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## POLICY STATEMENT

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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”) Circular A-21. This circular requires similar costs are charged to federally sponsored agreements in a consistent manner. Below are some examples of direct and indirect costs. For a more comprehensive listing please refer to the document [Direct v F & A](#).

1. Examples of Direct Costs
  - a. Employee Compensation (including benefits)
  - b. Cost of Materials used exclusively for the project
  - c. Equipment used exclusively 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 Circular A-21. 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 may be limited depending on what rate the specific sponsor will allow.