



RCAC Regional Financial Peer Group

Let's Talk About Indirect!

Who's With Us Today?

CHAT BOX



Hank's in the back...he's very shy!

Murphy says...

**NICE TO
SEE YOU!**

Indirect...

it's
complicated



Where Do I Find the Rules Around Indirect?

Sources:

- 2 CFR Part 200 (UG)
- USDA RD Instruction 1944-I
- Your Cognizant Agency
 - *Negotiated Indirect Cost Rate Agreement*



eCFR Title 2 Subtitle A Chapter II Part 200 (UG)



Code of Federal Regulations

A point in time eCFR system



Title 2 – Grants & Agreements

Subtitle A – Office of Management & Budget Guidance for Grants & Agreements

Chapter II – Office of Management & Budget Guidance

PART 200 - UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS



RD Instruction 1944-I Exhibit P

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RD Instruction 1944-I
Exhibit P
Page 1
(Added 12-12-19, PN 532)

INDIRECT COST RATE NEGOTIATIONS

The cognizant agency for indirect cost negotiation for the United States Department of Agriculture (USDA) Rural Housing Service, but the servicing agency for processing indirect cost rate proposals and issuing and extending indirect cost rate agreements will be the United States Department of the Interior (DOI).

USDA-Rural Housing Service annually enters into an interagency agreement with the DOI, Interior Business Center. This agreement provides for DOI to negotiate, issue, and extend current indirect cost rate/cost allocation plans on behalf of USDA-Rural Housing Service for Section 523 Mutual Self-Help Grant Applicants. States should provide this policy to their grant applicants, so they may work directly with DOI for approval.

Grantees claiming reimbursement of indirect costs on the Section 523 Self-Help Technical Assistance Grants are required to have current negotiated indirect cost rate agreements with their federal cognizant agency which may not necessarily be DOI. For example, if Health and Human Services (HHS) is a Section 523 Grant applicant's cognizant agency because they provide the largest source of funding to the entity, then the applicant will need to provide a copy of HHS's rate approval with their grant application.



RD Instruction 1944-I Exhibit P cont.



**Indirect Cost Rate
VS.
Cost Allocation Plan**

RESPONSIBILITIES:

Cost Allocation Plans and Indirect Cost Rates

Historically, USDA-RHS has allowed nonprofit organizations and governmental departments to use a Cost Allocation Plan (CAP) in lieu of an indirect cost rate. With the release of 2 CFR 200, it has been made evident that an indirect rate will be more appropriate for the majority of Section 532 Grantees. Under certain situations, governmental departments or agencies may request to use a CAP in lieu of an indirect cost rate agreement but this must be requested only in limited circumstances and be due to the nature of that entity's federal award. CAPs used by governmental agencies will be reviewed by DOI on a case-by-case basis to determine if indirect cost rates can be issued instead.

For nonprofit organizations, the approval of a CAP in lieu of indirect cost rate will be phased out over the next fiscal period. Starting in FY 2017, nonprofit organizations will be required to obtain indirect cost rates. In the extremely rare situation where a Non-Federal entity can appropriately allocate and charge 100% of their costs directly to their 523 grant and indirect costs are not claimed, approval from DOI is not necessary; however, DOI may review proposals of these types on a case-by-case basis to determine if indirect cost rates can be issued.

Your Cognizant Agency



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

Nonprofit Organization Indirect Cost Negotiation Agreement

Date: 11/02/2020

Organization:

Report Number: 2020-0674

Filing Ref.:
Last Negotiation Agreement
dated: 08/28/2019

The indirect cost rates contained herein are for use on grants, contracts, and other agreements with the Federal Government to which Public Law 93-638 and/or 2 CFR Part 200 apply subject to the limitations contained in Section II.A. of this agreement. The rates were negotiated by the U.S. Department of the Interior, Interior Business Center, and the subject organization in accordance with the authority contained in applicable regulations.

Section I: Rate

Start Date	End Date	Rate Type	Name	Rate	Base	Location	Applicable To
01/01/2019	12/31/2019	Final	Indirect	11.41 %	(A)	All	All Programs
01/01/2021	12/31/2021	Provisional	Indirect	12.30 %	(A)	All	All Programs



Uniform Guidance

Title 2 / Subtitle A / Chapter II / Part 200 [Previous](#) / [Next](#) / [Top](#)

past periods covered by provisional or fixed rates, appropriate adjustments will be made when the rates are finalized to avoid duplicate recovery of the unallowable costs by the Federal

Table of Contents

- Timeline
- Go to Date
- Compare Dates
- Search
- Subscribe
- Share
- Published Edition
- Display Options
- Print

ENHANCED CONTENT - TABLE OF CONTENTS

§ 200.346	Collection of amounts due.	
▼ Subpart E	Cost Principles	200.400 – 200.476
▼ General Provisions		200.400 – 200.401
§ 200.400	Policy guide.	
§ 200.401	Application.	
▼ Basic Considerations		200.402 – 200.411
§ 200.402	Composition of costs.	
§ 200.403	Factors affecting allowability of costs.	
§ 200.404	Reasonable costs.	
§ 200.405	Allocable costs.	
§ 200.406	Applicable credits.	
§ 200.407	Prior written approval (prior approval).	
§ 200.408	Limitation on allowance of costs.	
§ 200.409	Special considerations.	
§ 200.410	Collection of unallowable costs.	
§ 200.411	Adjustment of previously negotiated indirect (F&A) cost rates containing unallowable costs.	
▼ Direct and Indirect (F&A) Costs		
§ 200.412	Classification of costs.	
§ 200.413	Direct costs.	
§ 200.414	Indirect (F&A) costs.	
§ 200.415	Required certifications.	
▼ Special Considerations for States, Local Governments and Indian Tribes		200.416 – 200.417

CHAT BOX

UG Subpart E—Cost Principles 200.412-200.415

§200.412 Classification of costs

There is no universal rule for classifying certain costs as either **direct** or **indirect** facilities and administrative (F&A) under every accounting system



Who Loves Policies & Procedures? We do!



...but 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

UG Subpart E—Cost Principles 200.412-200.415

§200.413 Direct costs

(a) Easily and accurately assigned to a specific award
(c) Salaries of administrative and clerical staff should normally be treated as indirect. **Direct charge only if all of the following are met:** *(met in our 523 grant)*

- (1) Administrative or clerical services are **integral to the project**,
- (2) Individuals involved can be specifically **identified with the project**,
- (3) Such costs are explicitly **included in the budget** or have prior written approval, and
- (4) The costs are **not also recovered as indirect**



UG Subpart E—Cost Principles 200.412-200.415



Costs in the indirect cost pool are:

- Allowable, and
- Benefit ALL programs
- **NOT** allowed in the pool at any time: capital expenditures, losses on awards, unallowable costs, and expenditures that benefit some but not all programs

UG Subpart E—Cost Principles 200.412-200.415

10%



§200.414 Indirect (F&A) costs (f)

...any NFE that does not have a current negotiated (including provisional) rate...

...may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC)...

...no documentation is required to justify the 10% de minimis indirect cost rate...

...costs must be consistently charged as either indirect or direct costs...

...once elected must be used consistently for all Federal awards...

...NFE may choose to negotiate with cognizant agent for a rate at any time

CHAT BOX

UG Subpart E—Cost Principles 200.412-200.415

§ 200.414 Indirect (F&A) costs. ★

- (e) Requirements for development and submission of indirect (F&A) cost rate proposals and cost allocation plans are contained in Appendices III-VII and Appendix IX as follows:
- (1) Appendix III to Part 200 - Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs);
 - (2) Appendix IV to Part 200 - Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations;
 - (3) Appendix V to Part 200 - State/Local Governmentwide Central Service Cost Allocation Plans;
 - (4) Appendix VI to Part 200 - Public Assistance Cost Allocation Plans;
 - (5) Appendix VII to Part 200 - States and Local Government and Indian Tribe Indirect Cost Proposals; and
 - (6) Appendix IX to Part 200 - Hospital Cost Principles.



UG Subpart E—Cost Principles 200.412-200.415



Buckle Up Buttercup – we’re heading for Appendix IV!

Appendix IV to Part 200 - Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations

Allocating Your “Baskets”



DIRECT COSTS

- 523 Program Coordinator wage
- Program brochure printing cost

SHARED COSTS

- Office Building Rent
- Utilities

INDIRECT COSTS

- HR Director wage
- CFO wage

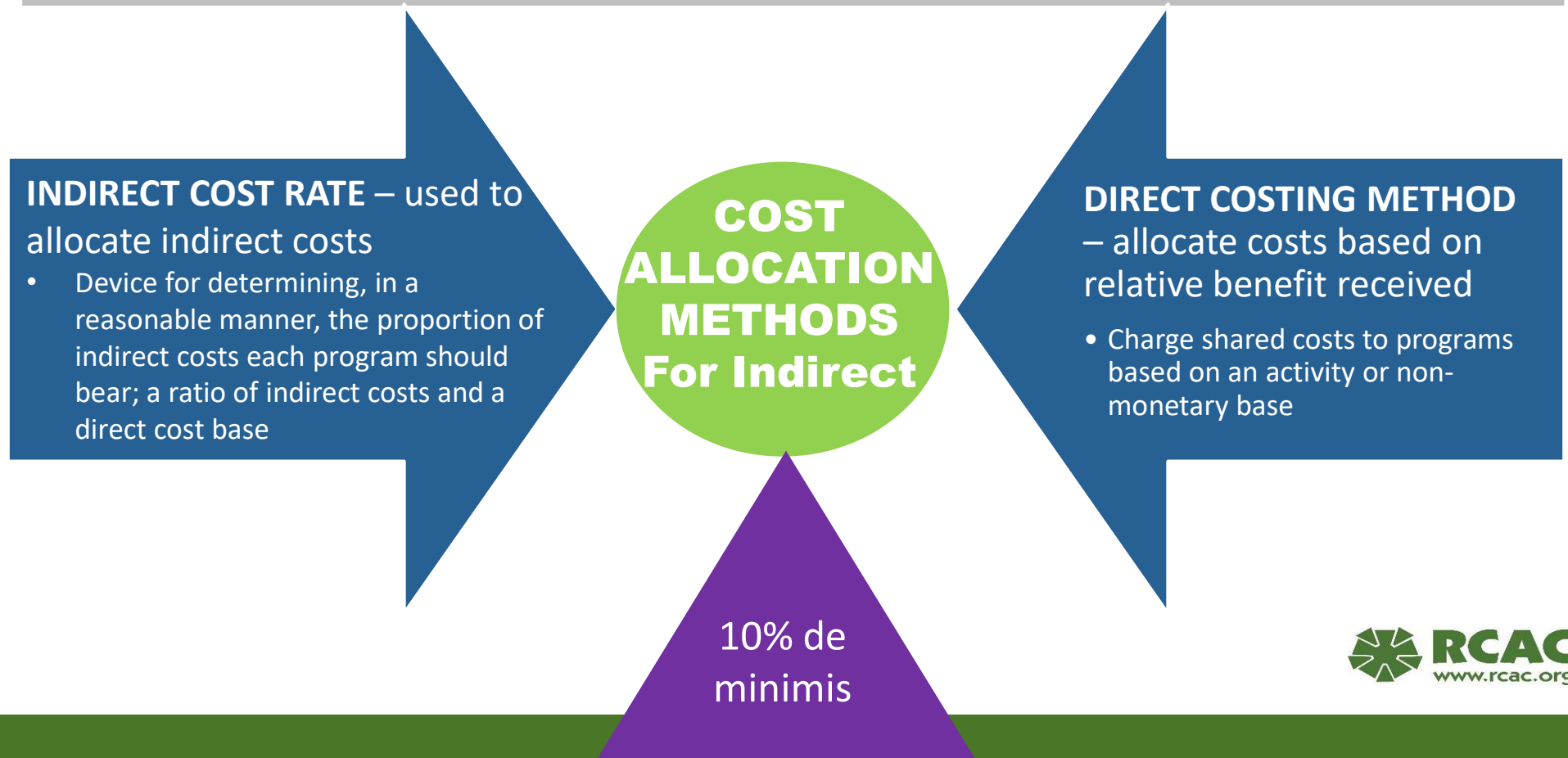
Appendix IV to Part 200 - Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations

DIRECT COSTING ALLOCATION

Identify the costs to be allocated, and define the measure of activity that will fairly allocate the costs

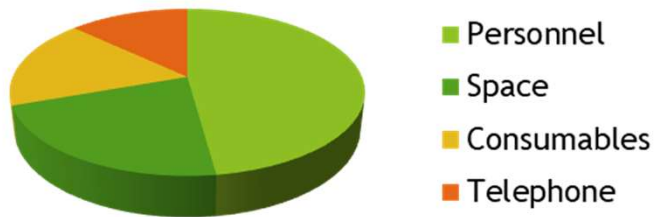
TYPE OF SERVICE	BASIS FOR ALLOCATION
Shared Vehicle	<i># miles driven</i>
Food Preparation	<i># of meals served</i>
Building & Maintenance	<i># of square feet</i>

Appendix IV to Part 200 - Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations



Appendix IV to Part 200 - Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations

All Agency Indirect Costs



THIS

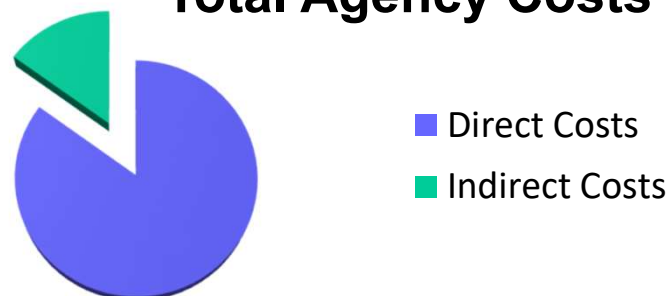
Your Base...one of these

Wage & Fringe

Wage Only

MTDC

Total Agency Costs



Indirect Cost Pool ÷ **BASE** = **INDIRECT COST RATE**



Appendix IV to Part 200 - Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations



I Got my Base Rate!

INDIRECT CALCULATION BASE OPTIONS:

Direct salaries and wages OR

Direct salaries, wages and fringe benefits OR

Modified Total Direct Costs (MTDC)

- **(Almost) ALL direct program costs**, e.g., salaries and wages, fringe, materials, supplies, services, travel and subawards up to the first \$25,000
- EXCLUDES **equipment, capital expenditures**, portion of each subaward in excess of \$25,000* **Other items may be excluded to avoid serious inequity in distribution of indirect costs*
- **MTDC may be the base for your Cognizant Agency rate calculation, but it is ALWAYS the required base for the 10% de minimis rate**

Appendix IV to Part 200 - Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations



Final Rate

- applicable to specified past period which is based on the actual costs of the period
- not subject to adjustment



Provisional Rate

- temporary rate applicable to a specified period which is used for funding, interim reimbursement, and reporting indirect costs
- pending the establishment of a final rate for the period

Predetermined Rate

- applicable to a specified current or future period, usually the fiscal year
- based on an estimate of the costs to be incurred during the period
- not subject to adjustment

Fixed Rate

- same characteristics as a predetermined rate,
- except that the difference between the estimated costs and the actual costs of the period covered by the rate is carried forward as an adjustment to the rate computation of a subsequent period

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Final Rate



Your Cognizant Agency

2. **Provisional/Final Rate:** Within six (6) months after year end, a final indirect cost rate proposal must be submitted based on actual costs. Billings and charges to contracts and grants must be adjusted if the final rate varies from the provisional rate. If the final rate is greater than the provisional rate and there are no funds available to cover the additional indirect costs, the organization may not recover all indirect costs. Conversely, if the final rate is less than the provisional rate, the organization will be required to pay back the difference to the funding agency.



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Provisional Rate



UG Subpart E—Cost Principles 200.412-200.415



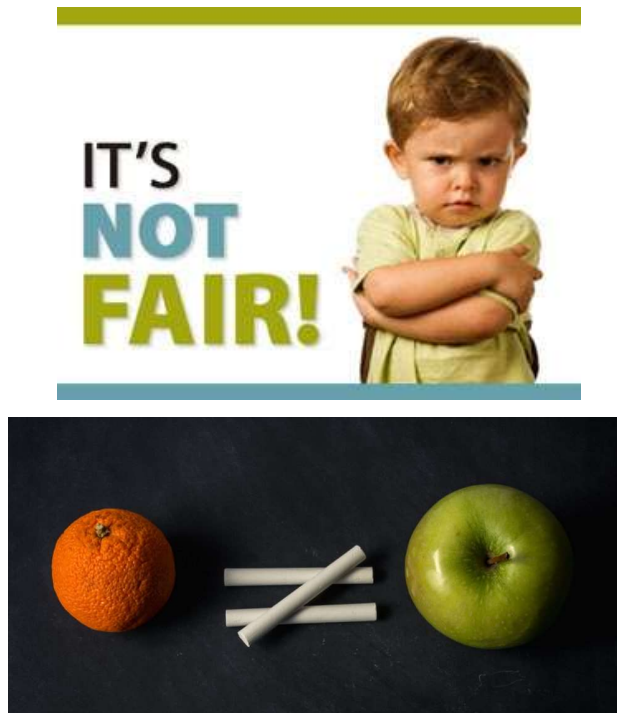
§200.414 (c)(1) negotiated rates must be accepted by all Federal awarding agencies*...

...unless required by Federal statute or regulation, or when approved by a Federal awarding agency head or delegate...



Appendix IV to Part 200 - Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations

What about the grants that disallow some costs or limit the amount of administrative costs you can charge?



- *You are required to charge all programs fairly and to follow your plan*
- Invoice funding sources according to grant requirements, ***but charge all costs according to your plan***
- Record other revenue or move expenses to offset unallowed costs

We've Talked About the Rules, Now Here's Some Tools

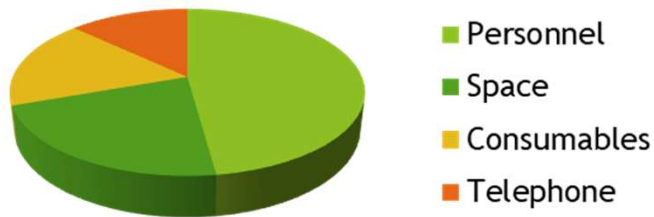
- **Spreadsheet Tool**

- *Calculate your actual Indirect by pay period, month or quarter*
 - *You must know what your BASE is (from your NICRA letter)*
 - *Compare your ACTUAL calculated indirect for the period against your PROVISIONAL rate*
- ***Let's go see how it works...***



Appendix IV to Part 200 - Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations

All Agency Indirect Costs



THIS

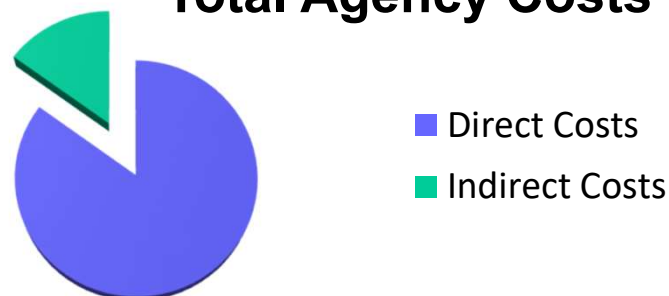
Your Base...one of these

Wage & Fringe

Wage Only

MTDC

Total Agency Costs



Indirect Cost Pool ÷ **BASE** = **INDIRECT COST RATE**



A Few More Handy Tools

- Spreadsheet Tool
 - *Calculate your actual Indirect by pay period, month or quarter*
 - *You must know what your BASE is (from your NICRA letter)*
 - *Compare your ACTUAL calculated indirect for the period against your PROVISIONAL rate*
- Sample DOI Submission Materials
- J Monteux, RCAC Cost Allocation & Indirect article (textbook)
- Bookmark UG 2 CFR 200 & I944-I @ your desk
- ...and Remember, *Your Financial Policies & Procedures* are also a primary tool in your belt!



Indirect...

KEY TAKE AWAYS:

- Indirect cost items **must not also be charged** directly to programs
- Funds spent on **administrative costs** are **unavailable for programmatic use**
- Costs **must be allowable under the cost principles**
- Many **funding sources limit** the amount of total **administrative costs** – not fair!...but true
- Funds spent on **administrative costs**, which are **not charged to the program receiving the benefit**, must be paid for by other funds of the agency





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