



## PROCEDURAL STATEMENT

**Procedural Statement Title:** Application of Indirect Costs (F&A) on Sponsored Projects  
**Functional Area:** Research Administration

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<b>Related Policy:</b>	CRS 24-113-104; University of Colorado Boulder Indirect Cost Rate Agreement; Indirect Cost Recovery Policy Statement
<b>Effective Date:</b>	August 15, 2018
<b>Approved by:</b>	Terri Fiez
<b>Responsible Offices:</b>	Research and Innovation Office, Office of Contracts and Grants, Campus Controller's Office
<b>Procedural Statement Contact:</b>	Gary Henry, Director and Assistant Vice Chancellor for Research
<b>Reviewed/Updated Date:</b>	May 5, 2021

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### I. BACKGROUND

University of Colorado Boulder policy requires the campus to seek full recovery of direct and indirect costs (F&A) except in rare situations. Federal and state law and regulations require that the University's approved F&A rate be applied consistently to all sponsored projects, and CU Boulder is scrutinized for compliance. In addition, state law and University policy require CU Boulder Principal Investigators (PIs) to perform sponsored projects on a full-cost basis unless such recovery is restricted by law or public policy, or unless a determination has been made that accepting less than full-cost recovery is in the best interests of the University. CU Boulder expects that F&A costs will be recovered to the maximum extent possible.

This Procedural Statement outlines procedures for the correct application of CU Boulder's [Indirect Cost \(F&A\) Recovery Policy](#).

### II. PROCEDURES

This section identifies how CU Boulder addresses the application of F&A rates in different circumstances.

#### A. General Procedures

As a general rule, CU Boulder will apply its full indirect cost rate according to CU Boulder's federally negotiated rate agreement to all externally funded projects, whether it is the primary applicant/recipient or a subrecipient whereby funds are coming to CU Boulder from another entity or institution. Principal Investigators (PIs) and their project teams are not authorized to negotiate indirect cost rates with sponsors. Any such negotiations, discussions, or prior understandings between an investigator and a sponsor shall not be binding on CU Boulder. CU Boulder is under no obligation to reduce its F&A costs as a subrecipient because a direct sponsor has chosen to do so when the prime sponsor allows full indirect costs.

#### B. Fixed Rates for the Life of the Sponsored Agreement

The terms of Section C.7.a. of Appendix III to Part 200 of 2 CFR 200 require that CU Boulder shall use the same negotiated rate in effect at the time of the initial award throughout the life of the award for all federal awards. To maintain consistency, CU Boulder applies this to all awards, including non-federal awards.

#### C. Location of Work: Determining Whether to Apply the Off-Campus Rate

The on-campus indirect cost rate will be applied to sponsored projects unless it can be established that a majority of the project's research or creative work (50% or more) will be conducted in an off-campus location. Proper determination of the campus location of a sponsored project is required to

ensure that CU Boulder is neither over- nor under-charging a sponsor for project costs. It is the responsibility of the cognizant OCG Proposal Analyst, working together with the Principal Investigator and the project team, to determine which rate is most appropriate for a given project.

An off-campus activity is defined, in the CU Boulder indirect cost rate agreement with the Department of Health and Human Services, as an activity which because of the location where the work is performed, does not incur physical plant operations and maintenance costs. This means that the research or other funded activity must take place, either completely or substantially, in the field or in facilities that are not owned by CU Boulder and, if rented or leased by CU Boulder or one of its entities, those rental or lease costs are charged directly to the project and do not form a part of CU Boulder's indirect cost pool.

For a determination that field work or other funded activity is taking place substantially in a location that does not incur physical plant operations and maintenance costs, one of the following criteria must be met:

- The field work or other funded activity is taking place in an off-campus location (as defined above) for an aggregate period of at least 30 calendar days per year (or for the entire period of performance, if the award is for a period of less than 30 days); or
- Less than 50% of the costs subject to Indirect Costs, as determined in the proposal guidelines or the award terms and conditions, are incurred on campus.

#### **D. Equipment: Determining Whether to Apply Indirect Costs**

Indirect Costs are charged on equipment/property depending on the equipment/property type. For this reason, the type of equipment to be funded in a proposal budget must be carefully considered according to the definitions of Capital Equipment and Deliverable Property. Proposal Analysts will work with Principal Investigators, in consultation with OCG's Compliance Officer as needed, to categorize equipment at the proposal stage. Indirect costs are charged on equipment as follows:

*Capital Equipment*, which includes Standalone Capital Equipment and Fabricated Equipment (see Definitions below), is excluded from Indirect Costs.

Capital Equipment meets CU Boulder's capitalization rules of having a total acquisition cost of \$5,000 or greater and a useful life of at least one year. Capital Equipment is not subject to the application of Indirect Costs because it is capitalized as university-titled equipment and depreciation costs are built into CU Boulder's Indirect Cost Recovery rate. Standalone Capital Equipment and Fabricated Equipment are budgeted as Capital Equipment.

Fabricated Equipment is excluded from Indirect Costs only if it meets these three requirements: total cost is greater than \$5,000; item is nonexpendable and has a useful life of at least one year; and title is retained by the university.

*Deliverable Property* and *non-capital Fabrications* are subject to the application of Indirect Costs.

Deliverable Property is not capitalized as CU Boulder titled Capital Equipment because the sponsor receives custody of and title to the equipment. As noted in the Definitions section, Deliverable Property is titled to the sponsor and is not considered Capital Equipment. Deliverable Property expenses are budgeted as Materials and Supplies.

In cases where Deliverable Property did not include Indirect Costs at the proposal stage, CU Boulder may require rebudgeting to include Indirect Costs applied to the cost of the Deliverable Property.

Fabrications that do not meet CU Boulder's Capitalization Rules or the definition of Fabricated Equipment are considered non-capital equipment. Non-capital Fabrications are subject to the application of Indirect Costs and budgeted as Materials and Supplies.

Commencement of a piece of equipment's useful life must also be carefully considered. For capital and fabricated equipment this is when the equipment first becomes operational and capable of doing the work for which it is designed.

#### **E. Less Than Full Recovery of Indirect Costs**

CU Boulder, with concurrence of the department, unit, college, school, institute or center, may consider accepting an indirect cost rate less than CU Boulder's current IDC rate according to the Indirect Costs (F&A) Waiver and Reductions Procedural Statement.

OCG's Indirect Cost (F&A) Waiver and Reductions Procedural Statement outlines circumstances and procedures for F&A waivers and reductions, both mandatory and voluntary. Only the Vice Chancellor for Research (or his/her designee) is authorized to reduce or waive recovery of indirect costs on projects when a sponsor allows and does not limit full indirect costs.

#### **F. Procedure for Awards Received Without a Corresponding Proposal and with Less than Full Recovery of Indirect Costs**

If an investigator submits a proposal directly to a sponsor without involving or notifying OCG, and OCG subsequently receives an award for that proposal that includes an amount for F&A that is less than the full amount that would apply under CU Boulder's federally negotiated indirect cost rate agreement, CU Boulder reserves the right either to decline the award, or to attempt to negotiate an award agreement with the sponsor that includes full recovery of F&A, even if this means that the amount of funding available for direct costs on the project is less than the amount originally proposed.

### **III. DEFINITIONS**

- A. **Capital Equipment** is a tangible item that is durable, non-expendable, meets CU Boulder's Capitalization Rules, and is by itself functionally complete for its intended purpose. Capital Equipment includes both Standalone Capital Equipment and Fabricated Equipment.
- B. **Capitalization Rules** are thresholds by which property is determined to be Capital Equipment and exempt from indirect costs. These thresholds are:
  - i. The equipment must have a total acquisition cost greater than \$5,000; and
  - ii. Once in service, the equipment must have a useful life of at least one year, unless the sponsor regulates otherwise.
- C. **Deliverable Property** is identified in the scope of work of the sponsored project agreement and is constructed for delivery to the sponsor or sponsor-directed third parties at the end of the project. Title to Deliverable Property vests with the sponsor or sponsor-directed third parties. Deliverable Property is not Capital Equipment.
- D. **Direct Costs:** Direct costs are costs that can be readily or easily assigned to a funded project. These costs include, among others, materials and supplies needed to carry out the project; salaries and fringe benefits for faculty, graduate students, postdocs, research assistants, etc.; project travel; and others.
- E. **Expendable property** is that which is consumed, loses its identity, or becomes an integral part of other property when put to use or has an expected service life of less than 1 year.<sup>1</sup> Expendable property may be purposefully destroyed when put into use.
- F. **Fabrication** is a piece of equipment that is designed and built or assembled by university personnel from individual parts or components that may be produced by internal staff or provided by external entities or vendors. Depending on a number of factors, the Fabrication may be considered Capital Equipment, Non-capital Equipment, or Deliverable Property.

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<sup>1</sup> Reclamation Supplement to Federal Property Management Regulations, Part 60 Property Accountability, Subpart 1145-60.4 Classification of Property, <https://www.usbr.gov/recman/FPMR/60-400.html>

- G. **Fabricated Equipment** is a type of Capital Equipment that is designed and built or assembled by university personnel from individual parts or components that may be produced by internal staff or provided by external entities or vendors. Fabricated Equipment meets CU's Capitalization Rules and the following criteria:
- i. Every component must be necessary and essential for the function of the entire fabrication to the extent that the removal of one component would diminish the operation of the entire fabrication;
  - ii. Will be put into service for a university project on or off campus; and
  - iii. Is or is expected to be titled to the University.
- H. **Indirect Costs:** Indirect costs (also known as IDC, overhead, facilities and administrative costs, or F&A) are real costs to CU Boulder that are not readily or easily assignable to a specific funded project. Indirect costs help promote organized research at CU-Boulder by providing funds for research-related expenses such as heat, light, water, electricity and custodial services in offices and laboratory spaces; occupational safety and hazardous waste removal; telecommunications; computers and internet access; and many other support services.
- I. **Indirect Cost Rate Agreement:** Indirect costs are negotiated with the federal government regularly, in accordance with guidelines set forth in Appendix III to 2 CFR 200. CU Boulder recovers Indirect Costs as a percentage of some or all of the direct cost expenses of funded projects.
- J. **Location of Work:** CU Boulder's federally negotiated rates vary based on project location: on-campus and off-campus:
- i. *On-campus locations:* On-campus locations include space in buildings owned by CU Boulder, and may include buildings or spaces rented or leased by CU Boulder itself or some CU Boulder entity, as long as the rental or lease costs are not charged directly to the project. The indirect cost rate for on-campus locations includes both the Facilities and the Administrative components of the rate.
  - ii. *Off-campus locations:* Off-campus locations include space not owned by CU Boulder, and buildings or spaces not rented or leased by CU Boulder itself or some CU Boulder entity, where those rental or lease costs are charged directly to the project and do not form a portion of CU Boulder's indirect cost pool. Off-campus locations also include field work locations without any associated rental or lease costs. A home or other off-campus office does not necessarily constitute an off-campus work location for the purposes of determining if the off-campus rate can be used. Each situation where a home office is used as a permanent work location for project personnel must be approved on a case-by-case basis. The indirect cost rate for off-campus locations is lower than the on-campus rate, because it only includes the Administrative component and not the Facilities component. In cases where university capital equipment is used off-site the on-campus rate will be applied. Standard conference travel is not considered an off-campus cost because the purpose of a standard conference is to gather information, network with other professionals, and disseminate results rather than to conduct any of the scope of work for the project.
  - iii. *Projects performed in both on-and off-campus locations:* In accordance with the terms of CU Boulder's federally negotiated indirect cost rate agreement, projects that are partially located off-campus may not charge both the on-campus and the off-campus rate to the respective components. Only one indirect cost rate may be used for the whole project.

- K. **Nonexpendable property** has a continuing use, is not consumed in use, is of a durable nature with an expected service life of a minimum of one year, and does not become a fixture or lose its identity as a component of other equipment or plant.<sup>2</sup>
- L. **Standalone Capital Equipment** is a tangible item that is commercially available, durable, non-expendable, and meets CU Boulder's Capitalization Rules. It is itself functionally complete for its intended purpose.

#### IV. RESOURCES

[Indirect Cost \(F&A\) Recovery Policy Statement](#)

[Indirect Costs \(F&A\) Waiver & Reduction Procedural Statement](#)

[IDC on the Transfer of Existing Subawards](#)

[Indirect Cost Addendum](#)

[Indirect Cost Reduction or Waiver Request Form](#)

[Guidelines for DA-ICR Distribution](#)

[Current F&A rates](#)

[Understanding Facilities and Administrative \(F&A\) Costs Handout](#)

Remote Employment on Sponsored Projects Approval Form (request from OCG Proposal Analyst)

[Campus Controllers Office Purchase, Use and Disposition of Sponsored Project Equipment Procedural Statement](#)

[CCO Property Central](#)

[OCG Sponsored Projects Property Manual](#)

[CRS 24-113-104: Competition with private enterprise by institutions of higher education - rules](#)

#### V. FREQUENTLY ASKED QUESTIONS

**1. Question:** If a sponsor does not allow recovery of Indirect Costs, do I still have to submit the proposal through OCG?

**Answer:** Yes. Whether or not a sponsor funds Indirect Costs is not relevant. OCG is the authorizing official entity, delegated by the Regents, to submit all proposals for external funding for sponsored projects on behalf of CU Boulder, regardless of whether or not the sponsor allows recovery of Indirect Costs.

**2. Question:** If a sponsor has a policy that limits the amount of Indirect Costs that can be charged to the project (or does not allow Indirect Costs at all), do I still have to complete a waiver request?

**Answer:** If the sponsor's policy is both stated in writing and consistently applied to all similar projects, and the sponsor is not a for-profit or foreign governmental entity you do not have to complete a waiver request. Your department chair or unit director will need to complete an *Indirect Cost Addendum*, agreeing to accept the reduced amount of Indirect Costs (your OCG Proposal Analyst can help with the form). The PI must provide to the Proposal Analyst a copy of either the proposal guidelines, the call for proposals, the sponsor's general grant terms and conditions, or language from

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<sup>2</sup> Reclamation Supplement to Federal Property Management Regulations, Part 60 Property Accountability, Subpart 1145-60.4 Classification of Property, <https://www.usbr.gov/recman/FPMR/60-400.html>

its public website demonstrating that the sponsor either limits the amount of Indirect Costs or does not allow them at all. Verbal communications or emails from non-executive program staff do not constitute sufficient evidence of sponsor policy.

**3. Question:** A PI fabricated a piece of equipment that costs \$5,500, has a useful life of 5 years, and CU Boulder retains title. Is IDC charged on this equipment?

**Answer:** This Fabrication meets the definition of Fabricated Equipment and is not subject to the application of Indirect Costs.

**4. Question:** A department fabricates a CubeSat that costs \$45,000. The CubeSat will be launched into space at the end of the project and cannot be recovered. Is IDC charged on this CubeSat?

**Answer:** Recoverability of an item is not the determining factor for the application of IDC. IDC is applied to the total acquisition cost (\$45,000 in the example of the CubeSat):

- if the equipment/property is a deliverable; or
- if the equipment/property is not a deliverable but is expected to have a useful life of less than one year. It is not uncommon that, in the example of the CubeSat, the CubeSat would have an expected life of less than one year.

If the equipment/property is not a deliverable and is Capital Equipment, then IDC is not applied as the equipment/property's expected useful life is one year or more. A careful evaluation of the expected useful life of the equipment/property, provided it is not a deliverable, will be dispositive of application of IDC.

A piece of equipment is put into service, starts its useful life, when it becomes operational. In the case of CubeSats launched into space, this is after launch and when the CubeSat first streams data.

**5. Question:** What is included in true acquisition costs? Are shipping and design fees part of the true acquisition cost?

**Answer:** True acquisition costs include the cost to acquire a tangible capital or non-capital asset including the purchase price of the asset and costs necessary to prepare the asset for use. Costs necessary to prepare the asset for use include the cost of placing the asset in location and bringing the asset to a condition necessary for normal or expected use.

Shipping costs are included in the acquisition costs of equipment. Design fees are included in the acquisition cost if a third party is building a custom piece of equipment that will be fully functioning once it arrives at CU. However, design fees for custom "software" is not included. For software, Property Accounting Office (PAO) will need to be notified and will work with the department on how to handle this situation.

**6. Question:** What types of rental costs are excluded in the MTDC base?

**Answer:** CU Boulder's Indirect Cost Rate Agreement allows for rental cost of off-site facilities to be excluded from modified total direct costs and, therefore, exempt from F&A costs. To be exempt from F&A, the rental costs must be off-site facilities, not owned or leased by CU Boulder, and for an extended period of time (typically at least 30 days). Rental of property owned by an individual or entities affiliated with CU Boulder for use of home office workspace is unallowable ([2 CFR §200.465](#)).

*Examples of rental costs exempt from F&A:* Off-site lab space, office rental in a foreign country or for extended field work

*Examples of rental costs subject to F&A:* Conference space rental, short-term rental of clean room facilities, office or lab space on the CU Boulder campus, home offices for remote work.

## VI. HISTORY

Adopted	August 15, 2018
Revised with definitions for equipment, removal from section II. C. Location of work the qualification for remote work of an aggregate period of at least 30 calendar days per year of activity taking place off-campus, added section II. E. Equipment, added Q&A 3-5, additional resources added.	May 5, 2021