

## Indirect (Overhead or F&A) Return Distribution Process effective 01/01/2026

### Definitions

Uniform Guidance defines Indirect (facilities & administrative (F&A or sometimes referred to as overhead)) as “those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.”

### **Summary**

Each quarter, a portion of the indirect costs recovered from external sponsors is returned to the PI's and their departments. The amount used in the calculation is determined by the spending in the previous quarter (transactions charged to account 78000: Indirect Cost Expense). Sponsored Programs Accounting (SPA) calculates this return and deposits it to the applicable account.

### **Rate and Usage**

The current rate of return is allocated as follows: 5% to Principal Investigators (PIs) and 2% to the PI's department, with distributions based on the allocation of credit on each grant. These amounts are deposited into the appropriate designated accounts under **120-FD Fund** and **1255-AC Research Indirects & Royalties Account (RIRA) Activity Code**. In addition, a top-level distribution of 2% is allocated to the Office of the Vice Provost for Research and directed to the VPR operating budget. All distributed funds must be used to support research-related activities.

The rates are effective 7/1/25 and will be reviewed after 12/31/25.

**UPDATE: effective 01/01/2026 the rate of return will change to 10% to Principal Investigators (PIs), 4% to the PI's Department and 4% to the VPR. This will remain through 06/30/2026 and be re-evaluated for FY27.**

### **Allocation of Credit**

When there are multiple PIs on an award, the overhead return is split based on the allocation of credit specified on the Proposal Routing Form (PRF) at the time of proposal submission and entered by the Office of Sponsored Programs (OSP) into the InfoEd system. If an allocation is not specified on the PRF and not communicated to OSP or SPA, the return is divided evenly between PIs and co-PIs. Allocation of credit is also what is used to divide expenditures per PI and co-PI on financial reports issued by SPA. Allocation of credit can be adjusted at any time during an award by contacting [grantaccounting@wpi.edu](mailto:grantaccounting@wpi.edu). The change will be put into effect at the time of request and used for future application of expenditures and overhead return.

### **Cost Share Considerations**

When the university cost shares a portion of indirect costs, the return amount will be based on the total external amount of IDC brought to the university. For example, if the current negotiated rate is 55% and your research award has a 20% F&A rate, WPI is picking up the remainder (35%) as a cost share. You will still get the standard return on the 20% you are bringing in to the University.