

Indirect Costs 101

for Grant Recipients
August 14, 2024





Emily Wen

Cost Negotiator

Emily joined DOL in 2018 as a Cost Accountant within DOL's Cost and Price Determination Division (CPDD), with her primary responsibilities including reviewing and negotiating indirect cost rates and cost allocation plans. Emily has more than 30 years of experience in the accounting field. She earned her BS in Accounting from the University of Maryland and is a CPA in the state of Maryland.



Tamara Holland

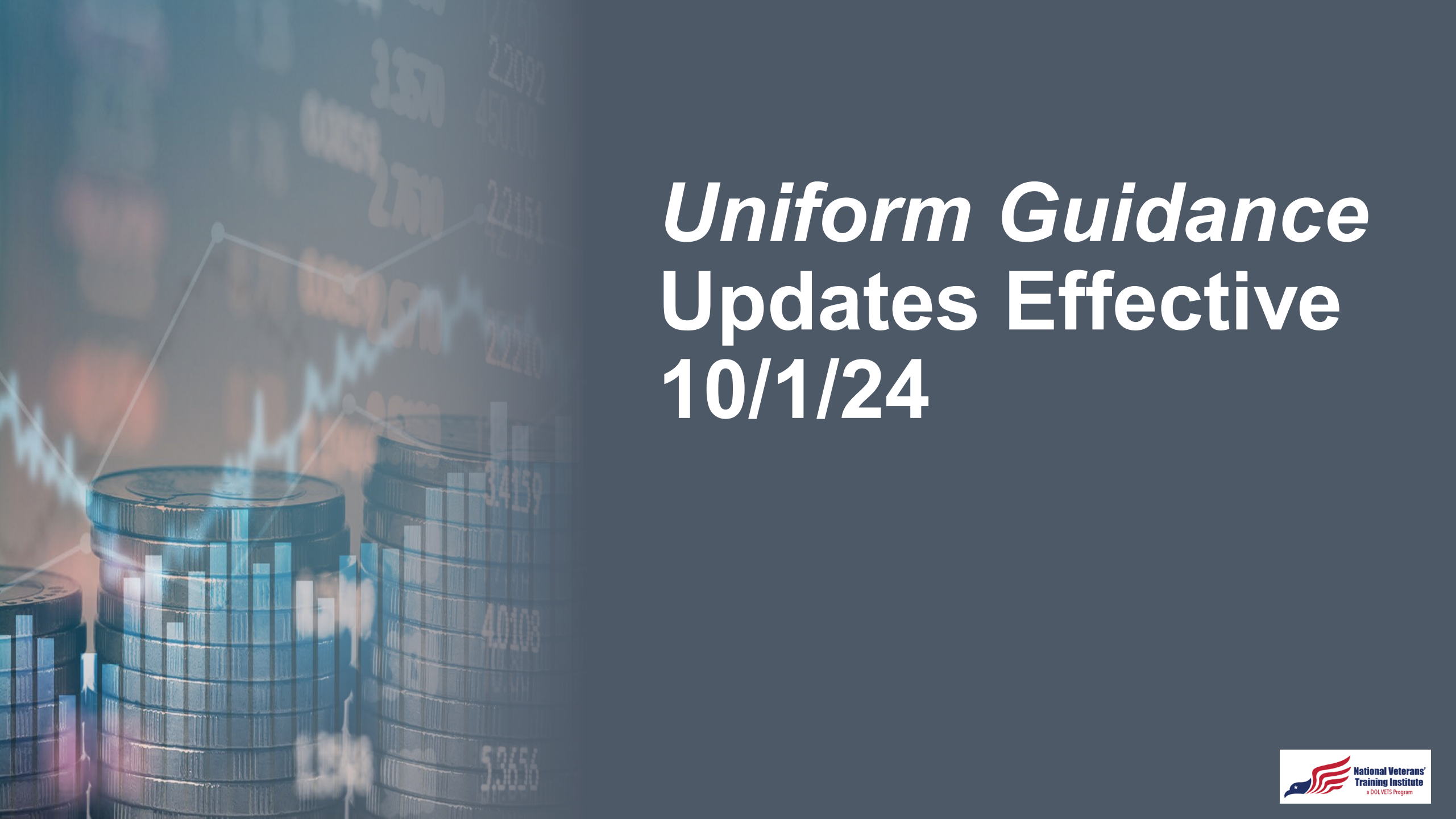
Grant Management Specialist

Currently a Grant Management Specialist at DOL ETA, Tamara has served as a technical SME and trainer regarding federal grants for over 50 federal agencies, focusing on technology development/management and interpreting cooperative agreements/requests for proposal funding opportunities.

Tamara has a B.A. in Science, an M.S. in HR, an MBA, and a certification in Leadership and Management.

Overview

- 2 CFR 200 Updates, Effective October 1, 2024
- Grant Life Cycle
- Different Types of Costs
- Reimbursement Methods
- Indirect Cost Rate (ICR)
- Commonly Used Allocation Bases
- Indirect Cost Proposal Due Dates
- Reimbursement of Indirect Costs via a Negotiated Rate
- Cost Allocation Plan (CAP)
- Reimbursement of Indirect Costs via a CAP
- Reimbursement of Indirect Costs via a De Minimis Rate
- Post-Closeout Adjustments
- Questions
- Contact Information



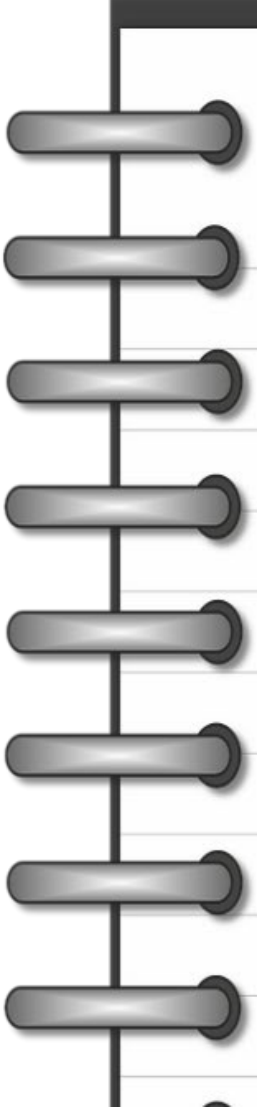
Uniform Guidance Updates Effective 10/1/24

2 CFR 200 (the *Uniform Guidance*) Updates

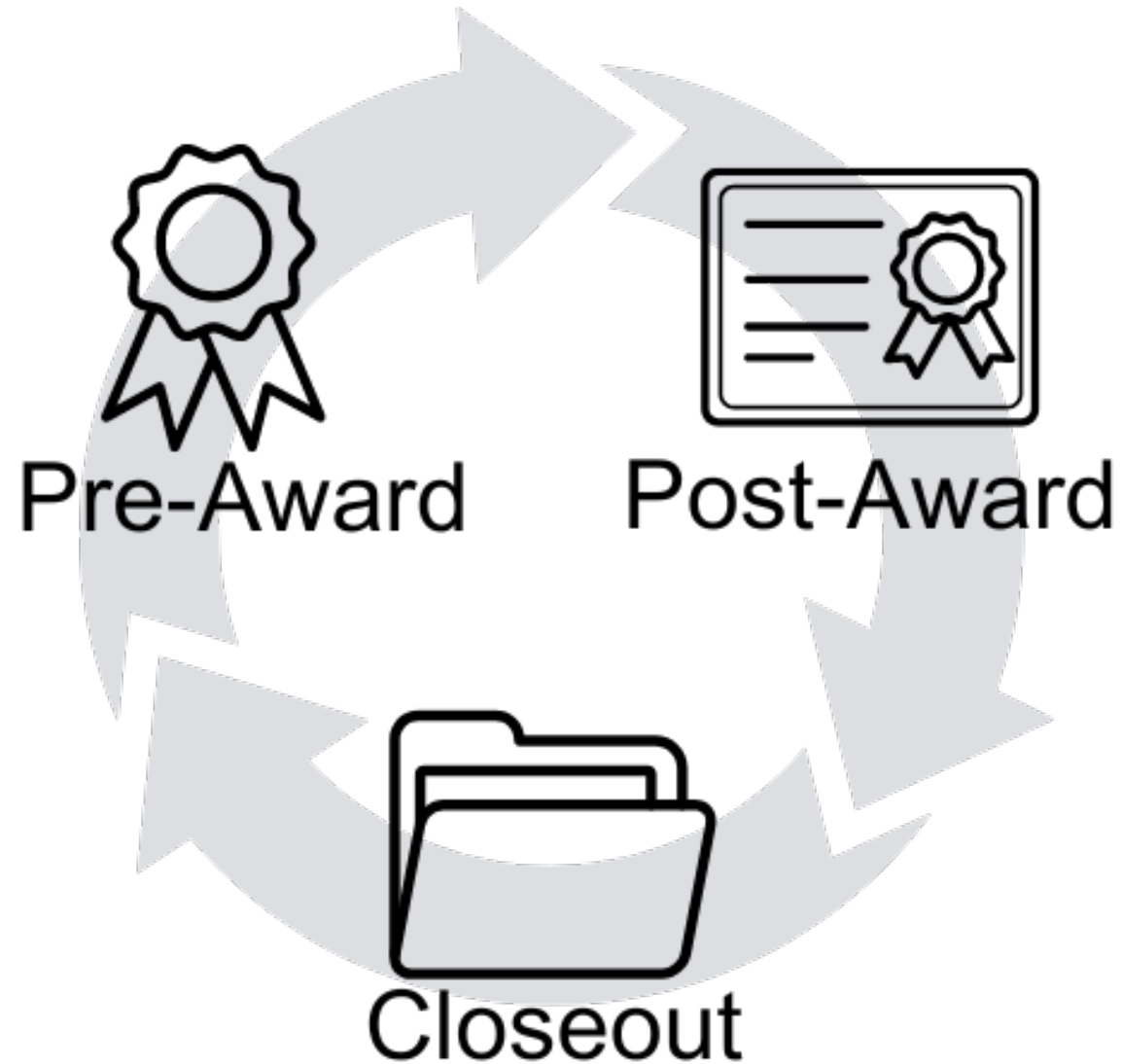
What is 2 CFR 200 (the *Uniform Guidance*)?

- 2 CFR 200 – Basic Layout
 - Subpart A, Acronyms & Definitions
 - Subpart B, General
 - Subpart C, Pre-Award
 - Subpart D, Post-Award
 - Subpart E, Cost Principles
 - Subpart F, Audit
 - 12 Appendices – I through XII
 - Appendices III through VII address indirect costs

2 CFR 200 Updates Effective 10/1/24

- 
- De minimis rate: increases from 10% to “up to 15%”
 - Subaward threshold: increases from \$25,000 to \$50,000 in the MTDC base
 - Equipment threshold: increases from \$5,000 to \$10,000
 - Closeout and Post-Closeout

Grant Life Cycle



The Different Types of Costs

Total Costs

Indirect Costs (2 CFR 200.414)

- Incurred for a **common or joint** purpose benefitting more than one cost objective
- **Not readily assignable** to the cost objectives specifically benefitted, without effort disproportionate to the results achieved
- It may be necessary to establish an indirect cost pool or several pools of indirect costs

+

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Total Costs

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+

Direct Costs (2 CFR 200.413)

- **Directly associated** with a program activity or participant, such as costs that are specific to a single program
- **Readily identified with** a particular cost objective

=



Total Costs

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Direct Costs (2 CFR 200.413)

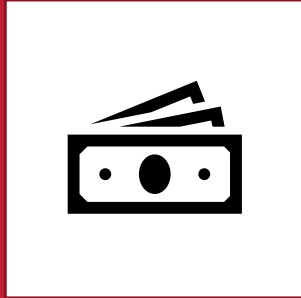
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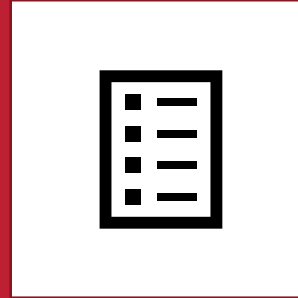
Total Costs

Three Types of Indirect Costs Reimbursement Methods

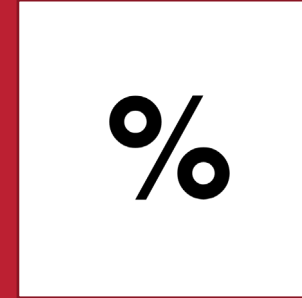
Indirect Costs Reimbursement Methods



Negotiated Indirect
Cost Rate Agreement
(NICRA) or Indirect
Cost Rate (ICR)



Cost Allocation Plan
(CAP)



De Minimis Rate of
10% of MTDC

15% of MTDC
effective October 1,
2024

Indirect Cost Rate (ICR)

ICR Types

There are four types of ICRs that can be negotiated with the cognizant agency.



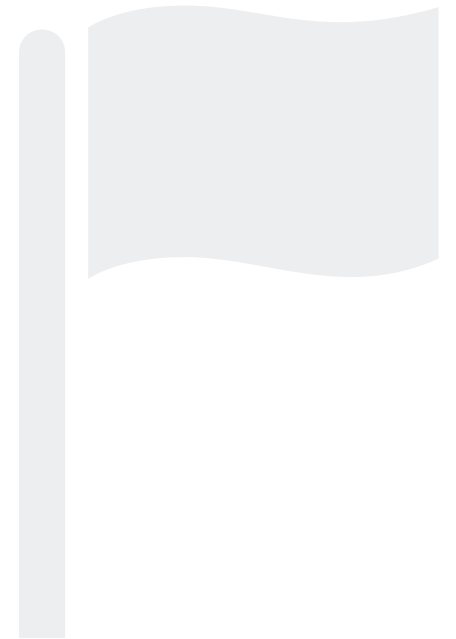
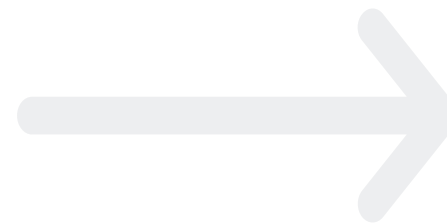
In addition, the grantee can elect a de minimis rate of 10% MTDC in lieu of a negotiated rate.

ICR Types: Provisional

- Temporary ICR applicable to a specified period; past, present, or future
- Used pending the establishment of a “final rate” for that period, allowing for recovery of indirect costs
- Used for funding, interim reimbursement, and reporting indirect costs on federal awards
- Based on projected information, historical information, or a combination
- All provisional ICRs must eventually be “finalized”
- Set by the federal cognizant agency

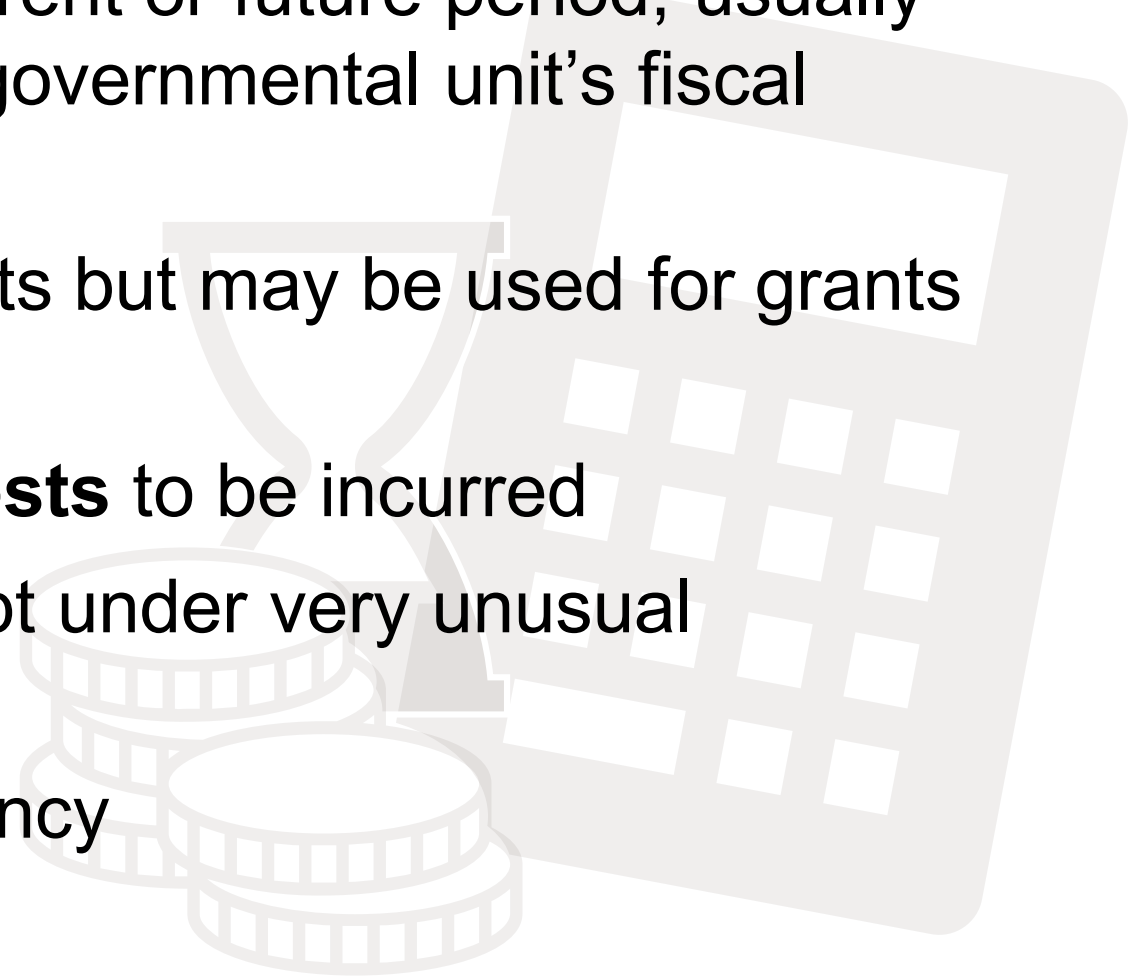
ICR Types: Final

- ICR applicable to a specified **past period**
- Based on the **actual allowable costs** of the period
- **Not** subject to adjustment
- Set by the federal cognizant agency



ICR Types: Predetermined

- ICR applicable to a specified current or future period; usually several years (for example, the governmental unit's fiscal years)
- Not permitted for federal contracts but may be used for grants or cooperative agreements
- Based on **an estimate of the costs** to be incurred
- **Not** subject to adjustment, except under very unusual circumstances
- Set by the federal cognizant agency



ICR Types: Fixed

- An adjustment is carried forward in the rate computation of a subsequent period
 - Similar to a predetermined rate, a negotiated fixed rate is not subject to change
 - The difference between the estimated costs and the actual costs of the period is carried forward as an adjustment
- Typically approved for state/local organizations
- Based on the **actual allowable costs** of the completed period, but affecting the rate of a future period
- Set by the federal cognizant agency

Commonly Used Allocation Bases

Allocation Base

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

Allocation of Indirect Costs and Determination of Indirect Costs

- B.2.C. The distribution base may be total direct costs (excluding capital expenditures and other distorting items, such as subawards for \$25,000 or more), direct salaries and wages, or other base which results in an equitable distribution. The distribution base must exclude participant support costs as defined in [§ 200.1](#).

Selecting the Allocation Base

Factors to Consider:



Correlation to the types of costs being allocated



Distorting items

Allocation Base, 1

Total Direct Costs

Total direct costs *include*:



ICR Calculation – “Total Direct Costs”

Category	Total Costs	Indirect Costs	Total Direct Costs
Composition	A = (C+D)	C	D
Salaries	\$589,000	\$70,000	\$519,000
Benefits	\$176,700	\$21,000	\$155,700
Other Costs	\$161,000	\$59,000	\$102,000
Total	\$926,700*	\$150,000	\$776,700

Indirect Rate

$$\begin{aligned}
 &= \text{Pool} / \text{Base} \\
 &\text{Total Indirect Costs} / \text{Total Direct Costs} \\
 &\rightarrow \$150,000 / \$776,700 \leftarrow \\
 &19.3\%
 \end{aligned}$$

*Must reconcile to the Financial Statements

Allocation Base 1 – Standard Forms

SF-424A – Award

6. Object Class Categories		(2) F
a. Personnel	\$ 519,000.00	
b. Fringe Benefits	\$ 155,700.00	
c. Travel	0.00	
d. Equipment	\$0.00	
e. Supplies	\$0.00	
f. Contractual	\$0.00	
g. Construction	\$0.00	
h. Other	\$ 103,300.00	
i. Total Direct Charges (sum of 6a-6h)	\$778,000.00	
j. Indirect Charges	\$148,700.00	
k. TOTALS (sum of 6i and 6j)	\$926,700.00	

Total Direct

Final FFR – Section 11

11. Indirect Expense	a. Type	b. Rate	c. Period From	Period To	d. Base	e. Amount Charged	f. Federal Share
	Final	19.30	July 1, 2023	June 30, 2024	\$778,800.00	\$150,154.00	\$148,700.00
g. Totals:					\$778,000.00	\$150,154.00	\$148,700.00

Allocation Base, 2

Modified Total Direct Cost (MTDC)

Total direct costs *excluding*:



Allocation Base, 3

Direct Salaries & Wages

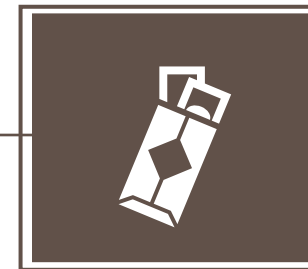
Direct salaries and wages *including Paid Time Off:*

Vacation, holiday,
and sick pay



Direct salaries and wages *excluding:*

All other fringe
benefits



ICR Calculation – “Total Direct Salaries”

Category	Total Costs	Indirect Costs	Total Direct Costs
Composition	A = (C+D)	C	D
Salaries	\$589,000	\$70,000	\$519,000
Benefits	\$176,700	\$21,000	\$155,700
Other Costs	\$161,000	\$59,000	\$102,000
Total	\$926,700*	\$150,000	\$776,700

Indirect Rate

$$\begin{aligned}
 &= \text{Pool} / \text{Base} \\
 &\text{Total Indirect Cost} / \text{Total Direct Salaries} \\
 &\$150,000 / \$519,000 \\
 &28.9\%
 \end{aligned}$$

*Must reconcile to the Financial Statements

Allocation Base 3 – Standard Forms

SF-424A – Award

6. Object Class Categories		(2) F
a. Personnel	\$ 519,000.00	
b. Fringe Benefits	\$ 155,700.00	
c. Travel	0.00	
d. Equipment	\$0.00	
e. Supplies	\$0.00	
f. Contractual	\$0.00	
g. Construction	\$0.00	
h. Other	\$ 103,300.00	
i. Total Direct Charges (sum of 6a-6h)	\$778,000.00	
j. Indirect Charges	\$148,700.00	
k. TOTALS (sum of 6i and 6j)	\$926,700.00	

Total Direct Salaries

Final FFR – Section 11

11. Indirect Expense	a. Type	b. Rate	c. Period From	Period To	d. Base	e. Amount Charged	f. Federal Share
	Final	28.90	July 1, 2023	June 30, 2024	\$519,000.00	\$149,991.00	148,700.00
g. Totals:					\$519,000.00	\$149,991.00	148,700.00

Indirect Cost Proposal Due Dates

When Indirect Cost Proposals Are Due

Initial Proposal After Award

Unless the 10% de minimis rate is elected (up to 15%, effective 10/1/24), organizations that **have** not previously established an ICR with a federal agency must submit their **initial** proposal:

- Immediately after being notified of the award
- Not later than **three months** after the award's effective date

When Indirect Cost Proposals Are Due

Initial Proposal After Award

Unless the 10% de minimis rate is elected (up to 15%, effective 10/1/24), organizations that **have** not previously established an ICR with a federal agency must submit their **initial** proposal:

- Immediately after being notified of the award
- Not later than **three months** after the award's effective date

Annual Proposal Based on Actuals

Unless the cognizant agency approves a rate extension, organizations that **have** previously established ICRs must submit a **new** proposal:

- Within **six months** after the close of each fiscal year
- For the life of the federal award

Reimbursement of Indirect Costs via a Rate

Coming to an Understanding

The grant recipient and the Grant Officer Technical Representatives (GOTRs) must establish a full and shared understanding of critical information in the rate agreement:



Type of
rate



Effective
period of
the rate



Approved
rate to be
used
during the
respective
effective
period



Distribution
base and
any related
exclusions



Which
offices/
programs
the rate is
applicable
to



All other
special
remarks
and
instructions

Sample Indirect Cost Rate Agreement

SECTION I: RATES

<u>TYPE</u>	<u>APPROVAL</u>	<u>FROM</u>	<u>TO</u>	<u>RATE</u>	<u>BASE</u>	<u>LOCATION</u>	<u>APPLY TO</u>
Indirect	Final	01/01/2021	12/31/2021	9.32%	MTDC-3	Loc-1	AP-1
Indirect	Provisional	01/01/2022	12/31/2022	9.90%	MTDC-3	Loc-1	AP-1
Indirect	Provisional	01/01/2023	12/31/2023	10.05%	MTDC-3	Loc-1	AP-1

(SEE SPECIAL REMARKS)

BASE

MTDC-3: Total direct costs excluding equipment, capital expenditures, charges for patient care, tuition remission, scholarships, fellowships, participant support costs, and the portion of each sub-award in excess of \$25,000.

LOCATION

Loc-1: All Locations

APPLY TO

AP-1: All Programs

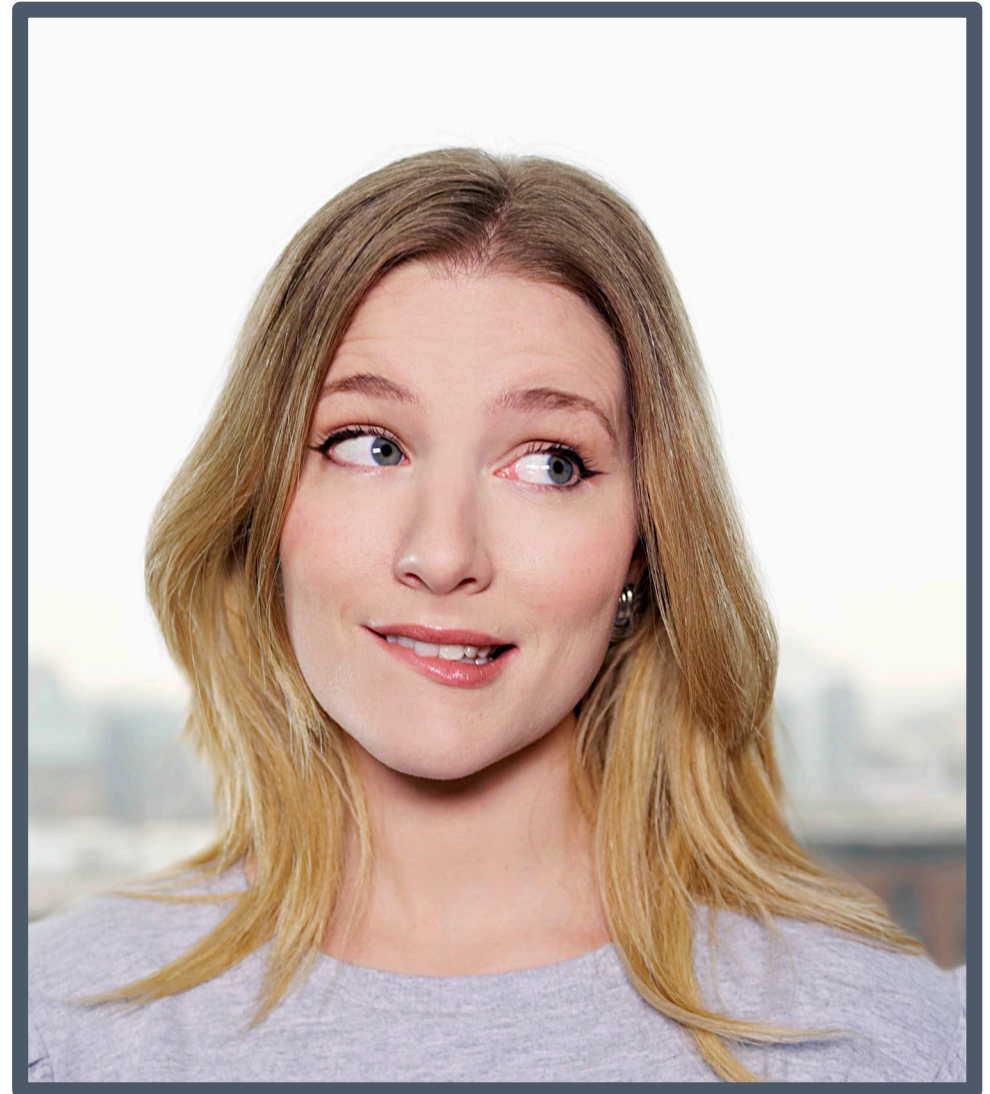
TREATMENT OF FRINGE BENEFITS: Fringe benefits are specifically identified to each employee and/or are charged individually as direct or indirect cost (as applicable). See Special Remarks section of this Agreement for more details.

TREATMENT OF PAID ABSENCES: Vacation, holiday, sick leave pay 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 are not made for the cost of these paid absences.



Discussion Question 1

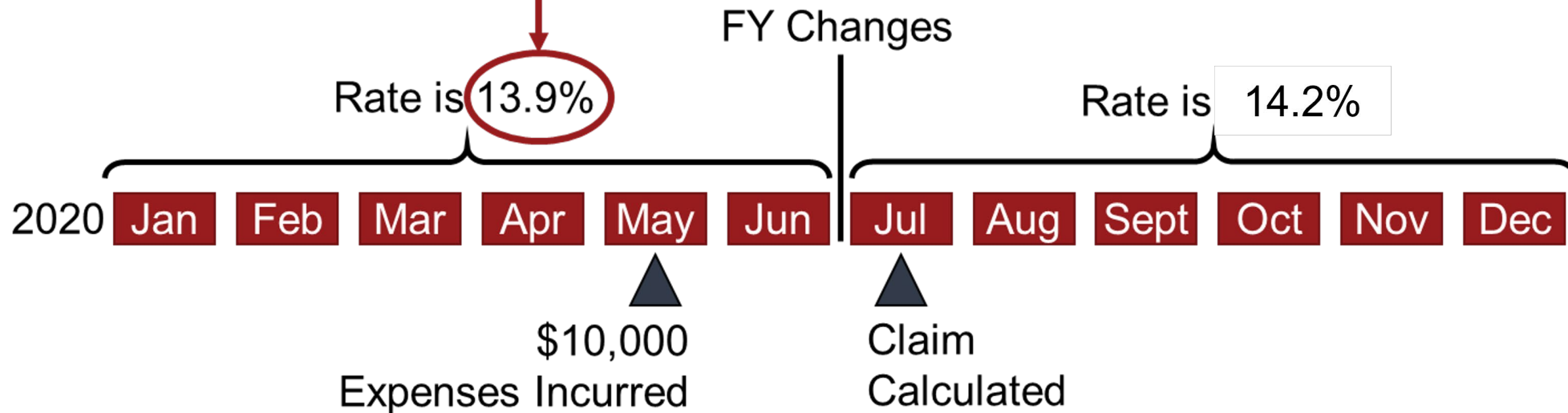
What if a grantee does not pay attention to the applicable period of the rate?



Using the Correct Period's Rate

When calculating indirect cost reimbursement, the rate applied must correspond to the expenses/expenditures incurred during the same time period.

Type	From	To	Rate	Base	Applicable To
Provisional	07/01/2019	06/30/2020	13.9%	Salary & Wages	All Programs
Provisional	07/01/2020	06/30/2021	14.2%	Salary & Wages	All Programs





Discussion Question 2

What if a grantee is not aware that the rate in the agreement is the ceiling that can be charged to the grant?





Discussion Question 3

What if a grantee does not know how to properly calculate reimbursable indirect costs?



Cost Allocation Plan (CAP)

Cost Allocation Plan (CAP)

A Cost Allocation Plan...

- Is tailored to the grantee's specific cost structures and policies
- Summarizes the methods and procedures that the grantee uses to allocate costs to various programs and activities
- Assists the grantee in equitably distributing costs in lieu of an ICR
- Must include the written CAP narratives

CAP Narrative

The CAP Narrative describes:



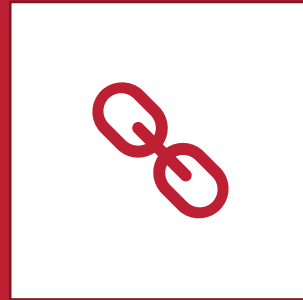
The type of services/programs/activities carried out by the organization

CAP Narrative

The CAP Narrative describes:



The type of services/programs/activities carried out by the organization



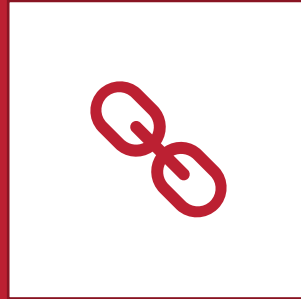
Joint costs to be allocated to those service/program activities

CAP Narrative

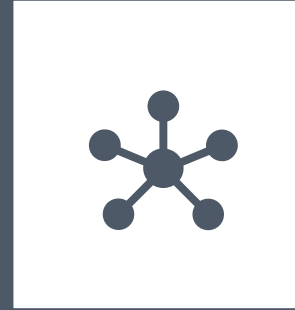
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The type of services/programs/activities carried out by the organization



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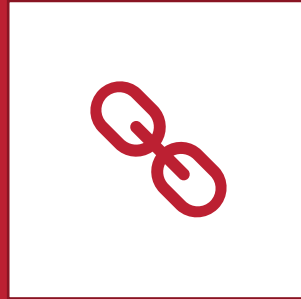
Allocation base(s) used for distributing expenses to benefitting cost objectives

CAP Narrative

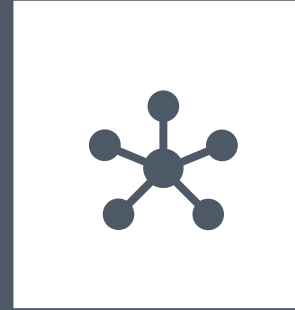
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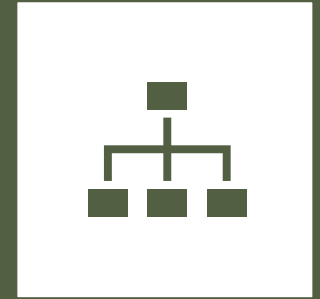
The type of services/programs/activities carried out by the organization



Joint costs to be allocated to those service/program activities



Allocation base(s) used for distributing expenses to benefitting cost objectives



Often multiple bases are involved based on the nature of activities

Sample CAP Agreement

NON-FEDERAL ENTITY

XYZ State Agency
17101 Sample Drive
Washington, DC 20210

EIN: 38-xxxxxxx

DATE: 2/29/2024
FILE REF.: This
replaces the agreement
dated 12/2/2022

The cost allocation plan (CAP) for indirect costs approved in this Agreement is to be used on grants, contracts, and other agreements with the Federal Government. This Agreement was negotiated by the **XYZ State Agency** (non-Federal entity) and the **U.S. Department of Labor** in accordance with the authority contained in Title 2 of the Code of Federal Regulations, Part 200. This Agreement is subject to the limitations in Section II, A, below.

SECTION I: DEPARTMENTAL INDIRECT COSTS

The U.S. Department of Labor's Cost & Price Determination Division (CPDD) has reviewed the non-Federal entity's CAP. The non-Federal entity has chosen not to employ an indirect cost rate, but to allocate actual indirect costs monthly in accordance with the CAP. The allocation methodologies delineated in the non-Federal entity's CAP are hereby approved. Attached is the Schedule of Allocated Indirect Costs by Award ID Number for the indirect costs allocated for the Final period.

<u>APPROVAL</u>	<u>FROM</u>	<u>TO</u>	<u>BASE</u>	<u>LOCATION</u>	<u>APPLY TO</u>
Provisional	10/01/2023	09/30/2024	SW-1	Loc-1	AP-11
Pending	10/01/2023	09/30/2024	Pending	Loc-1	AP-12

(SEE SPECIAL REMARKS)

BASE

SW-1: Total direct salaries and wages including vacation, holiday, sick pay, other paid absences, and all applicable fringe benefits.

Approved CAP – Standard Form

Final FFR – Section 12

11. Indirect Expense	a. Type	b. Rate	c. Period From	Period To	d. Base	e. Amount Charged	f. Federal Share
				g. Totals:			
<i>12. Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation:</i> Approved CAP. Indirect Charged from 10/01/2023 - 12/31/2024. Indirect Cost \$217,000.00							

Reimbursement of Indirect Costs via a CAP

Comparison of Rate & CAP

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

VS.

Cost Allocation Plan (CAP):

- Allocates indirect costs to 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/without budgetary rate (for planning purposes only) and supplemental schedule of allocated indirect costs completes negotiation

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

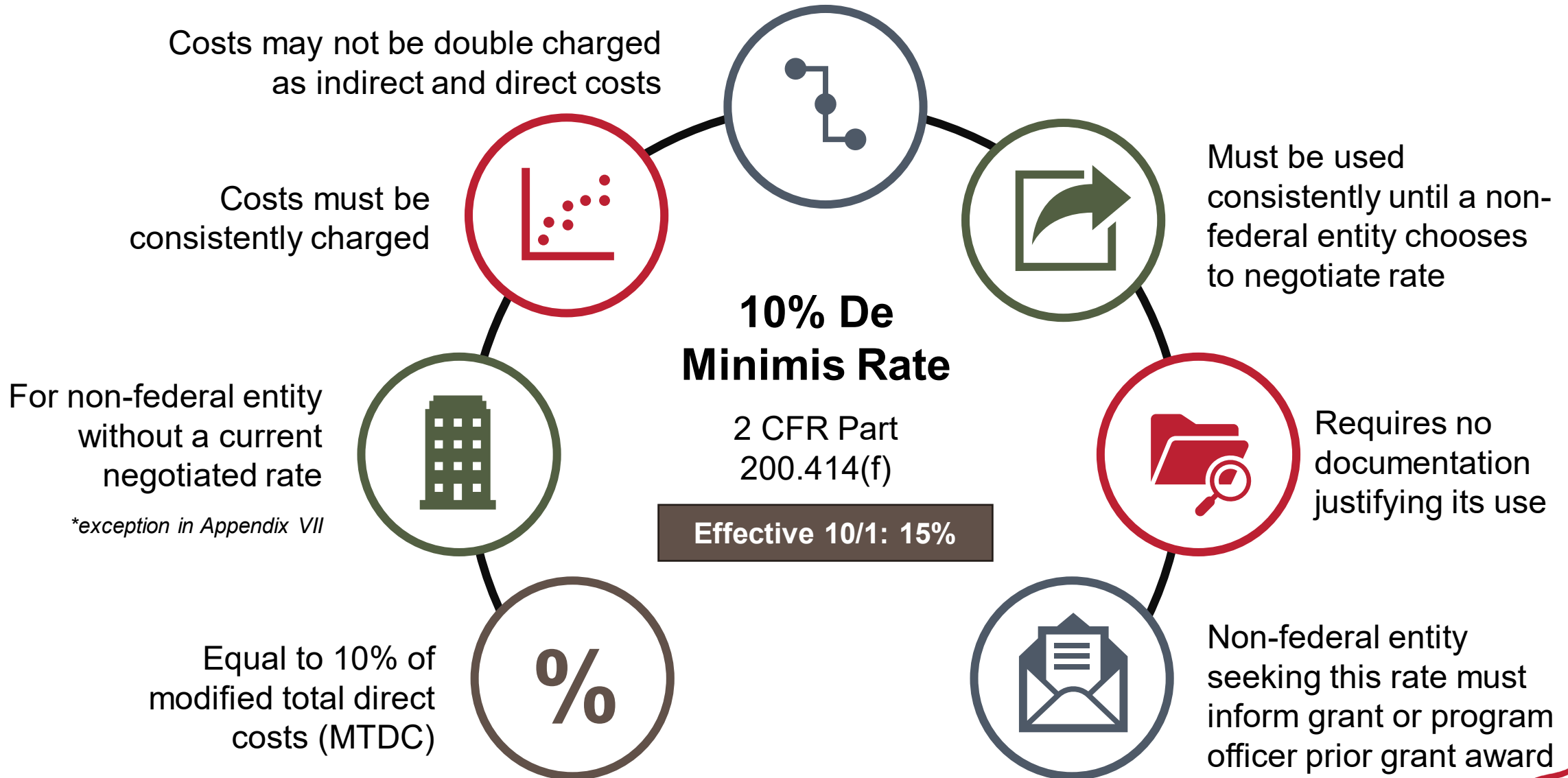
Schedule of Indirect Costs by Grant Award ID

CDFA No.	Direct or Pass-through	Fund Source	DOL Sub-Agency	Grant Award No.	Allocated Indirect Costs
17.002	No information provided	USDOL	BLS	LM-xxxxx-75-J-13	\$301,066
17.207	No information provided	USDOL	ETA-ES	ES-22222222-55-A-13	\$3,113,510
17.225	No information provided	USDOL	ETA-UI	U1-xxxxxxxx-55-A-13	\$9,953,914
17.245	No information provided	USDOL	ETA-TAA	TA-xxxxxxxx-18-55-A-13	\$495,658
17.260	No information provided	USDOL	TCSG-WIOA RR	P19 xxxxxx Rapid Response	\$1,965,677
17.271	No information provided	USDOL	ETA-WOTC	WT-xxxxxx-18-55-A-13	\$63,221
17.273	No information provided	USDOL	ETA	FL-xxxxxxxx-17-55-A-13	\$161,556
17.804	No information provided	USDOL	DVOP/LVER	DV-xxxxxx-18-55-5-13	\$1,421,445
97.034	No information provided	FEMA	N/A	FEM-xxxxx-DR-GA	\$5,267
XX.XXX	No information provided	Non federal: State/Other	N/A	N/A	\$2,840,235

Total: \$20,321,548

Reimbursement of Indirect Costs via De Minimis Rate of 10% of MTDC

The De Minimis Rate of 10% of MTDC



De Minimis Rate of 10% of MTDC Calculation

Typical Line Items for Direct Costs	Total	Include in 10% De Minimis Allocation Base?	Allocation Base for 10% De Minimis	Total Allowable Budgeted Costs
Personnel	\$700,000	Y	\$700,000	\$700,000
Fringe Benefits	\$210,000	Y	\$210,000	\$210,000
Travel	\$30,000	Y	\$30,000	\$30,000
<i>Rent</i>	<i>\$24,000</i>	<i>N</i>	<i>\$0.00</i>	<i>\$24,000</i>
Utilities	\$5,000	Y	\$5,000	\$5,000
Insurance/Bonding	\$2,500	Y	\$2,500	\$2,500
<i>Equipment</i>	<i>\$15,000</i>	<i>N</i>	<i>\$0.00</i>	<i>\$15,000</i>
Supplies	\$5,000	Y	\$5,000	\$5,000
Contractual - Subawards	\$100,000	Y	\$25,000*	\$100,000
Consultant Services	\$10,000	Y	\$10,000	\$10,000
<i>Participant Support Costs/ Related Supportive Services</i>	<i>\$300,000</i>	<i>N</i>	<i>\$0.00</i>	<i>\$300,000</i>
Other	\$5,000	Y	\$5,000	\$5,000
Total Direct Costs	\$1,406,500	n/a	\$992,500	\$1,406,500

Indirect Costs:

= De Minimis Rate x Allocation Base for De Minimis
 $10.0\% \times \$992,500$

\$99,250

De Minimis Indirect Rate 10%

Effective 10/1/24: Rate 15%

Total Costs:

= Indirect Costs + Total Allowable Budgeted Direct Costs
 $\$99,250 + \$1,406,500$

\$1,505,750

*Include the 1st \$25,000 for each subaward.

De Minimis Rate of 10% MTDC – Standard Forms

SF-424A – Award

6. Object Class Categories	SECTION B - BUDGET	
	GRANT PROGRAM	
	(1) HVRP Homeless Veterans	(2) HVRP Homeless
a. Personnel	\$700,000.00	
b. Fringe Benefits	\$210,000.00	
c. Travel	\$30,000.00	
d. Equipment	\$15,000.00	
e. Supplies	\$5,000.00	
f. Contractual	\$100,000.00	
g. Construction	\$0.00	
h. Other	\$346,500.00	
i. Total Direct Charges (sum of 6a-6h)	\$1,406,500	
j. Indirect Charges	\$99,250.00	
k. TOTALS (sum of 6i and 6j)	\$1,505,750.00	

Final FFR – Section 12

11. Indirect Expense						
a. Type	b. Rate	c. Period From	Period To	d. Base	e. Amount Charged	f. Federal Share
g. Totals:						
12. Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation: Elected 10% De Minimis Rate. Total base amount \$992,500. Indirect cost charged \$99,250.00						

Post-Closeout Adjustments

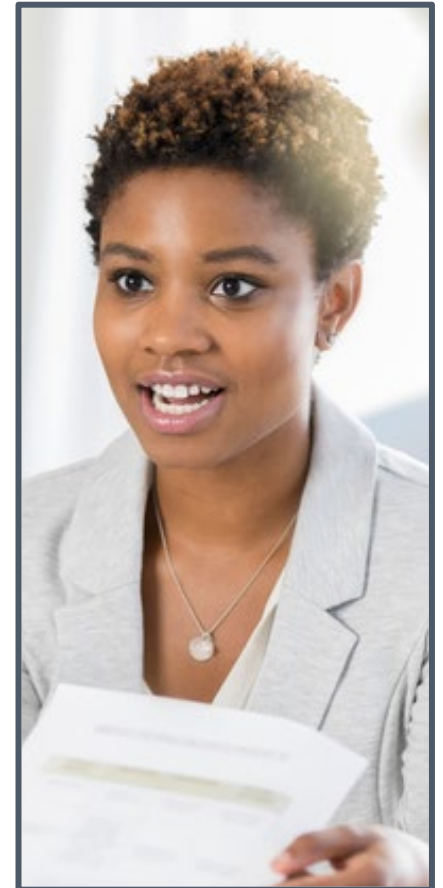
Closeout Regulations and Final Rates

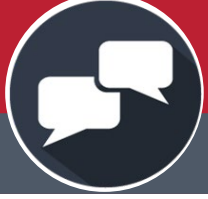
Even if a federal award is administratively closed before settling the final indirect cost rates, the closeout of a federal award does not affect:

- The right of the federal awarding agency or pass-through entity to disallow costs and recover funds based on a subsequent audit or other review
- The obligation of the non-federal entity (grantee) to return any funds due because of later refunds, corrections, or other transactions including final ICR adjustments

§200.344 Closeout

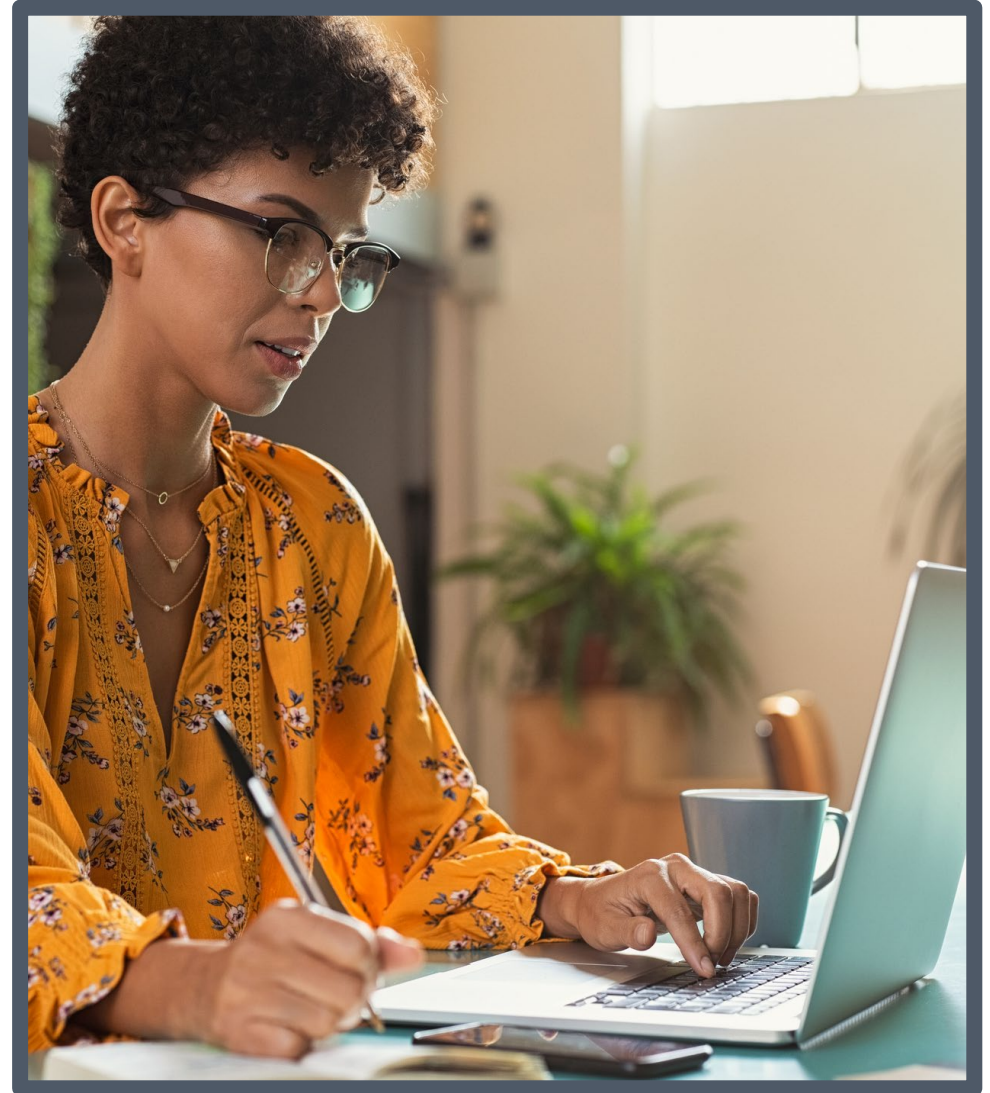
§200.345 Post-closeout adjustments and continuing responsibilities





Discussion Question 4

What if the final rate is lower or higher than the provisional rate?



Wrap Up

Additional Questions?

Need more info? Contact us!

- Emily Wen
 - USDOL Cost & Price Determination Division, Cost Negotiator
 - Wen.Emily.W@dol.gov
 - 202-693-4107

- Victor Lopez
 - USDOL Cost & Price Determination Division, Branch Chief
 - Lopez.Victor@dol.gov
 - 202-693-4106