



## Distribution of Indirect Cost Recovery to Academic Units from Sponsored Research Programs

Effective Date: November 23, 1970

Approval: January 8, 2015;  
University President

Maintenance of Policy: Vice President for Research and Executive Vice President, Research Institute and Provost

**PURPOSE:** The purpose of this policy is to provide funding to stimulate research, scholarship and new proposal submissions by returning a portion of the sponsored research indirect cost recovery to academic schools/departments.

**SCOPE:** This policy applies to academic units, including schools/colleges deans and chairpersons.

### POLICY:

A sound indirect cost recovery and distribution policy should meet tests of reasonableness and fair-sharing while, at the same time, providing incentives to faculty and staff to stimulate research, scholarly activity, and the submission of new high quality proposals for sponsored programs. Sponsored programs are defined as externally funded research or scholarly activity for which a written agreement, i.e., a grant or contract, is entered into between the University and the sponsor. The agreement has a defined scope of work or set of objectives, which provides a basis for accountability and sponsor expectations. A sound indirect cost recovery and distribution policy must also recognize that indirect costs are real and cost-sharing must be met out of indirect cost distributions and/or discretionary monies each year.

The University of Dayton Research Institute (UDRI) is the designated fiscal agent for sponsored research and scholarship at the University. All proposals requesting government (federal, state, county, city) or non-government funds for research or scholarly activity must be reviewed and processed by the University of Dayton Contracts and Grants Office.

When contract/grant budgets are developed, they are carefully reviewed to ensure all costs, direct and indirect, are considered. Indirect costs (facilities and administrative, F&A) represent the expense of doing business that are not readily identified with a particular grant, contract, project function or activity, but are necessary for the general operation of the University and the conduct of activities it performs. Indirect costs result from shared services such as physical plant operation and maintenance, utility costs, use allowance for buildings and equipment, library materials, and general administrative expense. Indirect cost recovery offsets these real and actual costs incurred by the University.

### REFERENCE DOCUMENTS:

1. Appendix - Examples of Distribution of Indirect Cost Recovery to Academic Units

### POLICY HISTORY:

Approved in its original format: November 23, 1970 (Title: Memo 13 - Indirect Costs on Agreements with Industry);

Approved as amended: October 4, 1977 (Title: Indirect Costs for Research and Other Services Provided Business and Industry);

Approved as amended: June 13, 1995 (Title: Indirect Cost Policy);

Approved as Amended: June 26, 2000 (Title: Academic Indirect Cost Return Policy);

Approved as amended: August 21, 2008;

Approved as amended: January 8, 2015

**POLICY (continued):**

All proposals for equipment or research, development, training and scholarly activity must include indirect costs calculated using the University's federally approved indirect cost rate. Exceptions to proposing the federally approved indirect cost rate require prior approval of the Vice President for Research or a designee of the Vice President for Research.

Exceptions to this policy:

- Unrestricted gifts, in-kind donations, and endowments are normally processed through the Development Office.
- University projects that do not involve research, development, training or scholarly activity are administered by the Vice President for Finance and Administrative Services.

Guidelines for the distribution of indirect cost recovery and cost-sharing follow.

1. Indirect costs collected from the sponsor will be shared on a 50-50 basis by the General Fund and the College or School in which the research is conducted.
2. Cost overruns will be charged against the College's or School's indirect cost distribution.
3. Indirect costs returned to the Schools/Departments should be used to stimulate research, scholarship and new proposal submissions. Normally, it is expected that the Dean will share returned indirect costs on a 70-30 basis with the generating department.
4. Each Dean shall annually submit a report to the Provost illustrating how returned indirect cost monies were used to expand faculty research and scholarly activities.

**RESPONSIBILITY FOR ENFORCEMENT, REMEDIES, SANCTIONS**

The Vice President for Research is responsible for administering the policy. The Provost and the Vice President for Finance Administrative Services are responsible for resolving issues related to the use of the policy.

**APPEAL PROCESS**

It is understood that this policy cannot foresee all issues which may arise in the future; in such cases, the Provost, Vice President for Research and the Vice President for Finance and Administrative Services will consult to resolve such issues within 30 working days after the issues are brought to their attention.

Examples of Distribution of Indirect Cost Recovery to Academic Units

**Example 1**

Full Recovery of Indirect Cost

UD Rate 44%

Description	Sponsor	UD Cost Share	Total
Direct Cost (MTDC)	\$ 1,000	\$ 0	\$ 1,000
Indirect Cost	440	0	440
Totals	\$ 1,440	\$ 0	\$ 1,440

Allocation of Captured Indirect

General Fund	\$ 220
School/Department	<u>220</u>
	\$ 440

**Example 2**

8% Indirect Cost Capture

UD Rate 44%

Description	Sponsor	UD Cost Share	Total Award
Direct Cost (MTDC)	\$ 1,000	\$ 0	\$ 1,000
Indirect Cost	80	360	440
Totals	\$ 1,080	\$ 360	\$ 1,440

Allocation of Captured Indirect

General Fund	\$ 40
School/Department	<u>40</u>
	\$ 80

**Example 3**  
 Direct Cost Sharing and  
 Full Indirect Cost Capture  
 UD Rate 44%

Description	Sponsor	UD Cost Share	Total
Direct Cost (MTDC)	\$ 900	\$ 100	\$ 1,000
Indirect Cost	396	44	440
Totals	\$ 1,296	\$ 144	\$ 1,440

Allocation of Captured Indirect

General Fund	\$ 198
School/Department	<u>198</u>
	\$ 396

**Example 4**  
 Direct Cost Sharing and  
 8% Indirect Cost Capture  
 UD Rate 44%

Description	Sponsor	UD Cost Share	Total
Direct Cost (MTDC)	\$ 900	\$ 100	\$ 1,000
Indirect Cost	72	368	440
Totals	\$ 972	\$ 468	\$ 1,440

Allocation of Captured Indirect

General Fund	\$ 36
School/Department	<u>36</u>
	\$ 72