

Virginia State University  
Policies Manual

Title: Federal Indirect Cost Policy

Policy: 5004

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**Purpose**

This policy provides guidelines for the handling of Federal Indirect Cost and compliance with OMB Circular A-21, A110 and A-133 and the Commonwealth Accounting Policies and Procedures (CAPP) Manual (Section 20705).

**Authority, Responsibility, and Duties**

Controller's Office: Will develop federal indirect cost rate proposal and negotiate rates with federal authorities; will apply the federally approved indirect cost rate to grants and contracts, as appropriate; will report the indirect cost recoveries to management.

Office of Sponsored Programs: Will assist principal investigators and other University faculty and staff in developing grant budgets, which include indirect costs as allowable by the sponsoring agency.

Departmental Manager/Principal Investigators: Will ensure that indirect costs are included, as appropriate, in all grant proposals.

**Definitions**

**Indirect Costs** (Commonly called Facility and Administrative Cost or F&A)- are those expenditures or costs that are not readily identifiable with a particular project or activity, but nevertheless are necessary to the general operation of the university and the conduct of its activities. The types of expenses usually considered as indirect costs include the cost of operation and maintenance of buildings and grounds, equipment, libraries, and the costs of academic central administrative units.

**Direct costs**- are those expenditures that can be identified specifically with a particular sponsored project, instructional activity or any other activity, relatively easily and with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs. Where the university treats a particular type of cost as a direct cost, all costs incurred for the same purpose in like circumstances shall be treated as direct costs of all activities of the institution. Cost that might be incurred for the common or joint objectives of several research projects, but which cannot be specifically attributed to a particular sponsored project with a high degree of accuracy, may not be directly charged to these projects.

**Policy Statements**

Whereas the University is obligated and required by state policy to charge and recover indirect costs on all University contracts/grants, as allowable, it will be the policy of the University to charge these costs and record the revenue in accordance with CAPP Manual section 20705.

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The indirect cost rate applied will be the current rate approved by the Department Of Health and Human Services (currently 52.9%) as a percentage of direct salary/wages unless the funding agency prohibits the charging of overhead or does not pay the full rate. In those cases, it will be the policy of the University to charge and recover the maximum rate allowed. The President must approve the acceptance of grants that do not allow the charging of indirect costs.

In accordance with the Appropriations Act, Section 4-2, 03c, indirect cost recoveries for all institutions of higher education shall be appropriated and used according to the following provisions:

- A. 70% (seventy percent) shall be retained by VSU as an appropriation of funds by the General Assembly for the conduct and enhancement of research and research-related requirements.
- B. 30% (thirty percent) shall be transferred to the educational and general revenues of the institution.
- C. In addition, VSU may retain 100 percent of the indirect cost recoveries related to research grants and contract levels in excess of levels authorized in Part 1 of the Appropriation Act.

The University recognizes that special circumstances may arise in individual grant or contract negotiations. The Vice President/Provost will consider written appeals for exceptions and/or variations to the University's indirect cost recovery policy.

The University uses Indirect Cost recoveries in a number of ways to support the University's research function. A portion of these recoveries are used to support and fund the Office of Sponsored Programs. These funds are also used by the University to provide matching funds for grants that require cash matches. Lastly, the funds are used to fund fellowship and scholarship support to graduate students.

The University Controller's Grant and Contract Office is responsible for setting up all grants in the University's financial system so that indirect costs will be charged and recovered in accordance with State and University Policy. Accounts are maintained in the Financial System for all indirect cost funds and the Responsible Persons have online access to their accounts at all times, reflecting recoveries, charges and balances. In addition, the Office of Grants and Contracts prepares a monthly report of Indirect Costs reflecting by account all recoveries for the current fiscal year and the two previous fiscal years. A separate report is prepared for all cash match expenditures funded from Indirect Cost recoveries. These reports are distributed to the Vice presidents and other key University management staff.

## **References**

Office of Management & Budget Circular A-21, "Cost Principles for Educational Institutions"  
[www.whitehouse.gov/omb/circulars/a021/a21\\_2004.html](http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html)

Office of Management & Budget Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and other Non-Profit Organizations"  
[www.whitehouse.gov/omb/circulars/a110/a110.html](http://www.whitehouse.gov/omb/circulars/a110/a110.html)

Office of Management & Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations"  
[www.whitehouse.gov/omb/circulars/a133/a133.html](http://www.whitehouse.gov/omb/circulars/a133/a133.html)

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**Approved by:** Eddie N. Moore, Jr., President

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