

SUBJECT: Indirect Cost Application and Distribution Policy	
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**LOYOLA MARYMOUNT UNIVERSITY
POLICIES & PROCEDURES**

DEPARTMENT: CONTROLLER’S OFFICE	
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1. Statement of Policy

It is the policy of Loyola Marymount University to charge all externally sponsored projects the full federally negotiated indirect cost rate unless explicitly prohibited from doing so in writing by the sponsor or in accordance with exceptions described below.

2. Definitions

Indirect Costs (IDC) – Formerly Facilities & Administrative Costs (F&A), or overhead	The real costs associated with the administration of sponsored project activity at LMU that cannot be directly allocated to a project. They include the costs of the facilities, labs and office space, utilities, and administrative and technical support for sponsored projects. Formerly known as Facilities & Administrative (F&A) or overhead.
Modified Total Direct Costs (MTDC)	The base for indirect cost calculation. MTDC includes all salaries and wages, fringe benefits, materials, supplies, services, travel, and subgrants and subcontracts up to the first \$25,000 of each subgrant or subcontract. MTDC excludes equipment, capital expenditures, tuition remission, rental costs of off-site facilities, scholarships and fellowships as well as the portion of subgrants and subcontracts in excess of \$25,000.
Principal Investigator (PI)	The individual designated by the grantee (LMU) to direct the project or activity being supported by the grant or contract for extramural funding. The PI is responsible and accountable to the grantee and the sponsor for the delivery of project of activities in accordance with sponsor regulations and LMU policies. The PI is also known as Program or Project Director.
Sponsored Project	A project funded in part or in whole by an award from a grant, contract or cooperative agreement under which the University agrees to perform a certain scope of work, according to specified terms and conditions. Sponsored projects are established in the University accounting system as a separate group of accounts to accumulate funds provided from the outside source, either federal or non-federal, and to account for the expenditure of those funds toward the accomplishment of the project.

3. Federally Negotiated Indirect Cost Rate

Following periodic negotiation, the University’s cognizant agency, the Department of Health and Human Services, determines the rate LMU is allowed to charge federally sponsored projects for indirect costs. The Code of Federal Regulations 2 CFR 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements (known as *Uniform Guidance*) Subpart E 200.414 and 200.316 require LMU to use its negotiated rate for federal awards unless directed otherwise by the sponsoring agency.

3.1 Description

Loyola Marymount University’s federally negotiated indirect cost rate agreement with the Department of Health and Human Services (DHHS) is found [here](#). The agreement also includes the federally negotiated fringe benefit rate to be applied to federal grants only, as well as the allowable rate to be applied to subawards for federal grants.

3.2 Application

In accordance with Uniform Guidance 200.400 the indirect cost rate is applicable to all externally sponsored projects at LMU. This includes federal grants, contracts and cooperative agreements, fee-for-service projects, industry sponsored research, as well as all sub agreements/sub awards. The federally negotiated rate will also be applied to projects sponsored by state and local agencies, private foundations, non-profit organizations, and corporations unless restricted by the sponsor.

4. Exceptions

It is the policy of Loyola Marymount University to charge all externally funded projects the full federally negotiated indirect cost rate, as applicable. Exceptions to this policy are outlined below:

4.1 Sponsor Limit

The indirect cost rate may be reduced or waived when the sponsor's allowable rate is lower and explicitly limits LMU from full federal indirect rate costs recovery or if IDC is not allowable, per the sponsors guidelines or written communication. In this case, the sponsor's allowable rate supersedes LMU's federally negotiated rate. This rate must be documented by the sponsoring agency in writing and noted with the proposal for institutional approval.

For private foundations that have a published indirect cost rate (even if it is zero percent) LMU will accept it as the sponsor's allowable rate and no waiver request is required. Where the sponsor is silent about IDC rates, LMU will communicate the federally negotiated rate to the sponsor. If the federal rate exceeds the sponsor's expectations during negotiations and LMU is asked to identify an allowable rate for the University the de minimis rate of 20% will be applied.

4.2 Extraordinary Circumstances

The indirect rate may be reduced or waived only under extraordinary circumstances with the documented approval of the Executive Vice President and Provost. The Principal Investigator (PI) or project director of the sponsored project is responsible for obtaining the waiver of indirect costs (IDC) by working with the Office of Research and Sponsored Projects and/or Corporate and Foundation Philanthropy in completing the [IDC Waiver Form](#) prior to submission of a proposal during the institutional approval process.

5. Recovered Indirect Cost Distribution

It is the policy of LMU to distribute recovered indirect funds in the following manner:

- a. 70% to the Executive Vice President and Provost
- b. 20% to the Principal Investigator's Discretionary Account
- c. 10% to the Principal Investigator's Dean, Vice Provost, or Vice President

Any changes to the IDC distribution require written approval from the Executive Vice President and Provost, Principal Investigator, and Dean, Vice Provost, or Vice President, the impacted party. Approval of changes to IDC distribution will be documented and shared with the following offices (ORSP, Academic Affairs Budget Office, PAAA). Existing projects with a different distribution will maintain their distribution for the duration of the project period, but if renewed, will convert to the standard percentages in this policy.

6 Related Documents (Policy or Document)

IDC Waiver Form:

<https://academics.lmu.edu/media/lmuacademics/researchampcompliance/officeforresearchsponsoredprojects/forms/IDC%20Waiver%20Form%20October%202019.pdf>

Federally Negotiated Indirect Cost Rate Agreement:

<https://academics.lmu.edu/media/lmuacademics/researchampcompliance/officeforresearchsponsoredprojects/forms/IDC%20->

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[%20SIGNED%20AGREEMENT%209.1.2021%20Loyola%20Marymount%20University.pdf](#)

Fringe Benefit Policy: <https://finance.lmu.edu/media/bus/controllersoffice/grants/Fringe-Benefits-%20Policy-2022.09.30.pdf>