



Cost Sharing: A Practical Perspective

If five roommates rent a house together, what would the cost sharing arrangement be? Consider:

- Rent
- Utilities (e.g., electricity, water, WI-FI, cable TV, landline)
- Cleaning & Kitchen Supplies (e.g., detergent, trash bags, paper goods, salt and pepper, etc.)
- Other (e.g., transportation, medical, clothes)



Indirect Costs 101



Facilitators



Emily Wen works for the U.S. Department of Labor's Cost and Price Determination Division (CPDD). She joined DOL in 2018 as a Cost Accountant within 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.



Trevor Capon has worked for the U.S. Department of Labor, Employment and Training Administration in the Office of Special Initiatives and Demonstration Grants, Region One, as a Federal Project Officer and Regional Grants Specialist for 17 years. One of Trevor's regional responsibilities is conducting grants management training for grantees. Before joining DOL ETA, Trevor spent over two years training teachers, teaching children English, and facilitating community development projects within the U.S. Peace Corps in Turkmenistan. He has a BA in International Relations from Rollins College in Winter Park, FL.

Cost Sharing: A Practical Perspective, Debrief

Shared Living Example	Is An Analogy For	Non-federal Entity (Grantee)
Rent	➔	Facility/Occupancy costs
Utilities (e.g., electricity, water, WIFI/cable, landline)	➔	Organization-wide costs, such as accounting, HR, etc.
Cleaning & Kitchen Supplies (e.g., detergent, trash bags, paper goods, salt and pepper, etc.)	➔	Office supplies, printing costs, dues & subscriptions, legal & accounting fees
Other (e.g., transportation, medical, clothes)	➔	Program-specific expenses

Overview

General Information

- Different Types of Costs
- Allocation Base
- Indirect Cost Rate
- Cost Allocation Plan (CAP)
- Indirect Cost Proposal Due Dates

Reimbursement

- Reimbursement of Indirect Costs via a Rate
- Reimbursement of Indirect Costs via a CAP
- Post-Closeout Adjustments

Wrap Up

- Questions?
- Contact information

General Information

The Different Types of Costs

Total Costs

$$\text{Total Costs} = \text{Indirect Costs} + \text{Direct Costs}$$

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.

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

Allocation Base

Commonly Used Allocation Bases

Base 1: Modified Total Direct Cost (MTDC)

Total direct costs *excluding*:

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

Base 2: Direct Salaries & Wages with Fringe Benefits

Direct salaries and wages

Including:

- Vacation, holiday, and sick pay
- Other paid absences
- All applicable fringe benefits

Base 3: Direct Salaries & Wages

Direct salaries and wages

Including:

- Vacation, holiday, and sick pay

Excluding:

- All other fringe benefits



To meet the benefits received test, the allocation base must allocate indirect costs to all programs equitably. The proposed base(s) are subject to approval by the cognizant agency.



**What type of allocation base
should be selected?**

Answer: Allocation Base Discussion

The allocation base (distribution base) selected should be the one best suited for assigning indirect costs to all cost objectives in accordance with the relative benefits received. The distribution base chosen should result in each award bearing a proportionate share of the indirect costs relative to the benefits received from those costs. The selection of an appropriate direct cost base should be **based on the commonality of costs to all cost objectives**.

The following are some factors to consider:

- Correlation to the types of costs being allocated (using square ft of occupancy is appropriate for space allocation, but may not be appropriate for office supplies)
- Distorting items must be considered. For example, participant support costs of \$500,000 does not require the same level of indirect cost support as \$500,000 incurred by the organization's operations (both personnel and non-personnel)

Indirect Cost Rate

Calculating an Indirect Cost Rate

Example:

- Indirect cost pool of \$50,000
- Direct cost base of \$200,000
- Indirect cost rate of 25%

$$\frac{\text{Indirect Cost Pool}}{\text{Direct Cost Base}} = 25\% \text{ Indirect Cost Rate}$$

\$50,000

\$200,000



What are the different types of indirect cost rates for grantees to consider?

What are the differences?

Types of Indirect Cost Rates

There are four types of indirect cost rates that can be negotiated with the cognizant agency:

- Provisional
- Final
- Predetermined
- Fixed

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

Indirect Cost Rate Types: Provisional

Provisional Rate

- **Temporary** indirect cost rate 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 indirect cost rates **must eventually be “finalized”**
- Set by the federal cognizant agency

Indirect Cost Rate Types: Final

Final Rate

- Indirect cost rate 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

Indirect Cost Rate Types: Predetermined

Predetermined Rate

- Indirect cost rate 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

Indirect Cost Rate Types: Fixed

Fixed Rate

- 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

The 10% De Minimis Rate: 2 CFR Part 200.414(f)

The 10% de minimis rate:

- Is equal to 10% of modified total direct costs (MTDC)
- May be used by:
 - Any non-federal entity (grantee) that does not have a current negotiated rate (including provisional):
 - Except non-federal entities described in Appendix VII to this part, paragraph D.1.b
- Stipulates that costs:
 - Must be consistently charged as either indirect or direct costs
 - May not be double charged or inconsistently charged as both
- Requires no documentation justifying its use; however, non-federal entities *must inform their grant or program officer prior to award*
- Once elected, must be used consistently for all federal awards until a non-federal entity (grantee) chooses to negotiate for a rate
- Any non-federal entity (grantee) seeking this rate must inform their grant or program officer prior to the award of their grant.



When looking at an indirect cost rate and the base of that rate, can the federal awarding officer change or add to the definition of base?

Answer: Definition of Base Discussion

No, only the cognizant agency officials/Cost Negotiators that approved the rate have the authority to make any modifications.

If a user of the rate agreement has any questions or concerns about the allocation base, they should discuss them with the Cost Negotiator indicated on the last page of the rate agreement.

Cost Allocation Plan (CAP)

Cost Allocation Plan (CAP)

A Cost Allocation Plan (CAP), 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.

A CAP assists the grantee in equitably distributing costs in lieu of an indirect cost rate while also ensuring that only costs that are allowable would be allocated to the benefiting programs.

A CAP must include the written CAP narratives that describe the methods and calculations used to accumulate the allocation pools and determine how expenses incurred by the grantee could be apportioned to each cost objective/cost center (allocation base).

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
- Allocation base(s) used for distributing expenses to benefitting cost objectives
- Often multiple bases are involved based on the nature of activities

The CAP narrative is a living document, regularly updated to:

- Reflect the methodologies deployed to allocate costs
- Include supporting accounting records

Grant Officer Technical Representatives (GOTRs) should refer to the CAP narratives to ensure costs are allocated according to the described methodologies.

An Example of when a CAP might be used.

A state agency operates 28 job training centers throughout the state. Distributing each center's facilities costs based on a rate may not be feasible as there are distinct site operations.

A CAP would have to be implemented to equitably distribute indirect costs using bases such as:

- Full-time equivalent (FTE)
- Percent of Salaries & Fringe Benefits



Can a state/local grantee have an indirect cost rate and a CAP?

If so, can you explain how we are to interpret them both and apply them to the grant?

Answer: Indirect Cost and CAP Discussion

Yes. Depending on the nature of expenses/activities, a grantee may elect to have both a rate and a CAP for indirect cost claiming.

Due to their cost structure, a grantee may request a combination because it would be the most efficient way for them to claim indirect costs. The Office of Management and Budget (OMB) recommends cognizant agencies provide flexibility.

Below are two scenarios when a combination of rate and CAP are deployed:

- Rate to allocate agency-wide costs (e.g., fiscal & budget, human resource, procurement, general IT, Statewide Cost Allocation Plan (SWCAP)). These costs generally benefit all program activities proportionally.
- CAP to allocate divisional administrative costs (e.g., Regional & Program Managers; facilities costs for various job training centers).

Indirect Cost Proposal Due Dates



When should a grantee submit its indirect cost proposal (Rate or Cost Allocation Plan) to its cognizant agency, such as the USDOL's Cost & Price Determination Division (CPDD)?

When Indirect Cost Proposals Are Due

In compliance with federal regulations and cost principles:

Initial Proposal After Award

Unless the 10% de minimis rate is elected per §200.414(f), organizations that **have** not previously established an indirect cost rate 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 per §200.414(g), organizations that **have** previously established indirect cost rates must submit a **new** proposal:

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

Reimbursement

Reimbursement of Indirect Costs via a Rate

Sample Agreement

NEGOTIATED INDIRECT COST RATE AGREEMENT

NON-FEDERAL ENTITY

ABC
17101 Sample Drive
Washington, DC 20210

EIN: 52-xxxxxxx

DATE: 3/31/2023

FILE REFERENCE: This replaces the agreement dated 1/24/2022

The indirect cost rate(s) contained in this Agreement are for use on grants, contracts, and other agreements with the Federal Government. This Agreement was negotiated by the **ABC Company** (non-Federal entity) and the **U.S. Department of Labor** in accordance with the authority contained in the Federal Acquisition Regulation (FAR) for commercial entities, or Title 2 of the Code of Federal Regulations, Part 200 for nonprofit and state/local entities. This Agreement is subject to the limitations in Section II, A, below.

When applicable, the rates presented in this Agreement may only be applied to: (1) cost-reimbursement contracts and (2) actual costs for materials in time-and-materials (T&M) contracts. Any indirect rates for labor costs in T&M, labor-hour and fixed-price contracts must be negotiated with the Contracting Officer during pre-award in accordance with FAR Part 15.404-1(c).

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

Coming to an Understanding

The grantee and 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 (the “Applicable To” provides the program type to which the indirect cost rate may be applied)
- All other special remarks and instructions



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

Answer: Applicable Period Discussion

The effective period of each approved indirect cost rate is noted by the “From - To” field of the indirect cost rate agreement.

Typically, the effective period of each rate correlates to the grantee’s fiscal period, such as 7/1/2020 to 6/30/2021.

If a grantee’s rate expired, the grantee cannot use the expired rate. The negotiated rate is only good for the period listed on the negotiation agreement.

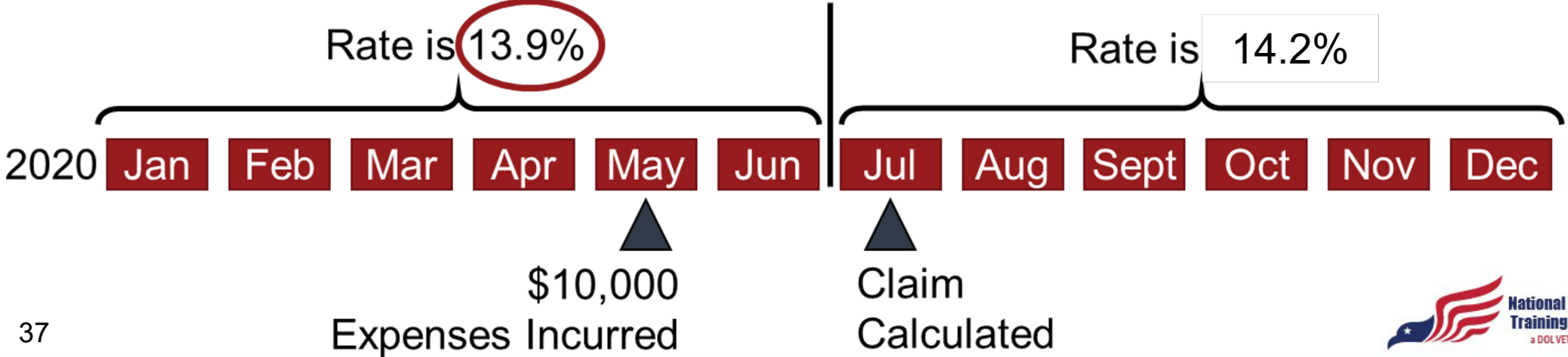
When calculating indirect cost reimbursement, the rate applied must correspond to the expenses/expenditures incurred during the same time period.

Example: 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	15.2%	MTDC	All Programs
Provisional	07/01/2019	06/30/2020	13.9%	Salary & Wages	VETS
Provisional	07/01/2020	06/30/2021	12.5%	MTDC	All Programs
Provisional	07/01/2020	06/30/2021	14.2%	Salary & Wages	VETS

FY Changes





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

Observation:

The grantee does not understand the approved allocation base.

This is demonstrated by their application of the rate to the total grant amount/costs when there are exclusions.

Answer: Reimbursable Indirect Costs Discussion

The rate must be applied in a manner consistent with its calculation methodology. The dollar amount of indirect costs allocable to a federal award will be determined by applying the approved indirect cost rate to the direct cost base unless there are statutory or administrative limitations on the indirect costs.

To ensure the indirect cost rate is properly applied, it is very important that the grantee's program personnel understand how their approved rate was calculated, including:

- The allocation base(s) it elected
- Any related excludable costs, such as participant support

Advise their program personnel to reach an understanding with their own indirect cost rate preparer. If there is any uncertainty, reach out to the Federal Cost Negotiator to obtain guidance and clarification. If the GOTR observes any issues, notify the Cost Negotiator to ensure that guidance is provided to the grantee.

Example Indirect Cost Rate Calculation/Distribution Data

Category	Total Costs	Unallowable Costs	Indirect Costs	Total Direct Costs	VETS	All Other Funding Sources
Composition	A = (B+C+D)	B	C	D = E + F	E	F
Salaries	\$589,000 = Salaries C+D	\$0	\$70,000	\$519,000 = Salaries E+F	\$219,000	\$300,000
Benefits	\$176,700 = Benefits C+D	\$0	\$21,000	\$155,700 = Benefits E+F	\$65,700 = Salaries E x 0.3	\$90,000 = Salaries F x 0.3
Other Costs	\$171,000 = Other Costs B+C+D	\$10,000	\$59,000 = Salaries C + Benefits C	\$102,000 = Other Costs E+F	\$40,000	\$62,000 = \$500,000 - \$438,000
Total	\$936,700 * Sum column A	\$10,000 Sum column B	\$150,000 Sum column C	\$776,700 Sum column D	\$324,700 Sum column E	\$452,000 Sum column F

*Must reconcile to the Financial Statements

Example: Calculating Indirect Cost Rate Using “Total Direct Costs” as Allocation Base

Category	Total Costs	Unallowable Costs	Indirect Costs	Total Direct Costs	VETS	All Other Funding Sources
Composition	A = (B+C+D)	B	C	D = E + F	E	F
Salaries	\$589,000	\$0	\$70,000	\$519,000	\$219,000	\$300,000
Benefits	\$176,700	\$0	\$21,000	\$155,700	\$65,700	\$90,000
Other Costs	\$171,000	\$10,000	\$59,000	\$102,000	\$40,000	\$62,000
Total	\$936,700 *	\$10,000	\$150,000	\$776,700	\$324,700	\$452,000

*Must reconcile to the Financial Statements

Indirect Rate

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

Example: Calculating Indirect Costs by Program Using “Total Direct Costs” as Allocation Base

Category	Total Costs	Unallowable Costs	Indirect Costs	Total Direct Costs	VETS	All Other Funding Sources
Composition	A = (B+C+D)	B	C	D = E + F	E	F
Salaries	\$589,000	\$0	\$70,000	\$519,000	\$219,000	\$300,000
Benefits	\$176,700	\$0	\$21,000	\$155,700	\$65,700	\$90,000
Other Costs	\$171,000	\$10,000	\$59,000	\$102,000	\$40,000	\$62,000
Total	\$936,700 *	\$10,000	\$150,000	\$776,700	\$324,700	\$452,000

*Must reconcile to the Financial Statements

Indirect Costs:

VETS

= Indirect Rate x Sum of column E

Indirect Rate: **19.3%**

19.3% x \$324,700

\$62,708

Indirect Costs:

All Other Funding Sources

= Indirect Rate x Sum of column F

19.3% x \$452,000

\$87,292

Example: Calculating Total Costs by Program Using “Total Direct Costs” as Allocation Base

Category	Total Costs	Unallowable Costs	Indirect Costs	Total Direct Costs	VETS	All Other Funding Sources
Composition	A = (B+C+D)	B	C	D = E + F	E	F
Salaries	\$589,000	\$0	\$70,000	\$519,000	\$219,000	\$300,000
Benefits	\$176,700	\$0	\$21,000	\$155,700	\$65,700	\$90,000
Other Costs	\$171,000	\$10,000	\$59,000	\$102,000	\$40,000	\$62,000
Total	\$936,700 *	\$10,000	\$150,000	\$776,700	\$324,700	\$452,000

*Must reconcile to the Financial Statements

Total Costs per Cost Center:

VETS

= Portion of Indirect Costs + Sum of column E

\$62,708 + \$324,700

\$387,408

Total Costs per Cost Center:

All Other

Funding Sources

= Portion of Indirect Costs + Sum of column F

\$87,292 + \$452,000

\$539,292

Example: Calculating Indirect Cost Rate Using “Total Direct Salaries” as Allocation Base

Category	Total Costs	Unallowable Costs	Indirect Costs	Total Direct Costs	VETS	All Other Funding Sources
Composition	A = (B+C+D)	B	C	D = E + F	E	F
Salaries	\$589,000	\$0	\$70,000	\$519,000	\$219,000	\$300,000
Benefits	\$176,700	\$0	\$21,000	\$155,700	\$65,700	\$90,000
Other Costs	\$171,000	\$10,000	\$59,000	\$102,000	\$40,000	\$62,000
Total	\$936,700 *	\$10,000	\$150,000	\$776,700	\$324,700	\$452,000

*Must reconcile to the Financial Statements

Indirect Rate

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

Example: Calculating Indirect Costs by Program Using “Total Direct Salaries” as Allocation Base

Category	Total Costs	Unallowable Costs	Indirect Costs	Total Direct Costs	VETS	All Other Funding Sources
Composition	A = (B+C+D)	B	C	D = E + F	E	F
Salaries	\$589,000	\$0	\$70,000	\$519,000	\$219,000	\$300,000
Benefits	\$176,700	\$0	\$21,000	\$155,700	\$65,700	\$90,000
Other Costs	\$171,000	\$10,000	\$59,000	\$102,000	\$40,000	\$62,000
Total	\$936,700 *	\$10,000	\$150,000	\$776,700	\$324,700	\$452,000

*Must reconcile to the Financial Statements

Indirect Costs:
VETS

Indirect Rate is **28.9%**

= Indirect Rate x Salary in column E

28.9% x \$219,000
\$63,295

Indirect Costs:
**All Other
Funding Sources**

= Indirect Rate x Salary in column F

28.9% x \$300,000
\$86,705

Example: Calculating Total Costs by Program Using “Total Direct Salaries” as Allocation Base

Category	Total Costs	Unallowable Costs	Indirect Costs	Total Direct Costs	VETS	All Other Funding Sources
Composition	A = (B+C+D)	B	C	D = E + F	E	F
Salaries	\$589,000	\$0	\$70,000	\$519,000	\$219,000	\$300,000
Benefits	\$176,700	\$0	\$21,000	\$155,700	\$65,700	\$90,000
Other Costs	\$171,000	\$10,000	\$59,000	\$102,000	\$40,000	\$62,000
Total	\$936,700 *	\$10,000	\$150,000	\$776,700	\$324,700	\$452,000

*Must reconcile to the Financial Statements

Total Costs per Cost Center
VETS

$$= \text{Portion of Indirect Costs} + \text{Sum of column E}$$

$$\$63,295 + \$324,700$$

$$\$387,995$$

Total Costs per Cost Center
All Other Funding Sources

$$= \text{Portion of Indirect Costs} + \text{Sum of column F}$$

$$\$86,705 + \$452,000$$

$$\$538,705$$

Example: 10% De Minimis Rate 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

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

Indirect Costs:

= De Minimis Rate x Allocation Base for De Minimis

De Minimis Indirect Rate **10%** → 10.0% x \$992,500
\$99,250

Total Costs:

= Indirect Costs + Total Allowable Budgeted Direct Costs
 \$99,250 + \$1,406,500
\$1,505,750



Will a change to the Period of Performance (POP) for both Jobs for Veterans State Grants (JVSG) and Homeless Veterans' Reintegration Program (HVRP) have any impact on the Negotiated Indirect Cost Rate Agreement (NICRA)'s effective period, or the NICRA in general?

Answer: POP Discussion

No, grantees' approved rates are usually based on their own fiscal years.

The performance period of any grants/contracts has no bearing on the effective periods of approved rates.



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

Answer: Rate Ceiling Discussion

Charging indirect costs at a rate above the rate issued or not complying with statutory rate limitations, may also result in questioned costs by audits/monitoring reviews.

The grantee should be advised to always seek additional guidance on this matter from the grant officer.

Reimbursement of indirect costs is subject to the availability of funds and statutory or administrative restrictions. This is noted in the rate agreements (Section II).

The GOTR should advise the grantee that violating the grant award limitations on indirect costs would subject them to cost disallowances and repayment to the federal government during the closeout and/or post-closeout process.



Can a person be charged in the indirect pool and direct base?

Explain why or why not.

Answer: Indirect Pool Discussion

Yes. According to §200.430 (i) Compensation—personal services (i) *Standards for Documentation of Personnel Expenses*, charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed, and these records must support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one cost objective (Federal/Non-federal, Indirect or Direct)

Note: *Once a grantee makes an election and treats a given cost as direct or indirect, that treatment must be applied consistently and may not change during the fiscal year.*

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

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

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



Explain how to use a CAP to determine how much indirect costs a grantee should be charging.

What documents should we receive when we request CAP documents?

Answer: CAP Agreement Discussion

1. Obtain a copy of the approved CAP agreement
2. Gain a full understanding of the critical information on the CAP agreement:
 - Effective period of the CAP (ensure that their methodologies' approval are current)
 - Allocation base(s)
 - Schedule of Indirect Costs by Grant Award ID
 - Identify the indirect costs claimed during the specified fiscal period
3. Obtain and review the breakdown of the costs by objects (e.g., Salaries, Occupancy) that comprise the amount reported on the Schedule of Indirect Costs by Grant Award ID:
 - a. Review these costs to determine if they appear to be fair and reasonable.
 - b. Look for anomalies or inconsistencies with how costs are treated in relation to the grant.
 - c. For personnel costs, identify the portion that are allocated by the CAP.
 - i. Find out who performed the functions and if their allocation methodologies match the CAP description.

Example Schedule of Allocated Indirect Costs by Award ID Number

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-WIOARR	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



We have grantees that tell us that their CAP is 20% but we don't see that written anywhere.

What if a grantee is confused by the budgetary rate used for planning purposes?

Observation:

The grantee thinks the rate can be used to calculate indirect costs.

However, they should be using the approved allocation method to determine indirect costs.

Answer: CAP Discussion

Upon request, for a grantee that has a CAP for indirect costs, the CPDD would provide a budgetary rate for their planning/estimation purpose.

CPDD always includes the language/instruction that the rate is for budgetary purposes, not intended for billing purposes. The budgetary rate is calculated based on the final fiscal data for a specific period for their convenience in cost estimation.

If a grantee is found to be using this rate for billing purposes, notify the grantee and CPDD immediately. This would be considered out of compliance with the CAP administration as the CAP methodologies are being bypassed, resulting in the billing of costs not based on actuals (the budgetary rate is calculated based on data from prior years).

Post-Closeout Adjustments

Closeout Regulations and the Impact on Final Rates

Even if a federal award is administratively closed prior to 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 on the basis of a subsequent audit or other review
 - The obligation of the non-federal entity (grantee) to return any funds due as a result of later refunds, corrections, or other transactions including final indirect cost rate adjustments
- Any funds paid to the non-federal entity (grantee) in excess of the final determined amount constitute a debt to the federal government
- The federal awarding agency will charge interest on an overdue debt

§200.345 Collection of amounts due

§200.344 Post-closeout adjustments and continuing responsibilities



Upon the receipt of the final rate, what process must the grantee execute when the final rate is *higher* than the provisional rate?

What process must the grantee execute when the final rate is *lower than* the provisional rate?

Answer: Final Rate Discussion

Although the agreement has very clear language, grantees often seem surprised upon learning about the need to true-up.

- Once the final rate is negotiated, billings and charges to federal awards must be adjusted if the final rate varies from the provisional rate.
- If the final rate is **higher** than the provisional rate and there are no funds available to cover the additional indirect costs, the non-federal entity (grantee) or contractor **may not recover** all indirect costs.
- Conversely, if the final rate is **lower** than the provisional rate, the non-federal entity (grantee) or contractor will be **required to reimburse** the funding agency for the excess billings.

See §200.346 Collection of amounts due

Wrap Up



Additional Questions?

Need more info? Contact us!

Victor Lopez

USDOL Cost & Price Determination Division, Branch Chief

Lopez.Victor@dol.gov

202-693-4106

Emily Wen

USDOL Cost & Price Determination Division, Cost Negotiator

Wen.Emily.W@dol.gov

202-693-4107