

# Indirect Rate Recovery

*November 18, 2022*



CPAs & ADVISORS



# Presenter

*Meet the Instructor*

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**Paul H. Calabrese**

*Principal*

*Outsourced Accounting & Advisory Services*



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**2022 Firms to Watch**

# Agenda

## Indirect Rate Recovery

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- Advantages of Using Indirect Rates
- NICRA Indirect Rate Strategies
- PPP Loan Forgiveness
- Problematic Sub-Recipients
- State & Municipal Government Indirect Issues

# Advantages of Using Indirect Rates

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- **Recovery** – Goal is to recover all administrative costs: executive, finance, HR, IT, procurement, general admin.
- **Sustainability** – Recovery only direct costs leads to possible “going-concern” issues.
- **Permitted on direct funded awards** – Direct prime grants with most Federal agencies permits full recovery of indirect
- **DC and MD laws have changed**- “Nonprofit Fair Compensation Act” and MD State Senate Bill 1045.
- **Higher recovery than the 10% De Minimis Rate (DMR)** – The DMR permits only a 10% fixed rate on MTDC base
- **Easy to compute**- Indirect rates are fractions: numerator/denominator, ratio applied to direct grant cost.
- **Fractional methodology vs. specific identification** – Group your indirect cost over denominator in lieu of listing items.
- **Accepted methodology**- Certain methodologies are accepted by the government in the Uniform Guidance 2 CFR 200.

# LABOR COST OVERHEAD

## NICRA Indirect Rates

### TABLE OF CONTENTS

1. Labor rate and overhead
2. Allowances and indirect
3. Direct and indirect
4. Cost segregation
5. Transportation and



# 10% De Minimis Rate (DMR)

*Per 2 CFR 200.414(f) & (h)*

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- Never received a negotiated indirect rate or do not have a current negotiated indirect rate
- Charge on a modified total direct cost base (implications on slide 7)
- May use indefinitely until negotiate an indirect rate
- Direct and indirect costs charged consistently but not as both causing double-charging
- Use consistently on all Federal awards
- The NICRA rate, allocation base and rate type (i.e. provisional or final) must be publically shown on an OMB-designated Federal website ([www.USASpending.gov](http://www.USASpending.gov))

# Impact of MTDC Base on the DMR

NICRA Step 1:  
Indirect Pool            100  
Indirect Base            1,000  
Rate                        10%

NICRA Step 2:  
Indirect Pool            100  
MTDC Base\*            500  
Rate                        20%

\*Remove subs/c            > \$25,000

De Minimis Rate:  
Step 1 Base:            1,000  
Step 2 MTDC            500

10% x	
MTDC Base	50 Indirect Pool

# Pass-Through Entity Responsibilities

## *Appendix IV.C2(a)*

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Where a non-Federal entity only receives funds as a sub-recipient, see the requirements of §200.332

Requirements for pass-through entities.

If the nonprofit does not receive any [direct] funding from any Federal agency, the pass-through entity is responsible for the negotiation of the indirect cost rates in accordance with §200.332(a)(4).

This means a sub-recipient with no direct or prime funding with any Federal agency cannot directly negotiate an indirect rate with a Federal agency.



# Rules for Obtaining a NICRA Rate

## *Appendix IV.C2(b)*

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- To obtain a NICRA, you must have an active, direct funded award with an F.A.A.
- Once an organization has received notice of receiving a Federal award from an FAA, the organization (assuming there is no DMR) will submit a formal indirect cost rate proposal to that agency within 90 days.
- **Potential strategy:**
  - The organization can prepare the indirect rate calculation IAW agency template
  - State in the budget narrative that the NFE will apply for a NICRA, not DMR
  - State in the budget the amount of funds that will be realigned from which particular direct cost line items to the indirect line item

FAA means Federal Awarding Agency

# Pass-Through Entity Responsibilities

2 CFR 200.332(4)

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Sub-Recipients working with Pass-Through Entities (PTE):

1. PTE must accept sub's NICRA, if no NICRA
  - a. PTE must determine an appropriate rate in collaboration\* with the sub-recipient which is either:
    - b. (2.) Negotiation or (3.) DMR
2. If negotiation
  - a. The negotiated rate can be predicated on a prior negotiated rate with a different PTE and same sub
  - b. If predicated on prior negotiated rate, the current PTE is not required to collect information on the prior negotiated rate but may elect to do so.

\*State and local municipal governments can be over-bearing on the sub-recipient.

\*“Nonprofit Fair Compensation Act of 2020” for DC & MD State Bill 1045

# Pass-Through Entity Responsibilities

2 CFR 200.332(4)

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Sub-Recipients working with Pass-Through Entities (PTE):

3. If the use of a DMR:
  - a. The pass-through entity must not require use of a de minimis indirect cost rate if the sub-recipient has a Federally approved rate.
  - b. Sub-recipients can elect to use the cost allocation method to account for indirect costs in accordance with §200.405(d).
    - i. Like a **Cost Allocation Plan (CAP)**
    - ii. [Rent \$10,000, Utility \$1,500 and Telephone \$3,500] 3 direct FTEs on sub-award of a total of 10 personnel (30%)
    - iii.  $30\% \times \$15,000 = \$4,500$  allocated indirect cost to sub-award
    - iv. CAP would be written as a part of the sub-recipient's budget narrative
4. Once the indirect expense is allocated direct; it is a direct cost under "OTHER" line item

# Close-Out Requirements

*Per OMB Update 11/12/2020*

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## Indirect Rate Variance

What about an indirect rate variance where your actual NICRA > provisional?

1. Is there funds left at the end of the grant?
  - If so, request a “no-cost” extension to preserve the grants funds.
  - If between grant periods, prepare a budget carry-forward request.
2. Can you move less than 10% from other remaining budget line items?
3. The remaining funds can cover actual indirect cost.

## §200.345 Post-closeout adjustments and continuing responsibilities.

(3) The ability of the Federal awarding agency to make financial adjustments to a previously closed award such as resolving indirect cost payments and making final payments.

## DMR Documentation

No documentation to support the DMR. However, the NFE must report in its SEFA whether it elected to use the DMR for its Federal awards.

May 21 FAQ Q-115.

# Fringe Rate Issues

## *PTO & Bonus Expense*

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- The placement of PTO
  - In the salary and wage line to be manually tracked and allocated on a spreadsheet
  - In the fringe cost pool to be allocated over a productive labor base (direct & indirect)
- The placement of bonus
  - Located in the fringe cost pool (but may vary in amount from year-to-year)
  - Located in the M&G or F&A cost pool (over a large MTDC base – limiting variability from year-to-year)

# MTDC Allocation Base

*Sub-Awards > 25,000*

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- *Modified Total Direct Cost (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 and the portion of each subaward in excess of \$25,000.



# MTDC Allocation Base

## *Definition of Sub-Awards*

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- Subaward means an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.
- The subaward exclusion does not include procurement contracts, subcontracts or consultants.



# **“Nonprofit Fair Compensation Act of 2020” for DC and MD Senate Bill 1045**

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# What does “Certified in Writing” by CPA Mean?

*DC Council Bill 23-407(4) – DC “Nonprofit Fair Compensation Act of 2020”*

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## According to the DC law, the method for “negotiating” your indirect rate:

“As calculated with a percentage rate and base amount, determined by a certified public accountant using the nonprofit organization’s audit financial statements from the immediately preceding fiscal year, pursuant to the OMB Uniform Guidance, and **certified in writing** by the certified public accountant.”

- The word “examination” was not included so you don’t need an audit of the indirect rate.
- All it means is you present the signature of a CPA on letterhead certifying your rate “true and correct”. The CPA may add additional qualifications.



NAVIGATION

[D.C. Law Library](#)

[Code of the District of Columbia](#)

[Title 2. Government Administration.](#)

[Chapter 2. Government Contracts and Busine...](#)

[Subchapter XI-A. Reimbursement of indirect c...](#)

[§ 2-222.02. Indirect cost compensation.](#)

PREVIOUS

[§ 2-222.01. Definitions.](#)

NEXT

[§ 2-222.03. Applicability.](#)

PUBLICATION INFORMATION

Current through

July 6, 2022

Last codified D.C. Law:

[Law 24-143 effective June 30, 2022](#)

Last codified Emergency Law:

[Act 24-469 effective July 6, 2022](#)

Last codified Federal Law:

[Public Law 115-334 approved Dec. 20, 2018](#)

Report Error

Website Feedback

We cannot respond to questions regarding the law.

**Code of the District of Columbia**

**§ 2-222.02. Indirect cost compensation.**

(a) Unless otherwise provided for by law, nonprofit organizations shall be compensated for indirect costs incurred in provision of goods or performance of services within the terms of any grant or contract with the District pursuant to the nonprofit organization's unexpired NICRA. If a nonprofit organization does not have an unexpired NICRA, the nonprofit organization may elect to be compensated for indirect costs:

(1) As calculated using a de minimis rate of 10% of all direct costs under the grant or contract;

(2) By negotiating a new percentage indirect cost rate with the awarding agency;

(3) As calculated with the same percentage indirect cost rate as the nonprofit organization negotiated with any District agency within the past 2 years; however nonprofit organizations may request to renegotiate indirect cost rates pursuant to subsection (c) [(b)] of this section; or

(4) As calculated with a percentage rate and base amount, determined by a certified public accountant using the nonprofit organization's audited financial statements from the immediately preceding fiscal year, pursuant to the OMB Uniform Guidance, and certified in writing by the certified public accountant.

(b) If the funding for a grant or contract comes from a federal agency, indirect costs shall be compensated consistent with the requirements for pass-through entities in 2 C.F.R. § 200.331, or any successor regulations.

(c) Each contract and grant awarded by the District shall include an indirect cost compensation clause that obligates the contractor or grantee to pay indirect costs to any nonprofit organization subcontractor or subgrantee at the same rate as the nonprofit organization would receive as a contractor or grantee with the District.

(d) This section shall not apply to foundations, hospitals, colleges, or universities.

(e) The Mayor, pursuant to [subchapter I of Chapter 5 of this title](#)[,] may issue rules to implement the provisions of this section.

([Mar. 16, 2021 D.C. Law 23-185, § 3, 68 DCR 001021](#).)



# MD State Senate Bill 1045

*Effective October 1, 2018*

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## **Aligning the language closer to the Uniform Guidance**

1. Requires the terms of the grant or contract allow for reimbursement of indirect costs at the same rate the nonprofit organization has negotiated and received for indirect costs under:
  - a. A direct Federal award (NICRA),
  - b. A non-Federal entity (i.e. a pass-through entity),
2. Based on certain cost principles or under certain circumstances,
3. At a rate of at least a certain percent of certain costs. (10% DMR?).

M	T	W	T	F	S
		1	2	3	4
6	7	8	9	10	11
13	14	15	16	17	18
20	21	22	23	24	25
27	28				

# PPP Loan Forgiveness

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# Impact of PPP Loan Forgiveness

## *2 CFR 200.406(a) CREDITS*

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- Applicable credits refer to those receipts or reduction-of-expenditure-type transactions that offset or reduce expense items allocable to the Federal award as direct or indirect (F&A) costs.
- Examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges.
- To the extent that such credits accruing to or received by the non-Federal entity **relate to allowable costs, they must be credited to the Federal award either as a cost reduction** or cash refund, as appropriate. Example:
  - Rent of \$10,000 recovered through approved NICRA indirect rate
  - \$1,000 received in rental income due to sub-let
  - NFE should only recover \$9,000

# Impact of PPP Loan Forgiveness

## *The Mechanics for Cost Reimbursable Federal Grants*

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1. The credit should be applied to grant costs in the same manner in which the PPP loans were expended by the organization.
2. If the loan proceeds were used to pay for indirect labor, or rent, then the F&A cost pool would be credited in either the **period expended, or period forgiven.**
3. Exceptions to applying a credit to your indirect rate:
  - a. If the loan proceeds were applied 100% to direct costs of a private foundation grant, internal program activity and not to a cost reimbursable, Federally funded award or sub-award from a pass-through entity
  - b. If the loan proceeds were applied 100% to direct costs of a fixed amount award
  - c. **Then no credit offset is applied.**
  - d. **No credit reduction is applied to a 10% de minimis rate per slide 12.**



# Problematic Sub-Recipients

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# The Nature of Federal Awards

## *Cost Reimbursement*

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1. True story of how a international sub-recipient misunderstood cost reimbursable awards
  - a) Misunderstood that budgeted rates comprised of estimates were invoiced as fixed
  - b) Treated an indirect rate from the budget as-if it were a fixed rate when invoiced
  - c) They applied the same exchange rate from estimated budget in their invoices
    - a) The invoiced exchange rate was 6.5 to the US Dollar, when it was 8.8 to the US Dollar
    - b)  $100,000 / 6.5 = \$15,385$  versus  $100,000 / 8.8 = \$11,636$
    - c) Resulted in hundreds of thousands in overbillings over 4-year period
  - d) Cost reimbursable means every item must be trued up to actual when invoiced, whether indirect rate, exchange rate, or labor rate

# 8% De Minimis Rate (DMR)

*45 CFR 75.414(c)(ii)*

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- Indirect costs on Federal awards to foreign organizations and foreign public entities performed fully outside of the territorial limits of the U.S. may be paid to support the costs of compliance with federal requirements at a fixed rate
  - Of **eight percent** of MTDC allocation base
  - MTDC exclusive of tuition and related fees, direct expenditures for equipment, and sub-awards in excess of \$25,000; and



# State and Municipal Indirect Rate Issues

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# COFAR and FAQs

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## COFAR issued FAQs

- Intended to provide additional context and background to the Uniform Guidance (UG)
- Updates: FAQ dated July 8, 2017 & post UG Revision May 3, 2021

<https://www.dol.gov/sites/dolgov/files/OASAM/legacy/files/July2017-UniformGuidanceFrequentlyAskedQuestions.pdf>

[https://www.cfo.gov/assets/files/2CFR-FrequentlyAskedQuestions\\_2021050321.pdf](https://www.cfo.gov/assets/files/2CFR-FrequentlyAskedQuestions_2021050321.pdf)

Any discrepancy between the FAQ and the UG, the UG governs

- OMB M-17-26 dated 6/15/17 eliminated the COFAR interagency group

# Uniform Guidance 2 CFR 200

*COFAR FAQ Update: (07/08/2017) FAQ.331\**

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- What if state / PTE provides to a sub-recipient both Federal & non-Federal funds, does the indirect rate application apply only to Federal funds or total funds? **FAQ.331\*-1**
  - It would only apply to the Federal funds and not to state funds per terms and conditions of the award

# Uniform Guidance 2 CFR 200

*Indirect Rates & Subs COFAR FAQ: (07/08/2017)*

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- FAQ.331\*-3 Delayed Federal funds
- If temporarily using state funds while waiting for Federal budget/funds to be approved, must the state reimburse sub-recipients for their indirect costs as directed in the Uniform Guidance?
- YES, because costs ultimately charged to a Federal award must comply with the terms & conditions of the Federal award, including the Uniform Guidance.
- \*The "§331" reference from the FAQ now refers to "§332" due to 11/12/20 UG Update

# Uniform Guidance 2 CFR 200

*Indirect Rates & Subs COFAR FAQ: (07/08/2017)*

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- States often blend several Federal funding streams to reimburse nonprofit service providers. Some of the funding streams may have indirect rate caps or no indirect limitations. [FAQ.331\\*-4](#)
  - Each “funding stream” or Federal award will have its unique terms and conditions to follow.
  - Each award has its unique limitations on indirect cost or rates, or no restrictions which states and other PTEs must follow.
- \*The “§331” reference from the FAQ now refers to “§332” due to 11/12/20 UG Update

# Uniform Guidance 2 CFR 200

*Indirect Rates & Subs COFAR FAQ: (07/08/2017)*

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- States often blend several Federal funding streams to reimburse nonprofit service providers. Some of the funding streams may have indirect rate caps or no indirect limitations. FAQ.331\*-4
  - If a NFE wishes to blend funds from multiple Federal awards, & apply only one set of terms and conditions to a Federal award:
  - The Terms and Conditions of that arrangement must be agreed to in advance by all participating Federal agencies via a Prior Written Approval
- \*The "§331" reference from the FAQ now refers to "§332" due to 11/12/20 UG Update

# Uniform Guidance 2 CFR 200

COFAR FAQ: (07/08/2017) FAQ.331\*-6

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- PTE's Obligation re. Indirect Rate Negotiation
  - If a sub has a NICRA, the PTE must honor the NICRA
- PTE's with subs that don't have a NICRA
  - The PTE has the option to negotiate an indirect rate with a sub, or
  - The PTE cannot offer a de minimis indirect rate lower than 10%
- **De Minimus Rate must be 10%**
- \*The "§331" reference from the FAQ now refers to "§332" due to 11/12/20 UG Update



# Uniform Guidance 2 CFR 200

COFAR FAQ: (07/08/2017) FAQ.331\*-7

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- What happens if your PTE does not honor the NICRA rate of the sub?
- Under 200.331\*, the PTE must use the negotiated indirect rate of the sub.
- If not, there are remedies that a Federal awarding agency can sanction the PTE under § 200.339 through §200.343.
- \*The "§331" reference from the FAQ now refers to "§332" due to 11/12/20 UG Update

A roll of US currency, likely \$100 bills, is positioned in the upper right corner. Scattered around it are several coins, including quarters, dimes, and pennies. The background is a light-colored, marbled surface. The text "May 2021 FAQ on Indirect Costs" is centered in a bold, black font.

# May 2021 FAQ on Indirect Costs

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# De Minimis Rate (DMR)

May 2021 FAQ – “Q-121”

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- “If an organization elects to use the DMR at the beginning of the period of performance of an award, is it applicable to the award’s entire period of performance?”
- No. If the NFE elects to use a NICRA before the end of the performance period, they may do so but:
  1. Notify the Federal awarding agency and grants management office of the change,
  2. Obtain a budget modification since the NICRA > DMR

# Partial List of Agencies

## *Templates for Agency Indirect Cost Rate Proposal*

<b>Agency</b>	<b>Website</b>
<b>U.S. Department of Labor</b>	<a href="https://www.dol.gov/agencies/oasam/centers-offices/office-of-the-senior-procurement-executive/cost-price-determination-division">https://www.dol.gov/agencies/oasam/centers-offices/office-of-the-senior-procurement-executive/cost-price-determination-division</a>
<b>U.S. Department of Health and Human Services</b>	<a href="https://rates.psc.gov/">https://rates.psc.gov/</a>
<b>U.S. Department of the Interior</b>	<a href="https://www.doi.gov/ibc/services/finance/indirect-cost-services">https://www.doi.gov/ibc/services/finance/indirect-cost-services</a>
<b>National Science Foundation</b>	<a href="https://www.nsf.gov/bfa/dias/caar/docs/idcsubmissions.pdf">https://www.nsf.gov/bfa/dias/caar/docs/idcsubmissions.pdf</a>
<b>U.S. Department of Education</b>	<a href="https://www2.ed.gov/about/offices/list/ocfo/fipao/icgindex.html">https://www2.ed.gov/about/offices/list/ocfo/fipao/icgindex.html</a>
<b>U.S. Department of Agriculture</b> <i>National Institute of Food and Agriculture</i>	<a href="https://nifa.usda.gov/indirect-costs">https://nifa.usda.gov/indirect-costs</a>
<b>USAID</b>	<a href="http://www.usaid.gov/work-usaid/resources-for-partners/indirect-cost-rate-guide-nonprofit-organizations">http://www.usaid.gov/work-usaid/resources-for-partners/indirect-cost-rate-guide-nonprofit-organizations</a>

# Administrative & Indirect Cost

May 2021 FAQ – “Q-111”

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- “Are indirect costs and administrative costs considered the same, particularly when a Federal statute places a limit or cap on administrative costs?”
- It depends on the treatment of costs. Administrative costs pertain to both direct and indirect.
  - Direct administrative costs pertain to overall program management and direct administration of a particular program or award.
  - Generally, rent and accounting cannot be readily attributed to a specific award as they are shared across all direct activities.
  - Indirect administrative costs are F&A (indirect) that benefit and are allocated as organization-wide expenses.
- Any limitation or cap will apply to combined claims for direct and indirect administrative costs.

# Administrative & Indirect Cost

May 2021 FAQ – “Q-112”

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- “Does an administration cap mean capping the “Facilities and Administration” component of the indirect cost rate?”
- No. Sometimes “administrative costs” and “indirect costs” are used interchangeably.
  - You must check with the program statute terms and conditions to obtain the correct definition if available.
  - If the definition agrees with indirect cost and there are no direct administrative expenses, then all administrative costs would be the same as indirect cost.
- The limitation or indirect cap would then apply to the F&A indirect rate per the program requirements.

# Expiring NICRA

*May 2021 FAQ – “Q-120”*

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- “If a NFE allows its negotiated indirect cost rate to expire, is it eligible to request the de minimis rate?”
- Yes.
  - Inform your cognizant agency for your NICRA rate that you will be switching to the DMR.
  - Negotiated provisional and fixed rates need to be resolved.
  - Carry-forward rates for the last year of the fixed rate will need to be resolved.



# Fixed Rate with Carry-Forward

May 2021 FAQ – “Q-131”

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- “How might a NFE with a negotiated fixed rate with carry-forward effectively use the option for an extension of a current negotiated indirect cost rate?”
- A fixed rate with a carry-forward cannot be extended.
- In order to obtain a one-time extension:
  - The carry-forward for the last year of the fixed rate would have to be resolved.
  - You need to negotiate a final or predetermined rate.
  - The final or predetermined indirect rate can be extended subject to agency approval.





**CPAs & ADVISORS**

# **Direct Cost Recovery**

# Direct Allocation 2CFR200.413(a)

2 CFR 200.412

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- Direct costs are those 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.** Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs

# Direct Allocation 200.413(c)

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- Direct charging of admin staff wages may be appropriate when all items are met
  - Administrative services are necessary to a project
  - Individuals involved can be specifically identified to a project, such as time reports
  - Administrative wages are included in the budget or prior written approval from agency
  - Such costs are not recovered as indirect cost

# Direct Allocation 200.405(d)

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- Direct cost allocation principle 200.405(d)
  - If cost benefits two or more direct programs
  - In proportions that can be determined without undue effort or cost (e.g. summer workshops)
  - Costs must be allocated to projects



# Direct Cost Allocation for Sub's Indirect Cost

200.405(d)

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- Example of direct cost allocation:
- \$45,000 in group A travel (\$5,000) , combined: onsite curriculum (\$15000) , university dorms (\$25,000)
  - 18 students: group A – 10 students (55%) and group B – 8 students (45%)
  - Group A's cost: \$5,000 travel + \$8,250 curriculum + \$13,750 university dorms = \$27,000
  - Group B's cost: no travel, \$6,750 curriculum + \$11,250 university dorms = total \$18,000



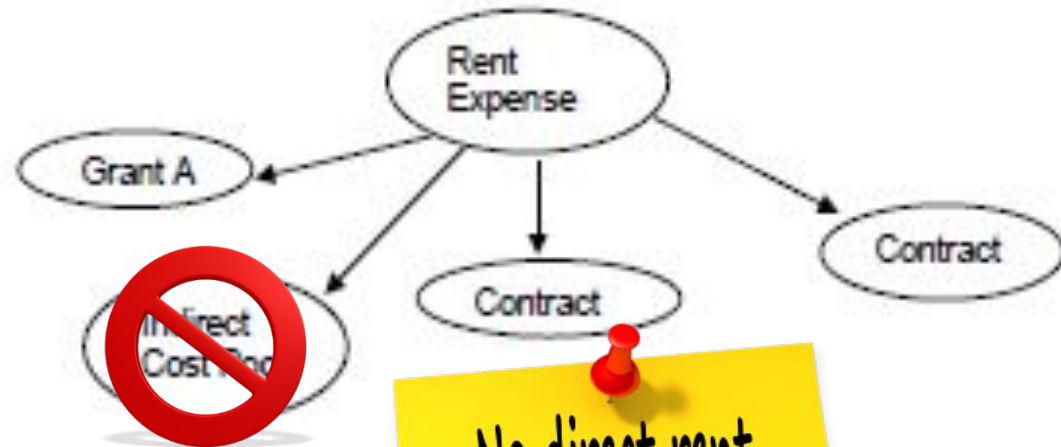
# Indirect Mechanics

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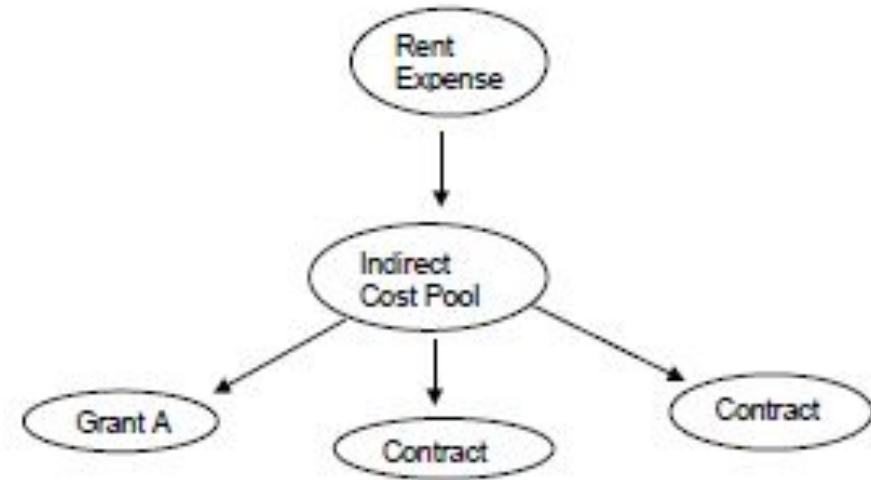
# 2 Common Indirect Rate Methodologies

- Direct Allocation Method:



No direct rent  
Charged to  
Indirect pool

- Simplified Allocation Method:



# Items to Consider using Direct Allocations

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- Square footage for direct and G&A areas is difficult to measure and keep up to date
- In order to use the Direct Allocation Method, make sure the grant budget has a line item for joint costs or occupancy under “Other” line item
- Set up a separate department to track and allocate joint costs to direct and indirect cost objectives
- Direct Allocation Method is used if there is no negotiated indirect rate
- Else if a NICRA, a simplified allocation is used where F&A is a combined indirect rate



# Allocate to All Activities of Organization

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- Unallowable activities and donated services receive allocation of indirect costs (just like the direct costs of projects) 200.403(e) if they:
  - Include the salaries of personnel
  - Occupy space, and
  - Benefit from the indirect costs
- Costs of activities performed as a service to members, clients or general public must also be treated as direct costs and receive allocation of indirect costs 200.403(f)
  - Membership, fundraising, promotion, public relations and lobbying

# Negotiated Indirect Cost Rate Agreement (NICRA)

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Appendix IV C to 2 CFR 200

# Negotiation of Indirect Rates

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- Negotiation and Approval of Indirect Rates Agency with largest dollar value = cognizant agency Appendix IV C.2
- Indirect rate proposal submitted 90 days after new award to an organization App. IV C.2.b
- May not happen if you have program restrictions,
  - HRSA Part B, CFDA 93.914 limits adm. to 10%
  - Issues when agency is not proactive in the negotiation and settlement of indirect rates like with SBA.



# Negotiation & Approval of Indirect Rates

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- Existing org's submit new rate proposals within 6 months after the end of their fiscal year Appendix IV C.2.c
  - Note: Cognizant agency has the option of deciding how often a NICRA is required.
- Predetermined rate is based on estimate of costs to be incurred for the current or future fiscal year.
  - The predetermined rate is not subject to adjustment. Appendix IV C.2.d

# Fixed & Final Indirect Rates

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- Fixed (ceiling) rates are similar to pre-determined rates except: App. IV C.2.e
  - The difference between the estimated and actual costs of the period are carried forward as an adjustment to the subsequent period's indirect rate computation
- Final rate Appendix IV C.1.d & C.2.f
  - Based on actual cost for period
  - Once negotiated, not subject to adjustment



# Provisional Rates & Negotiation Results

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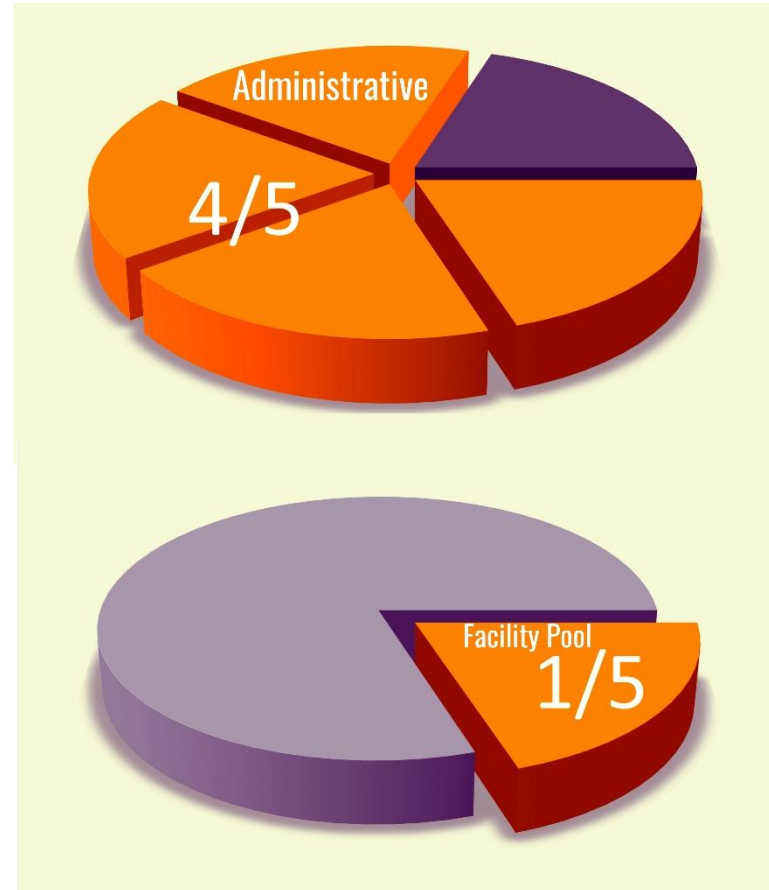
- “Provisional” Rate Appendix IV C.1.e & C.2.f
  - Temporary indirect cost rate pending final rate
  - Used for funding, interim billing or cost reporting
- The results of any negotiation is distributed to other participating agencies Appendix IV C.2.g
- Negotiating rates must be accepted by ALL Federal awarding agencies 200.414 (c)(1)
- Many clients complain they cannot find the office for negotiating indirect rate
  - Look at conditions clauses attached to grant



# Breakout Administrative & Facility Pools

- If an organization has more than \$10 Million in federal funding of direct costs in a fiscal year, a breakout of indirect cost into two components: facility and administration, having indirect cost rates.

○ 200.414 (a) last sentence of ¶, Appendix IV B.2.e



# Cost Principles

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## **Allowability Of Selected Costs Under 2 CFR 200.420**

Selected Costs May Be Allowable (A), Unallowable (UA), Allowable With Restrictions (AWR), or Unallowable With Exceptions (UWE)

1. Advertising and Public Relations Cost. (UWE) 200.421
2. Advisory Councils. (A) 200.422
3. Alcoholic Beverages. (UA) 200.423
4. Alumni/ae Activities (UA) 200.424 IHE
5. Audit Services. (A) 200.425
6. Bad Debts. (UA) 200.426
7. Bonding Costs. (A) 200.427
8. Collections of Improper Payments. (A) 200.428 New Principle
9. Commencement & Convocation Costs. (UA) 200.429 IHE
10. Compensation - Personal Services. (AWR) 200.430
11. Compensation – Fringe Benefits. (AWR) 200.431
12. Conferences. (AWR) 200.432
13. Contingency Provisions. (AWR) <sup>57</sup>200.433

## Allowability Of Selected Costs Under 2 CFR 200.420

Selected Costs May Be Allowable (A), Unallowable (UA), Allowable With Restrictions (AWR), or Unallowable With Exceptions (UWE)

14. Contributions and Donations (UA) 200.434
15. Defense and prosecution of criminal and civil proceedings, claims, appeals, and patent infringement. (UWE) 200.435
16. Depreciation. (AWR) 200.436
17. Employee health, and welfare costs. (A) 200.437
18. Entertainment costs. (UWE) 200.438
19. Equipment and other capital expenditures. (AWR) 200.439
20. Exchange Rates (AWR) 200.440 New Cost Principle
21. Fines and penalties. (UA) 200.441
22. Fund raising and Investment Management Costs (UWE) 200.442
23. Gains & Losses on Disposition of Depreciable Assets (AWR) 200.443
24. General Costs of Government (UA) 200.444 State & Local Gov't
25. Goods or Services for Personnel Use (UA) 200.445
26. Idle Facilities and Idle Capacity (AWR) 200.446
27. Insurance and Indemnification (AWR) 200.447

## **Allowability Of Selected Costs Under 2 CFR 200.420**

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- 28. Intellectual Property. **200.448** (AWR)
- 29. Interest. **200.449** (UWE)
- 30. Lobbying. **200.450** (UWE)
- 31. Losses on Other Awards or Contracts. **200.451** (UA)
- 32. Maintenance and Repair Costs. **200.452** (A)
- 33. Materials, Supplies Including Computing Devices. **200.453** (A)
- 34. Memberships, Subscriptions, & Professional Activity Costs. **200.454** (AWR)
- 35. Organizational Costs. **200.455** (UA)
- 36. Participant Support Costs. **200.456** (AWR)
- 37. Plant and Security Costs. **200.457** (A)
- 38. Pre-Award Costs. **200.458** (AWR)
- 39. Professional Service Costs. **200.459** (AWR)

## **Allowability Of Selected Costs Under 2 CFR 200.420**

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- 40. Proposal Cost **200.460** (AWR) **New Cost Principle**
- 41. Publication and Printing Costs. **200.461** (AWR)
- 42. Rearrangement and Reconversion Costs. **200.462** (AWR)
- 43. Recruiting costs. **200.463** (AWR)
- 44. Relocation costs. **200.464** (AWR)
- 45. Rental Costs of Real Property and Equipment **200.465** (AWR)
- 46. Scholarships and Student Aid Costs **200.466** (AWR) **IHE**
- 47. Selling and Marketing Expenses **200.467** (UWE)
- 48. Specialized Service Facilities **200.468** (AWR)
- 49. Student Activity Costs **200.469** (UA) **IHE**
- 50. Taxes Included VAT **200.470** (UWE)
- 51. Telecommunication & Surveillance Costs **200.471** (AWR) **New per Rev. 11-20**



## **Allowability Of Selected Costs Under 2 CFR 200.420**

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- 52. **Termination Costs 200.472 (AWR)**
- 53. **Training and Education Costs 200.473 (A)**
- 54. **Transportation Costs. 200.474 (A)**
- 55. **Travel Costs 200.475 (AWR)**
- 56. **Trustees 200.476 (A)**
- 57. **Independent Research & Development (UA) 45 CFR 75.477 only for HHS (included in the MTDC allocation base)**
- 58. **Shared Responsibility Payments (UA) 75.478 HHS (Payments for failure to maintain minimum essential health coverage and/or to offer health coverage to employees for penalty or assessments is unallowable.)**

# Q & A



# Thanks for Joining Me

## Contact Info

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**CPAs & ADVISORS**



DC | New York

877-437-4771 | [www.grfcpa.com](http://www.grfcpa.com)



**Paul H. Calabrese**

*Principal, Outsourced Accounting & Advisory Services*

[pcalabrese@grfcpa.com](mailto:pcalabrese@grfcpa.com)

Direct Line: 240-752-1704

<https://www.grfcpa.com/people/paul-h-calabrese/>

<https://www.linkedin.com/in/paul-calabrese-64529320/>

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