



# Overview of Indirect Costs

## Presented to VETS Grantees

*February 19, 2020*

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# Topics We Will Cover

- What is the Office of Cost Determination?
- Why is an agreement needed, Who is the FCA?
- Indirect Cost Proposals
- Types of Costs
- Types of Indirect Costs
- Allocation of Indirect Costs
- Understanding the Federally Approved Rate Agreement
- Prime recipient indirect cost responsibilities for subrecipients
- Understanding the Grant Award



**What is the Office of Cost  
Determination (OCD)?**

**Office of Cost Determination, OCPO, BOC, OASAM, USDOL  
200 Constitution Ave., N.W. S-1510  
Washington, D.C. 20210  
(202) 693-4100**

**Our office has been in existence since 1972. We are primarily responsible for reviewing, negotiating, and approving indirect cost rates and cost allocation plans for entities receiving direct Federal funds primarily from the U.S. Department of Labor, on behalf of the Federal Government. We also perform cost analysis on pre-award reviews, and audit resolution. Our reviews are based on the following cost principles:**

<u>Entities</u>	<u>Cost Principles</u>
State, Local, Indian Tribal Govs.	2 CFR Part 200; Appendix V & VII*
Non-Profit	2 CFR Part 200; Appendix IV*
Commercial	Federal Acquisition Regulations, Part 31

**In FY19, OCD completed 508 reviews of indirect cost rate proposals and cost allocation plans.**

# OCD's Website (1 of 3)



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## Business Operations Center

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### Topics

- Frequently Asked Questions (FAQs)
- Questions and Answers from ETA webinars
- Guidance for Indirect Rate Determination For Non-Profit / Commercial
- Guidance on Indirect Costs for State / Local Governments
- External Regulations and Q&A Guidance, including ETA TEGLs
- Partial List of Other Federal Cognizant Agencies Approving Indirect Rates

### About OCD

## Office of Cost Determination

The Office of Cost Determination (OCD) has delegated authority to negotiate and issue indirect cost rates (ICR) and cost allocation plans (CAPs) on behalf of the Federal Government, for organizations receiving the preponderance of direct Federal funds from the U.S. Department of Labor (DOL). The negotiated ICR rates and CAPs are utilized to properly support indirect cost billings and close-out efforts on cost reimbursable grants and contracts.

OCD performs four main functions:

1. Negotiate, issue, and maintain a file of indirect cost rates and cost allocation plans based on regulatory guidance applicable to state/local organizations, non-profit organizations and commercial organizations.
2. Conduct the audit resolution process for indirect costs and cost allocation findings resulting from audit reports issued by DOL's Office of the Inspector General.
3. Provide liaison, coordination, and technical assistance to federal agencies, DOL personnel, grantees, and contractors on indirect cost issues through formal and informal communication.
4. When requested, provide pre-award cost analysis reports to Contracting Officers in DOL based on FAR 15.404-1(c).

For any questions, access our directory listing in [Contact Us](#). You may also contact the OCD National Office in Washington, D.C. at (202) 693-4100.

<https://www.dol.gov/agencies/oasam/business-operations-center/cost-determination>

# OCD's Website (2 of 3)

An official website of the United States government. [Here's how you know](#) ▾

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OASAM > BOC > [Office of Cost Determination](#) > Guidance for Indirect Rate Determination For Non-Profit / Commercial

## Guidance for Indirect Rate Determination For Non-Profit / Commercial

Office of Administrative Services (OAS)

Office of Asset and Resource Management

Office of Cost Determination

Frequently Asked Questions (FAQs)

Questions and Answers from ETA Webinars

[Guidance for Indirect Rate Determination For Non-Profit / Commercial](#)

Guidance on Indirect Costs for State/Local

### A Guide for Indirect Cost Rate Determination — Applicable to Nonprofit and Commercial Organizations

Based on the cost principles of **2 CFR Part 200**, Subpart E & Appendix IV for Nonprofit Organizations, and FAR 31.2 for Commercial Organizations. View the entire guide ([PDF](#)).

**Note:** After reviewing the guide, preparing an indirect cost proposal using the checklist on page II-4, and determining that you need to submit it to this office, please mail a **hard** copy of this document to the applicable OCD address at: <https://www.dol.gov/agencies/oasam/business-operations-center/cost-determination/contact>.

Examples of financial schedules for indirect cost rate proposal based on Section III of the above guide ([XLS](#))

**Note:** Only provided for convenience purposes. The content of schedules must be based on the organizations' own records (Example, Exhibit D or E must be based on the organizations' chart of accounts). The applicable formulas in the document must also be verified.

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6/5/2019

# OCD's Website (3 of 3)

## External Regulations and Q&A Guidance, Including ETA TEGLs

Office of Administrative Services (OAS)

Office of Asset and Resource Management

[Office of Cost Determination](#)

Frequently Asked Questions (FAQs)

Questions and Answers from ETA Webinars

Guidance for Indirect Rate Determination For Non-Profit / Commercial

Guidance on Indirect Costs for State/Local Governments

[External Regulations and Q&A Guidance, Including ETA TEGLs](#)

- [2 CFR Part 200 — Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#)
  - [2 CFR Part 2900 — On December 19, 2014, the Department of Labor \(DOL\) issued its Final Rule entitled Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards adopting the OMB Rule with DOL exceptions](#)
  - [2 CFR Part 200 – FAQs](#) – July 2017 (PDF)
  - [OMB Circular A-122, Cost Principles for Non-profit Organizations](#)
  - [OMB Circular A-87, Cost Principles for State/Local Governments](#)
  - HHS – Implementation Guide for Circular A-87 ([PDF](#))
  - [GSA – Federal Acquisition Regulations Part 31 – Contract Cost Principles](#)
  - [Cost Accounting Standards \(CAS\)](#)
  - ETA TEGLs:
    - Compensation limitations established for certain ETA programs [TEGL 5-06](#)
    - Allocation of Costs of Assessing and Collecting State Taxes that are Collected in Conjunction with the State Unemployment Compensation Tax [TEGL 6-05](#)
    - Allocation of Costs of Assessing and Collecting Penalty and Interest under State Unemployment Compensation Laws [TEGL 15-09](#)
  - [Job Corps Compensation Guidance](#) (PDF) dated January 13, 2009
- Note:** This guidance limited individual contractor's compensation to OPM Executive Level I, through December 31, 2011. Effective January 1, 2012, public law limits individual contractor's compensation to OPM Executive Level II. For more information, access the following: [Updated guidance on Job Corps compensation](#) (PDF), or contact us.

**Why is an agreement needed, who is the  
Federal cognizant agency (FCA)?**



# Why a Federally approved Indirect Cost Rate or approved CAP is needed?

- Compliance with Federal regulations and cost principles
- Required in Federal Awards to support claimed indirect costs, when the organization receives more than one Federal grant/contract during a given FY.
- Management information
- Documentation for auditors
- Closeout and Post-Closeout purposes – Need to have approved rates or CAPs for the life of the Federal award.

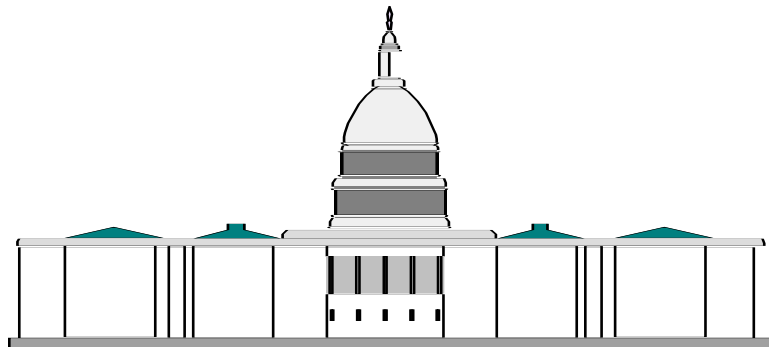
# Who approves indirect cost rates?

- The Federal agency providing the largest dollar volume of direct funding is normally used to determine the cognizant Federal agency (responsible for negotiating/approving indirect costs).

See OCD website for partial list of Federal cognizant agencies: <https://www.dol.gov/agencies/oasam/centers-offices/business-operations-center/cost-determination/agency-list>



Education



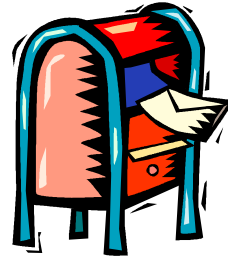
# **Indirect Cost Proposals**

# How often are indirect cost proposals due?

- In compliance with Federal regulations and cost principles - 2 CFR Part 200 states:

- b. Except as otherwise provided in §200.414 Indirect (F&A) costs paragraph (f) of this Part, a nonprofit organization which has not previously established an indirect cost rate with a Federal agency must submit its initial indirect cost proposal immediately after the organization is advised that a Federal award will be made and, in no event, later than **three months** after the effective date of the Federal award.

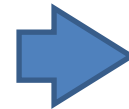
- c. Unless approved by the cognizant agency for indirect costs in accordance with §200.414 Indirect (F&A) costs paragraph (g) of this Part, organizations that have previously established indirect cost rates must submit a new indirect cost proposal to the cognizant agency for indirect costs within **six months** after the close of each fiscal year.



Initial  
Proposal  
after  
receiving  
award!

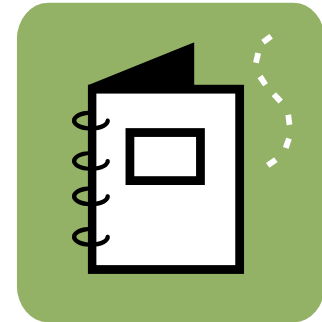


Annual  
proposal  
based on  
actual  
costs!



# What should be included in the Indirect Cost Proposals?

- Org. Chart, Timesheets/ Documentation supporting allocation of personnel expenses.
- Cost Policy Statement – Describing all costs elements line item by line item and providing how these costs are allocated. Example, 100% indirect, indirect & direct, share direct, or 100% direct, etc.
- Personnel Cost Worksheet, Allocation of Personnel Costs.
- Statement of Fringes (if applicable).
- Statement of Total Costs (including rate calculations...)
- Certificate of Indirect Costs
- Financial Statements
- Listing of Federal Grants and Contracts showing source of Funding, grant/contract amounts, relevant dates.



**See:**

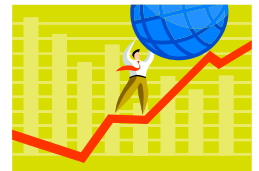
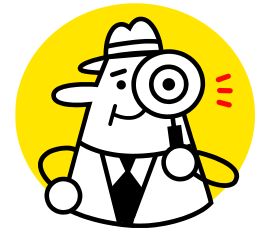
<https://www.dol.gov/sites/dolgov/files/OASAM/legacy/files/DCD-2-CFR-Guide.pdf> **Page II-4 of the indirect cost guide**



Adobe Acrobat  
Document

# Indirect Cost Negotiation Process

- If the grantee has awards directly with the federal government and DOL is the Federal Cognizant Agency, OCD:
  - Reviews the proposal for unallowable, unallocable and/or unreasonable costs
  - Reviews additional documentation if necessary
  - Performs trend analysis if needed
  - Advise of unallowable, unallocable or unreasonable items and negotiate these costs as appropriate.
  - Issues a rate agreement to formalize the negotiation results.
  - Proposals are typically reviewed within 150 days from receipt.



# Methodologies to charge Indirect Costs State/Local Governments

## Indirect Cost Rate (ICR)\*

- Allocates indirect costs to the grant(s) through an approved rate.
- Allocation base examples: direct salaries & Wages, MTDCs, etc.
- Typically adjusted on a yearly basis to account for actual costs incurred when using provisional/ final rates.
- Rate agreement completes negotiation.

## Cost Allocation Plan (CAPs)

- Allocates indirect costs the grant(s) through an approved cost allocation methodology.
- Allocation base examples: direct hours paid, direct FTEs, etc.
- Typically adjusted and charged to grants on a monthly basis based on actual costs.
- CAP letter with supplemental schedule of allocated indirect costs completes negotiation.

### Similarities between ICRs and CAPs:

Both methods achieve the same result when allocating indirect costs; require similar documentation for indirect cost proposal including: narratives explaining how all costs are allocated, financial schedules, and certifications of compliance with cost principles.

\* Preferred method by Federal funding agencies. Non-profit organizations use this method; Appendix IV of 2 CFR Part 200 is silent on CAPs.

# 2 CFR Part 200, Appendix VII, Guidance on CAPs

## Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals

### A. General

3. Indirect costs are normally charged to Federal awards by the use of an indirect cost rate...

### F. Other Policies

#### 3. Indirect Cost Allocations Not Using Rates

In certain situations, governmental departments or agencies (components of the governmental unit), because of the nature of their Federal awards, may be required to develop a cost allocation plan that distributes indirect (and, in some cases, direct) costs to the specific funding sources. In these cases, a narrative cost allocation methodology should be developed, documented, maintained for audit, or submitted, as appropriate, to the cognizant agency for indirect costs for review, negotiation, and approval.

Note: In addition to narrative, OCD also requires cost schedules supporting the allocation of indirect costs.



# Types of Costs

# To be chargeable to a Federal grant/contract, direct & indirect costs must be:

Allowable

Reasonable



Allocable

**See: 2 CFR Part 200.403-405**

# What are Indirect Costs?

Costs that are not readily identifiable with a particular cost objective.

## Examples:

- Salaries – Executive Director, Accountant, Fiscal, HR, Payroll, etc.
- Space – sq. ft. occupied by indirect staff
- Supplies – used by indirect staff
- Communications – used by indirect staff



**See: 2 CFR 200.414**

# What are Direct Costs?



**Costs that are readily identified with a particular cost objective.**

## **Examples (program specific):**

- **Salaries – VETS program staff**
- **Space – sq. ft. occupied by direct staff**
- **Supplies – used by direct staff**
- **Communications – used by direct staff**

**See: 2 CFR 200.413**

# What is an Indirect Cost Rate?

A ratio (whereby an indirect cost pool is divided by a direct cost base), which is then expressed as a percentage.

Example:

$$\frac{\textit{Pool}}{\textit{Base}} = \textit{Rate}$$

# What are total costs according to the Federal Cost Principles?

**Total Costs = Direct Costs + Indirect Costs - Applicable Credits.**

**See: 2 CFR Part 200.402**

# Unallowable Costs

**Specifically identified in the grant/contract as being unallowable, or identified in 2 CFR Part 200.**

**Examples of expressly unallowable indirect costs are:**

- Advertising and Public Relations**
- Bad Debts**
- Contributions**
- Entertainment Costs**
- Fundraising and Lobbying**

# Direct vs. Indirect Costs

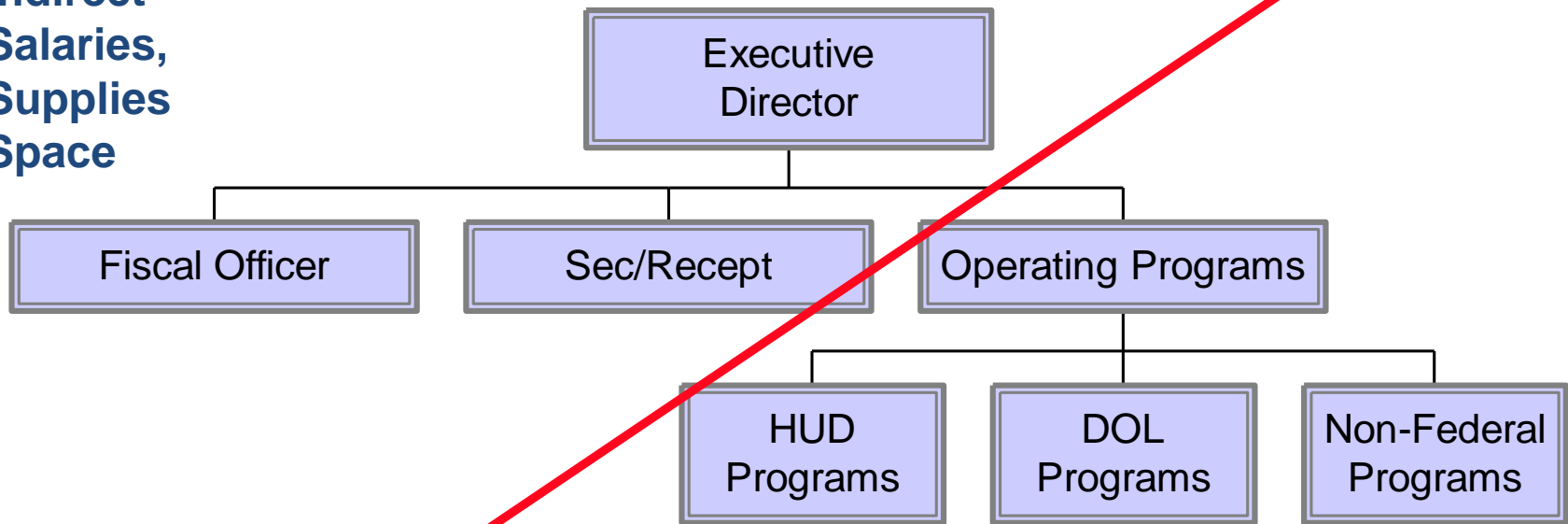
- **Consistency must be observed considering allowability of costs when allocating direct or indirect costs (2 CFR Part 200.403(c)).**
- **The Cost Policy Statement (CPS) (which should be submitted with a proposal) must explain how the grantee treats all costs within the accounting system.**



# Indirect Costs/Direct Costs in an Organizational Structure Chart

## Typical Non-Profit Organization

Indirect  
Salaries,  
Supplies  
Space



Direct/Program  
Salaries, Supplies, Space

# **Types of Indirect Cost Rates**

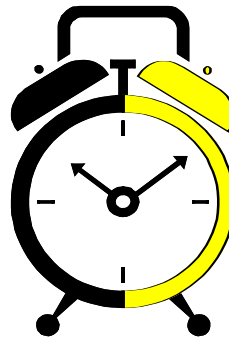
# Types of Indirect Cost Rates

- **Billing**
- **Provisional**
- **Final**
- **Fixed**
- **Predetermined**
- **De minimis**



# Billing Rate

- Rate stated in the award (subject to negotiation by grant/contract officer) to allow recovery of indirect costs until an indirect cost proposal is completed and submitted.
- Normally only valid for 90 days.
- Retroactively adjusted using the rate approved by the Federal cognizant agency.



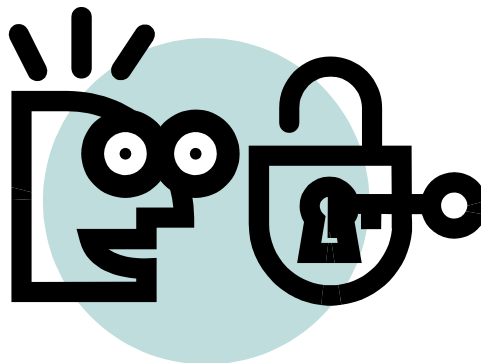
## Provisional Rate

- **Set by the Federal cognizant agency.**
- **A rate based on projected information, historical information, or a combination of the two for the organization's fiscal year**
- **This rate allows for recovery of indirect costs during the contract/grant period until the rate can be finalized**

**See: 2 CFR Part 200, Appendix IV, C.1.**

## Final Rate

- **Set by the Federal cognizant agency.**
- **The experienced indirect cost rate based on actual data for the organization's fiscal year**
- **All provisional indirect cost rates must eventually be “finalized”**



**See: 2 CFR Part 200,  
Appendix IV, C.1.**

## Fixed Rate

- **Set by the Federal cognizant agency.**
- **A permanent rate that is not subject to change**
- **Any differences between estimated and actual costs are carried forward as adjustments to rate computations in future periods**
- **Typically approved for state/local organizations.**

**See: 2 CFR Part 200, Appendix IV, C.1.**

# Predetermined Rate

- **Set by the Federal cognizant agency.**
- **A rate negotiated for a certain length of time, usually several years**
- **Not subject to change**

**See: 2 CFR Part 200, Appendix IV, C.1.**



## De minimis Rate

### 10 percent de minimis rate

- Any non-Federal entity that has never received a negotiated indirect cost rate [with exceptions] ... may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely ([§200.414 \(f\)](#)).
- Subject to review/approval by grant officer.

# 2 CFR Part 200.68

## Modified Total Direct Cost (MTDC).

- *MTDC* means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward (regardless of the period of performance of the subawards under the award).
- **MTDC excludes:**
  - A. equipment,
  - B. capital expenditures,
  - C. charges for patient care,
  - D. rental costs,
  - E. tuition remission,
  - F. scholarships and fellowships,
  - G. participant support costs and the portion of each subaward in excess of \$25,000.
- Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs.



# **Allocation of Indirect Costs**

## Examples of Allocation of Indirect Costs using (2) different allocation bases:

- **Total Direct Salaries**
- **Total Direct Costs**

## Indirect Cost Rate Calculation/Distribution Using "Total Direct Salaries" as the Allocation Base

	Total Costs	Unallowable Costs	Indirect Costs	Total Direct	VETS	All Other Funding Sources
	A=(B+C+D)	B	C	D=E+F	E	F
Salaries	\$589,000		\$70,000	\$519,000	\$219,000	\$300,000
Benefits	\$176,700		\$21,000	\$155,700	\$65,700	\$90,000
Other Costs	\$171,000	\$10,000	\$59,000	\$102,000	\$40,000	\$62,000
<b>Total</b>	<b>\$936,700 *</b>	<b>\$10,000</b>	<b>\$150,000</b>	<b>\$776,700</b>	<b>\$324,700 a</b>	<b>\$452,000</b>

Indirect Costs	\$150,000
Total Direct Salaries	\$519,000
Indirect Rate	28.9%



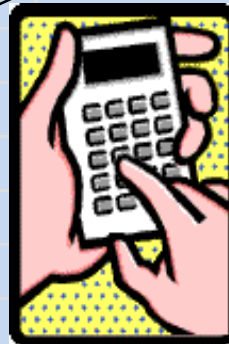
Total Costs per Cost Center	\$387,995 a+b	\$538,705
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\* Must reconcile to the Financial Statements.

## Indirect Cost Rate Calculation/Distribution Using "Total Direct Costs" as the Allocation Base

	Total Costs	Unallowable Costs	Indirect Costs	Total Direct	VETS	All Other Funding Sources
	A=(B+C+D)	B	C	D=E+F	E	F
Salaries	\$589,000		\$70,000	\$519,000	\$219,000	\$300,000
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<b>Total</b>	<b>\$936,700 *</b>	<b>\$10,000</b>	<b>\$150,000</b>	<b>\$776,700</b>	<b>\$324,700 a</b>	<b>\$452,000</b>

Indirect Costs	\$150,000
Total Direct Costs	\$776,700
Indirect Rate	19.3%



\$62,708 b	\$87,292
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Total Costs per Cost Center	\$387,408 a+b	\$539,292
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\* Must reconcile to the Financial Statements.

# Simple Example - Allocation of Indirect Costs

## Rent and Utilities for 3 Roommates; how to allocate those “indirect” costs?

Method 1 - split 3 ways		Method 2 - using salaries	
Monthly rent & utilities	\$2,650	Monthly rent & utilities	\$2,650 a
# of roommates	3		
<u>Allocable monthly rent &amp; utilities:</u>		<u>Step 1 Allocating using salaries:</u>	
Roommate A	\$883	Roommate A	\$5,000
Roommate B	\$883	Roommate B	\$4,000
Roommate C	\$883	Roommate C	\$2,000
Total	\$2,650	Total Salaries	\$11,000 b
		Indirect Rate	24.09% c=a/b
		<u>Step 2 Rate application to recover rent &amp; utilities:</u>	
			<u>Salaries</u> <u>Times Rate</u> <u>Allocable Expenses</u>
		Roommate A	\$5,000 24.09% \$1,205
		Roommate B	\$4,000 24.09% \$964
		Roommate C	\$2,000 24.09% \$482
			Total Allocated \$2,650



# ***Understanding the Agreement***

# Example of a Negotiated Indirect Cost Rate Agreement (NICRA)

## NEGOTIATED INDIRECT COST RATE AGREEMENT NONPROFIT ORGANIZATION

**ORGANIZATION:**  
XYZ Nonprofit Agency, Inc.  
Podunk, AL 99999-9999

**DATE:** December 1, 200X  
**FILE REF:** This replaces the  
negotiation agreement dated  
October 12, 200X

The rates approved in this Agreement are for use on grants, contracts, and other agreements with the Federal Government. OMB Circular A-122 applies, subject to the conditions in Section II, A, below. The rates were negotiated by ABC Organization and the U.S. Department of Labor in accordance with the authority contained in Attachment A, Section E.2.a., of the Circular.

Indirect rates for fiscal years that begin on or after 12/26/2014 are subject to 2 CFR Part 200, Subpart E, in accordance with the authority contained in 2 CFR, Part 200, Appendix IV, C.2.

## NICRA Rates...

<u>Type</u>	<u>Effective Period</u>		<u>Rate</u> *	<u>Location</u>	<u>Applicable to</u>
	<u>From</u>	<u>To</u>			
Final	7/1/15	6/30/17	14.25%	All	All Programs
Final	7/1/16	6/30/18	15.25%	All	All Programs
Provisional	7/1/17	6/30/19	17.17%	All	All Programs
Provisional	7/1/18	6/30/20	16.43%	All	All Programs
		<i>(See Special Remarks)</i>			

## NICRA – Cont...

### **\*ALLOCATION BASE:**

Total direct salaries and wages including vacation, holiday and sick pay but excluding all other fringe benefits.

### **TREATMENT OF FRINGE BENEFITS:**

Fringe benefits are specifically identified to each employee and are charged individually as direct costs. The directly claimed fringe benefits are listed in the Special Remarks Section of this Agreement.

### **TREATMENT OF PAID ABSENCES:**

Vacation, holiday, sick leave and other paid absences are included in salaries and wages and are claimed on grants, contracts and other agreements as part of the normal cost for salaries and wages. Separate claims for these absences are not made.

## NICRA – Cont...

**A. LIMITATIONS:** Use of the rate(s) contained in this Agreement is subject to any statutory or administrative limitations and is applicable to a given grant or contract only to the extent that funds are available.

Acceptance of the rate(s) agreed to herein is predicated upon the following conditions:

- (1) that no costs other than those incurred by the grantee/contractor or allocated to the grantee/contractor via an approved central service cost allocation plan were included in its indirect cost pool as finally accepted and that such incurred costs are legal obligations of the grantee/contractor and allowable under the governing cost principles,
- (2) that the same costs that have been treated as indirect costs have not been claimed as direct costs,
- (3) that similar types of costs have been accorded consistent treatment, and
- (4) that the information provided by the grantee/contractor which was used as a basis for acceptance of the rate(s) agreed to herein is not subsequently found to be materially inaccurate.

...Also, the rates cited in this Agreement are subject to audit.

## NICRA – Cont...

**B. CHANGES:** The grantee/contractor is required to provide written notification to the indirect cost negotiator prior to implementing any changes which could affect the applicability of the approved rates. Changes in the indirect cost recovery plan, which may result from changes such as the method of accounting or organizational structure, require the prior written approval of the Office of Cost Determination (OCD). Failure to obtain such approval may result in subsequent cost disallowance.

**C. NOTIFICATION TO FEDERAL AGENCIES:** A copy of this document is to be provided by this organization to other Federal funding sources as a means of notifying them of the Agreement contained herein.

## NICRA – Cont...

**D. PROVISIONAL-FINAL RATES AND ADJUSTMENTS:** When seeking initial reimbursement of indirect costs using the provisional/rate methodology, provisional rates must be established within 90 days of receiving a Federal award (financial assistance, grants, cooperative agreements, and cost reimbursable contracts) requiring to account for actual costs incurred. The non-Federal entity or contractor must submit an indirect cost rate proposal within six (6) months after the end of their fiscal year to establish a final rate.

Once a final rate is negotiated, billings and charges to federal awards 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 non-Federal entity or contractor may not recover all indirect costs. Conversely, if the final rate is less than the provisional rate, the non-Federal entity or contractor will be required to reimburse the funding agency for the excess billings.

## NICRA – Cont...

### Non-Federal entities or contractors receiving a Federal cost reimbursable

contract(s) - Must adhere with FAR 52.216-7(d)(2)(v), to settle final indirect cost rates typically on annual basis:

“The contractor shall update the billings on all contracts to reflect the final settled rates and update the schedule of cumulative direct and indirect costs claimed and billed, as required in paragraph (d)(2)(iii)(I) of this sections, within 60 days after settlement of final indirect cost rates.”

In addition, the contractor shall provide to the Contracting Officer the noted cumulative costs schedule within 60 days of the execution of this agreement.

If the non-Federal entity or contractor has completed performance under any of the contracts covered by this Agreement, a final invoice or voucher must be submitted no later than 120 days from the date on which this Agreement is executed, following guidance from FAR 52.216-7(d)(5) and FAR 52.216-7(h).



## NICRA – Cont...

Non-Federal entities receiving Federal awards (financial assistance, grants, and cooperative agreements) – Note that even if Federal awards are administratively closed prior to the settlement of final indirect cost rates, non-Federal entities still must comply with the following 2 CFR Part 200 clauses stating, in part:

§200.344 Post-closeout adjustments and continuing responsibilities

(a) The closeout of a Federal award does not affect any of the following:

(1) The right of the Federal awarding agency or pass-through entity to disallow costs and recover funds on the basis of a later audit or other review. The Federal awarding agency or pass-through entity must make any cost disallowance determination and notify the non-Federal entity within the record retention period.

(2) The obligation of the non-Federal entity to return any funds due as a result of later refunds, corrections, or other transactions including final indirect cost rate adjustments.

§200.345 Collection of amounts due

(a) Any funds paid to the non-Federal entity in excess of the amount to which the non-Federal entity is finally determined to be entitled under the terms of the Federal award constitute a debt to the Federal Government.

(b) Except where otherwise provided by statutes or regulations, the Federal awarding agency will charge interest on an overdue debt in accordance with the Federal Claims Collection Standards (31 CFR parts 900 through 999). The date from which interest is computed is not extended by litigation or the filing of any form of appeal.

### **E. SPECIAL REMARKS:**

1. Indirect costs charged to Federal grants/contracts by means other than the rate(s) cited in this Agreement should be adjusted to the applicable rate cited herein and applied to the appropriate base to identify the proper amount of indirect costs allocable to the program.

2. Grants/contracts providing for ceilings as to the indirect cost rates(s) or amount(s) which are indicated in Section I above, will be subject to the ceilings stipulated in the contract or grant agreements. The ceiling rate or the rate(s) cited in this Agreement, whichever is lower, will be used to determine the maximum allowable indirect cost on the grant or contract agreement.

# NICRA – Cont...

## ACCEPTANCE

### BY THE ORGANIZATION:

XYZ Nonprofit Agency, Inc.

(Organization)

\_\_\_\_\_  
(Signature)

Jane Doe

\_\_\_\_\_  
(Name)

Executive Director

(Title)

\_\_\_\_\_  
(Date)

### BY THE COGNIZANT AGENCY ON BEHALF OF THE FED GOV:

U. S. Department of Labor

(Agency)

\_\_\_\_\_  
(Signature)

Victor M. Lopez

\_\_\_\_\_  
(Name)

Director, Office of Cost Determination

(Title)

December xx, 20xx

(Date)

Negotiator:

Telephone No.: (202)693-41xx

# Who approves Indirect costs when receiving a direct Federal award as subrecipient?

Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals  
States, in part:

## D. Submission and Documentation of Proposals

### 1. Submission of Indirect Cost Rate Proposals

b. Where a non-Federal entity only receives funds as a subrecipient, **the pass-through entity will be responsible for negotiating and/or monitoring the subrecipient's indirect costs.**

## 2 CFR Part §200.331 – Requirements for pass-through entities (1 of 2)

See 2 CFR Part §200.331 Requirements for pass-through entities (states, in part):

### All pass-through entities must:

(a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification...

## 2 CFR Part §200.331 – Requirements for pass-through entities (2 of 2)

### (1) Federal Award Identification.

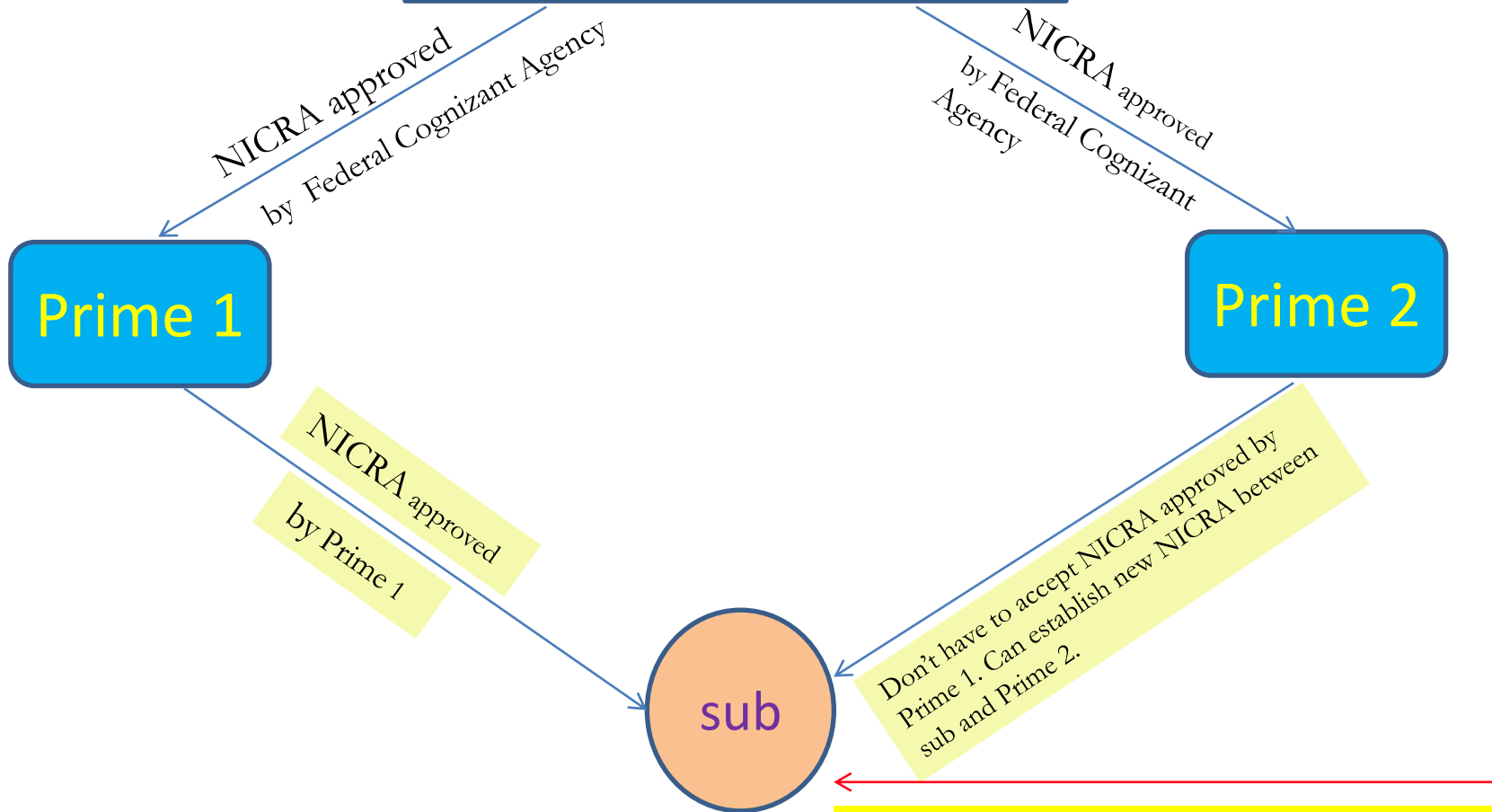
(xiii) Indirect cost rate for the Federal award (including if the de minimis rate is charged per §200.414 Indirect (F&A) costs).

(4) An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government or, if no such rate exists, either a:

- rate negotiated between the pass-through entity and the subrecipient (in compliance with this part), or

- de minimis indirect cost rate as defined in §200.414 Indirect (F&A) costs, paragraph (f);

# Direct Federal Funding



If at some point they receive direct Federal funding, NICRA approved by Prime pass-through cannot be used. A new NICRA issued by FCA must be negotiated/issued, which would be application to all sub funding. This should be effective after expiration of current prime/sub NICRA agreements.

# ***Understanding the Grant Agreement***



# Grant Agreement: What should I do with initial indirect cost budgets?

## Grant Agreement

A. A current Federally approved Negotiated Indirect Cost Rate Agreement (NICRA) or current federally approved Cost Allocation Plan (CAP) has been provided – copy attached.

For a NICRA only:

- (1) Indirect Rate approved: %
- (2) Type of Indirect Cost Rate: \_\_\_\_\_ (i.e. Provisional/Predetermined/Fixed)
- (3) Allocation Distribution Base: \_\_\_\_\_
- (4) Current beginning and ending period applicable to rate: \_\_\_\_\_



Estimated Indirect Costs are shown on the SF-424A budget form. If a new NICRA is issued during the grant's period of performance, it must be provided to DOL within 30 days of issuance. Funds may be re-budgeted as necessary between direct and indirect costs consistent with grant requirements and DOL regulations for prior approval, however the total amount of grant award funding will not be increased. Any budget changes impacting the Statement of Work and agreed upon outcomes or deliverables require a request for modification and prior approval from the Grant Officer.

**OCD Comments: Review above information for accuracy and recommend asking the grantee to provide (a) reconciliation schedule between claimed indirect costs in grant and NICRA/CAP proposed to support indirect costs proposed as well as (b) brief narrative explaining methodology to arrive at claimed costs.**

## Grant Agreement: What should I do with initial indirect cost budgets?

- \_\_\_ B. (1) \_\_\_\_\_ Latest NICRA or CAP approved by the Federal Cognizant Agency (FCA) is not current, or
- (2) \_\_\_\_\_ An indirect cost rate proposal or CAP has not been submitted for approval.

URGENT NOTICE: Estimated indirect costs have been specified on the SF-424A, Section B, Object Class Category “j”, however only \$[ N/A or 10% of the Personnel line] will be released to support indirect costs in the absence of a NICRA or CAP approved by the cognizant agency. The remaining funds which have been awarded for Indirect Costs are restricted and may not be used for any purpose until the recipient provides a signed copy of the NICRA or CAP and the restriction is lifted by the Grant Officer. Upon receipt of the NICRA or CAP, the Grant Officer will issue a grant modification to the award to remove the restriction on those funds.

OCD Comments: Self explanatory.

## Grant Agreement: What should I do with initial indirect cost budgets?

\_\_\_\_\_ C. The recipient elected to exclude indirect costs from the proposed budget. Please be aware that incurred indirect costs (such as top management salaries, financial oversight, human resources, payroll, personnel, auditing costs, accounting and legal, etc. used for the general oversight and administration of the organization) must not be classified as direct costs; these types of costs are indirect costs. Only direct costs, as defined by the applicable cost principles, will be charged. Audit disallowances may occur if indirect costs are misclassified as direct costs in accordance with 2 CFR 200.412.

OCD Comments: Recommend reviewing the grantee's proposed budget to verify that the organization is not shifting typical indirect costs to direct to avoid submitting indirect cost proposals.

# Grant Agreement: What should I do with initial indirect cost budgets?

\_\_\_ D. The recipient has never received a negotiated indirect cost rate and, pursuant to the exceptions noted at 2 CFR 200.414(f) in the Cost Principles of the Uniform Guidance has elected to charge a de minimis rate of 10% of modified total direct costs (see 2 CFR 200.68 for definition of MTDC) which may be used indefinitely. Governmental departments or agencies that receive more than \$35 million in direct Federal Funding must submit an indirect cost rate proposal and cannot request a de minimis rate. This methodology must be used consistently for all Federal awards until such time as you choose to negotiate for an indirect cost rate, which you may apply to do at any time. (See 2 CFR 200.414(f) for more information on use of the de minimis rate.)



OCD Comments: Recommend reviewing the grantee's proposed budget to verify the 10% de minimis rate applied to the MTDC allocation base with the noted inclusions and exclusions in 2 CFR 200.68.

Note that OCD or Federal cognizant agencies don't approve this type of rate.

# Grant Agreement: What should I do with initial indirect cost budgets?

- If DOL is your FCA, recipients must work with DOL's OCD, which has delegated authority to negotiate and issue a NICRA or CAP on behalf of the Federal Government. More information about DOL's OCD is available at <https://www.dol.gov/agencies/oasam/business-operations-center/cost-determination>. This website has guidelines to develop indirect cost rates, links to the applicable cost principles, and contact information. The OCD also has Frequently Asked Questions providing general information about the indirect cost rate approval process and due dates for provisional and final indirect cost rate proposals at <https://www.dol.gov/agencies/oasam/business-operations-center/office-of-cost-determination/faq>.
- Starting the quarter ending September 30, 2016, all grant recipients with an approved NICRA or de minimis rate must report indirect costs on their FINAL ETA-9130 Form. Please see TEGl 2-16 for additional guidance at [https://wdr.doleta.gov/directives/attach/TEGL/TEGL\\_2-16\\_acc.pdf](https://wdr.doleta.gov/directives/attach/TEGL/TEGL_2-16_acc.pdf)

# RECAP

- What is the Office of Cost Determination?
- Why is an agreement needed?
- Indirect Cost Proposals
- Types of Cost
- Types of Indirect Cost
- Allocation of Indirect Costs
- Understanding the Agreement
- Understanding the Grant Award



# FAQs

# Typical Q&As related to Provisional/Final Rates

## 1 of 2

- Q&A 344-1 **Closeout for Awards Without a Final Indirect Cost Rate**  
\*When a Federal agency needs to complete closeout actions for a Federal award and the recipient does not yet have a final indirect cost rate (it may have a provisional rate or a fixed rate with a carry forward), should the agency closeout the award and then re-open it if a revision is needed?
- **Yes.** The Federal agency should complete all closeout actions for Federal awards no later than one year after receipt and acceptance of all required final reports using the provisional or fixed rate (See §200.343(g)) (not applicable to government cost type contracts under FAR). The Federal agency should not wait to complete its closeout action until a final rate is established by the cognizant agency for indirect costs. An agency that has a fixed with carryforward rate can close out its awards using these rates because they are considered final as any adjustments are rolled into future indirect cost rates. **A Federal agency may reopen an award for adjustment when a final indirect cost rate is issued (See §200.344 (a)(2). Also note that all adjustments are subject to availability of agency funds.**



# Typical Q&As related to Provisional/Final Rates

## 2 of 2

- Q&A 414-8 (Also applicable to 200.331) **Federally negotiated indirect cost rates – voluntary under-charging**
- Section 200.414(c) says “The negotiated rates must be accepted by all Federal awarding agencies. A Federal awarding agency may use a rate different from the negotiated rate...only when required by Federal statute or regulation, or when approved by a Federal awarding agency head or delegate based on documented justification.” For pass-through entities, FAQ .331-6 says “If the subrecipient already has a negotiated F&A rate with the Federal government, the negotiated rate must be used. It also is not permissible for pass-through entities to force or entice a proposed subrecipient without a negotiated rate to accept less than the de minimis rate.” However, some non-Federal entities voluntarily choose to not charge indirect costs for certain Federal programs or choose to charge less than their full negotiated rate, to allow a greater share of the Federal program funds to be used for the direct program costs. **Can Federal awarding agencies and pass-through entities permit this practice when it is truly voluntary?**
- **Yes.** If a non-Federal entity receiving a direct Federal award or a subrecipient voluntarily chooses to waive indirect costs or charge less than the full indirect cost rate, Federal awarding agencies and pass-through entities can allow this. The decision must be made solely by the non-Federal entity or subrecipient that is eligible for IDC reimbursement, and must not be encouraged or coerced in any way by the Federal awarding agency or pass-through entity.

Questions?



# RECAP...

- What is the Office of Cost Determination?
- Why is an agreement needed, Who is the FCA?
- Indirect Cost Proposals
- Types of Costs
- Types of Indirect Costs
- Allocation of Indirect Costs
- Understanding the Federally Approved Rate Agreement
- Prime recipient indirect cost responsibilities for subrecipients
- Understanding the Grant Award

