

University Policy: Overhead Recovery and Revenue Distribution

Policy Category: Financial Policy

Subject: Overhead Recovery and Revenue Distribution

Responsible Executive: Chief Financial Officer, Vice President & Treasurer

Office Responsible for Review of this Policy: Office of the Provost and Office of Finance and Treasurer

Related University Policies: Establishment of Centers, Institutes and Other Scholarly Initiatives Policy; Internally Designated Faculty Research Accounts Policy; Cost Sharing Policy

I. SCOPE

This Policy implements the strategic plan goal for strengthening faculty research and scholarship. This Policy applies to all externally funded grants and contracts (sponsored program activities) that generate recovery of Overhead or Facilities and Administration (F& A) Costs for the university and the faculty in academic units that performed the work under the grant or contract. The distribution of Overhead or F & A Costs recovered are accounted for on a fiscal year basis.

II. DEFINITIONS

Overhead (F & A): These are indirect costs or expenditures incurred by the university that are charged to externally funded grants and contracts, charged as a percentage of modified total direct costs. It is the policy of American University to charge the maximum allowable federally-negotiated F&A cost rate on all sponsored projects regardless of funding source, unless a not-for-profit sponsoring agency's written policy will not allow full recovery of F&A costs. For-profit entities are always charged full F&A costs. With the exception of for-profit sponsors, if a solicitation or agency's written guidelines specify an F&A rate less than the rate currently approved by the University, the rate is accepted as the maximum rate allowed by the funding agency.

Principal Investigator: The individual designated by the University and approved by the external sponsor who will be responsible for carrying out the research, scientific and technical direction of the sponsored project or program.

III. POLICY

This Policy provides for the annual distribution of all F & A or overhead recovered from all externally funded grants and contracts, i.e. sponsored program activities, as follows:

50% to the Office of the Provost for research support including distribution to the academic units whose faculty conducted the sponsored program;

50% to central university funds to support the university's operating budget.

This distribution policy does not apply to externally funded grants and contracts in the Washington College of Law (WCL) for which the RCM agreement provisions will apply.

IV. PROCEDURES

1. At the end of each fiscal year and upon conclusion of the audit process, the University Controller's Office will prepare a summary report of all F & A billed and recovered from all externally funded grants and contracts during the previous 12-month period. This report will provide details by grant/contract account and by academic unit.
2. A copy of the summary report will be provided to the following Offices for review: CFO/Vice President of Finance and Treasurer; Provost; and the Vice Provost for Research.
3. The Office of the Provost will notify each academic unit dean or unit head of the unit's respective share of the F & A recovered for the fiscal year.
4. The CFO will authorize the University Budget Office to process the transfer of funds to the respective units within thirty (30) days of receiving the report.
5. Academic unit heads will submit the necessary fund transfer requests to the Office of the Provost within thirty (30) days of receiving the distribution to re-allocate any portion of the units' share of F & A revenue to the principal investigators' internally designated faculty research accounts and/or others in the unit in accordance with established written allocation guidelines previously agreed upon.
6. The Office of the Provost will forward all approved fund transfer requests to the Controller's Office with a copy to the University Budget Office.

V. EFFECTIVE DATE AND REVISIONS:

This policy is effective as of May 1, 2015; revised on May 17, 2022.