Procedure to Allocate Indirect Costs (IDC) to Divisions

Unit: Contract & Grant Accounting
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Contact: Tammy Hudson
Title: Director, Contract & Grant Accounting

Purpose
The purpose of this procedure is to ensure that IDC is allocated timely on sponsored projects and returns are appropriately distributed to academic divisions for further allocation to departments and faculty to cover costs associated with the administration of sponsored activities that cannot be directly charged to sponsored projects. This process does not allocate IDC to departments or Principal Investigators (PI). The academic divisions are responsible to further allocate indirect cost returns to the departments and PIs.

Frequency
- Nightly – Indirect costs are posted as a percentage of actual (modified total) direct cost expenditures charged to each sponsored project.
- Monthly – 40% indirect cost recovery is distributed to academic divisions during the month-end close process.

Procedure
1. Indirect cost rate is determined during the proposal preparation and budget development process and approved by the sponsor once an award is made to the University.
   a. The federal negotiated rate for the appropriate sponsored project classification should be used unless the sponsor program guidelines address an indirect rate limit in writing.
2. During project set-up, Contract and Grant Accounting (CGA) enters the approved indirect cost rate into the UA Accounting System (Banner) when the grant/fund is established. In addition, CGA establishes the percentage of indirect allocation to participating academic divisions based on “% Total Award Distribution” indicated on the Cayuse Internal Processing Form (IPF). The distribution percentage is entered by CGA staff into a web-based system.
   a. Collaboration with research-designated centers and Institutes does not impact the 40% return to administrative divisions.
3. An automated Banner process runs nightly, which allocates applicable indirect costs to the various sponsored projects based on direct cost expenditures charged to each project.
4. During month-end close processing, 40% of indirect cost expenditures charged for the accounting period are allocated to academic divisions based on distribution percentages previously indicated on the IPF.

Approved by:
This procedure will be reviewed at least annually and is subject to modification. The Assistant Vice President for Research; Executive Director, Sponsored Programs and Contract & Grant Accounting oversees this program and procedures.