

## William Paterson University Policy

### University Policy

<b>SUBJECT:</b>	University Policy	<b>TITLE:</b>	Indirect Cost Rate Policy	
<b>CATEGORY: Check One</b>	Board of Trustees <input type="checkbox"/>	University <input checked="" type="checkbox"/>	Functional <input type="checkbox"/>	School/Unit <input type="checkbox"/>
<b>Responsible Executive:</b>	Provost and Senior Vice President for Academic Affairs		<b>Responsible Offices:</b>	Office of the Controller and Office of Sponsored Programs
<b>CODING:</b>	02-20-80-00-06	<b>ADOPTED:</b>	09/12/2019	<b>AMENDED:</b>
<b>LAST REVIEWED: 09/12/2019</b>				

#### I. PURPOSE

This policy supports the University's mission and activities in research, scholarship, creative, educational, and public service. The policy establishes the University's position on recovering indirect costs from grants and similar agreements.

#### II. APPLICABILITY

This policy applies to those University departments engaged in supporting research and other sponsored projects through grants, contracts and cooperative agreements by establishing indirect cost recover rates, budgeting for the recovering of indirect costs, recovering indirect costs, and distributing indirect costs. Although the federally approved indirect rate is the primary source for the University's indirect cost revenue, this policy applies to all agreements that generate indirect cost revenue, including grants, cooperative agreements and contracts for projects supported by non-federal sponsors.

#### III. ACCOUNTABILITY and RESPONSIBILITIES

- The Vice President for Administration and Finance and the Provost and Senior Vice President for Academic Affairs are responsible for the ongoing execution of this policy.
- Office of Sponsored Programs (OSP):
  - Submits and negotiates indirect cost rate proposals for federally sponsored projects.
  - Establishes indirect cost rates for non-federally sponsored projects.
  - Ensures inclusion of indirect cost charges in grant proposals to the greatest extent possible.
- Office of the Controller (OC):
  - Prepares the indirect cost rate proposal.
  - Calculates, reports, and collects indirect cost funds.
  - Records indirect cost revenue to University FOAPs in accordance with this policy.

#### IV. DEFINITIONS

*Direct costs* means those specifically identifiable costs that are incurred to achieve the goals, objectives and activities of a grant, cooperative agreement or contract.

*Indirect (F and A) costs* means those costs incurred for a common or joint purpose benefitting more than one cost objective or direct cost, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. (2 CFR.200.56) This generally includes the cost of utilities, general

administrations services and resources, and office space and campus facilities that are used by the project but whose costs cannot be easily computed and assigned to the project.

*William Paterson University's federally approved indirect rate* is the mechanism by which a portion of the University's general operating costs can be charged to grant funds. The rate must be approved by the Federal cognizant agency, and renewed every four years. Once approved, the rate is applied on a grant by grant basis by multiplying the indirect cost percentage by applicable direct expenses of the grant project. The allowability and formulas for use of indirect cost rates vary from grant to grant. For example, the sponsor may require that WPU uses a rate based on the total direct costs or the total modified direct costs (i.e.: direct costs less equipment and participant support).

*Cognizant agency for indirect costs* means the Federal agency responsible for reviewing, negotiating, and approving cost allocation plans or indirect cost proposals developed under this part on behalf of all Federal agencies. (2 CFR.200.19) William Paterson University's cognizant agency is the Department of Health and Human Services.

*Indirect cost rate proposal* means the documentation prepared by William Paterson University to substantiate its request for the establishment of an indirect cost rate. (2 CFR.200.57)

*Indirect cost rate agreement* means the contract that establishes the indirect cost rate approved by the cognizant agency as the "federally approved indirect rate" for use in all proposals and awards unless otherwise directed by the sponsor.

*Alternate Federal rate* means that the Federal agency has established (or an enabling legislation) has established a different rate for indirect costs.

*Other indirect cost rates* are the rates that may be charged against the direct costs of non-Federal grants, contracts and cooperative agreements. This may be referred to in proposals, budgets and invoices and related documents as "Administrative Rate," "Administration Fee," or other terms that are appropriate for the sponsor.

## V. BACKGROUND

This policy formalizes and clarifies an existing University practice for establishing and using a federally approved indirect cost rate, using alternate Federal rates, and negotiating and using other indirect cost rates for non-Federal grants, contracts and cooperative agreements.

## VI. REFERENCE(S)

2 CFR 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

## VII. POLICY

### A. General Policy:

1. The University maintains a federally approved indirect rate and seeks to recover indirect costs on all grant, contract and cooperative agreements that allow the charging of indirect costs. Indirect costs are included in proposals to any type of sponsor according to the guidance provided by that sponsor. The full federally approved indirect cost rate will be used whenever possible.
2. Alternate indirect cost rates will be established for non-Federal grants, contracts and cooperative agreements for use as the University is able. These rates may be negotiated with sponsors.

B. Establishing Indirect Cost Rates

1. The OSP and the OC will cooperate in the development and submission of the University's Indirect Cost Rate Proposal to the US Department of Health and Human Services. The OSP will be the lead contact and negotiator. The OC will prepare the proposal and any additional financial information that may be requested.
2. The OSP will cooperate with Institutional Advancement (IA) and the OC to establish alternate indirect cost rates for non-Federal sponsors.
3. The OSP and IA will insure that the full indirect costs that can be recovered from a prospective sponsor are included in proposals that are submitted through their respective processes. The OSP and IA may negotiate these rates as needed to enable the University to recover indirect costs for any grant, contract or cooperative agreement.

C. The inclusion of indirect costs in proposal budgets where indirect costs are allowed may be waived by the Provost and Senior Vice President for Academic Affairs and the Senior Vice President for Administration and Finance prior to the submission of a proposal. A request for a waiver must be submitted by the principal investigator/project director, must be supported by their Dean/Associate Vice President, and must be supported by either the OSP or IA at least four (4) weeks before the deadline for the submission of the proposal.

By Direction of the President and Cabinet:

Date

9/12/19



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Provost and Senior Vice President for Academic Affairs

