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## **POLICY GOVERNING INDIRECT COSTS ON EXTERNALLY FUNDED RESEARCH AND SPONSORED PROGRAMS**

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### **POLICY STATEMENT**

This policy establishes the methodology for applying Indirect Costs with respect to externally funded research or sponsored programs at Lipscomb University (“Lipscomb”).

### **PURPOSE**

The purpose of this policy is to:

- Establish guidelines and procedures governing the inclusion of Indirect Costs, using Lipscomb’s Negotiated Indirect Cost Rate Agreement (as allowable), within proposals and contracts related to externally funded research or sponsored programs; and
- Establish Lipscomb’s incentive policy for the distribution of recovered Indirect Costs.

### **APPLICABILITY**

This policy is applicable to any Lipscomb full-time employee participating in an externally funded research or sponsored program administered by the Office of Research and Grants.

### **DEFINITIONS**

Capitalized terms that are used but not otherwise defined in this policy have the following meanings:

*Budget*, as defined in 2 CFR §200.1, means the financial plan for the Federal Award that the Federal Awarding Agency or pass-through entity approves during the Federal Award process or in subsequent amendments to the Federal Award. It may include the Federal and non-Federal share or only the Federal share, as determined by the Federal Awarding Agency or pass-through entity.

*CFR* means the Code of Federal Regulations.

*Cognizant Agency for Indirect Costs*, as defined in 2 CFR § 200.1, means the Federal Agency responsible for reviewing, negotiating, and approving cost allocation plans or Indirect Cost proposals on behalf of all Federal Agencies. The Cognizant Agency for Indirect Costs is not necessarily the same as the cognizant agency for audit, as defined in 2 CFR § 200.1. For assignments of cognizant agencies for institutions of higher education, see Section C.11 of Appendix III to 2 CFR Part 200.

*Cost Sharing or Matching*, as defined in 2 CFR § 200.1, means the portion of Project Costs not paid by Federal funds or contributions (unless otherwise authorized by Federal statute).

*Federal Agency or Agency*, as defined in 5 U.S.C. § 551(1), generally means each authority of the Government of the United States, whether or not it is within or subject to review by another agency.

*Federal Award*, as defined in 2 CFR §200.1, has the following meaning, depending on the context:

(1)(i) The Federal financial assistance that Lipscomb receives directly from a Federal Awarding Agency or indirectly from a pass-through entity, as described in 2 CFR §200.101; or (ii) the cost-reimbursement contract under the Federal Acquisition Regulations that a non-Federal entity receives directly from a Federal Awarding Agency or indirectly from a pass-through entity, as described in 2 CFR §200.101.

(2) The instrument setting forth the terms and conditions. The instrument is the grant agreement, cooperative agreement, other agreement for assistance covered in paragraph (2) of the definition of Federal financial assistance in 2 CFR §200.1, or the cost-reimbursement contract awarded under the Federal Acquisition Regulations (48 CFR §52.204-17).

Federal Award does not include other contracts that a Federal Agency uses to buy goods or services from a contractor or a contract to operate Federal Government owned, contractor operated facilities. See also the definitions of Federal financial assistance, grant agreement, and cooperative agreement in 2 CFR §200.1.

*Federal Awarding Agency*, as defined in 2 CFR §200.1, means the Federal Agency that provides a Federal Award directly to a non-Federal entity.

*Indirect Costs*, as defined in 2 CFR § 200.1, means those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (facilities & administrative) costs. Indirect (facilities & administrative) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived. Indirect Costs are further identified in 2 CFR § 200.414.

*Principal Investigator* means the individual who bears the responsibility for the overall operation and performance of the externally funded research or sponsored program, including management, reporting, subrecipient monitoring, record retention, compliance, effort certification, and other activities supporting program delivery and management. As used in this policy, Principal Investigator includes the role of co-Principal Investigator.

*Project Cost*, as defined in 2 CFR § 200.1, means total allowable costs incurred under a Federal Award and all required cost sharing and Voluntary Committed Cost Sharing, including third-party contributions.

*Unrecovered Indirect Cost*, as defined in 2 CFR § 200.306(c), means the difference between the amount charged to the Federal Award and the amount which could have been charged to the Federal Award under the non-Federal entity's approved negotiated Indirect Cost rate.

*Voluntary Committed Cost Sharing*, as defined in 2 CFR § 200.1, means Cost Sharing specifically pledged on a voluntary basis in the proposal's Budget on the part of the non-Federal entity and that becomes a binding requirement of Federal Award.

## **PROCEDURES**

### **INCLUSION OF INDIRECT COSTS WITHIN GRANT AND CONTRACT BUDGETS**

The Indirect Cost rate (as identified in Lipscomb's *Rate Agreement* from the U.S. Department of Health and Human Services, the Cognizant Agency for Indirect Costs) shall be consistently applied across all externally funded research and sponsored programs at Lipscomb, unless such a rate is unallowable or must otherwise be reduced by the funding Agency with a modification approved by the Office of Research and Grants.

Grants or contracts for any externally funded research or sponsored program at Lipscomb may not be subject to more than one Indirect Cost rate. Lipscomb has been assigned separate Indirect Cost rates for projects performed on- or off-campus. The off-campus rate shall be used only for those activities performed in facilities not owned by Lipscomb and for which rent is directly allocated to the project(s). If more than 50% of the time and effort of all individuals working on any externally funded research or sponsored program is performed off-campus, the off-campus rate will apply to the entire project. Working remotely from home shall not be considered off-campus activities. The final Indirect Cost rate applied by the Office of Research and Grants shall constitute the rate used for both submission and award management of all externally funded research or sponsored programs.

Indirect Costs shall not be voluntarily applied as a Cost Sharing or Matching unless required by the funding Agency, is in the best interest of Lipscomb, applies unrecoverable Indirect Costs prior to any other commitments (as allowable), and is pre-approved for use by the Office of Research and Grants under the administration of the Chief Research Officer.

### **INCENTIVE POLICY FOR THE DISTRIBUTION OF RECOVERED INDIRECT COSTS**

Indirect Costs will be recovered according to the regulations set forth in 2 CFR Part 200 or the written policies or procedures of the funding Agency. The federal government does not provide directives to institutions of higher education regarding how recovered Indirect Costs must be disbursed, spent, or otherwise applied. Therefore, after all other costs or expenses related to any externally funded research or sponsored program at Lipscomb have been paid, Lipscomb will distribute recovered Indirect Costs as follows, unless the Office of Research and Grants directs otherwise:

- 75% to the Office of Research and Grants, which may be used at the discretion of the Office of Research and Grants to support salaries, ongoing research administration, incentives, or other costs as deemed appropriate. Any such amount distributed to the Office of Research that exceeds the annual budget of the Office of Research and Grants shall be used at the discretion of the Provost;
- 12.5% to the Principal Investigator, which will be placed into a dedicated institutional account for use in future research and related activities. Funds in these accounts may roll over from one fiscal year to the next and may accumulate. Principal Investigators may choose to use these funds for activities that may include, without limitation, traveling to a conference, hiring a graduate research assistant, and/or purchasing a subscription to an academic software solution or journal. In situations where any externally funded research or sponsored program was managed by one or more co-Principal Investigators, a distribution, agreed upon in writing by all such investigators in accordance with the level of contribution provided to the project, shall determine the allocation to each investigator. While utilizing these funds, Principal Investigators must comply with all applicable policies and procedures

of Lipscomb, including without limitation, the Travel, Entertainment, and Expense Reporting Policy. If all Principal Investigators for an externally funded research or sponsored program cease to be employed by Lipscomb for any reason, any funds remaining in the corresponding dedicated institutional account will be placed in a dedicated institutional account to support the appropriate academic college(s), as determined by the Office of Research and Grants; and

- 12.5% to the academic college, which will be placed into a dedicated institutional account to be used at the discretion of the dean to support ongoing college, institute, department, or unit level research activities. Funds in these accounts may roll from one fiscal year to the next and may accumulate. Appropriate expenditures may include, without limitation, upgrading computer or research equipment, providing compensation to personnel to support proposal development, matching future grant proposals (when and if allowable by the funding Agency), and/or supporting faculty or staff whose compensation is not currently funded by any externally funded research or sponsored program to engage in research activities or collaborative efforts that could create opportunities to obtain future funding.

This incentive program is limited to the distribution of applicable recovered Indirect Costs not previously approved as Cost Sharing or Matching within awarded proposals or grants. Unrecovered Indirect Costs shall not be included in any distribution pursuant to this incentive policy.

#### INSTITUTIONAL RESPONSIBILITIES

Post-award grant accounting personnel will be responsible for (i) approving the awarded budget (to ensure that charges were properly calculated with institutional rates), and (ii) preparing the distribution report at the end of each fiscal year (or other applicable period, as may be required), after affected Indirect Costs have been recovered (generally up to 45 days). The report shall be provided to the Office of Research and Grants and the Provost for pre-approval of disbursement. The Office of Research and Grants shall approve the disbursements, which shall be administered by the post-award grant accounting personnel.

#### CONFLICT

This policy is subject to applicable law. In the event of a conflict between the provisions of this policy and applicable law, including, without limitation, 2 CFR § 200, the provisions of applicable law shall control.

#### **RELATEE DOCUMENTS/POLICIES**

Travel, Entertainment, and Expense Reporting Policy, available on *myLipscomb*

#### **CONTACT**

For additional information or questions regarding this policy, contact the Office of Research and Grants by email at *researchandgrants@lipscomb.edu* or by phone at 615-966-5907.

#### **EFFECTIVE DATE**

This policy was approved by the Office of the Provost on April 5, 2023.