



Date: September 11, 2019
From: Randolph Hall, Vice President of Research
To: USC Research Administrators
CC: Interim Provost Elizabeth Graddy
Deans

Subject: Accurate Budgeting for Indirect Costs

Indirect costs recover sponsored project expenses that cannot be attributed to any one project. They are determined through negotiation with the federal government, based on documented facility and administrative (F&A) costs, as stated here:

<https://research.usc.edu/files/2019/03/USC-Rate-Negotiated-Agreement-USC-2019.pdf>

When preparing proposals, **budgeters and schools are required to submit the correct indirect cost rate, as established in the rate negotiation, reflecting location and type of work.**

On-campus Rates: recover both facility and administrative costs. They are applicable to work conducted in buildings owned by the university on the University Park Campus, on the Health Science Campus or at the Wrigley Institute on Catalina Island. They also apply to a limited set of buildings that USC operates in close proximity to the HSC or UPC.

Off-campus Rates: recover only administrative costs, which are capped by the federal government at 26% of the modified-total-direct-costs in most cases. They apply to locations that do not qualify for on-campus rates. Examples include the USC Building (downtown), Gateway Building, Information Sciences Institute, Institute for Creative Technologies and the Alzheimer's Therapeutic Research Institute.

Consistent Use of Rates

USC applies the same rates to all sponsor types, including federal government, state government, foundations and industry, excepting industry sponsored clinical trials. For federal sponsors, indirect cost rates may not deviate from negotiated rates unless mandated by the sponsor in its solicitation. For non-federal sponsors, any rate that differs from the federally negotiated rates is an exception, requiring dean approval and, depending on circumstances, approval from the VP of Research. See https://research.usc.edu/files/2011/07/Overhead-Memo_Research-Deans_3-29-16.pdf for more information.

Recovery of Facilities Costs as Direct Costs

When a building is designated as off-campus, reimbursement of facilities-related costs can occur through a direct cost charge. Any facility-related direct charge must be determined through a space-based cost analysis approved by USC's Office of Financial Analysis.

Determining the Correct Rate

If you have a doubt as to which rate to use, contact your Contracts and Grants Officer or the Office of Financial Analysis for a determination.

Apportioning Costs Between On and Off-Campus

When a project is conducted in multiple locations of different types, costs must be apportioned consistent with where the work is performed, using the appropriate on- and off- campus rates. Non-labor expenses are considered off-campus when the goods/services are received and used in off-campus space.

At time of award, separate sponsored project accounts must be established: one for the expenses associated with the on-campus activity and one for the expenses associated with the off-campus activity. The establishment of separate accounts will enable the application of the appropriate rates. Costs should be charged to the respective accounts in accordance with the proposed and awarded project budget.

If you need assistance in determining whether a sponsored project is taking place in an on-campus or off-campus location, please consult with the Department of Contracts and Grants and/or the Office of Financial Analysis.

Division of Overhead Among Schools

As explained in <https://research.usc.edu/files/2018/03/Multiple-Sch-Res-Projects-Ltr-3-19-18.pdf>, indirect cost recovery is divided among schools participating in a project according to where work is performed. The simplest mechanism to accomplish this goal is to establish a satellite account in each school, representing the school's component of the project. If satellite accounts are not established, the school that receives the award must arrange to distribute proportionate shares of indirect costs to other participating schools.

Learning More

All research administrators are strongly encouraged to complete the cardinal and gold curriculum, developed by the Department of Contracts and Grants. Schools should consider requiring completion of the curriculum for all those involved in research administration within their units. More information can be found at: <https://research.usc.edu/the-cardinal-gold-curriculum-courses/>