



## Direct versus Indirect Costs

This policy has been affected by the federal Uniform Guidance (2 CFR 200) regulations and will be applied consistently to all University awards.

### POLICY STATEMENT

Direct costs are expenditures that can be identified specifically with a particular sponsored project or that can be directly assigned to such activities with a high degree of accuracy. Conversely, indirect costs are those that are incurred for common or joint objectives and therefore cannot be directly associated with a particular sponsored project; however, they contribute to the ability of the University to support research projects and programs. Generally, indirect costs are derived as a consequence of providing the research space and the corresponding administration of these activities, not from the actual performance of the activities under the sponsored agreement.

Consistent treatment of expenditures is a basic *cost accounting principle* and is specifically required by the Office of Management and Budget (“OMB”) as part of [2 CFR 200](#). This circular requires similar costs to be charged to federally sponsored agreements in a consistent manner. Below are some examples of direct and indirect costs.

#### 1. Examples of Direct Costs

- a. Employee Compensation (including benefits)
- b. Cost of materials necessary for the project
- c. Equipment necessary for the project

#### 2. Examples of Indirect Costs

- a. Depreciation
- b. General and Administrative expenses, including general office supplies and equipment
- c. Operation and Maintenance expenses
- d. Sponsored Projects Administration expenses
- e. Library expenses
- f. Departmental Administration expenses
- g. Student Administration expenses

#### 3. Indirect Cost Recoveries

- a. Indirect cost recoveries (“ICR”) from awards sponsored by the federal government are governed by OMB 2 CFR 200, Appendix III. This circular establishes a formula by which an ICR rate, also known as the Facilities and Administration rate (“F&A”), is calculated. The circular also establishes which costs are allowable versus unallowable.
- b. The indirect cost rate negotiated with the U.S. Department of Health and Human Services, the University’s cognizant agency, reflects the rate of reimbursement for

facilities and administration costs incurred as a part of conducting research. For current rates, please see the University's approved [F&A rate agreement](#).

- c. Indirect cost is returned to the University as a percent of each direct-cost dollar spent on federally funded research projects using the rate currently in effect.
- d. The indirect cost rate is also applied to non-federal awards, but indirect cost recovery may be limited in the case of not-for-profit sponsors with a published policy to allow a lower F&A rate than the federally approved rate. In these cases, the not-for-profit sponsor's F&A rate and base will be applied.