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Policy on Distribution of Indirect Cost Recovery Funds

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Policy Statement	Effective Date: June 1, 2013
Reason for Policy	Last Updated: October 21, 2014
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Revision History	Donald Campbell
Appendices	Michael Harrington

POLICY STATEMENT

It is the policy of the University to support the sponsored research activities of its faculty and staff as a way to contribute to the pursuit of knowledge, the enhancement of student learning, and the promotion of the common good. In furtherance of this effort, the University allocates additional funding to Principal Investigators (PIs) and departments to help support their research activities. This funding is derived from indirect cost recovery funds received by the Office of Contracts and Grants from external sponsors of projects awarded to the University.

REASON FOR POLICY

This Policy sets forth the procedures for the distribution of indirect cost recovery funds received by the University in connection with the administration of its sponsored contract and grant activities.

WHO SHOULD READ THIS POLICY

Any employee who is responsible for the budgeting and expenditure of indirect cost recovery funds; the members of the Leadership Team, as well as supervisors and Business Managers who supervise an employee with such responsibilities.

POLICY TEXT

The University generally receives a reimbursement of indirect costs (i.e., overhead) from federal and non-federal sponsors of contracts and grants. This reimbursement is intended to cover the University's pre-award and post-award administration of sponsored projects, including costs associated with the Office of Contracts and Grants.

Indirect cost reimbursements are typically determined based on the application of the University's Facilities and Administrative (F&A) rate, which is periodically negotiated with the U.S. Department of Health and Human Services (HHS). The F&A rate is calculated by the University in accordance with the requirements contained in the [Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#) published by the Office of Management and Budget (OMB).

In accordance with this Policy, indirect cost recovery funds received by the University are shared with PIs and their primary units in order to support their continued involvement in sponsored activities. To this end, the following distributions of indirect cost funds will be made at the end of each fiscal year:

- **Principal Investigator** – Ten (10) percent of net indirect cost funds generated by a contract or grant will be distributed to the PI responsible for the award. In the case of more than one PI, the 10% distribution will be divided equally among the PIs. Amounts distributed shall not be used to fund PI salaries, but are to be made available for research-related expenditures and/or professional development support.
- **School, College, or Division of the PI** – An additional 10 percent of the net indirect cost funds will be distributed to the Dean of the applicable school, college, or division. In the case of multiple schools or colleges, the indirect cost funds will be divided proportionally based on the number of PIs and staff who participated in the project.

Distributions of indirect cost funds made to PIs and Deans will be reduced by any University funds or cost sharing contributed in connection with the grant or contract.

The following programs and awards are excluded from this Policy:

- Scholarships and fellowships,
- Contracts or grants where the F&A rate was waived by the University, and
- Funds provided by the Faculty Development Fund.

The Policy and its procedures will be reviewed periodically by the Provost and Vice President for Academic Affairs and revised, as needed.

PROCEDURES

[Authorization](#)

[Calculation of Indirect cost Distributions](#)

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Authorization

Distributions of indirect cost recovery funds are approved annually by the Office of Contracts and Grants. Any exception to this Policy requires prior written approval by the Provost and Vice President for Academic Affairs.

Calculation of Indirect cost Distributions

Annual distributions of indirect cost recovery funds are based on actual reimbursements of indirect costs received by the Office of Contracts and Grants by the end of the fiscal year and not on budgeted amounts. That office will identify the contracts and grants responsible for generating the indirect cost reimbursements, which will be confirmed by the schools and colleges that received the awards. As part of the fiscal year-end process, Accounting and Business Services approves the journals transferring indirect cost recovery funds to the schools and colleges authorized by the Office of Contracts and Grants to receive a distribution.

Violations

Intentional violations of any portion of this Policy may result in disciplinary action, up to and including termination of employment and/or legal action.

RELATED INFORMATION

Type	Name	URL
USF	Office of Contracts and Grants, Pre- and Post-Award Policies and Procedures	http://www.usfca.edu/uploadedFiles/Destinations/Offices_and_Services/Provost/Sponsored_Project/USF%20Post%20Award%20Policy%2011%2030%20final%20pdf.pdf
External	Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards	https://www.federalregister.gov/articles/2013/12/26/2013-30465/uniform-administrative-requirements-cost-principles-and-audit-requirements-for-federal-awards#h-222

DEFINITIONS

Term	Definition
Business Manager	A University employee, designated by the President, Vice President, Vice Provost, or Dean who is the financial manager for the University account(s) being used for the expense. This may include the President, Vice Presidents, Vice Provosts, or Deans.
Cost Sharing	That portion of a project or program costs not borne by the sponsor. It includes both cash and in-kind contributions that the University makes to an award.
F&A Rate	The HHS-approved rate used by the Office of Contracts and Grants to claim reimbursements of indirect costs. As prescribed in the OMB guidance, the negotiated F&A rate is applied to a base consisting of the salaries and wages charged to contracts and grants received by the University.
Indirect Costs	Costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity. Under the OMB guidance, indirect costs are grouped into nine categories of F&A costs.

Indirect Cost Recovery Funds	Consists of indirect cost reimbursements received by the University based on the application of the F&A rate.
Sponsored Research	All research and development activities that are sponsored (i.e., funded) by federal and non-federal agencies and organizations. This term also includes certain activities involving the training of individuals in research techniques.

ADDITIONAL CONTACTS

Subject	Contact	Phone	E-mail/URL
Office of Contracts and Grants	Donald Campbell	415-422-5368	dmcampbell2@usfca.edu
Office of Planning and Budget	Michael Harrington	415-422-2790	harrington@usfca.edu

FORMS

Form	Use	Location	URL
(None)			

RESPONSIBILITIES

Department/Business Manager

- Reviews and confirms contracts and grants responsible for generating indirect cost recovery funds.

Office of Contracts and Grants

- Prepares claims for reimbursement of indirect costs in financial reports submitted to federal and non-federal sponsors.
- Calculates and approves annual distributions of indirect cost recovery funds.
- Prepares journals transferring such funds for approval by Accounting and Business Services.

Vice Provost for Institutional Planning, Budget and Effectiveness

- Establishes annual budget for indirect cost recovery funds.

Provost and Vice President for Academic Affairs

- Reviews and approves exception requests, as appropriate.
- Updates Policy and its procedures, as needed.

President, Vice Presidents, Vice Provosts, and Deans

- Ensures that employees in his or her division are in compliance with this Policy.

FREQUENTLY ASKED QUESTIONS

(None)

REVISION HISTORY

10/21/2014	Revised to clarify that the 10-percent distribution to the Deans will be reduced by any University funds or cost sharing contributed in support of the PI's award. In addition, sponsored contracts and grants received by the School of Law shall be subject to this Policy.
06/01/2013	Effective date of Policy.

APPENDICES

(None)
