

# Indirect Cost Policy

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OFFICE OF RECORD: Office of the President  
RESPONSIBLE EXECUTIVE: President  
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## I. REASON FOR THIS POLICY

Indirect costs are those costs that have been incurred for purposes common to a number or all of the specific projects, programs, or activities of an institution. Such costs usually cannot be identified and charged directly to each project, program or activity in a systematic manner. Examples of indirect costs are heat, light, power, janitorial, library, accounting, personnel and purchasing services, secretarial support and administrative costs of college offices such as the time and expertise of deans, Business Office and the President’s Office.

Indirect costs are real costs to DSU. They are unlike direct costs only in the sense that they are accounted for differently: indirect costs are averaged over a group of projects rather than being charged directly on an item-by-item basis to each project. This policy provides regulations on the collection and distribution of indirect cost funds.

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## II. STATEMENT OF POLICY

### Uses of Indirect Cost Revenue

The utilization of indirect cost reimbursement funds must be consistent with Board of Regent’s Special Resolution No. 138-1968 which states:

“BE IT RESOLVED that Research Grants Overhead Funds be utilized as follows:

- (1) That these monies be utilized directly in matching support of organized research on a departmental basis.

- (2) For administrative and audit costs related to research undertakings.
- (3) For physical plant costs on a reimbursement basis as related to each grant project (per procedures as prescribed by the Commissioner's Office).
- (4) For graduate research assistants in developing new and needed research areas.
- (5) To support research in departments where outside grants funding is not available.
- (6) Annual budget requests shall be submitted with June routines for Board approval."

#### **DSU Use of Indirect Cost Revenue**

If the full federally negotiated rate is received from a sponsored project, thirty percent of the recovered indirect cost revenue will be returned by the Business Office to the originating administrative or academic office. These funds must be used for purposes consistent with Board of Regents policy 5:2, i.e., for the purpose of initiating or continuing research and development projects or activities. The administrative or academic office is encouraged to allocate the funds in a manner that recognizes the units responsible for obtaining the grants and contracts. Offices receiving funds must be prepared to submit an annual summary indicating use of the funds and any results to the Vice President for Business & Administrative Services should it be requested. Seventy percent of the recovered indirect cost revenue will be retained for grants administration and other uses as determined by the President. Exceptions to this distribution must be agreed to in writing by both the President and the Project Director.

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### **III. DEFINITIONS**

Not applicable.

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### **IV. PROCEDURES**

#### **Application**

All grant/contract proposals submitted to federal agencies must include the negotiated indirect cost rate established between DSU and the Federal government. In the event legislation governing particular federal funds has statutory limitations on indirect cost recovery or the funding agency has special authority to limit indirect cost recovery, the statutory limitation or agency specific rate must be used.

Grant/contract proposals submitted to state or other funding agencies must include the negotiated indirect cost rate or the approved agency specific rate. In unusual circumstances, the Vice President for Business and Administrative Services, in conjunction with the project director, will negotiate indirect cost rates other than the established federal rate.

**Indirect Cost Recovery Rates**

The federally negotiated indirect cost recovery rate effective July 1, 2016 to June 30, 2020 is:

<u>Activity</u>	<u>Federal Rates</u>
All programs	29.5% *

\*Applicable to modified total direct costs, consisting of all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and sub-grants and subcontracts up to the first \$25,000 of each sub-grant or subcontract (regardless of the period covered by the sub-grant or subcontract). Modified total direct costs shall exclude equipment, capital expenditures, charges for patient care, student tuition remission, rental costs of off-site facilities, scholarships and fellowships, participant support costs and the portion of each sub-grant and subcontract in excess of \$25,000. Rates negotiated between the University and the Department of Health & Human Services for the federal agencies in accordance with OMB Circular A-21.

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**V. RELATED DOCUMENTS, FORMS AND TOOLS**

SD BOR Policy 5:2, Externally Sponsored Programs