

William Paterson University Policy

University Policy

SUBJECT:	University Policy	TITLE:	Indirect Cost Recovery and Distribution Policy	
CATEGORY: Check One	Board of Trustees ☐	University ☒	Functional ☐	School/Unit ☐
Responsible Executive:	Provost and Senior Vice President for Academic Affairs		Responsible Offices:	Office of the Controller and Office of Sponsored Programs
CODING:	02-20-80-00-07	ADOPTED:	09/12/2019	AMENDED:
LAST REVIEWED: 09/12/2019				

I. PURPOSE

This policy supports the University's mission and activities in research, scholarship, creative, educational, and public service. The policy establishes internal allocation percentages of revenue derived from the charging of indirect costs (also known as the Facilities and Administrative or F and A costs) to grants and similar agreements.

II. APPLICABILITY

This policy applies to University Departments, Principal Investigators/Project Directors, and other personnel engaged in projects that generate indirect cost revenue, that spend these revenues, or are engaged in maintaining control over indirect fund balances. 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 sponsored projects.

III. ACCOUNTABILITY and RESPONSIBILITIES

- The Vice President for Administration and Finance and the Provost and Senior Vice President for Academic Affairs (Provost) are responsible for the ongoing execution of this policy.
- Office of Sponsored Programs:
 - Ensures inclusion of indirect cost charges in grant proposals to the greatest extent possible.
 - Monitors usage of indirect cost revenues for compliance with the usage requirements of this policy and advises Provost and Senior Vice President for Academic Affairs if/when non-compliance arises by:
 - Monitoring accumulated balances in indirect cost recovery FOAPs and advises those responsible for resolution of balances in accordance with this policy.
 - Reviewing all reports regarding accumulated balances and recommending responses for the Provost and Senior Vice President for Academic Affairs to consider.
- Office of the Controller:
 - Calculates, reports, and collects indirect cost funds.
 - Distributes 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.

V. BACKGROUND

This policy formalizes and clarifies a longstanding informal policy. Further, it establishes procedural guidelines to facilitate best practice controls and efficiencies.

The informal policy provided for 50 percent of recovered indirect to be allotted to the Provost and Senior Vice President for Academic Affairs, 25 percent to be allotted to the Dean of the College or Associate Vice President (AVP) of the unit over the department of the project director or principal investigator of the award, and 25 percent to be allotted to the Department and the project director or principal investigator of the award. The informal policy allowed for the further allocation of the shares to multiple colleges/units and PIs/departments.

Procedurally, the informal policy commingled the two 25% shares in one account under the Dean of the College or Associate Vice President. The Dean or AVP was responsible for managing the specific use of the indirect cost revenue and determining what programs or expenses the funds would be used towards.

This policy revises the allocation percentages and establishes that indirect cost revenue is distributed at the point in time that indirect cost revenue is recorded. It also allows for spending determinations to be made directly by each allocation recipient and availability of the funds to each of the allocation recipients for spending immediately after revenue recognition.

VI. REFERENCE(S)

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

VII. POLICY

A. General Policy:

1. Funds representing indirect cost revenue are recovered in the manner described by the sponsor for the grant, cooperative agreement or contract (generally at the same time that direct costs are recovered). Once the funds are recovered, they are available for qualified expenditures from the Departmental budgets that receive the funds.
2. Once recorded in accordance with this policy, the revenue remains in its fund-org account and will carry forward.
3. Indirect cost revenue is allocated at the point in time when it is realized as University-owned income.
4. Indirect cost revenue is allocated according to the following percentages:

Provost and Senior Vice President for Academic Affairs	40 percent
Dean of the College or Associate Vice President of the unit over the department of the principal investigator/project director of the award*	25 percent
Office of Sponsored Programs	10 percent
Principal investigator/project director of the award	15 percent
Department or Institute of the principal investigator/project director of the award and that is related to the award's activities	10 percent
<i>*When a project has multiple directors or investigators from multiple colleges, divisions, departments, or Institutes, a proportional distribution of recovered indirect funds will be made based on the indirect cost formula used in the award.</i>	

B. Usage of Indirect Cost Revenues

1. Recovered indirect funds may only be spent in a manner that is in compliance with WPU's policies and practices for the expenditure of any funds held by WPU.
2. Recovered indirect funds may only be used to support the advancement of WPU's research, scholarship, creative, educational, and community service goals. Allowable expenses are travel, materials, supplies, equipment, student assistants, publication fees, and administrative support that benefit sponsored projects, seed or preliminary activities, the dissemination of findings from a sponsored award, professional development, and continuing education.
3. Recovered indirect funds may not be used for any expenses that are always prohibited by any of the sponsors that provided the recovered indirect funds, the University or the State of New Jersey.
4. Indirect funds are intended to be used in a timely manner after they are recovered. Fund balances are carried forward to subsequent fiscal years. If the fund balance in any of the Indirect Cost accounts exceeds \$50,000 at the end of a fiscal year (June 30), a report must be submitted by the Dean, Department Chair or PI responsible for the account to the Provost through the Office of Sponsored Programs on the intended use of the funds that exceed \$50,000 by September 1. If the use of these excess funds are not approved by the Provost, the excess funds will be transferred to the Provost's indirect account.

C. Compliance:

The use of indirect cost revenue funds in a manner that is not compliant with this policy will result in the correction of the action and the loss of the funds.

1. The re-allocation of the expense from the indirect account to another account held by the responsible party that can accommodate this expense or to a departmental account.
2. The transfer of an amount equal to the expense from the indirect account to the Provost's indirect account.

By Direction of the President and Cabinet:

Date

9/12/19


Provost and Senior Vice President for Academic Affairs