Indirect Cost Policy Memo  
The University of Wisconsin-Extension  
Office of Extramural Support  
As mutually accepted through Notice 98-4 from the University of Wisconsin-Madison- June 19, 1998 and updated as of  
May 29, 2003

In previous University of Wisconsin-Madison Research and Sponsored Programs Notices, you have been apprised of UW-Madison/Extension policies and guidelines on the collection of indirect costs.

The purpose of this Notice is to republish the "collection of indirect cost" policy and the policy covering "Unrestricted Grants" as adopted by the University of Wisconsin-Extension as a separate organizational unit within the University of Wisconsin System. This notice also updates the section covering “Grants and contracts-from other Governmental units.”

The following paragraphs will briefly explain what indirect costs are, who audits and approves the rates, and the policy and rate to apply to various types of awards or awards from specific sponsors. The attached table can be used as an easy reference guide.

I. INDIRECT COSTS - DESCRIPTION AND RATE DEVELOPMENT

Indirect costs are real costs that provide reimbursement for actual institutional expenses that support extramural activities but cannot be directly charged to a grant or contract. The costs result from shared services such as libraries, physical plant operation and maintenance, utility costs, general, departmental and sponsored projects administrative expenses, and depreciation or use allowance for buildings and equipment. Indirect cost rates for all Federal grants and contracts are computed on the basis of actual costs incurred and regulations from the U.S. Office of Management and Budget that define the cost categories that are eligible for reimbursement. Indirect cost reimbursement rates are periodically negotiated with our cognizant Federal audit agency, the Department of Health and Human Services (DHHS). A signed agreement, which establishes the allowable rates of reimbursement, is entered into between the University and the Government. These Federally audited and approved rates are also applied to some categories of Nonfederal awards as explained in each section.

II. GRANTS AND CONTRACTS – FEDERAL

A. Funds received directly from Federal agencies:

All grant and contract applications to and awards from Federal agencies must include indirect costs at the agreed upon rate as set forth in the University/DHHS Negotiation Agreement, except as provided otherwise by Federal regulations. The faculty and staff are notified of the agreed upon rates by an Office of Extramural Support Notice.

B. Federal funds not received directly from Federal agency:

Indirect costs on pass-through funds, commonly referred to as non-direct Federal grants and contracts, (except those funds passed through other governmental units-see Section VI) must be included at the appropriate Federal rate currently in effect.

III. GRANTS AND CONTRACTS – NONFEDERAL

A. Nonfederal grants and contracts from for-profit entities:

All grant and contract applications to and awards from Nonfederal for-profit entities must include indirect costs at the agreed upon Federal rate as set forth in the University/DHHS Negotiation Agreement, except as
provided otherwise by Federal regulations. Awards that do not include the full indirect cost rate may not be accepted. The following exceptions to the collection of full indirect costs will apply:

1. For matching funds for a federal, state or non-profit funded grant or contract, the required rate on the matching funds from a for-profit entity will be limited to the rate approved for the applicable Federal, State or non-profit agency.

2. Grants and contracts of $5,000 or less will be subject to previously applicable provisions. These requirements are specified in III.B. below (Nonfederal Grants and Contracts from Non-Profit Entities).

B. Nonfederal grants and contracts from non-profit entities:

All grant and contract applications to Nonfederal non-profit entities must include indirect costs at the agreed upon Federal rate as set forth in the University/DHHS Negotiation Agreement, except as provided otherwise by Federal regulations. If the sponsoring non-profit agency has a University-approved policy that differs from the Federal rate (as discussed below), the application may include indirect costs at the University-approved rate.

If the sponsoring non-profit agency has a policy that it will not pay indirect costs, or has an indirect cost rate that is less than the Federal rate, the University will review the policy only upon receipt of a document on sponsor letterhead certifying:

1. That the policy and rate are published;
2. That it is an agency-wide policy; and
3. That the policy is consistently applied by that organization to all of its outside grants and contracts with educational institutions.

A copy of the agency’s non-profit status as certified by the Internal Revenue Service may also be required.

Requests for rate exceptions with documented justification must be included with the submission of the original transmittal form. All material must be submitted via the appropriate Dean/Director (for his/her review and approval) and to the Chancellor or designee for final approval.

The University of Wisconsin Madison, Research and Sponsored Programs maintains a Nonfederal Indirect Cost Exceptions index of sponsors and rates that are approved. The current list is available on the RSP Web site at http://www.rsp.wisc.edu/html/idcexcept.html. This list is to be used until the University of Wisconsin-Extension; Office of Extramural Support establishes a Nonfederal Indirect Cost Exceptions index of sponsors and rates that include sponsors unique to the University of Wisconsin-Extension.

IV. GIFTS

Extramural funds received by the University that meet all of the following criteria will qualify as "gifts" and are not subject to indirect costs:

A. Provide general or unrestricted support for broadly defined activities in one or more program areas, such as research, public service, instruction, fellowships, traineeships, etc.;

B. No detailed fiscal or technical reports are required—either periodic or final. The principal investigator may provide the donor with a brief statement that the expenditures were in accord with the intent of the gift or a brief summary of the results of the supported activities;

C. No patents, copyrights, or other intellectual property rights that result from the gift is claimed by the donor,
D. No provisions (e.g., delays, advance notice) are imposed by the donor concerning publication or dissemination of data and information derived from the activity;

E. There is no specific time limit on the expenditure of funds;

F. The donor’s gift is irrevocable.

Extramurally funded activities that do not meet all of these criteria for designation as a gift will be treated as a Nonfederal grant or contract, subject to assessment of indirect costs as provided in this policy.

V. UNRESTRICTED GRANTS

When a for-profit sponsor wishes to give an unrestricted grant, indirect costs will be assessed unless all of the following conditions exist:

A. The award is prepaid, or a payment schedule is provided at the time of award. Scheduled payments cannot be conditional on receipt of any report or deliverable by the principal investigator or the University. Awards for $10,000 or less must be prepaid;

B. No detailed fiscal or technical reports are required--either periodic or final. The principal investigator may provide the donor with a brief statement that the expenditures were in accord with the intent of the gift or a brief summary of the results of the supported activities;

C. No patents, copyrights, or other intellectual property rights that results from the gift are claimed by the donor;

D. No provisions (e.g., delays, advance notice) are imposed by the donor concerning publication or dissemination of data and information derived from the activity;

E. There is no time limit on the expenditure of funds, and the grant is irrevocable. Acknowledgement of the above items by the sponsor must be obtained and made available to Office of Extramural Support when requesting an indirect cost waiver.

VI. GRANTS AND CONTRACTS - FROM OTHER GOVERNMENTAL UNITS (i.e., foreign or domestic, states, counties, or local municipalities).

A. Wisconsin State Agencies, Counties, or Local Municipalities:

1. Indirect costs on all new, renewal, and continuing applications to Wisconsin governmental units shall be requested at:
   a. Fifteen percent (15%) of total direct costs; or
   b. Eight percent (8%) of total direct costs for WI Dept. of Public Instruction; and WI Technical College System Board, an all divisions (except Health Care Financing, formerly under DWD) of WI Dept of Health and Family Services.

2. The application budget should include indirect costs, along with a footnote, which states, "If funded from state GPR funds or Nonfederal funds that do not provide indirect costs, indirect costs should be excluded from the award."

3. At the time an award is made, if the Wisconsin governmental unit provides verification that the project will be funded from Nonfederal funds that do not provide indirect costs, the award will be accepted without indirect costs.
B. Other Foreign or Domestic Governmental Units (countries, states, counties, or local municipalities):

1. All grant and contract applications to other governmental units must include indirect costs at the agreed upon Federal rate as set forth in the University/DHHS Negotiation Agreement, except as provided otherwise by Federal regulations.

2. At the time of award, if the other governmental unit has a policy that it will not pay indirect costs or will provide indirect costs at a rate less than the Federal rate, the University will review the policy only upon receipt of a document on agency letterhead certifying the following:

   a. That the policy and rate are published;
   b. That it is an agency-wide policy; and
   c. That the policy is consistently applied by that governmental unit to all of its outside grants and contracts with educational institutions.

Requests for rate exceptions with the aforementioned justification must be included with the submission of the original extramural support transmittal form. All materials must be submitted via the appropriate Dean/Director (for his/her review and approval) and to the Chancellor or designee for final approval.

C. Proposals submitted jointly by the University and any of the above governmental units to the Federal Government must include indirect costs on the University portion of the budget at the Federal rate currently in effect.

Any questions about this notice should be directed to Jim Erickson (608-262-6636) or Suzanne Samuelsen (608-265-5917.)