



# A Direct Conversation About Indirect Costs

Thursday 3/13/25

10:15 AM

National Self-Help Conference

Orlando, FL

# Your Trainers Today...

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# Housekeeping

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- Cell phones = set to SILENT
- Participation = encouraged
- Restrooms, hydration, stretch, do your thing, just minimize distraction please
- Attendance: sign in sheet, sign it!
- Evaluations: on your app, let us know your thoughts!



# Let's Express Our Feelings...

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....About Indirect!

*....And Share Our Rate Type Too!*

# Indirect...

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*it's*  
**complicated**



# Where Do I Find the Rules Around Indirect?

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## Sources:

1. [USDA RD Instruction 1944-I](#)
2. [2 CFR Part 200 \(Uniform Guidance\)](#)
3. **Your Cognizant Agency**
  - *Negotiated Indirect Cost Rate Agreement*





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Effective Date 10-24-2024

Part 1944 - HOUSING

Subpart I - Self-Help Technical Assistance Grants

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# Code of Federal Regulations

A point in time eCFR system



Title 2



Displaying title 2, up to date as of 1/31/2025. Title 2 was last amended 1/03/2025.

[view historical versions](#)

Enter a search term or CFR reference (eg. fishing or 1 CFR 1.1)



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## ENHANCED CONTENT

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### ◉ PART 200—UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS



# Your Cognizant Agency



## United States Department of the Interior

OFFICE OF THE SECRETARY  
Washington, DC 20240

### Nonprofit Organization Indirect Cost Negotiation Agreement

[Redacted]

Date: 11/02/2020

Organization:

[Redacted]

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



## Exhibit S 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

# RD Instruction 1944-I Exhibit S cont.

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**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.

In the 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.



# RD Instruction 1944-I Exhibit S

## Indirect Cost Rate Negotiation:

For organizations that have previously negotiated indirect cost rate agreements, it is the responsibility of each grantee to submit a new indirect cost proposal to their Federal cognizant agency for indirect costs **within 6 months after the close of each fiscal year.** Any non-federal entity that has a federally negotiated indirect cost rate may apply for a one-time extension of a negotiated indirect cost rate for a period of up to four years. The extension is subject to the review and approval of the federal cognizant agency for indirect costs.

Organizations that have not previously established an indirect cost rate with a Federal agency must submit an initial indirect cost rate 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, unless they elect to charge the de minimis rate of **"up to"!** 15% modified total direct cost (MTDC). Any non-federal entity, even if they have previously received a negotiated indirect cost rate, except for those described in 2 CFR 200 Appendix VII paragraph (d)(1)(B), **may elect to charge a de minimis rate of 15% "up to"!** modified total direct cost (MTDC) which may be used indefinitely.



# Uniform Guidance

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# UG Subpart E—Cost Principles

## §200.412 Classification of costs

There is no universal rule for classifying certain costs as **direct** or **indirect** costs. A cost may be direct for some specific service or function but indirect for the Federal award or other final cost objective.



Therefore, each cost incurred **for the same purpose** in like circumstances must be **treated consistently either as a direct or an indirect cost** to avoid possible double-charging of Federal awards. *Where do you define how you do this?*

Who Loves Policies & Procedures? We do!



# UG Subpart E—Cost Principles

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## §200.413 Direct costs

- (a) **Easily and accurately assigned to a specific award**
- (c) Administrative and clerical staff salaries should normally be treated as indirect costs. **Direct charge only if they meet all the following conditions: (met in our 523 grant)**
- (1) Administrative or clerical services are **integral to the Federal Award**,
  - (2) Individuals involved can be specifically **identified with the Federal Award; and**,
  - (3) The costs are **not also recovered as indirect**



# UG Subpart E—Cost Principles

What  
MIGHT be in  
the Indirect  
Pool?

What  
else?

BOARD COSTS

TONER

SOFTWARE

IT DIRECTOR



**§200.414 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

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## §200.414 (f) De minimis rate

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

---

*...may elect to charge a de minimis rate of up to 15% of modified total direct costs (MTDC)...*

---

*...the recipient is authorized to determine the appropriate rate...*

---

***...no documentation is required to justify the rate...***

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# UG Subpart E—Cost Principles

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Up to

15%



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**§200.414 (f) De minimis rate cont.**

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

---

*...Federal agencies may not require recipients to use a lower de minimis rate than the negotiated rate...*

---

*...recipient may use rate indefinitely or may negotiate with cognizant agent for a rate at any time...*

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# UG Subpart E—Cost Principles 200.412-200.415

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

# Uniform Guidance

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Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations

Appendix V to Part 200


State/Local Governmentwide Central Service Cost Allocation Plans

Appendix VI to Part 200

Public Assistance Cost Allocation Plans

Appendix VII to Part 200

States and Local Government and Indian Tribe Indirect Cost Proposals





# 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

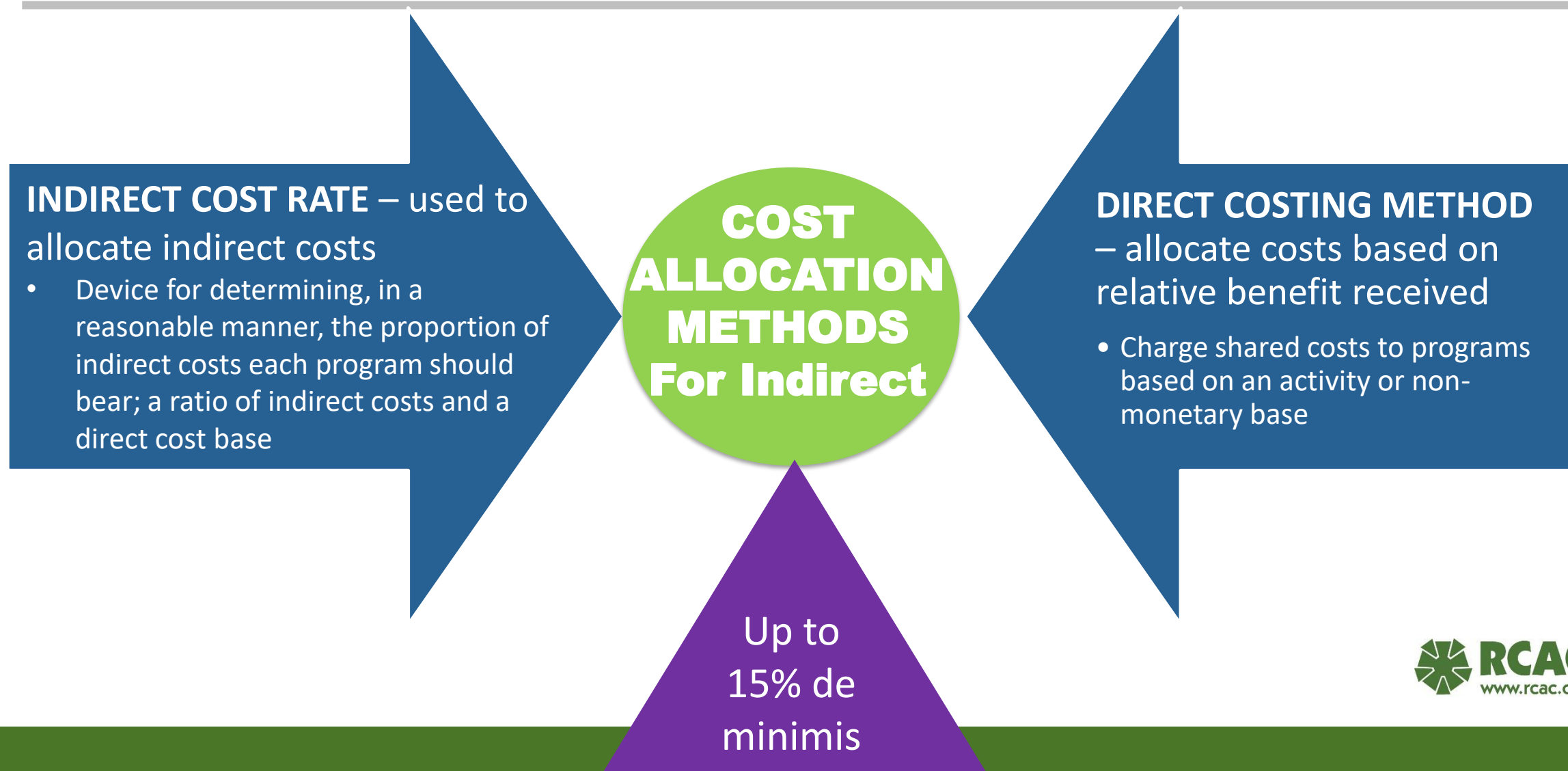
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## DIRECT COSTING ALLOCATION

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



- Personnel
- Space
- Consumables
- Telephone

**THIS**

Your Base...one of these

**Wage & Fringe**

**Wage Only**

**MTDC**

## Total Agency Costs



- Direct Costs
- Indirect Costs

$$\text{Indirect Cost Pool} \div \text{BASE} = \text{INDIRECT COST RATE}$$



# 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 \$50,000
- EXCLUDES **equipment, capital expenditures**, portion of each subaward in excess of \$50,000\* *\*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 de minimis rate (up to 15%)**

# 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



# Your Cognizant Agency



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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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			Indirect	12.30 %	(A)	All	All Programs



**Provisional Rate**

# A Painful Math Truth

BASE:			FINAL INDIRECT RATE	CALCULATED FINAL INDIRECT ALLOWED:	ACTUAL INDIRECT RATE CHARGED:	CALCULATED INDIRECT CHARGED:	OVER/(UNDER) CHARGED							
176,000	11 months	6/30/2019 to 6/30/2020	26.9%	47,344	25.2%	44,352	(2,992)	CANNOT COLLECT or CREDIT UNDERCHARGED INDIRECT						
192,000	12 months	6/30/2020 to 6/30/2021	24.59%	47,213	25.2%	48,384	1,171	MUST PAY BACK \$1,171 TO FUNDER						
16,000	1 month	6/30/2021 to 6/30/2022	22.79%	3,646	25.2%	4,032	386	MUST PAY BACK \$386 TO FUNDER						
384,000				98,203		96,768	———(1,435)	CANNOT COLLECT or CREDIT UNDERCHARGED INDIRECT						
Agency's Fiscal Year: FY06-30							***cannot total the grant period and proclaim that overall it is "undercharged"							
Grant Cycle: 08/01/2019 to 07/31/2021							TOTAL DUE TO FUNDER: \$1,557							

- 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.





# Federal Agency Acceptance of Negotiated Indirect Cost Rates

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## §200.414 Indirect costs

(c) ***Federal Agency Acceptance of Negotiated Indirect Cost Rates.*** (1) Negotiated indirect cost **rates must be accepted by all Federal agencies.**

(2) The Federal agency must notify OMB of any approved deviations. **Recipient may notify OMB of any disputes with Federal agencies regarding the application of a federally negotiated indirect rate.**

(3) The **Federal agency must** implement, and make publicly available, the policies, procedures and **criteria to justify deviations from negotiated rates.**

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

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- **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*



# A Few More Handy Tools

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- Sample DOI Submission Materials
- J Monteux, RCAC Cost Allocation & Indirect article (textbook)
- Bookmark UG 2 CFR 200 & I944-I  
...and Remember, *Your*  
Financial Policies &  
Procedures are also a  
primary tool in your belt!





# rcac.org self-help housing resources financial toolkit

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## INDIRECT

### Indirect

*Indirect is a challenging component of financial grant management.*

*Learn all about the mysteries of applying indirect (both provisional and final), reporting requirements and monitoring your percentage rate.*

[Indirect Training PowerPoint slides](#) | [Indirect Cost Allocation Spreadsheet Tool](#)

### ICR Sample Documents from a DOI ICR Calculation submission:

[3-1 – Sample nonprofit proposal checklist](#)

[3-2 – Sample cover letter \(Part I: Narrative and certificates\)](#)

[3-3 – Sample excel file \(Part II: Cost schedules\)](#)

[ARTICLE: Cost Allocation & Applying Indirect – Judy Monteux \(2018\)](#)

# Questions / Discussion

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# Let's Express Our Feelings NOW...

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....About Indirect!

## Session Evaluation



**Don't Forget the Eval in Your App!**