
Indirect Costs

POLICY CONTENTS

Scope
Policy Statement
Reason for Policy
Procedures
Definitions
Additional Contacts
Related Information
History

Scope

This policy applies to all university faculty, research professionals, administrative staff (including those on limited appointments), and students applying for federal or non-federal external funding.

Policy Statement

Indirect costs, also known as Facilities and Administrative (F&A) costs, are expenses incurred to support sponsored projects that cannot be directly identified with any specific project, activity, or program. These costs are categorized into:

- Facilities Costs, which include, but are not limited to, expenses related to the operation and maintenance of physical infrastructure such as utilities, depreciation on buildings and equipment, custodial services, and other related operational expenses.
- Administrative Costs, which include, but are not limited to, expenses for general administration, such as procurement, accounting, human resources, library services, departmental administration, sponsored program administration, and other related general operational services and supplies.

Indirect costs are necessary for the University's infrastructure and operations and are incurred regardless of whether the sponsored project is federally or non-federally funded. Sponsored projects encompass all scholarly activities such as consulting, training, instruction, research, fellowships, or other similar academic activities.

The federal government recognizes that it is not possible to accurately capture all costs of an organization that are allocable to a particular sponsored project. The Office of Management and Budget's (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (commonly called "Uniform Guidance") is the authoritative set of rules and requirements for Federal awards. The Uniform Guidance aims to reduce the administrative burden on award recipients and, at the same time, guard against the risk of waste and misuse of Federal funds.

The Uniform Guidance outlines principles for determining costs in Subpart E-Cost Principles. Specifically, 2 CFR 200.412-200.415 defines the process for classifying costs as direct or indirect and provides principles for equitable cost allocation. Indirect costs are grouped into specific cost pools and allocated based on benefiting activities. Negotiations on indirect cost rates are conducted with the University's cognizant agency to establish fair and compliant rates, typically renegotiated every four years. For the University of Nebraska at Omaha (UNO), these negotiations are conducted with the Department of Health and Human Services (DHHS).

As stated below in 2 CFR 200.414(c), the Uniform Guidance provides further details on allowable indirect costs and classification standards:

1. Negotiated indirect cost rates must be accepted by all Federal agencies. A Federal agency may use a rate different from the negotiated rate for either a class of Federal awards or a single Federal award only when required by Federal statute or regulation, or when approved by the awarding Federal agency in accordance with paragraph (c)(3) of this section.
2. The Federal agency must notify OMB of any approved deviations. The recipient or subrecipient may notify OMB of any disputes with Federal agencies regarding the application of a federally negotiated indirect cost rate.
3. The Federal agency must implement, and make publicly available, the policies, procedures, and general decision-making criteria that their programs will follow to seek and justify deviations from negotiated rates.
4. The Federal agency must include, in the notice of funding opportunity, the policies relating to indirect cost rate reimbursement or cost share as approved under [paragraph \(e\)](#). As appropriate, the Federal agency should incorporate discussion of these policies into its outreach activities with applicants before posting of a notice of funding opportunity. See [§ 200.204](#).

UNO applies its federal negotiated indirect cost rate to all federally funded projects, regardless of whether the university serves as the prime recipient or a subrecipient of those funds. The rate is also applied to projects funded by business, industry, or foundation partners, as these projects incur the same indirect costs as federally funded projects. Recovering indirect costs allows the university to offset a portion of the actual expenses associated with the facilities, administration, and infrastructure required to support these activities.

[UNO Indirect Cost Rate Information](#)

The applicable indirect cost rate for individual projects will be determined by the Office of Sponsored Programs (OSP) in consultation with the Associate Vice Chancellor for Research and Creative Activity, as necessary.

To ensure the appropriate indirect cost rate is applied to federal and non-federal sponsored projects, and to determine when the full indirect cost rate is not applicable, all externally sponsored funding proposals must be reviewed and routed through OSP. This applies to any proposal funded

by a third party external to UNO that involves one or more of the following: an authorized university signature, commitments of university resources, specific deliverables, a budget, one or more subrecipients, and/or activities involving human subjects, vertebrate animals, radiation, and/or biohazards.

Any award received without having been routed through OSP and properly approved by the Board of Regents-appointed Authorized Organizational Representative (AOR) will be delayed until OSP verifies that the applicable indirect cost rate was applied, reviews the award for university compliance, and obtains all required approval signatures. This policy applies to all award mechanisms, including but not limited to grants, cooperative agreements, contracts (procurement, service, or consultant), agreements, fellowships, sponsorships and other agreements. These steps are taken to protect the interests and integrity of scholars, researchers, and the university.

ORCA retains authority for reduction of indirect costs on proposals and awards. Because indirect costs represent true costs of a project, rate reduction requests should be limited only to those rare circumstances where the benefit to the university outweighs the financial loss.

Circumstances under which a rate reduction may be considered include:

1. The sponsoring agency has published policies limiting or prohibiting the payment of full indirect costs;
2. The project requires significant cost-sharing that cannot be met by other sources; or
3. There are extenuating circumstances that support such a rate reduction.

All request to reduce the full indirect must be thoroughly justified and approved by the Associate Vice Chancellor for Research and Creative Activity. Notification of the rate reduction determination will be sent via email to the requester and uploaded into NuRamp.

A formal rate reduction request is not required if:

- The sponsor has an existing published policy that limits the use of UNO's full indirect cost rate. A copy of the published policy, funding announcement, or a link to the relevant website is sufficient for justification and will be uploaded into NuRamp.
- The policy is not publicly available but is specifically requested by the sponsor for the project. In this case, an email or letter from the sponsor must be submitted to OSP for review. The documentation will be reviewed on a case-by-case basis, and if approved, uploaded into NuRamp.

Reason for Policy

To identify and apply the appropriate indirect cost rate for federal and non-federal sponsored proposals and to determine when the full indirect cost rate is not applicable. This policy also ensures consistent operational practices for requesting a reduction of the full indirect cost rate.

Procedures

Indirect costs provide the infrastructure, facilities, and administrative support necessary for researchers to successfully conduct sponsored projects and advance research activities at UNO. UNO expects the full applicable indirect cost rate to be applied to all sponsored projects. The need for reduction or the use of indirect costs in institutional cost-sharing should be identified, justified, and

requested before finalizing the budget for the proposal. Requests **must** be approved and uploaded into NuRamp prior to routing the proposal for submission approval.

Request

To request a reduction in the indirect cost rate or to use indirect costs as institutional cost share, a F&A Rate Reduction (FARR) Form must be submitted. It is the responsibility of the project's lead Principal Investigator (PI) to complete the FARR in collaboration with the PI's OSP Grants Coordinator and submit it for approval. The FARR form identifies the:

- Lead PI's name
- Agency and program to which the proposal is being submitted
- Proposed Indirect Cost Rate
- Total amount of indirect cost requested
- Total amount of indirect costs being reduced
- Detailed rationale and justification for reducing indirect costs including supporting documentation

Approval

The completed FARR form will be submitted to OSP for initial review to verify all required information and supporting documentation are provided. OSP will forward the request to the Associate Vice Chancellor for Research and Creative Activity for consideration. Additional information or clarification may be requested by OSP and/or the Associate Vice Chancellor for Research and Creative Activity during the review process.

- Notification of the rate reduction determination will be provided to OSP and communicated to the requester.
- A copy of the determination will be uploaded in NuRamp.

Definitions

Authorized Organizational Representative (AOR): An individual authorized by the University of Nebraska Board of Regents to sign contracts, agreements, and other official documents related to sponsored projects on behalf of UNO. This authority is held by designated officials within the Office of Research and Creative Activity (ORCA), as outlined in UNO's [Authority to Approve and Execute Contracts Policy](#). Proposals for sponsored projects must be submitted through the Office of Sponsored Programs (OSP).

Sponsored Projects: A sponsored project is an externally funded award governed by specific terms and conditions established in a written agreement between the sponsor and UNO. Sponsored projects may involve activities such as research, instruction, training, evaluative testing, or other scholarly and creative endeavors. Sponsors may include federal agencies, state or local governments, corporations, industries, or non-profit organizations.

Indirect Costs: Costs incurred for common or shared purposes that cannot be readily and specifically identified with a particular sponsored project, activity, or program. These costs include facilities-related expenses (e.g., utilities, building depreciation, maintenance) and administrative costs (e.g., accounting, procurement, sponsored program administration). In Institutions of Higher

Education (IHEs), the term "facilities and administrative (F&A) costs" is often used interchangeably with indirect costs.

Indirect Cost Rate: The federally negotiated percentage applied to eligible direct costs to recover indirect costs. This rate is established through a formal agreement with the university's cognizant federal agency and is used to allocate the university's shared expenses to sponsored projects.

Cognizant Agency: The federal agency assigned to negotiate and approve the university's indirect cost rates. For UNO, the Department of Health and Human Services (DHHS) serves as the cognizant agency. The cognizant agency ensures compliance with federal regulations and equitable cost allocation.

Cost Sharing: The portion of project costs not covered by the sponsor, which must be contributed by the university or a third party.

NuRamp: UNO's electronic research administration system for managing funding requests and awards. It serves as a central repository for proposal submissions, sponsored project agreements, and other key documents throughout the life of a sponsored project.

Uniform Guidance (2 CFR Part 200): A set of federal regulations that govern the management of federal awards, including administrative requirements, cost principles, and audit standards. The Uniform Guidance establishes rules for the consistent and transparent allocation of costs, including direct and indirect costs, across federal awards.

Related Information

[Authority to Approve and Execute Contracts Policy](#)

[Uniform Guidance \(2 CFR Part 200\)](#)

[Indirect Costs Rate FAQ](#)

History

This policy was initially established on October 26, 2021, to ensure consistent operational practices for identifying the appropriate indirect cost rate and requesting a reduction of the full rate.

The policy has been revised On February 17, 2025, to align with updated terminology from the Uniform Guidance, incorporate the transition from MavGrants to NuRamp, and clarify procedures for submitting and approving indirect cost rate reduction requests.

The University of Nebraska does not discriminate based on race, color, ethnicity, national origin, sex, pregnancy, sexual orientation, gender identity, religion, disability, age, genetic information, veteran status, marital status, and/or political affiliation in its programs, activities, or employment.