

**Statement of Harvard University Principles for
the Application of Indirect Costs to Non-federal Sponsored Awards
2010**

1. Harvard University is committed to the recovery of the facilities and administrative costs incurred to support the performance of non-federal sponsored activities. For reasons of sound management and equitable stewardship of resources used in support of all sponsored activities, the University requires that non-federal sponsored projects attempt to recover the indirect costs of sponsored activity. For-profit entities that fund University activities are expected to provide indirect cost recovery that equals, at a minimum, the amount that would have been recovered through the application of the applicable negotiated federal indirect cost rate (“federal rate”). Except in cases in which a sponsor agrees to reimburse the full actual¹ indirect costs of sponsored activities, the University recommends the use of the federal rate whenever possible.
2. The University recognizes that some non-federal sponsors limit by policy their indirect cost reimbursement to levels well below the amount that would have been recovered through the application of the federal rate. Schools and research administrators will seek to determine whether such an indirect cost recovery policy has, in fact, been published by the sponsor in a medium that is reliable, authentic, and reasonably available.
3. Proposals submitted to these sponsors must recover the maximum amount of indirect cost allowed by the established policy of the sponsor. The sponsor’s maximum published indirect cost rate must be applied, and costs normally funded as indirect costs, such as the costs of rent and utilities, administrative support, office supplies, etc. must be included as direct costs wherever possible. In addition, the indirect cost rate should be applied to the total direct costs (TDC) of such a project, rather than the modified total direct costs (MTDC) basis used in federal awards, unless prohibited by the sponsor.
4. Non-federal sponsors often fund activities across the University. To ensure that one school or department does not accept lower reimbursement of indirect costs than another school or department has received from that same sponsor, it is critical that schools work with research administrators across the University to ascertain that sponsor’s history of funding indirect costs on other Harvard awards. The Office for Sponsored Programs (OSP) will establish a database documenting the rates and bases (e.g., TDC or MTDC) used for indirect cost recovery by leading non-federal sponsors on Harvard awards. Through these methods, schools and research administrators will ensure that a specific indirect cost policy is a *bona fide* policy of the sponsor and will establish, in an auditable fashion, that the University sought the fullest indirect cost recovery possible under the sponsor’s established policies.
5. In cases in which the application of the federal rates is not possible, each school should quantify the amount of foregone indirect cost on such awards in order to make explicit for the deans and other internal reviewers the school’s own participation and investment in the cost of sponsored programs. Except in unusual circumstances, the determination that the amount of indirect cost recovered is acceptable rests with the approving school. The information generated should be shared on a periodic basis with other schools and with OSP so that there is a common understanding of the University’s aggregate foregone recoveries of indirect costs on non-federal awards. The three submitting offices, in cooperation with the schools, will establish a uniform methodology for this purpose, for review by the Sponsored Administration Leadership Committee (SALC).

¹ Full actual indirect costs exceed the federal rate due to a regulatory cap on reimbursement of administrative expenses and other adjustments agreed to during federal negotiations.