Indirect Cost Distribution Policy

Scope

This policy applies to Principal Investigators who earn indirect costs on their grants, College Deans, the Office of Sponsored Programs and Research Development, and the Vice Chancellor for Business and Finance.

Policy Statement

The Finance Office computes and the Budget Offices posts the indirect cost distribution, sometimes referred to as the facilities & administrative (F&A) cost distribution, in the fall semester based on the indirect costs earned in the previous fiscal year as follows:

- Distribute the first $20,000 of total campus indirect cost earned to the general operating budget in the same proportion that each grant contributed to the total campus indirect costs earned.
- Distribute one-half of the remaining indirect cost earned to the Office of Sponsored Programs and Research Development.
• Distribute one-half of the remaining indirect cost earned to the appropriate College Dean to distribute at their discretion.

**Reason for Policy**

External grants often earn indirect costs to offset general and administrative costs associated with administering the award. The Institution’s general operating budget usually funds these general and administrative costs.

The sharing of indirect costs earned with the Colleges and the Office of Sponsored Programs and Research Development allows for further development of research opportunities.

**Procedures**

UNK negotiates an indirect cost rate with the U.S. Department of Health and Human Services, our federal cognizant agency. The indirect cost rate effective for the period July 1, 2017 through June 30, 2021 is 47.23% of salaries, wages and benefits.

UNK seeks to recover the fullest amount of indirect costs possible from external sponsors who fund the research projects. All grant proposals submitted should include a budget line for indirect costs. The granting agency reserves the right to reduce or reject the amount of indirect costs proposed.

SAP automatically calculates and posts indirect cost expense to a grant on the last day of the month based on the grant award terms entered by the Finance Office upon creation of the WBS Element. Billing invoices paid by the granting agency includes both direct and indirect costs.

In the fall semester, the Finance Office calculates the distribution of indirect cost earned on all grants during the previous fiscal year. The Deans provide the detailed distribution of the College portion. The Vice Chancellor for Business and Finance approves the distribution. The Budget Office posts the budget adjustments increasing spending authority in the applicable state-aided non-revolving cost centers.

**Definitions**

**Cognizant Agency:** For indirect costs means the Federal agency responsible, on behalf of all Federal agencies, for reviewing, negotiating, and approving cost allocation plans or indirect cost rate proposals developed under the guidance of the U.S. Office of Management and Budget.
**Cost Center:** Cost Centers are used to plan, gather and track costs for a University unit or department for state-aided non-revolving funds (cost centers that begin with 51), state-aided revolving funds (cost centers that begin with 52) and auxiliary funds (cost centers that begin with 53). Cost centers are 10 digit numbers. Within a department, multiple cost centers may be set up to further break down expenses by project or activity.

**Direct Costs:** Expenses that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

**Indirect Costs or Facilities and Administrative Costs (F&A Costs):** Expenses incurred in conducting or supporting research or other externally-funded activities but not directly attributable to a specific project. General categories of indirect costs include general administration (accounting, payroll, purchasing, etc.), sponsored project administration, plant operation and maintenance, library expenses, departmental administration expenses, depreciation or use allowance for buildings and equipment and student administration and services.

**State aided non-revolving funds:** State aided non-revolving funds represent annually budgeted funds supported primarily by tax appropriations and tuition and fee revenue. State aided non-revolving cost centers begin with “51”.

**WBS Element:** WBS Elements are used to plan, gather and track costs for a grant or contract, agency or plant project. A project can have one or many WBS elements depending on the degree of segregation or breakdown desired. WBS elements are 13 digit numbers and begin with 54, 55, 56, 57 or 59.

### Additional Contacts

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<thead>
<tr>
<th>Subject</th>
<th>Contact</th>
<th>Phone</th>
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### Related Information

**Carrying Forward Departmental State-Aided Non-Revolving Budget Policy**

**2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.**
History
This policy replaces current policy located at Business and Finance Policy and Procedures.