INTERNAL OPERATING MEMORANDUM

Memorandum No. ____________

<table>
<thead>
<tr>
<th>Subject:</th>
<th>Consistent Treatment of Direct and Indirect Costs</th>
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<tbody>
<tr>
<td>Authority:</td>
<td>Sections 1001.74 and 1001.75, Florida Statutes</td>
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<td>Purpose</td>
<td>To ensure compliance with federal, state and university regulations governing the consistent treatment of direct and indirect costs to sponsored projects. The purpose of this procedure is to provide guidance to University staff regarding the consistent treatment of direct and indirect costs.</td>
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<tr>
<td>Signature of Approving Authority</td>
<td>[Signature]</td>
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1.0 GENERAL INFORMATION

1.1 Per 2 CFR Part 215; Grant recipients are encouraged to earn income to defray program costs. Program income includes income from fees for services performed, from the use or rental of real or personal property acquired with grant funds, from the sale of commodities or items fabricated under a grant agreement, and from payments of principal and interest on loans made with grant funds. Except otherwise provided in regulations of the Federal agency, program income does not include interest on grant funds, rebates, credits, discounts, refunds, etc. and interest earned on any of them.

2.0 DEFINITIONS

A. Direct Costs- OMB Circular A-21 states that "Generally, if a cost can be identified specifically with a particular cost objective, such as a grant or cooperative agreement, project, service, or other activity of an organization, it is a direct cost."

B. Indirect Costs- If a cost has been incurred for common or joint objectives of an organization and cannot be readily identified with a particular cost objective, it is an indirect cost. The cost principles do not dictate whether a particular cost should be treated as direct or indirect; treatment is determined by the recipient's accounting system definitions.

C. Consistent Treatment of Costs- Costs incurred for the same purpose in like circumstances must be handled in the same manner.
3.0 APPROVAL/RESPONSIBILITIES

- Principal Investigator (PI) is responsible for:
  - Identifying and segregating direct and indirect costs in the proposed budget to be submitted to the granting agency.
  - Completing and submitting the Reduction Waiver Indirect Cost form to the Vice President for Research, when applicable.
  - Ensuring that the correct account codes are used when initiating expenditure requests through the PeopleSoft system.

A. **Dean** is responsible for reviewing and approving the proposed budget. B. **Office of Sponsored Programs (OSP)** is responsible for:
  - Reviewing and approving the proposed budget to ensure compliance with the funding agency requirements as well as compliance with university, state, and federal regulations.
  - Identifying and securing the contract for the consultant that prepares the indirect cost proposal.
  - Collaborating with the consultant and the Controller's Office in negotiating the proposed rate with the cognizant agency. • Preparing the letters for the indirect cost rebates.

C. **Vice President for Research** approves the proposal and the request for reduction/waiver of indirect cost. The Vice President for Research also approves the distribution of indirect cost rebates.

D. **Purchasing** is responsible for procuring the goods, services and equipment associated with direct costs and determining that they conform to University policies and procedures.

E. The **University Controller's Office** is responsible for:
  - Processing direct costs in accordance with University policies and procedures.
  - Invoicing the sponsoring agency and preparing fiscal reports.
  - Assisting in the preparation of the indirect cost proposal.
  - Participate in the negotiation with the cognizant agency regarding the proposed indirect cost rate.
  - Recording and monitoring the collection of indirect costs. • Preparing the distribution of indirect cost rebates.

F. **Training Team** is responsible for the development and coordination of training related to the consistent treatment of direct and indirect costs as outlined in OMB Circular A-21.

4.0 RECORDS

The appropriate record retention guidelines should be followed for the retention and disposition of documents. Generally, documentation should be maintained for three years following the submission of the final financial report unless sponsoring agency requires it to be maintained for a longer time period.