

**MONTANA TECH
OF THE UNIVERSITY OF MONTANA
OFFICE OF RESEARCH AND GRADATE STUDIES**

**POLICY
for
COLLECTION, REDISTRIBUTION, AND
ACCOUNTING OF INDIRECT COST RECOVERY FUNDS**

**Update 1
October 10, 1997**

1.0 USE, COLLECTION, AND AUTHORITY

1.1. Use of Indirect Cost Recovery Funds (IDCR)

1.1.1 Federal regulations allow colleges and universities to add indirect costs to federally funded research to recover expenses for items and services that are provided or maintained on a campus wide basis. These costs are collectable under guidance provided by the Office of Management and Budget Circular A-21.

1.1.2 Allowable indirect expenses include depreciation and use, operation and maintenance, general administration, departmental administration, research office, and library. The cost elements allowed in determining the IDCR rate are described in more detail in Appendix A.

1.2 Collection Guidelines for Indirect Cost Recovery funds

1.2.1 Unless otherwise authorized or approved by the Chancellor, all Grants and Contracts for research at Montana Tech of the University of Montana (Montana Tech) will include provision for Recovery of Indirect Cost funds at appropriate rates. (Current rate for Federal contracts as negotiated with the U.S. Department of Health and Human Services is 46.5% of salaries and benefits. Current rate on most State contracts is 20% of total costs or 30% of salaries and benefits, whichever is less).

1.2.2 Indirect Cost Recovery funds will be paid into accounts established in the Office of Research and Graduate Studies, and will be disbursed from those accounts in accordance with approved guidelines or on approval by the Chancellor. The Chancellor may consult with the Vice Chancellor for Research and Graduate Studies (VCRGS), Vice-Chancellor for Academic Affairs and Research (VCAAR), Vice-Chancellor for Administration (VCA), and the Director, Montana Bureau of Mines and Geology (MBMG) concerning fiscal or research impacts of IDCR fund expenditures.

1.3. Authority

1.3.1 The Chancellor of Montana Tech is responsible for the collection, distribution and accounting of all indirect cost recovery funds.

1.3.2 The Chancellor has delegated this authority for the collection, distribution and accounting

of all indirect cost recovery funds, through VCAAR, to the VCRGS and has made the Office of Research and Graduate Studies the responsible authority for day to day management of IDCR Recovery funds.

1.3.3 The VCRGS, with the advice and consent of the VCAAR, and as necessary with the advice and consent of the VCA and the Director, MBMG, will administer all IDCR Recovery income and expenditures in accordance with general guidelines approved by the Chancellor.

1.3.4 The VCRGS shall seek the input of Academic Departments, Program Managers, Center Directors, Office Directors, and the Director of MBMG in the preparation of the annual IDC Budget.

2.0 COLLECTION OF INDIRECT FUNDS

2.1 All funds for sponsored research projects performed by Montana Tech shall be administered by the Office of Research and Graduate Studies. All funds for sponsored research projects performed by the Montana Bureau of Mines and Geology (MBMG) shall be administered by the Director of the MBMG. The only exception to this policy shall be those projects where the Montana Tech Foundation administers funds for the sponsored research project.

2.2 All funded research projects shall be charged indirect costs. Indirect costs shall be charged at the rate established by the Department of Health and Human Services of the United States Government. Current indirect rates are 46.5% of applicable salaries and fringe. Indirect charges shall be calculated on the salaries and fringe benefit charges associated with research proposals and shall be calculated as per the following:

Indirect Costs = (0.465) x (applicable salary + applicable fringe benefits)

Applicable salary refers to all wages paid in accomplishing the goals of the sponsored research project. Fellowships granted by the College will not be considered as applicable salaries for the purpose of IDCR. Tuition waivers will not be considered applicable salaries for the purpose of IDCR.

Applicable fringe shall be charged at the rate established by the College. Current fringe rates are as follows:

9-month Faculty Appointments	25%
12-month appointments	35%
AY Graduate Students	1%
Summer Graduate Students	9%
CY Graduate Students	3%
12-month Staff	39%

The current rate factors for fringe and for indirect shall be reestablished annually at the start of the fiscal year or more frequently, as required.

NOTES

- 1) Projects funded by the State of Montana will be charged an indirect rate to be

negotiated separately between the State of Montana and Montana Tech. The current rate on most State contracts is 20% of total costs or 30% of salaries and benefits, whichever is less.

2) Projects funded by private corporations shall be charged the Federally approved indirect rate unless specific exceptions are granted by VCRGS, the VCAAR, and the Chancellor.

2.3 Full Montana Tech IDC rates will be charged unless the funding source has a lesser rate that it uniformly applies to all grantees. Any requests by PI's for an IDC rate which is less than that allowed by the policy of the funding source must have the approval of the VCRGS.

2.4 All the fees will be collected, held, and accounted for in designated Indirect Cost Recovery Accounts. The financial offices of the College shall provide semi-annual reports of the collection and disbursement of these funds to the VCRGS, Director of the MBMG, the VCAAR, the VCA, and the Chancellor.

3.0 REDISTRIBUTION OF INDIRECT COST FUNDS

3.1 The intent of the redistribution of IDCR funds is to support the fixed costs of the Office of Research, support major campus-wide initiatives, provide dollar matching funds for approved grant applications, provide support for Divisions, provide seed money for nascent research projects, and to provide a proportionate return to Departments and Research Faculty, Programs, Centers, and Offices within the context of the OMB Circular A-21 guidance.

3.2 Fixed IDCR Redistributions

3.2.1 IDCR funds shall be used to support the operations of Office of Research and Graduate Studies. The VCRGS, in consultation with the Director of MBMG, VCA, and VCAAR, shall prepare an annual budget for approval by the Chancellor. This budget shall describe the State support and IDCR fund support required for the Office of Research and Graduate Studies. IDCR funds shall be used to support fixed costs of the Office of Research and Graduate Studies, including appropriate salaries, benefits, and other costs, in accordance with the annual budget prepared by the VCRGS and approved by the Chancellor. These fixed costs shall be paid by both College and MBMG IDCR funds in proportionate shares based on percentage contributions to total IDCR funds.

3.2.2 IDCR funds shall be used to support the operations of the Dean's Offices and the Director of the MBMG. The academic Dean's and the Director of the MBMG will receive a fixed annual support payment of \$5,000. These funds may be expended in any manner deemed appropriate by the receiving office within the context of the OMB Circular A-21 guidance.

3.2.3 IDCR funds shall be used to support matching fund requirements. Some equipment and research proposals will require institutional or state matches by the sponsoring agency. These matches are in-kind matches or dollar matches. Dollar matching fund requirements for these proposed grants shall be included in the annual budget submitted the Chancellor by the VCRGS. When these grants are approved, matching IDCR funds shall be made available from the IDCR fund account. Matching funds reserved but not used shall be carried over to the next fiscal year for redistribution as per this section.

3.2.4 IDCR funds shall be used to support campus wide initiatives. The College shall propose major, short-term and long-term, campus wide initiatives for support with IDCR funds to the VCAAR and the Chancellor. These initiatives can be, but are not limited to, major laboratory equipment, laboratory facilities, research fellowships, new research initiatives, library assistance, or campus wide faculty enrichment programs. These campus wide initiatives shall be reviewed by the graduate council, the academic council, the VCAAR, and the VCRGS and presented to the Chancellor of the College for his final approval.

3.2.5 The VCAAR and the VCRGS shall jointly determine other requirements for the use of IDC funds that support campus-wide needs and will propose such expenditures to the Chancellor for his approval.

3.3 Variable IDCR Redistribution

3.3.1 The remaining portion of generated Indirect Cost Funds shall be distributed annually to originating College departments and faculty researchers whose grants generated the IDCR funds, in amounts determined by the percentage of their contributions to the fund. At the start of each FY, the VCRGS shall announce the anticipated return rate for the current Fiscal Year based on the results of the budget planning process. It will be a goal, but not a requirement of the planning process undertaken by the Office of Research and Graduate Studies, VCAAR, and the Chancellor to have the variable Indirect Costs redistribution constitute at least 25% of the total generated Indirect Costs. A long range goal will be to have the IDC redistribution achieve 50% of the total generated Indirect Costs. Recognizing that several fixed costs must be met in the complete redistribution process for these funds, the planning process will nonetheless attempt to meet this objective.

3.3.2 The distribution of the remaining IDCR funds shall be as follows:

- 40% will be returned to IDCR generating faculty
- 60% will be returned to IDCR generating Department Chairs

All faculty and departmental distributions will be returned to generating Department Chairs and it shall be their responsibility to make further distributions in accordance with this policy or as the Department Faculty so decide.

3.3.3 For the purposes of redistributions of collected Indirect Costs, all Montana Tech Centers, Offices, and Programs shall receive a proportionate return of IDC's generated by employees of said Centers, Offices, and Programs equal to the sum of the Departmental and PI fractions declared for the Campus as a whole. It shall be the responsibility of the cognizant Center Director, Office Director, or Program Manager to make any additional distribution of these funds as required to the generating Department.

Any IDC's generated by College Departmental faculty and staff working for a Center, Office, or Program shall accrue to the PI's Department unless other arrangements have been negotiated.

For the purpose of this section the Vice Chancellor for Research and Graduate Studies, with the advice and consent of the Vice Chancellor for Academic Affairs and Research shall determine

the list of qualifying Centers, Offices, and Programs

3.3.4 Redistributions of collected Indirect Costs shall be made quarterly to all Montana Tech Divisions, Departments, Centers, Offices, and Programs. The quarterly distributions shall be in the amount of 80% of the budgeted return fractions declared for the Campus as a whole for the current fiscal year. The remaining 20% will be reserved as a contingency and will be returned at the close of the fiscal year. A review of the rate of return shall be made in March of the Fiscal Year and any required adjustments to this rate of return shall be made as required.

Distributions shall be made to each Division, Department, Center, Office, and Program. Further redistributions shall be the responsibility of the cognizant Dean, Department Chair, Center or Office Director, or Program Manager as described in IDC Policy Section 3.3.3..

3.3.5 The academic department chairs shall submit an annual report on expenditures of IDCR funds returned to their departments and faculty to the Vice Chancellor for Research and Graduate Studies by Sept. 15. The Vice Chancellor for Research and Graduate Studies shall combine the Departmental, Program, Center, and Office input and submit a final report through the VCAAR to the Chancellor by Sept. 30.

4.0 MONTANA BUREAU OF MINES AND GEOLOGY (MBMG)

4.1 The Montana Bureau of Mines and Geology, a Department of Montana Tech, shall propose and execute research projects. The VCRGS shall collect IDCR funds for the MBMG projects by the procedures as outlined above.

4.2 Because of the unique relationship of the MBMG to Montana Tech and because of its unique funding requirements, the Director of MBMG shall propose specific redistributions of MBMG generated IDCR funds for the annual presentation to the Chancellor of the College.

4.3 The Director of the MBMG shall prepare a budget for the MBMG IDCR funds. In general, after subtraction of institutional fixed costs as described in 3.2, all IDCR funds generated by the MBMG will be returned to the MBMG for its use as described in Section 3.4 above.

4.4 The Director of the MBMG will submit an annual report on expenditures by the MBMG of Indirect Cost Recovery funds to the Chancellor by Sept. 30.

4.5 The portion of the Indirect Cost Funds generated by faculty of the MBMG, minus fixed costs as described in Section 3.2, will be returned to the Director of the MBMG. No contingency shall be retained by the VCRGS.

5.0 ACCOUNTABILITY

5.1 The VCRGS, in consultation with the Director, MBMG, the VCA, and the VCAAR, shall be responsible for assembling and presenting a report of the collection, redistribution and future plans for Indirect Cost Recovery funds for approval by the Chancellor.

5.2 The academic Department Chairs, Program Managers, Center Directors, and Office Directors shall submit an annual report to the VCRGS on expenditures of IDCR funds. These reports will be compiled and forwarded to the Chancellor by Sept. 30 for the preceding Montana

fiscal year and will be submitted as described in section 3.3.5.

5.3 The VCRGS will confer with the VCAAR, VCA to resolve any possible budget irregularities, before submitting the final report to the Chancellor for approval.

6.0 APPROVAL AND AMENDMENTS TO THIS DOCUMENT

6.1 Any proposed amendment in the IDCR policy shall be submitted to the Graduate Council, Department Chairs, Program Managers, Center and Office Directors the Academic Council, the MBMG Director, and the VCAAR for their comments. Final approval of this policy shall be made by the Chancellor.

6.2 Because of the dynamic nature of IDCR fund generation and the changing college priorities for IDCR fund expenditures, it is expected that this document will require revision. When proposed revisions are drafted, they will be circulated as described above in 6.1 at least 2 months prior to being presented to the Chancellor for his approval.

APPENDIX A

OMB Circular A-21 Indirect Cost Elements

The cost elements allowed in determining the IDC rate from OMB Circular A-21 are as follows:

1. Depreciation and use allowances.

These expenses are the portion of the costs of the institution's buildings, capital improvements to land and buildings, and equipment used in the course of performing contracted work.

2. Operation and maintenance expenses.

These expenses are those that have been incurred by a central service organization or at the departmental level for the administration, supervision, operation, maintenance, preservation, and protection of the institution's physical plant. They include expenses normally incurred for such items as janitorial and utility services; repairs and ordinary or normal alterations of buildings, furniture, and equipment; and care of grounds and maintenance and operation of buildings and other plant facilities. The operation and maintenance expenses category should also include the fringe benefit costs applicable to the salaries and wages included therein, and depreciation and use allowance.

3. General administration and general expenses.

These expenses are those that have been incurred for the general executive and administrative offices of educational institutions and other expenses of a general character which do not relate solely to any major function of the institution; i.e., solely to (1) instruction, (2) organized research, (3) other sponsored activities, or (4) other institutional activities. The general administration and general expense category should also include the fringe benefit costs applicable to the salaries and wages included therein, an appropriate share of operation and maintenance expenses, and depreciation and use allowances. General administration and general expenses shall not include expenses incurred within non-university-wide deans' offices, academic departments, organized research units, or similar organizational units.

4. Departmental administration expenses.

These expenses are those that have been incurred for administrative and supporting services that benefit common or joint departmental activities or objectives in academic dean's offices, academic departments and divisions, and organized research institutes, study centers, and research centers.

5. Research Office administration expenses.

These expenses are limited to those incurred by a separate organization(s) established primarily to administer sponsored projects, including such functions as grant and contract administration (federal and non-federal), special security, purchasing, personnel administration, and editing and publishing of research and other reports. They include the salaries and expenses of the head of such organization, assistants, and immediate staff, together with the salaries and expenses of personnel engaged in supporting activities maintained by the organization, such as stock rooms, stenographic pools, and the like. This category also includes an allocable share of fringe benefit costs, general administration and general expenses, operation and maintenance expenses, and depreciation/use allowances.

6. Library expenses.

These expenses are those that have been incurred for the operation of the library, including the cost of books and library materials purchased for the library, less any items of library income that qualify as applicable credits.