

INDIRECT COST INCENTIVE PROGRAM

Qualifying Programs

The indirect cost incentive program was originally established to encourage PIs to obtain full indirect cost recovery on awards. Fifteen percent of indirect costs charged on qualifying awards are credited back to the PI's incentive account in the 490 fund series.

In order to qualify for incentive on **awards executed before 7/1/02**, the award must have received the full HHS negotiated indirect cost rate applicable. If the sponsor limited recovery to a certain percentage, this was not full recovery. However, if the award legitimately utilized the off-campus IDC rate as opposed to the on-campus rate, the award qualified for the incentive program if the full off-campus rate was charged.

In order to qualify for incentive on **awards executed on 7/1/02 or after**, the award must bear the full allowable indirect cost rate applicable. If the sponsor limits recovery to a certain percentage, this is considered full allowable recovery.

In addition, if a multi-year proposal is submitted with full indirect (awarded prior to 7/1/02) or full allowable (awarded on 7/1/02 and after), and the negotiated indirect rate increases during the life of the award, the award will continue to qualify for the incentive program even if the sponsor holds the indirect rate to its original level.

Limitations on 490 Accounts

The 490 account must always maintain a positive cash balance. The 490 account is funded monthly by a transfer of 15% of the indirect posted on each qualifying award for that month.

Incentive is transferred from the IDC holding account, not the research award. The effects of the incentive program never appear in the accounting of the award.

A PI will have only one incentive account regardless of the number of awards that are generating incentive.

The 490 account will remain active as long as the PI is associated with the university and the account has a positive balance. If a PI leaves the university or retires, the unspent balance in the incentive account will revert to the PI's department/research unit for their use.

Work performed in Ames Lab facilities is not eligible for incentive.

The current month's incentive distributed will appear on the back side of the sponsored programs financial report at the top. The incentive accounts, the rate of incentive and the dollar amount for the month will appear, as well as the total amount of incentive distributed through the life of the award.

Any charge that is allowable and appropriate in the university system may be charged to the incentive account—salary, equipment, supplies, etc.

ALLOWABLE expenditures **CAN** be charged to incentive accounts.

- Defined in applicable state laws and administrative code, Board of Regents policies, and University policies
- Department's and college's policies can be more restrictive than the University's policies

APPROPRIATE expenditures **SHOULD** be charged.

- Necessary and beneficial to the University
- Reasonable – Does it meet the Des Moines Register test?
- Adequately documented
- Has a business purpose

RESPONSIBILITY FOR ALLOWABILITY AND APPROPRIATENESS:

Expenditures charged to all university accounts must be both allowable and appropriate. The department and the college are ultimately responsible for providing information on the business purpose and determining that an expenditure is allowable and appropriate.

The department and/or college are in the position to determine the best way to use their funds. Judgment on reasonableness of all expenditures, and especially in the case of hospitality, is the responsibility of the college and/or department. Certain types of expenditures from any ISU funds are never allowable from incentive funds.

UNALLOWABLE expenditures from **INCENTIVE FUNDS** include:

- **Alcoholic beverages** unless the use is for cooking, research, or course study.
- **Flowers or gifts** of any kind in connection with the illness or death of employees or family members. Flowers used for public functions, such as retirement parties and convocations, are allowable from incentive funds when they serve a business purpose.
- **Employee hospitality functions** such as Christmas parties and Administrative Professionals' Day lunches. Annual departmental retreats and retirement parties with a business purpose are allowable from incentive funds.
- Coffee, coffee pots, refrigerators, microwave ovens, etc. **for employee use only** are unallowable. This does not preclude a unit from initially charging coffee to University funds, except federal sources, and then collecting employee funds to reimburse the University account.

The following expenditure categories are inherently subject to more scrutiny:

- **Hospitality**
- **Memberships**
- **Cell Phones**
- **P-Card Purchases**

For further information, please refer to the Allowability and Appropriateness training manual available on the Controller's Department web site at:

<http://www.controller.iastate.edu/>