

4.600 Indirect Costs

I. Definitions

Indirect costs: costs that are incurred for a common or joint purpose benefitting more than one cost objective. Indirect costs are those costs incurred for shared use of facilities, services, and personnel in common with other activities. They cannot be directly identified to a particular sponsored project, instructional activity, or institutional activity. Also called Facilities and Administrative (F&A) costs.

Modified Total Direct Costs (MTDC): all salaries and wages, fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward or subcontract (regardless of the period covered by the subaward or subcontract). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs, the portion of each subaward or subcontract in excess of \$25,000, and specialized service facility charges.

Specialized Service Facility Charges: charges for service from the following Specialized Service Facilities: IFA Job Order Services, IFA Mauna Kea Facility Support, SOEST Computing Facility, SOEST Engineering Facility, and SOEST Ship Operations.

Total Direct Costs (TDC): all costs that can be directly charged to a particular sponsored project, instructional activity, or institutional activity.

II. Procedures

A. Indirect cost calculation

The amount of indirect cost charged to a project is dependent on two factors: 1) the indirect cost rate, and 2) the cost base (indirect cost rate x cost base= indirect cost charge).

1. For current indirect cost rates, refer to [Policy 4.610 Indirect Cost Rates](#).
2. The cost base for most projects is Total Direct Costs (TDC) or Modified Total Direct Costs (MTDC). In the RCUH financial system, expenditures to be included in MTDC are determined by the Budget Category Type Code assigned to the budget category. Refer to [4.010 Attachment 3 - Budget Category Type Codes](#).

B. Indirect cost charges

1. For Intramural projects, Revolving accounts, and Direct projects, RCUH charges indirect cost on a monthly basis. This transaction is automatically generated by the RCUH financial system and charged to the project account at the end of the month. This transaction is identified with Vendor Name "MM/YY I/C" and Description "RJE 1".

2. For Extramural projects, RCUH does not charge an indirect cost. RCUH is compensated for its services based on a contractual formula.

C. Indirect Cost Rate Proposal and Rate Agreement

The UH Office of Research Services (ORS) prepares and submits the indirect cost rate proposal, and negotiates the indirect cost rates with the Federal cognizant agency on behalf of RCUH. The indirect cost rate proposal includes RCUH administrative expenses.

D. Budget Proposals

For budget proposals, indirect costs should be calculated using the most recent indirect cost rate information that is available. Refer to Policy [4.610](#) Indirect Cost Rates for current indirect cost rates.

III. Relevant Documents

[Policy 4.610](#) Indirect Cost Rates

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