



W. M. KECK OBSERVATORY
Maunakea, Island of Hawai'i

MEMORANDUM

DATE: 1/6/20

FROM: Margarita Scheffel, WMKO Chief Financial Officer

SUBJECT: Indirect Cost Policy

Indirect costs, also known as overhead or general and administrative costs (G&A costs), are the institutional or infrastructure costs of managing and running programs that cannot be directly attributed to a program or activity. These costs are incurred in the conduct of externally sponsored projects that are shared across projects as well as other functions of the Observatory. The indirect cost rate reimburses the Observatory for that fraction of its indirect costs that the granting agency agrees to bear. Federal agencies allow not-for-profit organizations to use rates negotiated with a government entity. In the case of the Observatory, the negotiation partner is the Department of the Interior and the cognizant federal agency is NASA.

The Observatory seeks to apply its federally negotiated indirect rate to all externally funded projects. This rate is developed and negotiated based on Uniform Guidance (2 CFR 200), the federal government's regulation that provides cost principles for federal awards.

Indirect Cost Rates

External Proposal Development:

In developing proposal budgets for submission to funding agencies, applicants at WMKO are to calculate project costs using the following rates.

Federal Agencies (e.g., NASA, National Science Foundation)

- Predetermined rate per the current Indirect Cost Negotiation Agreement dated October 17, 2018
 - 10/1/17 to 9/30/21 65.00%
 - Note: NSF doesn't accept any proposal submissions using a rate different than the proposer's currently negotiated rate.



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On the summit of Mauna Kea, Island of Hawai'i

Non-federal Agencies (e.g., private foundations)

- For requests to agencies that *permit* indirect cost recovery, indirect is applied at the rate as allowed under their agreement

Administrative overhead is not allowed on Institutional Funding Obligation (IFO)/CARA Reserve funds, CARA loan proceeds in support of projects, CARA's unrestricted donations used in support of projects or WMKO funded projects. When these funds are provided as cost share for externally funded proposals and awards, then WMKO applies the rate consistent with the funder's expectations.

WMKO Sponsored Awards:

For white papers, Phase A studies, other awards, and work orders made by WMKO using CARA funds or unrestricted donations, the application of indirect cost rates by other entities is not allowed.

Approval Required to Use Different Rate

Indirect Cost Exceptions

An indirect cost exception is the official authorization to accept indirect cost recovery other than what would be recovered under the appropriate federally-negotiated rate agreement or non-federal WMKO rate for a given award.

The authority to allow exceptions lies with the CARA Board of Directors. The Board requires pre-approval for any rate exception for proposals over \$100,000. For proposals and awards less than that amount, the Board has delegated authority to approve an exception of less-than-full indirect cost recovery to the Observatory Director or his designee. Principal Investigators are not delegated this authority and are not authorized to negotiate with or to accept reduced indirect cost rates from any sponsor.