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 a 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!
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
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)
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](https://ibc.doi.gov/ICS/icrna)

E-file proposal & audited financial statements to: [ics@ibc.doi.gov](mailto:ics@ibc.doi.gov)
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?