



## **Direct & Indirect Costs on Sponsored Awards**

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### **Purpose & Scope:**

Colorado Mesa University (CMU) is committed to responsible fiscal management of sponsored awards. This policy outlines the principles and guidelines governing the allocation and recovery of direct and indirect costs on sponsored awards in accordance with Uniform Guidance (2 CFR Part 200). This policy applies to all faculty, staff and students at CMU involved in managing and administering sponsored awards.

### **Principles and Definitions of Direct and Indirect Costs**

*Direct Costs:* Expenses that can be specifically identified and attributed to a particular sponsored project. They must meet the following criteria:

- **Necessary:** Direct costs must be necessary for the performance of the sponsored award and directly benefit the project.
- **Reasonable:** Direct costs must be reasonable in nature and amount, considering the circumstances and market conditions prevailing at the time the cost was incurred.
- **Allocable:** Direct costs must be allocable to the sponsored award, meaning they can be assigned directly to the project based on a reasonable and consistent methodology.

*Modified Total Direct Costs (MTDC):* Refers to a specific subset of direct costs that are used as the basis for calculating indirect costs charged to a sponsored project. The term “modified” indicates that not all direct costs are included in the calculation. The purpose of using MTDC is to establish a consistent and standardized method for determining the indirect cost rate applied to sponsored awards, ensuring that only certain direct costs are considered when calculating the indirect costs recovery. MTDC excludes the following expenses:

- Equipment
- Capital expenditures
- Charges for rent
- Tuition remission
- Participant support costs
- The portion of each subaward in excess of \$25,000

*Indirect Costs (Facilities and Administrative or F&A Costs):* Represent the expenses of doing business that are not readily identified with a particular grant, contract, project function or activity, but are necessary for the general operation of the organization and the conduct of activities it performs. Examples include heat, electricity, accounting, and other personnel that may perform general tasks not directly associated with the management of sponsored awards, but that are integral to the function of the business, which allows proper management of the sponsored dollars.



- **Consistency:** Indirect costs must be consistently treated across all sponsored awards in accordance with CMU's federally negotiated indirect cost rate. Waiver or reduction of the institution's federally negotiated indirect cost rate must be approved by the Vice President of Academic Affairs and/or the University's President.

### **Allocation and Recovery of Indirect Costs**

CMU will apply its federally negotiated indirect cost rate to sponsored awards when allowed by the sponsor's terms and conditions and federal regulations. The rate is applied to the Modified Total Direct Costs (MTDC), as defined by Uniform Guidance. Unless otherwise specified in the submitted proposal (see Indirect Cost Waiver policy), during the agreement negotiation phase, or in the award's terms and conditions, all indirect costs are allocated upon receipt to the institution's General fund.

### **Training and Education**

CMU will provide training and educational resources to personnel involved in sponsored awards to promote understanding and compliance with this policy and Uniform Guidance.