

UC Davis Policy and Procedure Manual

Chapter 230, Sponsored Programs

Section 03, Indirect Costs

Date: 12/19/06

Supersedes: 2/18/92

Responsible Department: Office of Research

Source Document: Standing Order of The Regents 100.4(m)

I. Policy

The policy of the University is to recover all costs, both direct and indirect, incurred in the performance of extramurally supported research, training, and other sponsored activities. Indirect costs must be included in all proposals, unless specifically waived by the Senior Vice President--Business and Finance.

II. Definition

A. Indirect costs are those costs incurred for joint or common benefit that cannot be allocated to individual project budgets. Recognized components of indirect costs are:

1. Operation and maintenance of plant.
2. Building use allowance.
3. Equipment use allowance.
4. General administration.
5. Libraries.
6. Departmental administration.
7. Student services.
8. Sponsored projects.

B. Current indirect rates, and their components, are on the Web at [http://accounting.ucdavis.edu/EX/UCD F&A Rate 06 30 04.pdf](http://accounting.ucdavis.edu/EX/UCD_F&A_Rate_06_30_04.pdf).

III. Authority

- A. The Senior Vice President--Business and Finance has been authorized by the President to negotiate the University's indirect cost rates (see Delegation of Authority DA 2040).
- B. The Senior Vice President--Business and Finance has redelegated authority to approve exceptions for indirect rates to the Executive Director--Office of Technology Transfer, who has further redelegated authority to the Director--Research Administration Office.

IV. Criteria for Exceptions

Requests for exceptions to the indirect cost rates (i.e., waiver or reduction) may be granted only if they meet one of the following criteria:

- A. The anticipated award supports a vital program in the best interest of the campus, and the Chancellor so specifies.
- B. The anticipated award is a cooperative agreement, and the sponsoring agency is providing quantifiable support to the University in excess of the indirect costs.
- C. A nonprofit sponsor is limited by statute, published agency regulation, or corporate policy in payment of indirect costs.
- D. It can be documented that a component of the indirect cost rate is not applicable to the sponsored project.

V. Procedure for Requesting Exceptions

- A. If the project qualifies under any of the above criteria, a request for exception may be made.
 - 1. The principal investigator submits the following materials to the campus Office of Research:
 - a. A copy of the work plan and budget plus documentation of the kind of University facilities and equipment that are going to be used in the project.
 - b. A full explanation of why a rate different from that typically applied to similar projects is being requested.
 - 2. The Office of Research will review requests to determine the appropriateness of documentation and forward the request to the Director--Research Administration, UCOP.
 - 3. The Office of Research Administration will analyze the request and recommend approval or disapproval to the Director--Research Administration. The analysis, along with notice of approval or disapproval, will be sent to the campus Office of Research.
 - 4. The Office of Research will notify campus personnel of the final decision.
- B. An exception will apply only to the period of the award specified on the request.
- C. During the award period, if there is substantive change in the project affecting the basis on which the exception was approved, the exception will be rescinded.

VI. References

- A. Standing Order 100.4(m) of The Regents.
- B. UC Office of the President:
 - 1. Business & Finance Bulletin A-47, University Direct Costing Policy, 7/1/84.
 - 2. Business & Finance Bulletin A-59, Costing and Working Capital for Auxiliary and Service Enterprises, 7/1/82.
 - 3. UC Contract and Grants Manual Section 8-600, Exceptions to Approved Indirect Cost Rates.
 - 4. DA 2040, Delegation of Authority--Negotiation and Approval of Indirect Costs.