Policy 813 Version 1 03/16/2016

**Policy Change Cover Sheet**

|  |
| --- |
| **This form must be attached to each policy presented. All areas in red, including the header, must be completed; if not, it will be sent back to you for completion.** |
|  | *I****f the changes you are requesting include housekeeping, please submit those changes to*** ***ndsu.policy.manual@ndsu.edu*** ***first so that a clean policy can be presented to the committees.*** |
| **SECTION**:  | Policy 813 Facilities and Administrative Costs |
| 1. **Effect of policy addition or change (explain the important changes in the policy or effect of this policy). Briefly describe the changes that are being made to the policy and the reasoning behind the requested change(s).**
 |
| * Is this a federal or state mandate? [ ]  Yes X[ ]  No
* Describe change: Numerous changes requested to accommodate the removal of CNSE from the policy, as that unit no longer exists in its previous format, and also to account for the change in F&A Rate Agreement. Rather than including the rate table, a link is provided to the Rate Agreement on SPA’s website, so that the Policy doesn’t require updating when the rates are renegotiated. Also, changes are providing clarification on definitions of categories and guidance on use of various rates. Finally, changes provide clarity on approvals required for use of off-campus rate.
 |
| 1. **This policy change was originated by (individual, office or committee/organization):**
 |
| * Research and Creative Activity/Sponsored Programs and Finance & Administration/Grant & Contract Accounting
* Val.kettner@ndsu.edu and/or ann.young@ndsu.edu
 |
| ***This portion will be completed by Mary Asheim.***Note: Items routed as information by SCC will have date that policy was routed listed below. |
| 1. **This policy has been reviewed/passed by the following (include dates of official action):**
 |
| **Senate Coordinating Committee:** | 4/18/16 |
| **Faculty Senate:** |  |
| **Staff Senate:** | 5/4/16 |
| **Student Government:** | 4/20/16 |
| **President’s Cabinet:** |  |

The formatting of this policy will be updated on the website once the **content** has final approval. Please do not make formatting changes on this copy. If you have suggestions on formatting, please route them to ndsu.policy.manual@ndsu.edu. All suggestions will be considered, however due to policy format guidelines, they may not be possible. Thank you for your understanding!

**North Dakota State University
Policy Manual
\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**SECTION 813
INDIRECT COSTS (aka fACILITIES AND aDMINISTRATIVE COSTS)**

### SOURCE: NDSU President

1. The University has established indirect cost rates with the cognizant federal audit agency. The rate charged to a sponsored agreement depends upon the function of the work performed. Before deciding which rate applies to each program, carefully review the definitions of research, instruction, and other sponsored activity as defined below.

1.1 ORGANIZED RESEARCH. Organized Research means the critical and exhaustive investigation or experimentation having for its aim the discovery of new facts and their correct interpretation; the revision of accepted conclusions, theories, or laws, in light of newly discovered facts; or the practical applications of such new or revised conclusions. This category includes all activities specifically organized to produce research outcomes, whether commissioned by an external agency or separately budgeted by the institution. It also includes activities involving the training of individuals in research techniques.

1.2 INSTRUCTION. Instruction means the teaching and training activities of an institution. Except for research training, this term includes all teaching and training activities, whether they are offered for credits toward a degree or certificate or on a non-credit basis, and whether they are offered through a regular academic session, summer school division, an extension division, or a continuing education division.

1.3 OTHER SPONSORED ACTIVITY. Other sponsored activities mean programs and projects financed by federal and non-federal agencies and organizations which involve the performance of work other than instruction and organized research. Examples of such programs and projects are health service projects, and community service programs.

1. The current approved indirect cost rates can be found in the Colleges and Universities Rate Agreement found on Sponsored Programs Administration’s (SPA) website under the “Forms” section at: https://www.ndsu.edu/research/sponsored\_programs\_admin/forms/.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

Indirect cost is calculated as follows:

Indirect Cost = Modified Total Direct Cost x Rate from the Rate Agreement referenced above.

Modified total direct cost (MTDC) consists of all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel and up to the first $25,000 of each subaward (regardless of the period of performance of the subawards under the award).

Modified total direct costs shall exclude equipment, capital expenditures, charges for patient care, rental costs, tuition remission (student), scholarships and fellowships, participant support costs, and the portion of each subaward in excess of $25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs and with the approval of the cognizant agency for indirect costs.

Definition of Equipment: Equipment is defines as tangible nonexpendable personal property having a useful life of more than one year and an acquisition cost of $5,000 or more per unit.

Definition of Off-Campus: A project is considered off-campus if the activity is conducted at locations other than in University owned or operated facilities **and** indirect costs associated with physical plant and library are not considered applicable to the project. Use of the off-campus rate must be approved prior to inclusion in a proposal. A request must be submitted to SPA justifying the reason for the off-campus rate. This request must be submitted at least two weeks prior to the due date of the proposal. SPA will make a determination whether the off-campus rate is approved for use.

Treatment of Fringe Benefits: This organization charges the actual cost of each fringe benefit direct to Federal projects. However, it uses a fringe benefit rate which is applied to the salaries and wages in budgeting fringe benefit costs under project proposals. The following fringe benefits are treated as direct costs: FICA, SUI, WORKERS COMPENSATION, RETIREMENT PLAN, AND HEALTH/LIFE/DISABILITY INSURANCE.

Treatment of Paid Absences: Vacation, holiday, sick leave pay and other paid absences are included in salaries and wages and are claimed on grants, contracts and other agreements as part of the normal cost for salaries and wages. Separate claims are not made for the cost of these paid absences.

1. In most cases the activities of the University will be considered to be on-campus activities. Some examples of departments that would be off-campus are Agronomy Seed Farm (Casselton), Forest Service (Bottineau), Research Centers (Carrington, Central Grasslands, Dickinson, Hettinger, Langdon, North Central and Williston) (this list is not all inclusive). If the project is split among departments – the on-campus/off-campus rate should be determined by where 50% or more of the work is being performed. However, use of the off-campus rate must have SPA’s approval.
2. If the indirect cost rate assigned to a particular project is scheduled to change during the life of the project, the indirect cost rate should remain at the rate of the initially funded budget period.
3. Unless specifically prohibited or limited by the sponsoring agency, the inclusion of indirect costs at the appropriate current federally negotiated rate is required in every grant and contract budget. If a sponsoring agency restricts recovery of indirect costs to a percentage that is less than the appropriate current federally negotiated rate, the Principal Investigator must provide to SPA a copy of the sponsoring agency’s guidelines or published policy reflecting the indirect cost limitation. No exceptions for reduced indirect costs will be made for research sponsored by for-profit entities (i.e. companies) unless there is a clear, established policy that is publically posted on the entity’s website (and that applies universally to all proposals). If an award is received without the inclusion of indirect cost, SPA will renegotiate the award for the inclusion of indirect cost, either by an increase in the award amount or by reallocating the award amount to cover both direct and indirect costs.
4. INDIRECT COST ALLOCATIONS. In order to provide an additional incentive for faculty and staff participation in sponsored activities at NDSU, it is the University's policy to directly support such activity with a portion of the indirect cost payments received by the University under all sponsored agreements.

Of the indirect costs drawn, 42.0% will be allocated back to the generating colleges or units; 16% will be allocated back to the Office of the President (for Research); and 42.0% to the Office of the President. Allocation exceptions must be approved by the President.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

HISTORY:

New July 1990
Amended April 1992
Amended December 1996
Amended August 1997
Amended January 2000
Amended October 2004
Amended August 2007
Amended February 16, 2011
Housekeeping July 12, 2013