

DEARBORN ADMINISTRATIVE GUIDE

Section: Business and Financial Services
Subject: Indirect Cost Return Distribution
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**Policy and Procedures for the Distribution of Indirect Cost Revenues from
Sponsored Programs**

(July 1, 2003, implemented in FY2004; Rev. 12/20/07)

Background

From 1988 through 2001, the Dearborn and Flint campuses received 70% of the indirect cost revenues on sponsored programs (grants and contracts); Ann Arbor retained 30% to cover administrative costs associated with grants and contracts. Starting in FY1990, Dearborn distributed indirect cost revenue to project directors, departments, schools/colleges, a central Research Matching Fund, and the remainder to the Dearborn general fund. The distribution formula was modified slightly in FY1993.

Effective in FY2002, per memo dated 2/28/01 from Provost Nancy Cantor and Chief Financial Officer Robert Kasdin, 100% of indirect cost recovery associated with Dearborn grants was returned to Dearborn and a “business operations recharge” (\$111,289) was charged to the campus. This recharge is not a percentage of IDC recovered but a fixed amount based on a formula that takes into account the number of proposals processed through the Division of Research Development and Administration (DRDA) and the number of open sponsored project grant accounts (project/grants in Funds 20000 and 25000) administered by Sponsored Programs in Financial Operations. The increased return created by this administrative policy change was added to the Research Matching Fund. The formula for returning the indirect costs was modified accordingly.

As a result of budget reallocation effective with FY2004, the Dearborn General Fund portion will be increased by \$100,000 (from \$56,000 to \$156,000) and the distribution formula is hereby revised to accommodate this reallocation. Indirect cost revenue remaining after subtracting the Dearborn General Fund allocation and the Recharge allocation will be returned according to the formula given below.

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Procedures: The indirect cost return formula is as follows:

	IDC Return Formula	Actual Formula (FY2007 IDC Revenue)
DRDA and Financial Operations Recharge	\$111,289	14.44%
Dearborn Campus General Fund	\$156,000	20.24%
Remainder:		
Project Director	15%	9.8%
Department	12%	7.84%
School/College	25%	16.33%
Research Matching Fund	48%	31.35%

INDIRECT COST DISTRIBUTION EXPENDITURE GUIDELINES
April 28, 1993 (Revised August 17, 2005)

1. Indirect cost return funds will be allocated to separate accounts based on indirect cost revenue recovered in the previous fiscal year from sponsored program accounts.
2. These funds may be used at the discretion of the principal investigator, chair, or dean for research or scholarly activities. Expenditures will be governed by current University policies and procedures. Indirect cost return funds may not be used for faculty salaries or for recurring obligations exceeding the funds available at the time the commitment is made.
3. The balance remaining in indirect cost return accounts will normally be carried forward, in full, from one year to the next.
4. Unless other arrangements for distribution are agreed to in writing (e.g., page 4 of the UM Proposal Approval Form or ePAF), the principal investigator/project director of record will receive the full return on multi-investigator projects.
5. To reduce administrative costs, returns of less than \$100 will be allocated to the next higher unit and should be made available to the principal investigator or generating unit at the discretion of the next higher authority.
6. In the event the principal investigator leaves the University, his or her indirect cost return funds will be transferred to the department's indirect cost return account.

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7. The Director of the Office of Research and Sponsored Programs is responsible for distributing indirect cost revenue and for insuring that fixed obligations (i.e., to Ann Arbor and the Dearborn general fund) are met. Questions related to this program should be directed to the Office of Research and Sponsored Programs (313-593-5468).