



# Calculating indirect cost rates for research organizations

Comprehensive and accurate costing ensures fair compensation for thriving academic medical center

## Challenge: Capturing research infrastructure costs with precision

Research organizations in receipt of federally sponsored research funds must provide a detailed account of all expenses incurred, including the calculation of indirect cost rates for reimbursement of facilities and administrative costs in support of the research mission. These costs are included in the total budget of any research project to ensure fair compensation for both organizations.

Organizations that receive government funds to conduct research are required to substantiate indirect cost rates on a regular basis. Faced with rising costs annually, a public academic health science center with more than \$250 million in grants and contracts has worked with Huron for over 20 years to calculate its indirect cost rates accurately and negotiate these rates with the federal government on its behalf.

### IN BRIEF

- A large public academic health science center begins the process of calculating its indirect cost rates, as required by the federal government, with a comprehensive space survey.
- The space survey informs the development and refinement of the key statistics used in allocating facilities costs, the main driver of the indirect cost rate.
- The center has significantly improved its indirect cost rate calculation process over the years by ensuring that it is fairly reimbursed for its work as its costs rise.

## Approach: Comprehensive cost analysis

Indirect cost rates recover overhead costs, including facilities operation and maintenance, utilities, security, buildings and equipment, and administrative expenses. Understanding how much these research support items cost typically begins with conducting a space survey. Over several weeks, Huron and the institution completed a space survey that included campus tours, stakeholder interviews, and data analysis. This process informs the development and refinement of the key statistics used in allocating facilities costs, the main driver of the indirect cost rate.

Once the cost and space survey data are compiled, it is added to [efacs™](#), a proprietary, web-based tool from Huron that helps organizations prepare and submit accurate and defensible indirect cost rate proposals. This ensures readiness for successful rate negotiation with federal agencies such as the Department of Health and Human Services, Cost Allocation Services (DHHS-CAS), and the Office of Naval Research (ONR).

## Results: Increased reimbursement

The academic health science center has significantly improved its indirect cost rate calculation process by ensuring that it is fairly reimbursed for its work as its costs rise. Huron has also assisted the academic health science center in implementing and calculating its annual fringe benefit rates, which allow for reimbursement of employer-paid portions of employee benefits such as health insurance, payroll taxes, and retirement benefits for employees working on federal grants.

These collective efforts have helped the center consistently increase research revenue while allowing researchers and staff to focus on innovation and discovery, paving the way for future breakthroughs.



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