

# INDIRECT COST



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<b>Area:</b>	Sponsored Projects Admin
<b>Applicability:</b>	UGA System-Wide

## POLICY AND PROCEDURE

### PURPOSE:

The purpose of this policy is to ensure compliance with the standards set forth in the Federal Office of Management and Budget 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200), Federal and State regulations, and sponsor-specific requirements. This policy provides guidance which will assist University of Georgia (UGA) personnel proposing, performing and managing sponsored activities. Direct costs on sponsored projects must be allowable, allocable, and reasonable.

Failure to comply with UGA policies and procedures may result in audit findings, suspension of sponsored activities, closer monitoring by the sponsor, delays in final payments, and/or other enforcement actions imposed by the sponsor. This policy applies to all Federal and non-Federal sponsored activities, including all externally funded activities.

### SCOPE:

All UGA personnel must be aware of the complex and detailed rules provided under Federal/State regulations, as well as the terms and conditions of individual sponsored activities.

### POLICY:

Sponsored projects will comply with all applicable Federal, State and/or sponsor-specific costing policies. This is applicable to building proposal budgets, negotiating sponsored projects, setting up sponsored projects, as well as initiating, approving, invoicing and reporting costs.

Indirect Cost Rates are determined in accordance with cost principles promulgated by the federal government and as a result of audit and negotiations conducted by UGA’s cognizant agency, the Department of Health and Human Services (DHHS). [Indirect Cost Rates](#) are published on the Sponsored Projects Administration website.

It is the policy of the University of Georgia to apply the University’s negotiated Indirect Cost Rates to all externally sponsored activities. The Indirect Cost Rate remains the same during the life of the competitive segment. The fiscal management of sponsored activities, including the application of appropriate indirect cost rates in proposed project budgets and management of awarded projects within budget and funding limitations, is the responsibility of the Principal Investigator (PI).

UGA recognizes that many non-profit organizations have their own policies regarding the use of their funds for indirect/administrative expenses. If/when the organization has an official, written and publicly disclosed policy which is applied on a consistent basis, or where a public solicitation for proposals defines a limit on indirect cost, these are sponsor-mandated indirect cost rates – UGA will not receive the award unless UGA agrees to this indirect cost mandate,

UGA will normally accept these requirements. These are not considered Indirect Cost Waivers since they are based upon sponsor requirements and conditions of the award.

–Whenever indirect costs are reduced – due to a sponsor mandate or due to a voluntary indirect cost waiver, the following will be considered:

- Fairness of granting the waiver when the projects of other faculty carry full indirect;
- Return on investment – i.e. the benefit to UGA from this sponsored project versus its cost to UGA;
- Immediate cost of waiver to UGA and impact of waiver on future indirect cost rate negotiations;
- Benefits of the waiver; and
- Ability to increase direct costs due to the indirect cost waiver.

If the proposal budget is submitted to the sponsor and it is later determined that other cost categories should have been used resulting in additional indirect costs, this is not the basis for an Indirect Cost Waiver. PIs may request supplemental funding from sponsors to cover these situations. Full or partial indirect cost waivers for activities in which the sponsor is a for-profit organization or an office or agency of a foreign government are rarely granted.

#### **DEFINITIONS:**

Indirect/F&A (Facilities & Administrative) Costs are costs incurred for a common or joint purpose benefiting more than one activity/project and therefore, cannot be easily and readily assignable. Indirect/F&A Costs include the costs of operating and maintaining general-purpose equipment and facilities, general administration (human resources, departmental administration, procurement, accounting and sponsored project administration) as well as general expenses (general-purpose supplies, postage, telephones and other office equipment).

Indirect Cost Waivers occur when the sponsor does not have a requirement limiting an Indirect Cost Rate, yet the PI/Unit request use of a lower Indirect Cost Rate than applicable pursuant to our Federally Negotiated Indirect Cost Rate Agreement. The “waiver” is the difference between the UGA entitled rate less the rate requested by the PI/unit.

Sponsor-Mandated Indirect Cost Rates exist when the sponsor has an official, written and publicly available policy which is consistently applied, or when the public solicitation contains a limitation on indirect cost.

Sponsored Projects are externally funded activities that must be separately budgeted and accounted for according to terms of the sponsoring organization, Federal/State regulations, and UGA policy. Sponsored Activities are provided through grants, contracts, and agreements with any Federal Agency, State Agency, or non-Governmental Organization that supports research, training, instruction, public service and other activities.

Sponsor-specific Requirements include requirements stated within the sponsor rules/regulations, funding opportunity announcement, award/grant or contract/agreement and amendments.

## PROCEDURE:

When preparing a proposal, negotiating and setting up a sponsored project, incurring and approving expenses, and invoicing and reporting, UGA personnel must be aware of and conform to the complex and detailed rules surrounding allowability of direct and indirect costs.

1. PI/unit should prepare proposal budgets after thoroughly reviewing 2 CFR 200, State regulations, sponsor-specific requirements and UGA policies based upon a best faith estimate of costs needed to perform the scope of work.
2. To determine the appropriate Indirect Cost Rate for each project, the PI must consider:
  - a. The type of project – research, instruction, cooperative extension, public service and other;
  - b. Where the majority of the work will be performed; and
  - c. Whether the prime sponsor is a federal or non-federal entity.
3. If the sponsor mandates a specific indirect cost rate, this policy/mandate must be saved as a PDF and uploaded into the Grants Portal. Additionally, the Grants Portal should reflect YES, the sponsor limits IDC within the funding opportunity/announcement or through the sponsor's policy to substantiate this extraordinary circumstance. Capturing this information and uploading this documentation is done in lieu of an indirect cost waiver request.
4. If the sponsor does not have a limitation on indirect cost and the PI voluntarily desires to request a full or partial indirect cost waiver, this should be considered carefully as described above and must be approved by Sponsored Projects Administration (SPA). Waivers will only be approved in extremely limited circumstances as federally-negotiated Indirect Cost Rates validate the Indirect Costs needed to effectively manage sponsored projects. Waiving these costs can be detrimental to the PI, unit and institution. Contact SPA when considering an indirect cost waiver. SPA will provide insight on other approaches in lieu of an indirect cost waiver.
5. Despite discussions with SPA, if PI chooses to request a voluntary Indirect Cost waiver, a justification must substantiate the rationale behind the waiver being requested. This request must be approved by the PI, department dean/chair or designee, and submitted to SPA at least 10 working days in advance of the final application due date.
6. SPA will assess the situation and solicit required institutional approvals. If approval is not obtained, the PI will need to revise the proposal to incorporate the allowable Indirect Cost Rate pursuant to this policy prior to submission to the sponsor.
7. SPA will review and update PI/unit on the disposition of their request.
8. If there are questions regarding conflicting regulations/requirements, please contact SPA for clarification on which regulation/requirement applies.

## RESOURCES:

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



Sponsored Projects Administration | 706-542-5939 | <http://spa.uga.edu>