



## **POLICY & PROCEDURE DOCUMENT**

NUMBER: 3.2662  
2.2662

DIVISION: Finance and Administration  
Research

TITLE: Grants and Contracts Accounting - Indirect Costs

DATE: June 30, 2014

REVISED: May 16, 2016, May 3, 2021

AUTHORIZED BY: Susan Howarth, Exec. Vice President for Strategy, Operations & Finance  
Cheryl Stevens, Provost and Vice President for Academic Affairs

### **I. Purpose and Scope**

Western Kentucky University (WKU) incurs costs in the administration of a project that cannot be specifically identified or readily assigned to a particular restricted project. Indirect costs (also referred to as Facilities & Administrative or F&A costs) are support or common costs, such as utilities, space usage, library usage, administrators, etc. The federal government accepts the development of an indirect rate as an expeditious means of recognizing these additional costs. This involves a comparison of total allocable indirect costs to total direct costs, the ratio of which is expressed as a percentage.

### **II. Policy**

1. If WKU's negotiated indirect rate changes during the life of a project, the rate in effect the day the awarded project began will be used throughout its life (or competitive segment).
2. WKU's cognizant agency is the Department of Health & Human Services (DHHS). WKU submits an application to DHHS every four years to negotiate and update approved on and off campus F&A rates.
3. Not all funding agencies will allow the use of the full rate. Many agencies restrict the University's recovery to a lesser amount while other agencies will not approve indirect costs at all.
4. A full or partial waiver may be granted by OSP during the award negotiation.

5. Indirect costs may not be used to recover direct cost overruns.
6. WKU distributes the indirect (F&A) recovered per the policies at, Research Policies 2.820V.

### **III. Procedure**

1. Grants and Contracts Accounting calculates indirect monthly using Banner Finance. This process charges the grant indirect expense account and credits the corresponding revenue account that was established at award set up.
2. An Excel report is generated using InfoView which summarizes each grant index, monthly indirect recovered and the percent distribution. The complete report is sent to the Provost and Vice President for Academic Affairs, Associate Provost for Research and Graduate Education, Exec. Vice President of for Strategy, Operations & Finance, and other pertinent individuals.
3. Each College receives a copy of their portion of the report and they are required to keep a separate record of their indirect recovered balance.
4. The current F&A distribution is as follows:
  - a. 38% to the College/Unit
  - b. 38% to the Office of Research and Creative Activity
  - c. 19% to the Office of Sponsored Programs
  - d. 5% to the WKURF, Top Slice

### **IV. Reason for Revision**

#### May 2016

Revised to reflect re-organization of the Office of Research and Creative Activity, updated indirect (F&A) rate agreement expiration date, and update Policy 2.820V.

#### May 2021

Sections II & III revised as part of the fifth-year review in accordance with Policy 0.000V Policy on Policies.

### **V. Related Policies**

All 3.25xx, 3.26xx and 3.27xx policies