



## Indirect Cost

### I. Policy Statement

Winston-Salem State University (WSSU) receives reimbursement of Facilities and Administrative (F&A) costs related to grants and contracts and will allocate these funds in accordance with all applicable federal guidelines, federal and state laws, and policies of The University of North Carolina, as they may be amended from time to time. The Chancellor shall expend F&A funds only to support scholarly development of its faculty, staff and students or to ensure that the campus infrastructure is supported to enhance such scholarly activities.

### II. Guidelines

#### Recovery of Indirect (F&A) Costs

Unless restricted by the sponsor, all grant and contract proposal budgets submitted for external funding shall incorporate the full prevailing negotiated F&A rate or the approved university rate for a class of sponsors (e.g. corporate sponsors, state government, school districts, etc.).

When the sponsor limits or prohibits the full recovery of F&A costs, the Principal Investigator must provide a statement from the sponsor concerning the restriction when submitting the proposal for internal review and approval. This statement may be a copy of the applicable policy from the sponsor's website, request for proposal, grant guidelines, or other documents, or a written statement received directly from the sponsor when no other statement of its policy is available. If the sponsor permits the recovery of F&A costs, but does not specify a rate, the Principal Investigator must contact the Office of Sponsored Programs to determine the applicable rate.

When the Principal Investigator wishes to waive part or all of the full amount of F&A costs that could be recovered, the Principal Investigator must provide a written statement justifying the waiver when submitting the proposal for internal review and approval, and this statement must be signed by the Vice Chancellor of Finance and Administration (or Associate Provost of Research if the Vice Chancellor is not available). Any approved waived amounts should be included in the budget in the in-kind cost sharing column.

#### Distributions of Indirect (F&A) Costs

F&A costs (sometimes called indirect or overhead receipts) are calculated for such items as facilities maintenance and renewal, libraries, salaries of technical, compliance and administrative personnel, equipment, scholarly development, and facilities support. F&A rates are set by negotiations between the federal government and each university. Lower rates are often established statutorily or by policy by certain programs and sponsors.

Under 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards Uniform Guidance, indirect costs generally reimburse for costs of the grants and contracts operations of the institution and other overhead expenses of the university in a manner consistent with the formulae under which the funds were recovered. The university will institute controls pertaining to the compliance requirements for sponsored project expenditures under 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

The distribution of a certain percentage of F&A costs may be recovered from external grants to those units and investigators, college/schools, departments, and faculty members. Funds will be distributed to each principal investigator (PI), the PI's home department, the PI's home college/ school/division, the Office of Sponsored Programs, and WSSU administration (Finance & Administration and the Office of the Provost). Indirect cost funds that are earmarked to support the research infrastructure will be allocated to separate accounts based on the indirect cost revenue recovered in the previous fiscal year from sponsored program accounts. Funds will be distributed by October 1, annually.

Winston-Salem State University has elected to invest a portion of its recovered F&A costs in the support and stimulation of research and scholarly activities. The total amount for distribution of these funds shall be determined on an annual basis at the discretion of Associate Provost of Research. Consequently, at the beginning of each fiscal year the Office of Contracts and Grants will transfer the approved amount of recovered F&A funds from the prior fiscal year from the general fund to designated accounts. The distribution formula for F&A funds is outlined in the table below. The funds available for distribution each year may change, since the amounts generated change and any distribution is always at the discretion of Associate Provost of Research, but the distribution formula will remain as outlined in the table until additional changes are approved by the Board of Trustees.

The cost for operating the project should be charged directly to the grant as direct costs. These direct cost charges may include a percentage of the PI's salary as well as support for postdoctoral associates, consultants, graduate and/or undergraduate assistants, equipment needed for the research, travel, subject payment fees, and other charges directly relating to conducting the project. Under no conditions should a PI receive any monetary compensation for salary or contractual services from indirect cost dollars that are placed in the PI's indirect cost account.

Five categories of accounts are listed in the distribution table below. Administrative support for Finance and Administration (20%), the Provost (10%), and Office of Sponsored Programs (35%) are included to support infrastructure needs relating to sponsored research activities. Funds allocated to Finance and Administration may include payment for leased space, administrative costs for maintaining facilities, providing security, and other services. Funds allocated to the Provost may be used to support administrative costs for scholarly activities, in-kind costs for grant recipients, award recognition, travel, equipment, etc. Funds allocated to the Office of Sponsored Programs (OSP) may be used to support the mission of OSP to provide technical assistance to faculty and staff in obtaining external funds to engage in scholarly activities which may include but is not limited to grant writing workshop travel, federal agency program officer meetings, internally reviewed applications for pilot study funding, patent application fees, patent application maintenance fees, research/technology transfer fees, professional development costs for OSP personnel, and annual award recognition.

## Indirect Cost Distribution Formula

Area	% Allocation
<b>Administration</b> <ul style="list-style-type: none"> <li>• Vice Chancellor for Finance and Administration (20%)</li> <li>• Provost (10%)</li> <li>• Office of Sponsored Programs (35%)</li> </ul>	<b>65%</b>
<b>Academic Units</b> <ul style="list-style-type: none"> <li>• Administrators [Deans] (10%)</li> <li>• Chairs/Directors/Supervisors (10%)</li> <li>• Principal Investigators (10%)</li> </ul>	<b>35%</b>
<b>Institutional Reserves</b>	<b>5%</b>
<b>Totals</b>	<b>100%</b>

Eligible principal investigators (PIs) will receive 10% of overhead receipts. In order to establish a research incentive account (RIA), the amount of receipts to be posted must be at least \$500. In the event that a PI has several sponsored research activities, the total amount of overhead receipts generated from all accounts will be considered and the total amount of receipts to be posted to the PI's research incentive account must be at least \$500. To reduce administrative costs, returns of less than \$500 will be allocated to the PIs departmental unit.

If faculty members from more than one department are involved in a project, the lead PI and the department of the lead PI will have accounts established. Faculty members are encouraged to determine how indirect costs will be used to support the project prior to submission of the proposal.

In the event that a new PI is assigned to a sponsored program during a fiscal year, the receipts from that year will be assigned to the new PI. Each individual is responsible for completing paperwork to establish a new fund account, as well as managing his or her account in collaboration with the accounting office. In the event that a PI overspends grant funds, the difference needed to balance the account will be taken from the PI's research incentive account and, if needed, the supervisor's account through the level of the dean/director. The funds in the account may be used, for example, to support the following: travel, equipment, supplies, student research training, administrative costs not covered by the award, temporary staff, etc.

The immediate supervisor of the PI (e.g., the PI's department chair or center director) will receive 10% of overhead receipts. These funds may be used, for example, to support travel, equipment, supplies, student support to conduct research, administrative costs not covered by the award, recognition awards and meetings, professional development for faculty, non-sponsored research support, etc.

The supervisor of the PI's immediate supervisor (e.g., deans or heads of administrative units) will receive 10% of overhead receipts. These funds may be used to support travel, equipment, supplies, student support to conduct research, administrative costs not covered by the award, recognition awards and meetings, professional development for faculty, etc. If the PI has only one supervisor, and that supervisor is a dean or unit head, then the dean or unit head may be eligible to receive 10%, (i.e., the chair's and dean's share added together).

Reserves (5%) will be kept on hand and monitored by Finance & Administration to cover overspending of budgets.

### **III. Roles & Responsibilities**

#### Distribution of Receipts

The Office of Sponsored Programs along with the Office of Grants and Contracts will be responsible for determining the total amount of funds associated with sponsored research that can be recovered from indirect costs from the previous fiscal year. The Office of Contracts and Grants will determine the amount of overhead receipts to be distributed per the percentages in the included table and the eligibility of the recipients at the end of each fiscal year. By October 1 of each year, account recipients will be notified that they are eligible to establish accounts and will be required to submit the request for a New Banner Fund Form and a Budget Create Form.

Recipients who already have an established incentive account should prepare a Budget Transfer Form using their existing account number, to add the additional approved allocation in categories allowable for expenditures. Overhead funds that remain at the end of a fiscal year in individual accounts will be carried forward. These funds are to be managed by the account holder and the supervisor of the account holder.

### **IV. Applicability**

This policy applies to the ~~Board of Trustees~~ faculty, staff, and students engaged in scholarly activity.

Responsible Division: Provost & Vice Chancellor for Academic Affairs

Authority: Board of Trustees

History: Adopted September 16, 2005

Amended June 10, 2016

Amended December xx, 2020