

STANDARD OPERATING PROCEDURE (SOP)
UW Oshkosh Office of Sponsored Programs

SOP Number: 5
Effective Date: 08/20/18
Last Reviewed: 04/23/2021

Title:
**Indirect Cost Recovery
(Facilities & Administrative Cost Recovery)**

Sponsored Programs Contact Information

Business Hours: 8:00 a.m. to 4:30 p.m., Monday-Friday (excluding holidays).

Main: 920-424-3215

E-mail: OSP@uwosh.edu

Website: <http://www.uwosh.edu/sponsoredprograms>

I. Overview

UW Oshkosh procedure is inclusive of Facilities & Administration costs (“indirect costs”) in grant proposals and research agreements. Indirect costs are any cost not directly identified with a specific project or organizational activity and are not eligible for inclusion as a direct cost ([2 CFR 200.414](#)). Indirect costs are incurred for the joint benefit of multiple projects and other activities and at UW Oshkosh are charged to eligible projects according to a Negotiated Indirect Cost Rate Agreement (NICRA), and grouped into a common allocation pool. Grant proposals and research agreements submitted by UW Oshkosh include the assigned rate listed in the current NICRA regardless of funding source unless a funding agency’s written policy will not allow full recovery of indirect costs.

The University is obligated to comply with costing rules and regulations disseminated by various federal offices. These offices include sponsoring agencies such as the National Institutes of Health and the National Science Foundation, and regulatory agencies such as the Office of Management and Budget (OMB). This procedure has been established to meet compliance standards set forth in the Indirect (Facilities & Administrative (F&A)) Costs ([2 CFR 200.56](#)) section of the federal regulations.

Current UW Oshkosh indirect rates include 1). an on-campus rate of 31% and 2). An off-campus rate of 12%, eligible for use when greater than 50% of all project-related activities occur off-campus or at a facility not owned or operated by the University. The current NICRA can be found here: [Indirect Cost Rates: 2020-24](#)

UW Oshkosh full indirect cost rate is 31% of Modified Total Direct Costs (MTDC). The Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (“Uniform Guidance”) under [2 C.F.R.200.68](#) defines MTDC as “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). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000.”

Under [2 CFR 200.414](#) and [200.306](#), negotiated rates must be accepted by all federal awarding agencies. A federal awarding agency may use a rate different from the negotiated rate only when applicable under [2 CFR 200.414](#) and approved deviations must be sent to the Office of Management and Budget (OMB).

II. Applicability

This procedure applies to all faculty, staff, and students at UW Oshkosh who submit or are planning to submit a proposal for external funding.

III. Procedure:

Indirect costs ([2 CFR 200.56](#)) are real costs incurred by the University in support of sponsored activities but are not directly identified with a specific grant or contract. The costs result from shared services such as libraries, physical plant operation and maintenance, utility costs, general, departmental, unit/school and sponsored projects' administrative expenses, and depreciation of buildings and equipment.

The indirect costs recovered on grants allow the institution to build, maintain, and operate research labs, facilities and other support spaces on campus. All researchers who use institutional facilities and administration for sponsored projects are incurring indirect costs. The indirect cost dollars received from grant funds are not extra dollars, but part of the budget and are fully used to make the system work. Without them, research laboratories and facilities cannot be maintained or expanded.

Every institution that receives federal funding negotiates its indirect cost rates with their "cognizant federal agency." The cognizant federal agency for UW Oshkosh is the Department of Health and Human Services (HHS). Indirect cost rates are negotiated with HHS every four years.

a. Indirect Cost Reduction Waiver

The indirect cost reduction waiver is an institutional agreement to request use of an indirect rate lower than UW Oshkosh's negotiated On-Campus rate of 31%. Approval of a waiver can be requested from an individual's Dean or Director. If the Dean/Director's Office approves the request, it is then forwarded to the Office of Sponsored Programs (OSP) for review and approval/disapproval. The Provost may also be asked to provide approval at the discretion of OSP.

A waiver is still necessary when a lower F&A rate is the agency's published rate. A waiver and copy of the program announcement or RFP stating the sponsor's limitation of indirect cost funding may be routed for review and approval at OSP's discretion. OSP review consists of the application of DHHS or other Federal sponsor regulations, Office of Management and Budget (OMB) regulations, bond agreement restrictions, IRS guidelines, state and local government regulations/laws, the proper application of this procedure, and consistency in applying waivers with the University. In an event the PI and Department/College disagree with a decision by OSP, either one or both may appeal the decision to the Provost.

b. Routing of Indirect Cost Waivers

If the PI is contemplating submitting a waiver request, he/she should contact their College Dean/Director to discuss prior to submitting the official request to OSP. The request for the waiver must be transmitted to the appropriate College Dean/Director at least one (1) week prior to submission deadline.

c. Budgeting Indirect Costs (F&A) as Direct Costs

If indirect costs are not allowed or reduced on a proposal PIs are encouraged (and may be required) to include administrative and facility costs that are normally charged as indirect. These could include telephone, general-purpose equipment, and administrative and clerical salaries. If these costs are included in the proposal budget they should be specified on the waiver request. This practice will improve the chances of a waiver being approved.

d. Federal Sponsors

The full indirect cost rate will always be charged when permitted by the government. However certain sponsors or programs may utilize a restricted rate or training rate. One example is the U.S Department of Education TRIO programs. In these cases, indirect cost rate is capped at 8% of Modified Total

Direct Costs and this rate cap will be clarified within the Federal Register. A rate lower than the rate permitted by the federal sponsor will still require a waiver.

e. Non-profit Sponsors

UW Oshkosh will consider a lower indirect cost rate from non-profit sponsors as long as their rates are published and applied consistently to all university grant recipients. Indirect costs waivers and documentation of the non-profit sponsor's allowability are required during internal review.

f. State and Local Governments

UW Oshkosh treats these programs in the same manner as Federal grant programs. The full indirect cost rate will be expected unless the agency's published rate is less. Indirect costs waivers and documentation of the sponsor's alternative rate are required. Direct costs could be built in the budget to account for a lower indirect cost rate.

g. Off Campus Rate

"Off-campus" has a more restrictive definition than merely off UW Oshkosh property. In the absence of a stated institutional policy, federal guidelines limit the use of the off-campus rate to work conducted at a site for which rent is paid ([CFR 200 Appendix III](#)). However, UW Oshkosh is permitted to define work conducted beyond a reasonable, travel distance from the institution as "off-campus."

UW Oshkosh defines "off-campus" as any location where 50% or more of the project activities are conducted 150 miles or greater from the UW Oshkosh campus and activities are not performed at a facility owned or operated by the University. Off-campus rates may be utilized within the 150-mile radius if grant funds are used to pay rent. Use of the on-campus is considered the default. Use of off-campus rates may be utilized in special circumstances only as listed in this section. If an "off-campus" rate is requested, a waiver must also be completed and approved.

IV. Policy Links:

[OMB Uniform Guidance, 2 CFR 200.56, 2 CFR 200.57 and 2 CFR 200.68](#)

[OMB Uniform Guidance, 2 CFR 220, Cost Principles for Educational Institutions](#)

[OMB Uniform Guidance, 2 CFR 200.68, Modified Total Direct Cost \(MTDC\)](#)

[Indirect Cost Rates: 2020-24](#)

V. **Contact Information:** For questions or comments, please contact OSP@uwosh.edu or 920-424-3215

VI. Revision History:

Create: 08/20/18

Revised: 02/15/19, 4/15/19, 04/23/2021

Indirect Cost Decision Tree

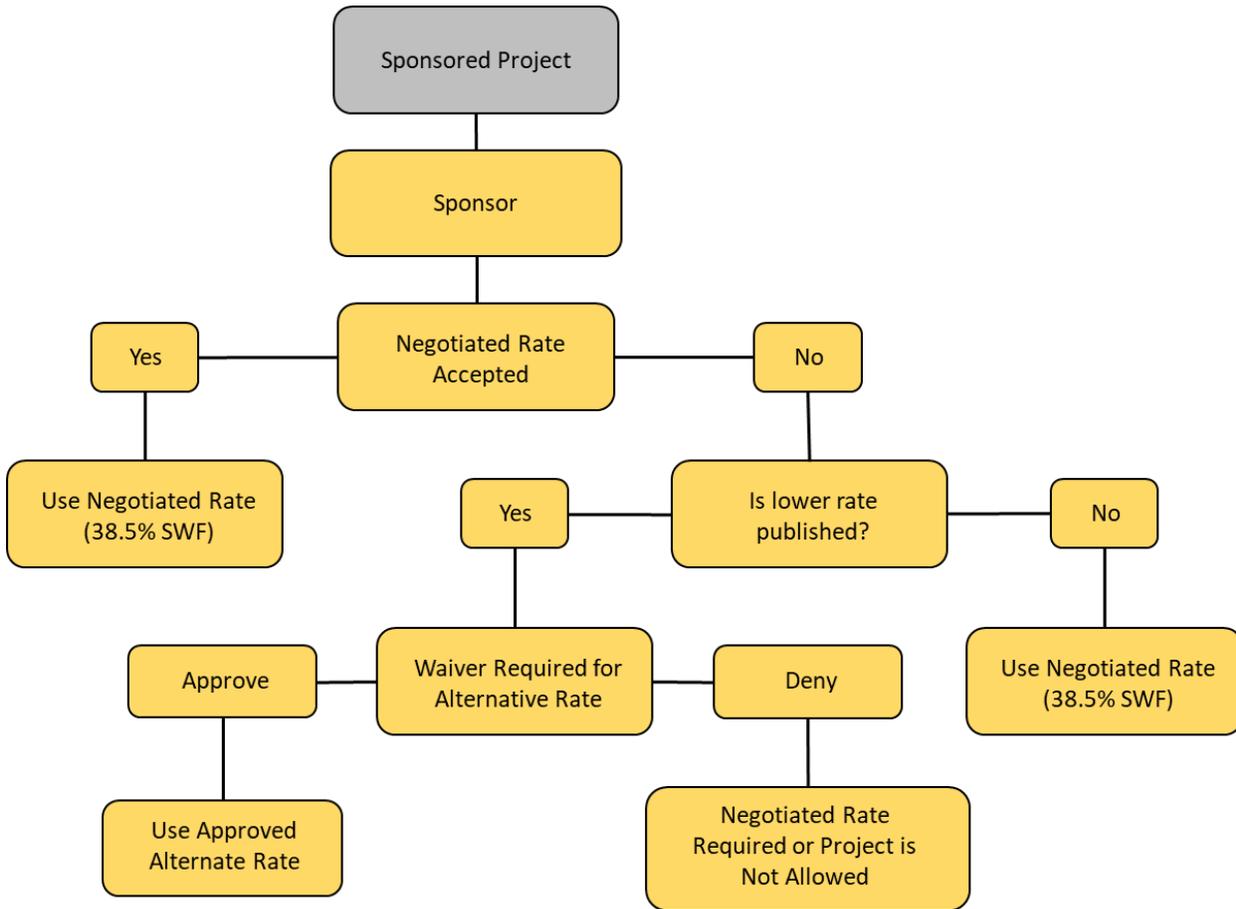


Figure 1: Process for use of indirect costs at UW Oshkosh.

Indirect Cost Reduction Waiver

Instructions: Fill out form, print, obtain College Dean signature and send to Office of Sponsored Programs at OSP@uwosh.edu. The OSP Director will either deny the request and return it to the investigator or approve it to allow submission to the sponsor.

Note to Principal Investigator: A waiver is required when indirect cost rate in the proposal is less than what the University is entitled to claim using the federally negotiated indirect cost rate of 31% on MTDC.

Date Waiver Submitted:				
Proposal Submission Deadline:				
Principal Investigator:				
Department:				
College:				
Proposal Title:				
Project Start/End Dates:				
Sponsor Name:				
Indirect Cost Actual if Full Rate is Charged (All years in grant cycle):	%	X	=	
List full rate & base				List indirect cost amount if full rate were to be used
<i>For base, please list one of the following: SWF = salary, wages, fringe (standard UWO base) MTDC = modified total direct costs</i>				
Reduced Indirect Cost Actual if Partial Rate is Charged (All years in grant cycle): <i>Ex: Sponsor caps the indirect cost rate at 8% for a training grant." Or, "Ex: PI requests use of Off-Campus rate of 13% for project activities performed off-campus."</i>	%	X	=	
List full rate & base				List indirect cost amount if full rate were to be used
<i>For base, please list one of the following: SWF = salary, wages, fringe (UWO base) MTDC = modified total direct costs</i>				
Amount of Reduction Requested: Difference between actual and requested. This is an estimate only; actual reduction will depend on actual direct costs expended	(subtract requested amount from full amount)			

Reason/Justification for Request:

Please indicate in detail the reasons the university should subsidize the costs of this project by reducing the indirect costs rate that all sponsors are expected to pay. If the sponsor cannot pay or is unwilling to pay the full rate, please explain why. Explain the impact on the project if the full rate is charged.

I approve the reasons of the reduction, and understand and agree that if this project is funded on a fixed price or fixed rate-basis, and residual funds remain at the end of the award, the residual funds will be used to first recover all reduced indirect costs based on the total direct costs awarded.

Principal Investigator _____ Date _____

College Dean _____ Date _____

Director of Sponsored Programs _____ Date _____

Comments:

If Appealed

Vice Chancellor for Administrative Services _____ Date _____

For Sponsored Programs ONLY:

Waiver is: Approved Denied Not needed

Comments:

Fiscal Year of Waiver: _____