



Direct Vs. Indirect Costing

National Self-Help Conference 'Sharing the Vision'

Albuquerque, NM Feb. 4-6, 2020

What is your
role in self-
help housing?



Governing Regulations

- 2 CFR 200- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
 - OMB Circulars are obsolete as of December 26, 2014
 - These are the rules auditors follow plus...
- RD Instruction 1944-I
 - To follow or not to follow 2 CFR 200, that is the question
 - Scenario one-not follow: Executive Director salary in indirect rate
 - Scenario two- follow: Interest bearing bank accounts

Cost Allocation Plans- Direct and Indirect

- RD Instruction 1944-I, 1944.403 Definitions.
 - (d) Direct costs. Those costs that are specifically identified with a particular project or activity. Grantees receiving funds from a single grant source would consider all costs as direct costs.
 - RD approves these types of plans
 - (h) Indirect costs. Those costs that are incurred for common or joint objectives and therefore, cannot be readily and specifically identified with a particular project or activity, e.g. self-help. See Exhibit P for Rural Development's indirect cost rate negotiation guidance. (Added 12-12-19, PN 532.)
 - Cognizant Agency: largest federal funder
 - Interior Business Center (IBC), Indirect Cost Services (ICS)

Direct Cost Allocation Plan

Shared Costs, no pool

Direct Cost Allocation Plans

- Section 523 sole source funded grantees
- What is the 'plan' for allocating shared costs?
 - Examples:
 - Salaries= percentage of time worked verified by time sheets audited internally on a quarterly basis
 - Office Space = square footage space used as a percentage of total space and cost
 - IT Services = equally split between employee base
 - No 'pool' can be created or you need an indirect rate
- Reviewed annually, update as needed

SF-424-A, Budget Information- Non-Construction Programs

- ‘j. Indirect Charges’
 - ONLY if you have a negotiated rate
- Budget Narrative
- Detailed Budgets, optional
 - FTE’s
 - ‘h. Other’;- breakdown
- Tip: Show ALL other funding on page 2!

BUDGET INFORMATION - Non-Construction Programs

OMB Approval No. 0348-0044

SECTION A - BUDGET SUMMARY						
Grant Program Function or Activity (a)	Catalog of Federal Domestic Assistance Number (b)	Estimated Unobligated Funds		New or Revised Budget		
		Federal (c)	Non-Federal (d)	Federal (e)	Non-Federal (f)	Total (g)
1. Leave Blank	Leave Blank	\$	\$	\$	\$	\$ 0.00
2.						0.00
3.						0.00
4.						0.00
5. Totals		\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
SECTION B - BUDGET CATEGORIES						
6. Object Class Categories	GRANT PROGRAM, FUNCTION OR ACTIVITY				Total (5)	
	(1)	(2)	(3)	(4)		
a. Personnel	\$	\$	\$	\$	\$ 0.00	
b. Fringe Benefits					0.00	
c. Travel					0.00	
d. Equipment					0.00	
e. Supplies					0.00	
f. Contractual					0.00	
g. Construction					0.00	
h. Other					0.00	
i. Total Direct Charges (sum of 6a-6h)		0.00	0.00	0.00	0.00	
j. Indirect Charges					0.00	
k. TOTALS (sum of 6i and 6j)	\$	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	
7. Program Income	\$	\$	\$	\$	\$ 0.00	

Authorized for Local Reproduction

Previous Edition Usable

Standard Form 424A (Rev. 7-97)
Prescribed by OMB Circular A-102

Indirect Cost Allocation Plan

Negotiated Rate

WHO NEEDS A RATE?

Federal Grant Recipient - Non Federal Entity(NFE)

- **Based on NFE's fiscal year period**
- **Normally Annual Submissions are required unless the NFE has a predetermined rate for multiple years.**

Generally speaking IBC/ICS negotiates rates only and does not approve Cost Allocation Plans for Nonprofit Organizations

WHERE TO GO TO GET A RATE?

USDA-RHS uses the Interior Business Center Office of Indirect Cost Services as our indirect cost rate servicing agent

IBC/ICS will negotiate rates for those NFE's in which USDA-RHS is cognizant

If you have negotiated with IBC/ICS before you can continue to send rate proposals directly to IBC/ICS

If you are new at negotiating with IBC – please get approval from USDA-RHS before you submit your rate proposal to IBC/ICS

TIMELINES FOR RATE SUBMISSION

Provisional / Final Rates

- **2019 Final Rate (Based on Actuals)**
 - **Due 6 months after year end**
- **2021 Provisional Rate (Based on Prior period actuals or Budget)**
 - **Negotiated prior to fiscal year start**
- *FY 2019 Final and FY 2021 Provisional are due at the same time*
- **Annual submission required**

Predetermined Rate – Future Period

- **Negotiated prior to fiscal year start**
- **Issued for 2-4 years**
- **Resubmissions due 6 months prior to rate expiration**
- **Submission every other year with a 2 year predetermined rate**

WHAT TO SUBMIT FOR A RATE?

Rate Proposal Package Includes

- **Completeness Checklist**
- **Signed Indirect Cost and Lobbying Certifications**
- **Narrative Part I**
- **Cost Schedules Part II - Summary schedule and indirect cost salary schedule, subawards, depreciation schedule, etc.**
- **Part III - Supporting financial data (audited financial statements or 990 form)**
- **If NFE is new to IBC/ICS**
 - **Need USDA-RHS preapproval to negotiate**
 - **Request 2 years of prior rate agreements (if applicable)**

IBC/ICS WEB SITE

Tools for Processing Indirect Cost Proposals

- **Completeness Checklist**
- **Indirect Cost and Lobbying Certifications**
- **Sample Proposals**
- **Templates**

Links to other helpful Web sites

New Website

Address: <https://ibc.doi.gov/ICS/icrna>

*E-file proposal & audited financial
statements to: ics@ibc.doi.gov*

ICS PROCESSING OVERVIEW

Total Processing Time is
about 10 – 16 Weeks

- Proposal receipt – Emailed proposals to ICS Mailbox and only complete proposals are accepted
- Proposals are processed first in/first out
- One-on-One (phone or email) with IBC/ICS Negotiator
- Rate offered and accepted via email & DocuSign
- Signed Agreement Issued by IBC via email

Final Thoughts

- Final budget/rate compared to application budget/rate
 - Final grant evaluation
 - Return of funds
- Annual audit submission
- Communicate with RD
 - Do you need written authorization to reallocate?
 - Do you need a waiver to requirement?

Questions?





Rural Development

U.S. DEPARTMENT OF AGRICULTURE