

Indirect Cost FAQs

Disclaimer: this guidance document does not supersede the statute, regulation, or terms and conditions of an award. In the case of discrepancies, the regulatory and statutory definitions will control.

Definitions

- **Administrative costs** - *The term administrative costs means general or centralized expenses of overall administration of an organization that receives assistance under the Act and does not include program costs.*

(1) For organizations that have an established indirect cost rate for Federal awards, administrative costs mean those costs that are included in the organization's indirect cost rate. Such costs are generally identified with the organization's overall operation and are further described in 2 C.F.R. Part 200.

(2) For organizations that do not have an established indirect cost rate for Federal awards, administrative costs include:

(i) Costs for financial, accounting, auditing, contracting, or general legal services except in unusual cases when they are specifically approved in writing by the Corporation as program costs.

(ii) Costs for internal evaluation, including overall organizational management improvement costs (except for independent evaluations and internal evaluations of a program or project).

(iii) Costs for general liability insurance that protects the organization(s) responsible for operating a program or project, other than insurance costs solely attributable to a program or project.

- **Capital expenditures** - *Capital expenditures means expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life. ([2 C.F.R. § 200.13](#))*
- **Cognizant Agency for Indirect Costs** - *The Federal agency responsible for reviewing, negotiating, and approving cost allocation plans or indirect cost proposals developed under the Uniform Guidance for Federal Awards on behalf of all Federal agencies. Cognizance is determined by the Federal agency with the largest direct dollar value of Federal awards with an organization. (See [2 C.F.R. § 200.19](#)) Exceptions: Institutions of Higher Learning found in 2 C.F.R. App. III C. 11 a. (1) stating that HHS or DOD must be used for IDCR negotiation; Tribal Governments found in 2 C.F.R. App. V F. 1. stating that DOI must be used for IDCR negotiation; School Districts and Local Education Agencies found in 2 C.F.R. App. V F. 1. stating that Department of Education must be used for IDCR negotiation; and Public assistance and state-wide cost allocation plans for all states (including the District of Columbia and Puerto Rico), state and local hospitals, libraries and health districts found in 2 C.F.R. App. V F. 1. stating that Health and Human Services must be used for IDCR negotiation.*

- **De minimis rate of 10% of Modified Total Direct Costs** – Any non-Federal entity that has never received a negotiated indirect cost rate, except for those non-Federal entities described in 2 C.F.R. Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals, paragraph D.1.b, may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely. (See [2 C.F.R. § 200.414\(f\)](#))
- **Direct Costs** - Direct costs are those costs that can be identified specifically with a federal award. Typical costs charged directly to a Federal award are the compensation of employees who work on that award, their related fringe benefit costs, the costs of materials and other items of expense incurred for the Federal award. (See [2 C.F.R. § 200.413\(a\) and \(b\)](#))
 - Administrative costs, comprised of salaries for administrative or clerical staff, are typically charged as indirect costs especially when they are supporting multiple projects or awards. Direct charging of these costs may be appropriate only if all of the following conditions are met:
 - i. Administrative or clerical services are integral to a project or activity;
 - ii. Individuals involved can be specifically identified with the project or activity;
 - iii. Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and
 - iv. The costs are not also recovered as indirect costs.
- **Equipment** - Equipment means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000. ([2 C.F.R. § 200.33](#))
- **Federal Negotiated Indirect Cost Rate** – A negotiated indirect cost rate received from the Non-federal entity’s cognizant agency for indirect costs.
- **Indirect Costs** - Indirect (F&A) costs means those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived. (See 2 C.F.R. § 200.56)
- **Modified Total Direct Costs (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** equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs (see definition below) 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. ([2 C.F.R. § 200.68](#))

- **Participant support costs** - Participant support costs means direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences, or training projects. ([2 C.F.R. § 200.75](#)) NOTE: Participant support costs does not mean member or volunteer support costs. The definition as defined in the Uniformed Guidance is different than the same term which has been used by Senior Corps programs.
- **State Negotiated Indirect Cost Rate** – A negotiated indirect cost rate received by a non-federal entity that receives federal funding only as a subrecipient from a state entity.

Indirect Costs – General

1) What are my options to charge indirect costs incurred through managing my federal award?

Costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy may be charged directly. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (F&A) costs.

CNCS grantees have five options for charging indirect costs to their awards:

- 1) Non-federal entities receiving direct federal funds may apply for a federally negotiated indirect cost rate from their cognizant agency for indirect costs.
- 2) Non-federal entities receiving funds only from a pass-through entity may use an indirect cost rate negotiated with the pass-through entity.
- 3) Eligible non-federal entities may elect to use a de minimis rate of 10% of modified total direct costs
- 4) For Non-federal entities may charge certain administrative costs directly as long as those costs are charged the same consistently across all federal awards.

AmeriCorps State and National grantees **only**, the following option is available:

- 5) Organizations receiving funding under AmeriCorps State and National programs should follow application instructions to utilize the 5% federal/10% match for administrative expenses.

Method	Federal Requirement	CNCS Program(s) Covered	Notes
Federally Negotiated Indirect Cost Rate	2 CFR §200.414 (c) Federal Agency Acceptance of Negotiated Indirect Cost Rates	All CNCS programs	<ul style="list-style-type: none"> • May apply for one time extension for up to four years
State Negotiated Indirect Cost Rate	2 CFR §200.414 (c) Federal Agency Acceptance of Negotiated Indirect Cost Rates	All CNCS programs	
De minimis rate of 10% of <i>Modified Total Direct Costs</i> (MTDC)	2 CFR §200.414 (f) de minimis rate of 10% of MTDC	All CNCS programs	<ul style="list-style-type: none"> • May be used indefinitely • Can only use if never had a negotiated indirect cost rate • Not available to State/Local Gov. with over \$35 million in direct federal funding
Direct Charge	2 CFR §200.413 Direct Costs	All CNCS programs	Admin & clerical salaries should normally be treated as indirect (F&A) costs. <u>Direct charging of these costs may be appropriate only if all of the following conditions are met:</u> (1) services are integral to a project or activity; (2) Individuals involved can be specifically identified with the project or activity; (3) costs are explicitly included in budget or have the prior written approval of awarding agency; and (4) The costs are not also recovered as indirect costs. (2 C.F.R. § 200.413(c))
5% Federal Share/10% Match Administrative Costs	45CFR §2510.20 and § 2521.95 Administrative Costs	AmeriCorps Programs Only	See application instructions.

2) How do I know which agency is cognizant for indirect costs for my federal awards?

For non-profit organizations, the Federal agency with the largest direct dollar value of Federal awards with an organization is the cognizant agency for indirect costs and is the agency that will negotiate and approve indirect cost rates. For details and information for how to determine the cognizant agency for indirect cost rates for other types of organizations, see [2 C.F.R. § 200.19](#).

3) I don't have a negotiated indirect cost rate, CNCS is not my cognizant agency for indirect cost rates, and I want to apply for one. How do I find out how to apply to another Federal agency for a negotiated indirect cost rate agreement?

Contact the grants officer listed on your award with your cognizant agency for indirect costs and they will provide you with info on how to apply for an indirect cost rate for that agency.

4) I don't have a negotiated indirect cost rate, CNCS is my cognizant agency for indirect cost rates, and I want to apply for one. Who do I contact?

Send an email to IndirectCostRate@cns.gov requesting instructions for obtaining a federally negotiated indirect cost rate.

5) The new grant regulations say that I may apply to extend my existing indirect cost rate for 4 years. How do I request that extension?

If CNCS is your cognizant agency for indirect cost rates, request instructions for a rate extension from IndirectCostRate@cns.gov. Extensions must be requested at least 6 months prior to the expiration of your IDCR agreement. If another Federal agency is your cognizant agency for indirect cost rates, contact that agency's assigned grants officer for instructions specific to that agency. Once you receive approval of your rate extension, provide your CNCS grants officer with a copy of your approved extension and update your indirect cost rate information in eGrants.

6) I am a sub-recipient with no direct federal funds; can I apply to CNCS for an indirect cost rate?

No, Federal agencies may only negotiate indirect cost rates with recipients receiving funds directly. Sub-recipients should contact the pass through agency (e.g. the State Service Commission) and ask them how you can negotiate an indirect cost rate.

7) I am a State Service Commission and need to negotiate indirect cost rates on behalf of my sub-grantees; how do I do this?

Commissions should first determine if the sub-recipient has a formal relationship through direct awards with either a federal or state agency. If they do, then sub-grantees should negotiate their IDCR through those channels. If no such relationship exists, Commissions, who have a formal relationship with their state, should determine what state processes are in place to establish indirect cost rates and utilize those resources. Commissions which do not have a formal relationship with their state, may develop a process to negotiate indirect cost rates for their sub-grantees. Commissions should work with a qualified accountant to develop the method which best meets their circumstances. Guidance on standards which Federal agencies use to negotiate rates with non-profit organizations can be found in 2 C.F.R PART Appendix IV to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organization at http://www.ecfr.gov/cgi-bin/text-idx?node=2:1.1.2.2.1#ap2.1.200_1521.iv

Whatever methodology is developed, written policies & procedures should be in place to ensure consistency.

8) Where can I find more information on what must be included in an indirect cost rate proposal?

If you are applying for an IDCR from CNCS, request instructions from indirectcostrate@cns.gov. The link to HHS CAS provides applicants with step by step instructions on documentation requirements. Please use this link each and every time you send your IDCR proposal as requirements do change from time to time.

- *For Institutions of Higher Education: [2 CFR Appendix III to Part 200—Indirect \(F&A\) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education \(IHEs\)](#)*

- For nonprofit organizations: [2 CFR Appendix IV to Part 200—Indirect \(F&A\) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations](#)
- For state and local governments: [2 CFR Appendix V to Part 200—State/Local Governmentwide Central Service Cost Allocation Plans](#)
- For Indian tribes: [2 CFR Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposal](#)

9) How do I notify CNCS of which option I will be using?

Applicants must enter their indirect cost rate information in eGrants under the Organization tab. Instructions are attached. If an applicant is using a negotiated indirect cost rate, the rate agreement must be provided with the application. With the exception of those using the AmeriCorps 5/10% option, all applicants must enter their indirect cost rate information into eGrants under the Indirect Cost Rate section under the Organization tab.

10) Do I have to use the full amount of my negotiated indirect cost rate?

No, you can apply a lesser amount, if you choose. This can be noted in the budget section of your application.

De minimis rate of 10% of Modified Total Direct Costs

11) Can you explain the de minimis rate of 10% of MTDC?

*With the implementation of new federal regulations, (2 CFR Part 200—Uniform Administrative Requirements, Cost Principles, And Audit Requirements For Federal Awards) non-federal entities wishing to claim reimbursement for administrative/indirect costs now have another option outside of a negotiated indirect cost rate. [2 C.F.R. § 200.414\(f\)](#) states that some non-federal entities may elect to use a de minimis indirect cost rate of 10% of Modified Total Direct Costs (MTDC) if the non-federal entity has **never** had a negotiated indirect cost rate. State and local entities that receive more than \$35million in federal funding do not qualify to use the de minimis rate. See [2 C.F.R. § 200.414\(f\)](#) for more information.*

De minimis rate of 10% of Modified Total Direct Costs Overview

The de minimis rate of 10% of MTDC:

- *is accepted by the federal agency without any review of actual costs*
- *is allowable for use indefinitely*
- *must be used consistently across all federal awards (OMB may allow exceptions for classes of Federal awards or non-Federal entities subject to the requirements of this part when exceptions are not prohibited by statute - **\$200.102 Exceptions** – such as with AmeriCorps State & National 5/10%)*

12) Which entities are eligible to use the de minimis rate of 10% of Modified Total Direct Costs?

Non-federal entities that have never received a negotiated rate are eligible to elect the 10% de minimis rate of MTDC.

13) Who is NOT eligible to elect a 10% de minimis rate of MTDC?

- *State or Local Governments and Indian Tribes receiving over \$35M in direct federal funding are not eligible to elect the de minimis rate of 10% of MTDC. ([2 CFR §200 Appendix VII D.1.b](#))*
- *Non-federal entities that currently have, or have had in the past, a negotiated indirect cost rate.*

14) What is included in Modified Total Direct Costs calculation ([2 C.F.R. § 200.68](#))?

- *Salaries and wages*
- *Fringe benefits*
- *Materials and supplies*
- *Services*
- *Travel*
- *Sub-contracts (first \$25,000 of each sub-contract)*

15) What is excluded from Modified Total Direct Costs calculation ([2 C.F.R. § 200.68](#))?

- *Equipment*
- *Capital expenditures*
- *Charges for patient care*
- *Tuition remission*
- *Rental costs*
- *Scholarships, and fellowships*
- *Participant support costs*
- *The portion of each sub-award in excess of \$25,000*

16) Can I use the de minimis rate of 10% of Modified Total Direct Costs rate AND charge administrative expenses directly?

Grantees may always charge allowable, allocable, & reasonable expenses directly to an award, however, costs must be treated consistently across all direct and pass through federal awards. Extreme care and documentation must be in place to ensure that expenses are not double charged as both the de minimis rate & the direct charge.

17) Can I use the de minimis rate of 10% of Modified Total Direct Costs rate while I apply for a negotiated indirect cost rate?

*Yes. If you are eligible to use the de minimis rate of 10% of **Modified Total Direct Costs** (See [2 C.F.R. § 200.414\(f\)](#)), you may use it until you receive a provisional rate or a final rate is approved, whichever comes first.*

18) Can I use a state negotiated rate on a sub-award and use the de minimis rate of 10% of Modified Total Direct Costs on my CNCS direct award?

No. If you have a negotiated indirect cost rate, you are not eligible to use the 10% de minimis rate of Modified Total Direct Costs. You must use your negotiated IDCR.

19) What do I need to submit if we elect to use the de minimis rate of 10% of MTDC?

If you meet the eligibility criteria (See [2 C.F.R. § 200.414\(f\)](#)) & elect to use the de minimis rate of 10% of MTDC, you should record the rate in eGrants under the Organization section. Grantees must maintain documentation of costs included in their 10% de minimis rate which will be subject to review during monitoring and audits.

20) How do I calculate the de minimis rate of 10% of MTDC?

- 1) *Add up the costs for the following line items in your budget:*
 - *Salaries and wages*
 - *Fringe benefits*
 - *Materials and supplies*
 - *Services*
 - *Travel*
 - *Sub-contracts (first \$25,000 of each sub-contract)*
- 2) *Ensure that these line items are NOT included in your calculation:*
 - *Equipment*
 - *Capital expenditures*
 - *Charges for patient care*
 - *Tuition remission*
 - *Rental costs*
 - *Scholarships, and fellowships*
 - *Participant support costs*
 - *The portion of each sub-award in excess of \$25,000*
- 3) *Calculate 10% of the costs included under the allowed budget costs as outlined in 1) above. This is your de minimis rate of 10% of modified total direct costs.*
- 4) *Ensure that when you are submitting budgets that you charge costs consistently across ALL federal awards, including awards you receive as a sub-recipient.*