## Direct VS. Indirect Costs

### **Direct Costs**

- Direct costs are those costs that can be identified specifically with a particular sponsored project, an institutional activity, or any other institutional activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.
- Costs incurred for the same purpose in like circumstances must be treated
  consistently as either direct or F&A costs. Where an institution treats a particular
  type of cost as a direct cost of sponsored agreement, all costs incurred for the
  same purpose in like circumstances shall be treated as direct costs of all activities
  of the Institution.

#### **Indirect Costs**

• F&A Costs are those that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity.

#### **Allowability Basics**

- In order to be allowable (assignable) under the cost principles, costs must be:
  - Reasonable
  - Allocable
  - Consistently Treated
  - Allowable, as prescribed in OMB Circular A-21, Section J
- Reasonable
  - The "Prudent Person" Rule Is the amount of the cost what another person would pay?
- Allocable
  - Is the cost "project specific" and necessary to complete the work being performed?
  - Can the cost be "assigned" to the project relatively easily?
  - Is there a high degree of accuracy in charging the cost?
- Consistently treated
  - Is the assignment of the cost handled the same way in similar circumstances at your institution?
  - At other institutions?
- Allowable as a direct or indirect cost under the relevant cost principles

# Examples of Direct and Indirect Costs

	Direct Costs	<b>Indirect Costs</b>	
Salaries & Wages	Percentage of effort applied	Percentage of effort devoted	
_	to accomplish research	to dept. or general	
	objectives	administration	
Fringe Benefits	Same as salaries and wages	Same as salaries and wages	
Communications	As required to fulfill	General and administrative	
	sponsor agreement,	communication costs	
	including long distance	(monthly phone fees)	
	telephone charges or		
	dedicated phone lines		
Computing	Costs for producing results	Costs for unrelated projects	
	of research only	or administrative expenses	
Travel	For travel to present	Travel not related to	
	findings to sponsor, to	research; presenting at	
	present interim or final	general scientific or	
	reports, to present at	professional meetings	
Duinting	directly related conferences	Office or administrative	
Printing	Producing final technical		
	reports or to publish in appropriate scholarly	printing expenses	
	journals		
Materials & Supplies	Technical supplies needed	Office supplies and	
waterials at Supplies	to complete research	expendable office	
	00 00111p1000 100001011	equipment	
Equipment	Life expectancy of 2 years	Equipment not approved by	
	or more, required to	sponsor, or general purpose	
	complete research	equipment.	
	(Equipment less than \$500		
	see Supplies & Materials	Indirect Costs are applied to	
	Category)	first \$25,000.	
<b>Subcontracts/Consulting</b>	100%, when university	Indirect Costs are applied to	
	expertise or resources are	first \$25,000.	
G 4 11G :	unavailable		
Secretarial Support	Only under special	General departmental	
	circumstances (see OMB A-	support	
	21 Section D – major		
Dhygical Dlant	project or activity) No Direct Costs	Includes utilities insurance	
Physical Plant Maintenance	No Direct Costs	Includes utilities, insurance,	
Manuellance		building repair and maintenance, security,	
		custodial services, etc.	
Sponsored Program	No Direct Costs	Expenses in OSPR and	
Administration	To Direct Costs	other central administrative	
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