



POLICY STATEMENT

Policy Statement Title: Indirect Cost (F&A) Recovery

Functional Area: Research Administration

Related Policy:	CRS 24-113-104; University of Colorado Boulder Indirect Cost Rate Agreement
Effective Date:	August 15, 2018
Approved by:	Terri Fiez
Responsible Office:	Research and Innovation Office, Office of Contracts and Grants, Campus Controller's Office
Procedural Statement Contact:	Gary Henry, Director and Assistant Vice Chancellor for Research
Reviewed Date:	May 5, 2021, January 27, 2022

I. BACKGROUND

Federal and state laws and regulations require that the federally negotiated and approved indirect cost rate be applied consistently to all sponsored projects, and CU Boulder is scrutinized for compliance. In addition, University of Colorado Boulder investigators are required to perform sponsored projects on a full-cost basis (which includes indirect costs) 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. Failure to recover allowable direct and indirect costs reduces CU Boulder's capacity to perform sponsored research and to support faculty scholarship and artistry. This document states CU Boulder's policy regarding the recovery of such indirect costs, including permissible exceptions to the general policy.

II. POLICY STATEMENT

CU Boulder expects full recovery of indirect costs (F&A) on all grants, contracts, cooperative agreements, and other sponsored project awards, including sponsored services agreements, as detailed in the Application of Indirect Costs (F&A) Procedural Statement. In rare situations, less than full recovery may occur as detailed in the Indirect Cost (F&A) Waivers and Reductions Procedural Statement.

The decision and authority to approve voluntary F&A reduction requests is held by CU Boulder's Vice Chancellor for Research or his/her designee. In exceptional circumstances that a voluntary F&A reduction is approved, all associated project unit(s) will forgo any F&A that might otherwise be returned to the unit(s).

III. DEFINITIONS

- A. Activity Type:** Indirect cost rates are established in [CU Boulder's federally negotiated Indirect Cost Rate Agreement](#) and apply to the following activities: instruction, intergovernmental personnel act agreements, organized research, and other sponsored activities. As defined in [2 CFR 200 Appendix III](#), these activities are defined as:
- i. *Instruction:* This activity type includes teaching and training activities of the University (**with the exception of research training, which should be classified as research**). These are activities intended to elicit some measure of "educational change" in one or more learners, students, and/or trainees. Instruction includes all teaching and training activities, whether offered for credit toward a degree or certificate, or on a non-credit basis, and whether offered through regular academic departments or separate divisions, summer programs, or Continuing Education. Examples of instructional activities include, but are not limited to: projects intended

to instruct any student at any location, including CU Boulder students or staff, teachers or students in elementary or secondary schools, other college or university faculty or staff, or the general public; curriculum development projects at any level, including projects that involve the evaluation of curriculum or teaching methods; programs involving CU Boulder students in community service activities and for which they will receive academic credit; and general support for the writing of textbooks, reference books, videos or software, intended to be used as instructional materials.

- ii. *Intergovernmental Personnel Act Agreements (IPAs)*: IPAs allow for the temporary assignment of personnel between the Federal Government and CU Boulder to facilitate cooperation between both parties.
- iii. *Organized Research*: This activity type includes all research and development activities sponsored by federal or non-federal agencies and organizations, **including the training of individuals in research techniques** (commonly called research training), where such activities use the same facilities as other research and development activities. This type does not include technical testing. Examples of organized research activities include, but are not limited to: systematic studies directed toward fuller knowledge or understanding of the fundamental aspects of phenomena and of observable facts, without specific applications towards processes or products in mind (i.e., basic research); systematic studies to gain knowledge or understanding necessary to determine the means by which recognized needs may be met, or to apply knowledge toward the production of useful materials, devices, and systems or methods (i.e., applied research); dissemination of findings to advance the knowledge and understanding of a particular phenomenon, field, or program, including support for the writing of books, video, or other materials when the intention is to publicize research results; construction and maintenance of research facilities; purchase, upgrading, or maintenance of research equipment and instrumentation; activities intended to promote the active participation of individuals in research projects and/or train them in research techniques or methods; and sponsored services.
- iv. *Other Sponsored Activities*: Other sponsored activities involve the performance of work other than instruction and organized research. Examples of other sponsored activities include, but are not limited to: travel grants not related to research; conferences, seminars, workshops, symposia not related to research and do not meet the definition of instructions; university public or cultural events; testing or consulting services to benefit the general public at large and projects supporting library or museum collections, acquisitions, bibliographies or cataloging

In addition to these activities, CU Boulder's negotiated Indirect Cost Rate Agreement includes a rate specific to the Laboratory for Atmospheric Space Physics (LASP) as defined below.

- B. 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, and other project personnel; project travel; and others.
- C. Sponsored Services**: Sponsored Services are activities performed by university personnel using university facilities and/or equipment that have excess capacity to perform work for external entities similar to tasks done on sponsored research projects but without the scientific investigation and conclusions.
- D. Indirect Costs (F&A)**: 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.

- E. 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.
- F. Indirect Cost Rate Bases:** Indirect costs are calculated as a percentage of some or all of the direct project costs. The three possible rate bases at CU Boulder are as follows:
- i. *Modified Total Direct Costs:* This is the rate base used when the campus federally negotiated indirect cost rates are applied. It is derived by excluding certain costs from the direct cost total: equipment, capital expenditures, charges for patient care, student tuition remission, rental costs of off-site facilities, scholarships, fellowships, and that portion of each subaward and subcontract in excess of \$25,000.
 - ii. *Total Direct Costs:* If a sponsor requires an IDC rate that is less than CU Boulder's federally negotiated rate the IDC rate is applied to all direct costs. The base includes all of the direct costs on the project, without exclusions. In some cases, a sponsor may require that certain types of costs be excluded from the indirect cost calculation; in these cases, CU Boulder will adhere to that requirement.
 - iii. *Total Project Costs:* The total project cost base is used when a sponsor states that only a certain percentage of total costs can be charged for indirect costs. None of the standard MTDC exemptions apply when using this base.
- G. 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 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, and as detailed in the Application of Indirect Costs (F&A) on Sponsored Projects, 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.
- H. Laboratory for Atmospheric and Space Physics:** The Laboratory for Atmospheric and Space Physics (LASP) has a separate negotiated indirect cost rate that is used for all LASP projects. See Section 1 item (1) on the University of Colorado Boulder's [Indirect Cost Rate Agreement](#).

IV. RESOURCES

- [Application of Indirect Costs \(F&A\) on Sponsored Projects Procedural Statement](#)
- [CCO Definitions of Expense Purpose Codes \(EPC\)](#)
- [Indirect Costs \(F&A\) Waiver & Reduction Procedural Statement](#)
- [IDC on the Transfer of Existing Subawards](#)
- [Indirect Cost Addendum](#)
- [Indirect Cost \(F&A\) Rate Decision Guide](#)
- [Indirect Cost Reduction or Waiver Request Form](#)
- [Guidelines for DA-ICR Distribution](#)
- [Current F&A rates](#)
- [NACUBO Financial Accounting and Reporting Manual](#)
- [Understanding Facilities and Administrative \(F&A\) Costs Handout](#)
- [CRS 24-113-104: Competition with private enterprise by institutions of higher education - rules](#)
- [Appendix III to Part 200 – Indirect \(F&A\) Costs Identification and Assignment, and Rate Determinations for Institutions of Higher Education \(IHEs\)](#)

V. HISTORY

Adopted	August 15, 2018
Revised with updated format and addition of resources section, incorporated policies from former IDC Reduction and Waiver Policy. IDC Reduction and Waiver Policy retired and archived.	May 5, 2021
Revised to reflect new rate agreement and new rate types of IPA and OSA. Replaced the term “external service agreements” with “sponsored services.”	January 27, 2022