



DIVISION of ACADEMIC AFFAIRS
Office of Research and Extended Education

Indirect Cost Discussion

Background: Indirect Costs, also known as Facilities and Administrative Costs, are financial expenditures associated with doing business with the federal government. To obtain a certified cost rate, UMES submits a cost proposal to our cognizant federal agency, Department of Health and Human Services, containing a listing of all costs associated with the preparation of applications, negotiation of awards, conduct of projects including administration, accounting, oversight including auditing, and other tasks associated with performance. Based on these figures, UMES is granted indirect cost rate. In the case of UMES, that rate is based on a% of salary, wages, and fringe benefits associated with performance of tasks directly related to the work to be performed under an award. In general, the use of funds generated as a result of this arrangement are to be used to replace state dollars used in the performance of work generated on behalf of grant, cooperative agreement and contract awards.

Funds collected as indirect costs are unrestricted. In general, these funds are used to cover costs of doing business with the federal government and other funding sources. In some cases, a % of the indirect costs recovered are shared with the university community. Typically, such funds are shared with the school generating the award. In turn, the school shares a portion of the funds with the generating department and the principal investigator. The percentage is determined by the university administration and may vary by year.

UMES has determined that a sharing plan would provide much needed resources for schools, departments and faculty. The 2020 Indirect Cost Sharing Plan will be initiated in July of this year. After essential costs (e.g., OSRP, Comptroller's Office, HR, Purchasing Office and other related costs) are covered, a distribution plan will be put into effect. Each school generating over \$XXXXX per year in awards will receive XX% of the remaining balance. In turn each school will share XX% with the department generating the award and XX% with the principal investigator. For school and offices not generating \$XX in awards annually will receive XX%.

The funds are to be used to be used to generate additional applications for research and projects. The exact use of the funds should be determined by each school, in some cases department/office, to meet their unique needs. Each entity receiving funds must maintain records, receipts, documents and other information that would allow for internal and external audit.

Note: Because of federal flow down regulations, all awards received by the University must be administered in the same manner using the same policies and procedures.



Reference: Catalog of Federal Domestic Assistance - §200.56 Indirect (facilities & administrative (F&A)) costs. Indirect (F&A) costs means those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived. 78 FR 78608, Dec. 26, 2013, as amended at 79 FR75880, Dec. 19, 2014.

Distribution - Deans, Chairs and Principal investigators¹

Indirect cost dollars are to be used to support: (1) the generation of additional grants, cooperative agreements and contracts, (2) increase the university's research capacity including publication of results, and (3) student research and other scholarly activities.

Deans, chairs, and principal investigators will identify needs, prioritize needs and initiate actions to address these needs. Deans and chairs will have the authority to transfer all or some portion of the indirect cost dollars to the principal investigator. All parties must maintain records of all financial transactions sufficient to allow for internal review and external audit.

Indirect cost dollars may carry over from year to year, however, the University encourages expenditure of these funds in an expeditious manner. Indirect cost dollars are treated as state funds and are, therefore, administered using the same internal forms (e.g., travel, equipment, supplies) and process (e.g., internal signatures).

Recommendation for distribution by %²

- 84% to administrative affairs of indirect costs to be used to reduce cost of doing business with external funding sources
- 6% to school generating the award
- 5% to department generating the award
- 5% to the principal investigator

¹ Actual amounts may vary by year

² All parties receiving indirect cost dollars will be given a dollar amount and account number by the Office of Administrative Affairs



Limitations on Use of Funds

- Hiring clerical support staff
- Cell phones and other technologies requiring contracts
- Computers, software or internet services not approved by Department of Information Technology
- Consultants not directly related to the generating award

Annual Review

The administration will review the indirect cost sharing plan annually making adjustments as necessary.

Questions

Questions regarding the indirect cost sharing plan should be directed to the Office of Research and Extended Education. -