



Indirect Costs

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Indirect Cost Services - Sacramento
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Agenda

- **About ICS**
- **General Principles**
 - Uniform Guidance
 - Direct, Indirect, Unallowable, Exclusions
 - Distribution Base
 - Types of Rates
- **Negotiation Agreement**
- **Web Site Tools**





About ICS

- **We've moved! Our new contact info:**
650 Capitol Mall, Suite 7-400
Sacramento, CA 95814-4706
Tel: 916-930-3803 Fax: 916-930-3804
- **Cognizant Agency for Indirect Costs (DOI)**
 - For Indian Tribes and other non-Federal entities who receive the majority of the direct Federal funding from the Department of Interior (Mandated Branch [7])
 - On behalf of other Federal agencies (Fee-for-Service Branch [5])
 - Management and Support Staff [5]





Rate Proposal Processing

- **Proposal receipt**
- **Processing assessment**
- **First-in/first-out queue**
- **Initial documentation review**
- **Negotiation**
- **Sent for signature/approval by entity official**
- **Entity signed agreement returned to IBC for issuance**



Criteria - Title 2: Grants and Agreements

- **Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards**
 - Subpart A – Acronyms and Definitions
 - Subpart B – General Provisions
 - Subpart C – Pre-Federal Award Requirements and Contents of Federal Awards
 - Subpart D – Post Federal Award Requirements
 - Subpart E – Cost Principles
 - Subpart F – Audit Requirements
 - Appendix VII – States and Local Government and Indian Tribe Indirect Cost Proposals

http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl



Indirect Cost Determination

- **A means to identify general and administrative overhead**
- **Recovery is limited by Federal law and regulation**
- **Costs are grouped into:**
 - Costs that directly benefit individual programs or activities (**direct**)
 - Other Costs (**unallowable and exclusions**)
 - Costs that support all programs or activities (**indirect**)





Direct Costs

- **Costs that can be identified specifically with a final cost objective such as a specific activity, program or grant (direct program costs)**
- **Can benefit more than one program but can be easily allocated to the funding sources that benefit (direct allocation costs)**
- **Are approved for payment by the Federal grant officer or their representative**





Unallowable Costs

- **A cost is unallowable if it:**
 - Does not meet the criteria listed in the Uniform Guidance (2 CFR Part 200) to be allowable
 - Is specifically identified in the Uniform Guidance or the grant/contract as being unallowable





Examples of Unallowable Costs

- Capital expenditures
- Entertainment
- Alcoholic beverages
- General Costs of Government*
- Lobbying*
- Fundraising*
- Public relations*/advertising
- Interest and financing
- Losses on other contracts
- Contributions and donations
- Bad debts
- Fines and penalties
- Defense of fraud proceedings



Unallowable Costs in the Base

- **“Unallowable costs must be included in the direct costs if they represent activities which indirect costs are properly allocable.”**
- **Ref: 2 CFR Part 200 Appx VII Subsection C.2.b.**
- **Includes salaries of personnel who occupy space and benefit from the services provided by the pool.**
- ***Examples: fundraising, lobbying, public relations when performed by the Tribe’s own employees; 50% Tribal Council costs**



Exclusions from Direct Costs

- **Extraordinary or distorting expenditures**
 - Pass-through Funds
 - Capital Expenditures
 - Major Subawards – Only the first \$25,000 of each subaward may be included in the base





Distribution {Direct Cost} Base

- **Modified total direct costs (MTDC)**
- **Total direct salaries excluding fringe benefits (S&W)**
- **Total direct salaries including fringe benefits (SWF)**



Indirect Costs

- **Incurred for common or joint objectives and cannot be readily identified with a particular final cost objective or funding source**
- **Necessary to the general operation of the government**
- **Approved by the cognizant agency's indirect cost rate negotiator through an indirect cost rate**



Examples of Indirect Costs

- Accounting
- Audit
- Human Resources
- Executive Director & Receptionist
- Payroll
- Communications
- Rent
- Utilities
- Bank Charges
- Insurance
 - General Liability, Fidelity Bond, etc.
- Salaries
- Fringe Benefits
- Office Supplies
- Purchases
- Travel
- Depreciation
- Printing/Copying
- Equipment Lease/Repair
- Minor Equipment



Indirect Cost Rate Calculation

- **Costs are classified by placing them into categories such as administration, program, or some other category as prescribed by statute**
 - Identify Indirect Cost Pool
 - Determine Direct Cost Base
 - Calculate Rate $\frac{\text{Pool}}{\text{Base}} = \text{Indirect Cost Rate}$



Types of IDC Rates

- **Provisional**
 - Temporary rate pending final rate
 - Used for funding, interim reimbursement and reporting on awards
- **Final**
 - Based on actual costs
 - Used to close-out contracts
- **Predetermined**
 - Estimated based on stable historical rate
- **Fixed with Carryforward**
 - Includes a “carryforward” amount, which increases or decreases the future indirect cost pool and rate to reflect your under-recovery or over-recovery of indirect costs





New Rate Offerings

- **De Minimis 10% rate – 200.414(f)**
 - Never received a negotiated indirect cost rate
 - Applied to modified total direct cost base
 - May be used indefinitely
- **Rate Extensions – 200.414(g)**
 - One-time extension of a current negotiated rate
 - Type of Rate must be a Final or Predetermined rate
 - Extension for 1 to 4 years



Negotiation Agreement

- **Types of Rates**
 - Provisional
 - Final
 - Predetermined
 - Fixed Carryforward
- **Effective Period**
- **Indirect Cost Rate**
- **Distribution Base**
- **Negotiator's Name and Number**



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--Council on Financial Assistance Reform (COFAR), Uniform Guidance

<https://www.doi.gov/ibc/services/finance/indirect-cost-services/indian-tribes>





Questions



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