



UNIVERSITY OF
SOUTH DAKOTA

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Responsible Executive: VP Research

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Reimbursement and Distribution of F&A (Indirect) Costs

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I. REASON FOR THIS POLICY

The purpose of this policy is to set expectations for reimbursement of Facilities and Administration (F&A aka Indirect) costs for externally sponsored projects, and to establish guidelines for the distribution of recovered F&A costs among appropriate campus units at The University of South Dakota (USD). The goals of the policy are to:

1. Streamline the process for requesting F&A reimbursement in grants and contracts.
2. Clarify terminology and processes for waived, returned and unrecovered indirectly.

II. STATEMENT OF POLICY

Principal investigators (PIs) and project directors at the university, and their partners in the public and private sectors, frequently receive grants and contracts to support their research and other activities. In addition to the direct costs of projects, there are indirect expenses associated with these activities. USD's policy is to recover F&A costs from sponsors based on F&A rates negotiated between the University and the Federal government. USD distributes the recovered dollars in accordance with the current Responsibility Center Management (RCM) Operating Manual.

III. DEFINITIONS

Facilities and Administrative (F&A) or Indirect Cost: cost charged to a grant that cannot be readily identified as particular direct costs. An example of an Indirect Cost is overhead.

F&A Rate: a percentage which determines the indirect cost a project should incorporate into the budget request

Negotiated Indirect Cost Rate Agreement: the approved agreement between the cognizant agency (U.S. Department of Health and Human Services) and USD that describes the types of F&A rates, effective period, and distribution base

Capped Indirect Cost: a reduced indirect rate or amount which is uniformly applied to awards in accordance with an external sponsor's internal policy regarding payments for overhead

Waived Indirect Cost: an indirect rate or amount which is less than the allowed indirect cost (either negotiated or capped) for the sponsored project

Returned Indirect Cost: collected indirect costs which are returned to the PI or research center as agreed upon in an internal approval form as referenced in the RCM Operating Manual

Unrecovered Indirect Cost: the difference between the amount of the indirect cost which would result from the negotiated indirect cost rate agreement and the amount of the requested indirect cost

IV. PROCEDURES

Determining F&A costs to be charged

USD F&A Rates. F&A costs charged to grants and contracts are determined by rates negotiated by the University with the Division of Cost Allocation of the U.S. Department of Health and Human Services. Separate rates are negotiated for research, instruction and other sponsored projects (such as public service), and for activities conducted on and off campus. Current rates are available from the Office of Research and Sponsored Programs (ORSP).

Capped F&A Rates. The applicable full F&A rate is charged to all grants and contracts unless the sponsor has a policy which is uniformly applied to all awards. Per SD Board of Regents Policy 5:2, F&A rate on state dollars (excluding federal flow-through) is limited to 60% of the corresponding federal rate. It is the responsibility of the PI to provide credible evidence of sponsor policy on capped F&A costs.

Waived F&A. Waived indirect is generally not allowed. Exceptions require approval from the Vice President for Research and a letter of approval from the appropriate Dean.

Returned Indirect. Returned indirect requests require written approval from the appropriate Dean, and subsequent approval from the Vice President for Research.

Distributing recovered F&A costs

F&A is distributed as approved in the RCM Operating Manual.

V. RELATED DOCUMENTS, FORMS AND TOOLS

[SD Board of Regents Policy 5.2 Externally-Sponsored Programs](#)

[SD Board of Regents Policy Number 5.20 Cash Management Policy](#)

[USD's Indirect Cost Rate Agreement with the U.S. Department of Health and Human Services](#) – USD Portal

[University of South Dakota Responsibility Center Management Operating Manual \(revised October 2016\)](#) – USD Portal