



Handbook of Operating Procedures

Indirect Costs

Policy Number: 69

<p>Subject: Indirect costs on sponsored projects</p> <p>Scope: Employees</p> <p>Date Reviewed: August 2014</p>	<p>Responsible Office: Sponsored Projects Administration</p> <p>Responsible Executive: Senior Vice President, Finance and Business Services</p>
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I. POLICY AND GENERAL STATEMENT

Unless specifically disallowed by a sponsor's written policies, The University of Texas Health Science Center at Houston ("university") must recover all indirect costs on contracts and grants by applying its relevant policies and procedures.

Sponsored Projects Administration will ensure that all proposals submitted to any sponsoring agency include the appropriate indirect cost recovery. Any deviation from the indirect cost rates described below will require the prior approval of the dean or administrative equivalent of the appropriate unit and the Senior Executive Vice-President, Chief Operating and Financial Officer. All contracts will be comprehensively reviewed prior to finalization in order to ensure recovery of all costs.

A portion of indirect cost recovery will be returned to units as part of the annual budget based upon the actual level of indirect cost recovery brought in by a unit. Annual revenue from indirect cost recoveries will be distributed as defined in the annual budget instructions.

II. DEFINITIONS

Direct costs are those costs that can be directly related to a specific project. Examples of such costs include the salaries, wages, and benefits of the researchers and support staff, consumable supplies, travel and equipment necessary to carry out the project, patient care charges, and alterations and renovations required by the research.

Indirect costs are those costs that cannot be directly related to a specific project but are incurred in providing services in the operating environment within which the research project is carried out and on which it relies. Examples of these costs include: maintaining and staffing libraries, maintaining buildings and grounds, and providing security, housekeeping services and utilities.

III. PROCEDURE

The applicable indirect cost rate is determined by the source of the funds and the type of activity.

A. Federal Sponsored Projects

The indirect cost rates for federal sponsored projects are established through negotiation between the university and the Department of Health and Human Services. These negotiations are based on actual indirect costs incurred by the institution in the previous fiscal year. Sponsored Projects Administration prepares the proposal. The term of the negotiated agreement may be one or more years. Indirect cost rates are negotiated for both on-campus and off-campus research.

The specific expense categories that make up the overall indirect cost rate include building use, equipment use, improvement use, operation and maintenance, general administration and general institutional expense, departmental administration, sponsored projects administration, and libraries. The federal rate is applicable to all research grants (except for training grants) for which the ultimate source of funds is the federal government. Sponsored Projects Administration should be contacted for current federal rates.

In accordance with the university's rate agreement, for all activities performed in facilities not owned by the university and to which rent is directly allocated to the project(s), the off campus rate will apply. If rent is not applied to the project(s), the on campus rate shall apply. There will not be more than one indirect rate charged to a project. If more than 50% of a project is performed off campus, only the off campus rate will apply.

B. Non-Federal Sponsored Projects

Applications for non-federal sponsored projects shall include in the budget a minimum of 30 percent of total direct costs as indirect cost recovery, unless:

- The funding agency has a written policy that it pays a different fixed indirect cost rate.
- The request for proposal or funding opportunity announcement details a different indirect cost rate.
- A not-for-profit agency provides a letter signed by a representative on official letterhead that it will pay a different rate on the specific award.

IV. CONTACTS

Contact	Telephone	Email/Web Address
Sponsored Projects Administration	713-500-3999	preaward@uth.tmc.edu https://www.uth.edu/sponsored-projects-administration/