indirect costs will be adjusted accordingly. A decrease in the base does not require an amendment to budgeted indirect costs unless the sponsoring agency, upon request by the University, authorizes the budgeting of funds from indirect costs to direct costs categories.

## VII. INDIRECT COST DISTRIBUTION

- A. Recovered IDC will be distributed as received by Financial Services, which will open an account in the University finance system for each or PI where IDC recovered will be deposited.
- B. When all IDC is recovered, the distribution will be:
  - 1. Twenty-five percent to PI.
  - 2. Twenty-five percent to department/unit.
  - 3. Twenty-five percent to dean.
  - 4. Twenty-five percent to support the research incentive fund.
- C. In the case of multiple faculty members acting as investigators or senior personnel or where multiple departments or schools are involved in a proposal, distribution of the recovered IDC will be based on the prior agreement, not to exceed the total percentage allocated to the person or area. This agreement will be outlined and executed through the use of a [Grant Allocation form](#).
- D. Any request to change the established recovered IDC distributions must be approved by the dean(s) of the college(s) in which the investigator(s) or senior personnel are housed and the Associate Provost for Research.

## VIII. INDIRECT COST REDUCTION OR WAIVER

- A. The Office of Sponsored Programs and Research Services (OSPRS) is responsible for determining if a proposed project is classified as research or non-research as defined in South Carolina Act 651.
- B. South Carolina Act 651 requires the University to collect the full amount of IDC allowable by the sponsoring agency on all federal funded non-research projects of \$200,000 or more per year, including those funded with federal dollars, which flow through state agencies. These recovered indirect costs must be remitted to the state's General Fund.
- C. When the sponsored project is either classified as research or is less than

\$200,000 per year, the University may consider a discretionary reduction in, or waiver of, indirect cost in certain situations, which include, but are not limited to, the following:

1. The sponsoring agency's operational policies restrict or prohibit payment of full indirect cost.
2. The benefit of the proposed research or project to the University outweighs the loss of indirect cost revenue.
3. The project requires significant institutional cost sharing that cannot be fully met by other sources.
4. The proposed research or project is relatively small, will not require extraordinary effort and/or resources to administer, and will significantly assist the principal investigator (PI) in beginning or enhancing his/her research career.
5. The assessment of the full indirect cost rate on a project with a maximum allowable total cost would reduce the amount of direct funds available for project implementation to such an extent that the scope of work or deliverables could not be accomplished.
6. A particular market condition makes a reduction in, or waiver of, indirect cost appropriate or advisable.

D. The OSPRS is the entity at the University authorized to negotiate a reduction of waiver of indirect cost with a sponsoring agency. PIs are not authorized to negotiate a reduction or waiver of IDC with the sponsor on any sponsored project without the prior approval of the OSPRS.

E. If a PI wishes to seek a discretionary reduction or waiver of IDC from the University, they shall submit a [Request for Indirect Cost Reduction or Waiver](#) form to their department chair/unit head and college dean prior to submitting the proposal to the OSPRS for internal review and approval.

1. The department chair/unit head and college dean shall review the justification, assess the potential impacts of the IDC revenue loss on the University, consult with OSPRS as necessary, and determine if they will endorse the request.

F. If the sponsoring agency's policies restrict or prohibit indirect costs, a copy of the policy must be provided to the OSPRS at the time the proposal is submitted for internal review and approval. If no such policy exists in writing, a letter, memo, or email stating restrictions on indirect cost reimbursement from an authorized designee of the sponsoring agency may be substituted.

## IX. USE OF FUNDS

A. In accordance with the United States White House Office of Management and Budget (OMB) guidelines, acceptable uses of recovered indirect costs

include:

1. Purchase research equipment that will benefit future activities.
2. Fund operational costs for research-related activities.
3. Fund costs associated with the acquisition and required maintenance of a grants management system.
4. Provide compensation for staff providing pre-award and post-award services.
5. Provide compensation for faculty, staff, or students involved in research or sponsored project activities.
6. Fund costs related to faculty, staff, or student trainings, conference, and workshops related to research topic areas, grant development, and award management.
7. Fund subscription costs for grant opportunity search resources.
8. Fund costs associated with maintaining the University's responsible conduct of research training programs.
9. Provide funding for faculty reassignment time or sabbatical costs to pursue research goals.
10. Provide funding for membership to professional organizations (not community or civic).
11. Provide publication or presentation costs.
12. Purchase of technical or professions journals.

#### X. TIME LIMIT FOR THE USE OF IDC FUNDS

- A. Funds generated from IDC recoveries must be used at least once per fiscal year in order to remain active. If the funds in an IDC account are not used within a fiscal year, the Associate Provost for Research may capture those funds to be deposited into other accounts in support of research activities. Prior to taking this action, the dean must first inform the account's budget officer(s) and allow up to 10 business days for the budget officer to provide an alternative plan and timeline for expenditure of the funds.
- B. Disagreement between the Associate Provost for Research and the budget officer(s) regarding the use of funds plan shall be resolved by the provost.
- C. PIs or other budget officers may request a budget-to-actuals report of an IDC account from the [OSPRS](#) not more than once each month of the fiscal year.