



Office of Research

SUBJECT: Standard Operating Procedure for DEMONSTRATION PROJECT FOR Streamlined Indirect Cost Rates for Sponsored Awards Under \$10,000	Effective date: 09/01/19 to 08/31/20	Policy Number: 1 year PILOT
	Supersedes:	Page of 1 2
	Responsible Authorities: Associate Vice President of Research Director of Sponsored Programs – Proposals	

Purpose: The purpose of this standard operating procedure document is to provide guidance on the requirements for implementation of a pilot program to determine the efficacy of a pilot program eliminating indirect costs from small sponsored project proposals maximize the return on investment research community effort.

Demonstration Project: The Office of Research of the University of Central Florida will perform a demonstration project for the period of one year designed to reduce the time and effort related to proposal budget preparations by using a streamlined indirect cost rate by foregoing all indirect costs on all small projects with a total performance period budget of less than \$10,000.

Incremental awards of larger projects that have a cumulative amount of greater than \$10,000 are not eligible for the streamlined rate.

Definitions:

- **Indirect cost rate** – the proportional rate charged for the indirect expenses for the performance of a project (e.g., building expenses, utilities, routine office supplies.)
- **Total direct costs** – all costs directly associated with the performance of the scope of work of the sponsored award. No direct cost exclusions apply (e.g., patient care costs, equipment, tuition, etc.).
- **Sponsored Program** -- an externally funded program under which the university is obligated to perform a defined scope of work according to specific terms and conditions and within a specified budget and period of performance. These programs are to be budgeted and accounted for separately from other activities. Sponsored programs include grants, contracts, cooperative agreements, clinical trial agreements, Intergovernmental Personnel Agreements and other awarding instruments supporting research, instruction, public service, and clinical trials.
- **Fixed price sponsored award** -- an agreement where the sponsor payments are based upon fixed amounts according to a payment schedule, stated deliverables, and satisfactory performance of work. The price is "fixed," meaning the payment does not change based upon the actual costs incurred.

- **Residual funds** – are those funds that remain after ALL expenditures have been incurred for the completion of the scope of work, including (but not limited to) full indirect cost on the total direct cost budget and PI salary.
- **Eligible small project** – a project that is awarded with a total direct cost of \$10,000 or less for the entire project performance period.
- **Project performance period** – the time during which the investigator team may incur costs to carry out the work authorized under the sponsored award. All awards are required to have start and end dates. Under certain circumstances pre-award costs may be allowed prior to the performance period and/or a no cost extension may be allowed to extend the performance period without additional funds.

Background: Frequently, small award proposals are solicited for faculty for the purposes of obtaining pilot data, travel grants, student support, and small projects. Based on recent data, over 10% of the awards are for \$10K or less; less than one percent of the total award dollars to UCF is derived from small awards. An even smaller fraction of one percent of the indirect cost recovery return for UCF is derived from the small awards.

At the time of proposal submission, a great deal of personnel time is devoted to the indirect rate determination for these awards. Questions may be posed to the investigator to make the indirect cost rate determination that draw the investigator's attention away from making final edits to the scope of work of the project. The investigator, department and college research coordinators, preaward specialists in the Office of Research, and Director of the Office of Research are all involved in a typical review. In some circumstances, the Associate Vice President for Research, Vice President for Research, and Deans and Associate Deans for Research also become involved in the determination discussion. This is a very costly investment for a very small return in indirect cost revenue.

Given the number of persons involved in the indirect cost rate determination for these small projects, it appears that the personnel costs for indirect cost rate determinations is currently greater than the indirect recovery for those projects.

These projects are often funded by small non-profit entities or local government agencies that have very limited resources to support the sponsored projects that provide services to the community. Every dollar that can go toward support of the direct cost of the project is extremely valuable and may be better used for direct costs of the project, rather than the small amounts that would go to indirect costs.

Procedures:

1. At the time of proposal, the research coordinator in their home unit will work with the PI to create the proposal budget.
2. Budgets for projects up to and including \$10,000 will use a 0% indirect cost.
3. In order to comply with consistent treatment for Federal funds, Federal projects with a total project period budget of \$10,000 or less will receive the same benefit.
4. Should supplemental funding resulting in greater than \$10,000 be awarded, the budget for supplemental funding would be subject to and would include the appropriate indirect cost rate for the entire supplement.

5. At award closeout, the procedures which are in place at the time of closeout will govern the disposition of any residual funds. Projects will not be penalized for following the streamlined procedures. These projects will be treated as if they were granted full indirect costs.

Expected Process Improvement Benefits:

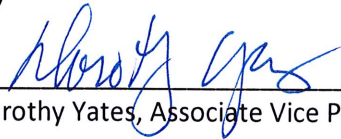
Research Coordinators in business units will no longer prepare a request for reduced indirect costs for projects of this size. Proposal Managers in the Office of Research will no longer process rate determination forms for qualifying small projects. Award Management Team members will no longer be required to locate and verify indirect cost rate reduction determination at the time of award set up or closeout.

Demonstration Project Period: This demonstration project will be reviewed for continuation or termination after a period of 12 months ending 08/31/19.

DEMONSTRATION PROJECT APPROVAL

Initiating Authority

Signature: _____


Dorothy Yates, Associate Vice President for Research

Date: _____

