

Direct and Indirect Costs and Guidance for Applying Them

DIRECT COSTS are those costs we can readily identify with producing a specific product or providing a specific service. Direct costs generally include direct labor, equipment, and other items we purchase or consume related to a project. Direct costs include:	
Type	Guidance for Charging
(1) Fringe Benefits (retirement, health insurance, and life insurance).	Allocate fringe benefits at a rate applied to direct labor costs.
(2) Regular Pay.	Charge the pay employees earn working on the project.
(3) Overtime and Premium Pay.	Charge overtime and premium pay in the same manner we charge regular pay.
(4) Leave and Holidays (annual leave, sick leave, and holidays).	When taken, do not charge leave and holidays to a recoverable activity unless a reimbursable agreement funds a station's base operations or the payee has agreed to these charges.
(5) Other Personnel Costs (allowances for offsite pay, location allowances, hardship pay, and hazardous duty pay).	Charge these costs in the same manner as regular pay.
(6) Equipment costs include costs for equipment we buy specifically for use in an activity.	If equipment is valued at \$1,000 or less or the agreement calls for specialized equipment or states we must purchase equipment, charge the purchase price as a direct cost.
(7) Other Direct Costs include items we consumed exclusively for completion of a specific activity.	Other Direct Costs may include: <ul style="list-style-type: none"> (a) Miscellaneous supplies and materials, (b) Equipment rentals, (c) Travel, (d) Purchased services, and (e) Contractual services.
INDIRECT COSTS are those costs that we incur as part of providing a product or service, but that we cannot identify with producing a specific product or service. Indirect costs include:	
(1) Space rental; (2) Utilities, including telephone services; (3) Postage; (4) Unemployment compensation benefits; (5) Data processing, management, and control; (6) Equipment costs and rentals (excluding those recovered as direct costs); (7) Miscellaneous supplies and materials (excluding those recovered as direct costs); (8) Training, employee development, and personnel transfers (including time in transit and	

per-diem);

(9) Public information and inquiries (not reimbursed under the Freedom of Information Act);

(10) Safety management;

(11) Equal Employment Opportunity and other affirmative action programs; and

(12) Senior management reviews not directly attributable to a specific program.

Additional indirect costs include central Headquarters office and Regional office support, Regional program management, as well as funds supplied to the Department of the Interior Working Capital Fund. **Exception:** Regional office staff may have substantial involvement in certain Natural Resource Damage Assessment and Restoration (NRDAR) projects. Check with your Regional Budget and Finance Office for the applicable NRDAR indirect cost rate (also see Exhibit 4).