



Utah Weatherization Program

Indirect Direct &
Allocated Cost
(Cost Allocation)



Indirect Costs

What are indirect costs?

Indirect costs represent the expenses of doing business that are not readily identified with a particular grant, contract, project function or activity, but are necessary for the general operation of the organization and the conduct of activities it performs.



Direct Costs

What are direct costs?

Costs which are directly accountable to a cost object (such as a particular project, facility, function or product).



Cost Allocation

What Cost Allocation?

Cost allocation is the process of identifying, aggregating, and assigning costs to cost objects. A cost object is any activity or item for which you want to separately measure costs. Allocated Costs can be either Direct or Indirect.



2 CFR §200.412

Classification of costs. There is no universal rule for classifying certain costs as either direct or indirect (F&A) under every accounting system. A cost may be direct with respect to some specific service or function, but indirect with respect to the Federal award or other final cost objective. **Therefore, it is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or an indirect (F&A) cost** in order to avoid possible double-charging of Federal awards. Guidelines for determining direct and indirect (F&A) costs charged to Federal awards are provided in this subpart.



Liability Insurance & Financial Audit

Beginning in PY 19 (1 July 2019) State WAP will not issue a contract with these budget lines unless subgrantee can demonstrate in clear detail these cost are not being allocated as Indirect Costs



Other Considerations

- **Fleet**
Is you agency allocating all fleet cost but WX?
- **Building Rent**
Is WX being Direct Billed their rent and other buildings being allocated?