

**University of Puerto Rico  
Río Piedras Campus**

**Guidelines for Distribution, Management, and Use of Indirect Costs Reimbursed to the Río Piedras Campus for Acquiring External Funding**

**I. Introduction**

The Río Piedras Campus of the University of Puerto Rico has as its fundamental goal the development and growth of intellectual endeavors and their multiple manifestations across all disciplines and any combination of these. Intellectual endeavors include research projects, creation, knowledge, and professional accomplishments. Knowledge production, its protection, disclosure, and use are fundamental tasks in the daily work of faculty in our Campus. Not only does it contribute to the enrichment of disciplines and their own thematic and epistemological development, but it also enriches the student experience and provides a mechanism for the University to contribute to society by sharing knowledge. The Campus is headed toward stable improvement of its programs, increasing its internationalization and collaboration agendas with communities in and out of Puerto Rico, and, above all, promoting its development as the primary Institution for intellectual production on the island.

With these objectives in mind, the Río Piedras Campus works continuously in the search and acquisition of external funding. Aside from providing additional resources for the development of projects that contribute to the institutional agenda, external funding also has indirect costs. Indirect costs cover costs related to projects such as infrastructure, utilities, services, and administrative support. Reimbursed indirect costs can also support greater intellectual production by investing these funds in the projects that generated the funds and seed money for new projects, among others.

Hoping to encourage better use of these funds, optimize the investment of said funds, maintain a balance between institutional needs and those inherent to sponsored projects, foster self-management in the faculty and other personnel that participates in intellectual endeavors, and promote the search and acquisition of additional external funding, the following guidelines are enacted: Guidelines for Distribution, Management, and Use of Indirect Costs Reimbursed to the Río Piedras Campus for Acquiring External Funding.

**Legal Framework**

Certification 36, 2009-2010 of the Board of Trustees establishes the Institutional Policy for the Obtainment, Use, and Regulation of External Funds Received by the University of Puerto Rico for Educational, Research, and Public Service Programs.

## **II. Indirect Costs**

Indirect costs generally come from external subsidies awarded by federal government entities or other entities from the private sector. Every so often, the Central Administration of the University of Puerto Rico negotiates with the Department of Human and Health Services of the United States the rate or percentage of indirect costs that will be assigned to federally sponsored projects, which include research, teaching, or service project projects. The rate or percentage of indirect costs for subsidies from private entities varies pursuant to their requirements. The rate or percentage of indirect costs is usually greater for research projects than for other projects.

The approved budget for an externally funded subsidy includes the amount of indirect costs used to finance proposed project activities and indirect costs. Indirect costs cover incidental costs that the Institution incurs, including project management, development, and operations, which are not included in indirect costs. These can include infrastructure, utilities, services, and administrative support. Indirect costs can also support the intellectual production by investing these funds in the projects that generated the funds and seed money for new projects, among others.

It is important to remember the University's reimbursement for indirect costs is based on the real expenditure for the period when the reimbursement is requested. Indirect cost reimbursement must be requested in the Central Administration during June and July, which is why they are available the second year of the subsidy.

## **III. Indirect Cost Purposes**

Indirect costs shall be used for the following fundamental objectives:

- A. Fostering growth and development of intellectual endeavors, research, creation, knowledge, and intellectual production.
- B. Creating an institutional environment that fosters and supports intellectual endeavors.
- C. Fostering faculty self-management and fostering the search and acquisition of external funding.
- D. Strengthening institutional support for external funding management and acquisition.
- E. Ensuring effective and efficient management of sponsored projects.
- F. Optimizing the use external funding and related indirect costs.

## **IV. Distribution, administration, and authorized use of indirect costs**

As stipulated in the above-mentioned Certification 36, of the initial indirect costs distribution, 25% corresponds to the Central Administration and 75% to the institutional unit, i.e. the campus that received the subsidy.

In accordance with these Guidelines, Río Piedras Campus indirect costs will be distributed as shown in the following Table. This table contains additional information on the academic and administrative units or employees that are responsible for indirect costs and authorized and unauthorized uses for indirect costs. Authorized uses are in keeping with the fundamental objectives in **Section III**.

Unit	Distribution (%)	Authorized Uses	Unauthorized Uses
Office of the Chancellor	10	Permanent Fund for Research (Uses shall be in keeping with the provisions in these Guidelines.)	
Office of the Chancellor, DEGI, DAA, and OPEP	20	<p>Seed funding to foster emerging research areas and the creation of new research centers/institutes or specialized research facilities, and the creation of new programs or other graduate level programs focusing on intellectual research and activity.</p> <p>Start-up funds for newly hired professors.</p> <p>Cost Sharing in support of proposals that are submitted, specifically by new researchers or new funding sources; must comply with current institutional Bylaws (Certification 16, 2011-2013 Board of Trustees)</p> <p>Funds to foster the search, acquisition, and management of external funding, including training, specialized support, and technology to increase the ability and success of faculty to acquire external funding, and the efficient management of funds.</p> <p>Funds assessing intellectual endeavors in the Campus the impact and state of the situation of intellectual activity and production in the Campus in the hopes of promoting its development.</p> <p>Reserved (<i>vide infra</i>)</p>	

Unit	Distribution (%)	Authorized Uses	Unauthorized Uses
OPEP, DEGI, OPDF, OPASO	20	<p>Funds to foster areas related to Research that are regulated, such as IRB, IACUC, Biosecurity, Radioisotopes, Lasers, Animal Resources Facility, etc.</p> <p>Strengthening security in research spaces, specifically laboratories and other areas that are regulated; acquisition of equipment and materials used by OPASO for research.</p> <p>Minor remodeling of facilities for intellectual endeavors, primarily research.</p>	<p>Permanent improvement projects.</p> <p>Minor or major remodeling of rented facilities that are not property of the UPR or the Río Piedras Campus.</p>
School Deans and Directors	25	<p>Start-up funds for newly hired professors.</p> <p>Seed funding to foster emerging research areas.</p> <p>Cost Sharing in support of proposals that are submitted, specifically by new researchers or new funding sources; must comply with current institutional Bylaws (Certification 16, 2011-2013 Board of Trustees)</p> <p>Acquisition/maintenance of equipment used explosive for intellectual endeavors, mainly for research.</p> <p>Acquisition of collections or purchasing specialized books and subscriptions to magazines and databases for support intellectual endeavors, primarily for research.</p> <p>Seminars and training regarding frontier topics, methods, and techniques in research and means of knowledge production.</p> <p>Stipends/assistantships for graduate and undergraduate students.</p> <p>Support for departments and programs for initiatives and costs related to those described in this section, those which have as their purpose the development and growth of intellectual endeavors in the unit.</p>	<p>Salaries, bonuses, differentials, additional compensation for the Principal Investigator or the Project Director, Co-Principal Investigator or Project Co-Director, Consultants</p> <p>Salary and/or bonuses or additional compensation for Research Center/Institute Directors</p> <p>Salary, bonuses or additional compensation for Deans, Associate Deans, Assistant Deans, Department Directors</p>

Unit	Distribution (%)	Authorized Uses	Unauthorized Uses
Principal Investigator, Project Director or Director of the Research Center	25	Costs related to the sponsored project, such as: administrative support by non-teaching personnel, materials/chemical agents, acquisition of minor equipment, travel (including field travel), publications, training in specialized research methods and techniques, stipends/assistantships for graduate and undergraduate students, and salaries of specialized and postdoctoral technicians	Salaries, bonuses, differentials, or additional compensation for the Principal Researcher or Project Director, Co-Principal Investigator or Project Co-Director, Consultants  Salaries and/or bonuses to the Director of the Research Center/Institute

## V. Indirect Cost Responsibilities

As stipulated in these Guidelines, a percentage of indirect cost use is entrusted to other units and employees. As such, these units and employees share indirect cost distribution, management, and audit responsibilities with the Office of the Chancellor. Responsibilities are described below:

- A. Office of the Chancellor: The Chancellor shall be responsible for distributing and monitoring indirect costs assigned to the Campus, pursuant to applicable institutional policies and the terms and conditions of donor entities; it shall primarily monitor the use of the Permanent Fund for Research and funds allocated to OPEP and the Office of the Chancellor.
- B. Office of the Dean of Graduate Studies and Research (DEGI): The Dean of the Office of Graduate Studies and Research will act as consultant for the Office of Strategic and Budgetary Planning (OPEP), OPDF, OPASO, and the Library System in evaluating unit and faculty needs related to intellectual endeavors and setting priorities and assigning resources to manage these priorities. It shall submit recommendations to these units, OPEP, and the Institutional Budget Committee (CIP) about priority use of the 25% of indirect costs assigned to OPEP.
- C. Center for Sponsored Programs and Entrepreneurial Initiatives: This Center affiliated with DEGI shall be primarily responsible developing and implementing effective strategies to acquire external funding by aiding in the pre-award process. It shall also provide guidance and support for faculty and other university personnel in writing and revising proposals for external funding. This unit shall familiarize proponents with these Guidelines and aid in preparing a budget for each proposal, including calculating indirect costs. The post-award division shall be responsible for the general management of external funding.
- D. The Planning and Development Office (OPDF): The OPDF director shall prepare the annual Work Plan (at the institutional level) for the development and rehabilitation of grounds and buildings of the Campus. The director shall receive guidance from CIP, the OPEP director, the Dean of the Office of Graduate Studies and Research, and school

deans regarding the needs of grounds and buildings dedicated to intellectual endeavors (primarily Research) and shall ensure its inclusion in the annual Work Plan with the priorities agreed upon. Shall be responsible for the adequate administration of indirect costs assigned to OPDF for authorized use pursuant to applicable institutional policies and the terms and conditions of donor entities.

- E. Environmental Protection and Occupational Safety Office (OPASO): The OPASO director shall prepare the annual Work Plan (at the institutional level) to manage security and compliance issues related to grounds, buildings, and intellectual endeavors, primarily Research. OPASO shall receive guidance from CIP, OPEP directors, the Dean of the Office of Graduate Studies and Research, and school deans. Shall be responsible for the adequate administration of indirect costs assigned to OPASO for authorized use pursuant to applicable institutional policies and the terms and conditions of donor entities.
- F. School Deans: School deans shall be responsible for indirect cost management of the 25% assigned to the unit for authorized uses described in these Guidelines pursuant to applicable institutional policies and the terms and conditions of donor entities.
- G. School or Department Directors: School or department directors shall supervise the work of faculty members, i.e. the principal investigator or the project director, and shall work with faculty members to ensure optimal development of externally funded sponsored programs that have been authorized by corresponding authorities, including optimal use of assigned resources pursuant to applicable institutional policies and the terms and conditions of donor entities.
- H. Principal Investigator or Project or Research Center Director: The principal investigator or project or research center director shall focus on meeting the sponsored project's objectives as stipulated in the proposal and agreed upon by the donor agency. He/she shall also be responsible for ensuring that the project complies with the applicable policies and terms and conditions stipulated in the Notice of Award (NOA) or Grant Award Notice (GAN), in the case of government grants, or the award letter, in the case of donor entities.

## VI. Institutional Procedures

### 1. Transfer of Funds to the General Fund

The post-ward division of the Assistant Deanship of Center for Sponsored Programs and Entrepreneurial Initiatives, affiliated with DEGI, shall bill the external agencies that sponsor approved projects for indirect cost reimbursement as determined by the current negotiated rate agreement and the donor agency's policy. All funds received by the Campus shall be registered in the books by said division and transferred to the General Fund of the University of Puerto Rico.

2. Reimbursement of Indirect Costs by the Central Administration

OPEP shall submit a request to the Central Administration of the University to transfer 75% of indirect cost funds generated from approved projects. All funds shall be transferred to the General Fund and shall be registered in the books by OPEP. OPEP shall submit a request to the Finance Office for the creation of accounts to assign funding pursuant to the distribution stipulated in these Guidelines.

3. Creating an Individual Account

The Finance Office shall create an individual account for each principal researcher or project director, so that he/she can manage 25% of indirect costs that he/she is entitled to, pursuant to current projects. It shall also create an individual account for the Permanent Fund for Research (FPI), the Office of the Chancellor, OPEP, and school deans.

**All approved projects must have full-time or part-time administrative support. Administrative support costs shall be included as part of the proposal budget if the donor entity allows it. Otherwise, administrative support costs shall be deducted from the 25% of indirect costs corresponding to the project.**

4. Fiscal Administrative Responsibilities

Once OPEP, the Chancellor, or the School Dean or Director, as applicable, assigns funds from indirect costs to a unit or principal investigator or project director for a specific use, he/she shall be solely responsible for the use of said funds, pursuant to the provisions in these Guidelines, applicable institutional policies and the terms and conditions of donor entities.

Every trimester OPEP shall prepare a list of every unit and investigator and project director with indirect cost accounts, including FIP, OPEP, the Office of the Chancellor, and school dean and director accounts. The list shall include information about the unit or principal investigator or project director, such as: name, academic or administrative unit, account number, account balance, and project amount according to the distribution stipulated in these Guidelines, adjusted, as necessary, by a special assignment of funds authorized by the School Dean or Director or the Office of the Chancellor.

If there are any inconsistencies or an account overdraft, the OPEP director shall meet with the unit or principal investigator or the project director responsible for clearing up any doubts, reconciling accounts, making necessary adjustments, or taking any actions deemed necessary by the OPEP director.

At the end of every fiscal year, OPEP shall present a report of the use of funds from indirect costs. A report must be prepared for each current indirect cost account. The report shall include all expenses paid for with indirect costs at the close of the fiscal year. The report should not indicate a negative account balance and all expenses must fall within authorized cost parameters.

Much the same as quarterly reports, if there are any inconsistencies or overdrafts, the OPEP director shall meet with the unit or principal investigator or the project director responsible for clearing up any doubts, reconciling accounts, making necessary adjustments, or taking any actions deemed necessary by the OPEP director.

School Deans and Directors, the Dean of Graduate Studies and Research, OPDF, OPASO, DEGI, OPEP directors, and the office of the Chancellor shall also submit a report to OPEP regarding the impact of indirect costs assigned to their units for the growth and development of intellectual endeavors in the Campus. OPEP shall use these annual reports to evaluate indirect costs use and determine if the fundamental objectives outlined in **Section III** have been met.

## **VII. General Provisions**

1. Indirect costs shall not substitute institutional resources designated for research or related uses. These supplement said resources.
2. Twenty percent (20%) of indirect costs assigned to the Office of the Chancellor shall be used to assist with any temporary situation due to discrepancies between the date in which indirect cost reimbursement is registered and the date on which the actual reimbursement to the Campus occurs.
3. These Guidelines shall not apply to the Intramural Practices Plan. This plan has its own institutional guidelines and they establish the distribution of income generated.
4. The unit or principal investigator or director responsible for the indirect cost account shall monitor the effective and efficient use of received funding and shall ensure compliance with institutional policies applicable to the use said funding, including the provisions in these Guidelines. It shall also ensure compliance with the terms and conditions specified in the Notice of Award or the award letter, in the case of donor entities. It will enter the funds into the books to ensure no account is overdrawn. Any overdraft must be covered by the corresponding unit or project.
5. The principal investigator or the director of the project shall negotiate (if necessary) with the Office of Strategic and Budgetary Planning (OPEP) a 25% advance of indirect costs for each project **at the beginning of a new subsidy**. The advance shall depend of the availability of institutional funds. The principal investigator or director of the project or Research Center shall agree to return said funding to the Institution once the project is completed. **The return shall be deducted from the 25% of indirect costs for the last year of the project, as necessary.**
6. The principal investigator or project or Research Center director shall receive 100% of reimbursable indirect costs for authorized uses if the project has a 10% or less

indirect cost rate. This shall apply to projects with an annual budget of \$500,000 or less.

7. The NOA or the award letter, in the case of donor entities, must be submitted to or inform the principal investigator or project director, the school dean or director, with the department director and the Post Award division of the Auxiliary Deanship of External Funding and Entrepreneurial Initiatives.
8. When an investigator or project or Research Center director resigns, retires, or completes his/her research tasks or projects, the indirect costs account shall be closed. Any balance shall be distributed among FPI, the Reserve Fund, and the Deanship or School of the investigator or project director.

### **VIII. Evaluation and Audit of Indirect Cost Accounts**

1. The Office of Strategic and Budgetary Planning (OPEP) shall annually evaluate the institutional use of income from indirect costs. Said use must be in keeping with the mission, the Strategic Plan, and the Operation Plan for the Campus, and other objectives stipulated in these Guidelines (**Section III**) for its optimal, effective, and efficient use.

OPEP shall present to the Chancellor the evaluation criteria and rubrics, and shall collect data to gather information about the use of funds taking into account the assessment system in use. It shall also prepare the Annual Report with recommendation about the best prospective use of indirect costs and submit it to the Chancellor.

In meeting its role, OPEP shall have CIP guidance, specifically from the Dean of Graduate Studies and Research. It shall also have the input of deans and principal researchers and directors of externally funded projects.

2. The use of all indirect cost accounts shall be subject to both internal and external regulatory audit procedures.

### **IX. Term**

These provisions and guidelines shall take effect on October 1, 2012 and shall apply to any project approved after January 1, 2012. They shall be applicable to all reimbursable indirect cost income.

**Revised: Monday, December 10, 2012**