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| **Category:** Post-Award | **Date Established: 07/01/2018** |
|  | **Date Last Revised: 10/01/2018** |
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| **Title: Indirect Cost Recovery/Overhead Distribution Policy** | |
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**1. Purpose**

This policy outlines the process for distributing a portion of a sponsored project’s recovered indirect costs (IDC).

**2. Background**

Research and scholarly activities conducted at Jacksonville University incur two types of costs:

**Direct Costs** and **Indirect Costs**. For every grant dollar the University spends on the Direct Costs of conducting research or other projects, the University incurs additional costs to maintain the facilities used for the projects and to support the administration of those projects (i.e., Indirect Costs).

**Direct Costs** pay for the resources that a single research project uses. They are those costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. These costs may include salary for a research assistant, a chemical for a specific experiment, or the travel costs associated with the implementation of a specific project.

**Indirect Costs (IDC)** are those that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project. The funding derived from IDC provides critical dollars necessary to support the operating expenses related to the space in which the research is conducted, as well as the various services provided to the Principal Investigator and the college and department for administering the award (e.g., ORSP, accounting, purchasing, human resources, facilities, etc.) libraries, physical plant operation and maintenance, utilities, departmental support costs (e.g., salaries, postage and related administrative costs), and depreciation for buildings and equipment are examples of indirect costs.

As part of the IDC policy, a portion of JU’s IDC recovery is returned to the PIs and their departments.

The University’s IDC agreement is periodically reviewed and negotiated with JU’s cognizant Federal audit agency, the Department of Health & Human Services, in accordance with applicable federal government cost principles set forth in the Office of Management and Budget (OMB) Uniform Guidance (2 CFR 200.414). The negotiated rate is applied to the allowable direct costs. The University’s current rate agreement, which is effective July 2, 2015, through June 30, 2019, authorizes 39% for on-campus activity and 19% for off-campus activity; rates are to the total cost of salaries, wages and fringe benefits.

* **All** externally funded projects (i.e., grants, contracts, and cooperative agreements) conducted by JU shall seek reimbursement of indirect costs at the federally approved rates.
* When a sponsor limits or prohibits indirect cost recovery on a project, JU will accept the sponsor’s rate provided the rate is published and uniformly applied.
* In the absence of a published rate that is lower than JU’s negotiated federal rate, JU’s negotiated federal rate will be applied. It is important that the University recover the full indirect costs if the institution is to avoid paying for sponsored projects from other sources of revenue. Agencies that have such policies frequently allow administrative costs and/or the direct charging of costs which ordinarily come under the designation of indirect costs.

**3. Policy**

**Effective July 1, 2018, the IDC distribution is as follows:**

* **Forty-five percent (45%)** of all IDC’s recovered from sponsored projects will be allocated to the University’s general revenue account. These funds will be used at the discretion of the University to cover various administrative and facilities expenses associated with sponsored awards.

The remaining 55% will be distributed in the following manner:

* **Ten percent (10%)** of the recovered indirect costs will be allocated to the Principal Investigator to support research and scholarship-related activities. Examples of appropriate uses for these funds include but are not limited to: hiring student workers, purchasing supplies, software, and equipment (other than computers/laptops/tablets), professional development and/or conference registration fees and related travel, and publication fees. Funds may be split equally for more than one PI on a given project.
* **Ten percent (10%)** of the recovered indirect costs will be allocated to support the Principal Investigator’s department. Funds may be used to support departmental expenses at the discretion of Department Chair in consultation with the respective Dean/Associate Dean. Funds may be split equally between multiple departments for multiple-PIs who are expending the same amounts of effort on a given project.
* **Five percent (5%)** of the recovered indirect costs will be allocated to the Provost. The Provost will use the funds at his/her discretion to support the greater needs of the JU’s academic programming.
* **Thirty percent (30%)** of the recovered indirect costs will be allocated to the Office of Research and Sponsored Programs to support operating expenses including but not limited to administrative resources and other support for sponsored research activities.

**IDC Account Management**

* ORSP approval is required for all IDC expenditures. Staff should verify in advance that their intended purchase is allowable.
* Recovered IDC funds will be distributed in April, July, October, and January of each year and are transferred directly into the IDC accounts of the Principal Investigator and Department Chair.
* **Distribution of recovered IDC may differ for awards that include sponsor-mandated restrictions on indirect costs.** Awards from funding agencies who require application of a specified indirect cost rate that is different from JU’s federally-approved rate will be distributed equally between the PI, the ORSP, and the JU general revenue fund.
* PIs that retire or leave the University: If the PI plans to continue to perform research/projects as an emeritus faculty member, the account remains open and available for use, following the same parameters above for PI usage of their share. If not, the account will be closed and the remaining funds in the account will be allocated to the Department.
* Excluded Uses of IDC
  + Purchases for computers (laptops, desktops, tablets) and/or gifts or gift cards are not allowable uses of IDC funds.
  + Faculty supplemental compensation is not allowed. Course releases for sponsored program activities, as approved by the department chair, are allowable.

References

1. [Code of Federal Regulations, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200).](http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl)

2. Jacksonville University’s [Indirect Cost Rate Agreement](file:///R:\ORSP%20-%20%20Grants%20&%20Contracts\Proposal%20Preparation\About%20JU\Financial%20info%20and%20forms\Current%20IDC%20Rate%20Agreement.pdf)