



EVENTS AND TRAININGS

upcoming CAPLAW trainings on the legal and financial issues critical to CAAs



Ins and Outs of Indirect Costs Under the Super Circular Webinar Series

- **February 25:** What is the Best Option for Calculating Our CAA's Indirect Cost Rate?
- **March 4:** Does Our CAA Effectively Estimate and Reconcile Indirect Costs?

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This Webinar Series is part of the Community Services Block Grant (CSBG) Legal Training and Technical Assistance (T/TA) Center. It was created by Community Action Program Legal Services, Inc. (CAPLAW) in the performance of the U.S. Department of Health and Human Services, Administration for Children and Families, Office of Community Services Cooperative Agreement – Grant Award Number 90ET0441-01. Any opinion, findings, and conclusions, or recommendations expressed in this material are those of the author(s) and do not necessarily reflect the views of the U.S. Department of Health and Human Services, Administration for Children and Families.

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Will the 10% De Minimis Indirect Cost Rate Work for Your CAA?

CAPLAW Indirect Cost Series –Part 2

February 18, 2015

Workshop Leader: **Kay Sohl**



Big Change for Indirect Costs

- All **federal agencies & pass-through entities must accept** approved **NICR** - negotiated indirect cost rate
- Pass thru entities are **required** to either allow sub-recipients to **negotiate indirect rate** or use a **flat indirect rate of 10% of MTDC** (modified total direct costs)

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Exceptions to Uniform Guidance

- Federal statutes override Uniform Guidance
- Federal agencies may have **statutory authority** to limit or disallow certain costs
- Link to list of federal agency responses to Uniform Guidance
- <https://cfo.gov/wp-content/uploads/2014/12/Agency-Exceptions.pdf>

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Pass Through Entities Cannot

- **Force** or **entice** sub-recipients to accept an indirect cost rate that is **lower** than their approved **NICR** or the **10%** de minimis rate
- Cannot award **points** or **preferences** to applicants with **lower indirect rates**

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Can Your Entity Use the 10% de Minimis Rate?

- Available to **recipients** and **sub-recipients** that have **never** had a **NICR** Negotiated Indirect Cost Rate
- **No negotiation required** to use the **10% de Minimis Rate**

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Preparing to Use the 10% de Minimis Indirect Rate

- Identify your **indirect** costs
- Determine whether to include **Facilities** costs as well as **Administrative** costs in **indirect** category
- Create MTDC worksheet

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Modified Total Direct Cost

§ 200.68

- **Indirect costs** expressed as a % of **modified total direct costs**
- Total direct costs **include** all direct costs whether or not they are funded with Federal \$\$
- **Direct costs** includes **unallowable costs**

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What are Direct Costs

- Costs that can be **directly** attributed to carrying out specific functions or achieving the purposes of specific awards
- Example: cost of a staff position working in only one program

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MTDC Direct Cost Base excludes:

- Equipment & capital expenditures
- Rental costs
- Participant support costs
- Charges for patient care
- Tuition remission
- Portion of each **sub-award** in excess of **\$25,000**
- Other costs that would distort distribution of indirect costs

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§ 200.75 Participant Support Costs

- **Direct costs for items paid to or on behalf of participants or trainees (but not employees) in connection with conferences or training projects**
- **Examples: stipends or subsistence allowances, travel allowances and registration fees**

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Must Allocate Costs to All Cost Objectives that Benefit

- **Includes allocation to **unallowable** cost centers**
- **Example: **Lobbying** cost objective is generally unallowable but must be allocated its fair share of indirect & other common costs**

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What's in Indirect Costs?

- **Administrative** costs which **benefit** the whole organization are **indirect costs**
- Indirect Costs may also include **facilities** & other **shared** costs

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Indirect Costs

- Costs which **benefit multiple** programs and functions
- Includes but not limited to **Administrative** costs
- Too costly to track the exact benefit to each program or function – **benefit must be estimated**

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Sample Administrative Functions

- Board support
- Overall strategic direction
- Financial management
- HR management
- IT management

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Not All Admin Costs are Indirect

- Admin costs that benefit **whole** agency function as **indirect** costs
- Admin costs that benefit a **single** cost objective may be treated as **direct** costs

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Indirect Costs that are Not Administrative Costs

- Facilities costs, phone systems, copiers, which benefit all cost centers can be treated as “indirect” costs
- Only the **portion** of these shared costs that are used to perform administrative functions are Admin costs – remaining shared costs are **indirect** but **not admin**
- **Must define which costs are included in your indirect cost center to test the 10% rate**

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Computing MTDC

$$D = A - (B + C)$$

- A. Total Costs
- B. Direct Exclusions & Unallowable Costs
- C. Indirect Costs
- D. Modified Total Direct Costs

MTDC Exhibit from:

<http://www.dol.gov/oasam/boc/dcd/np-comm-guide.htm>

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Indirect Cost Rate

Modified Total Direct Cost Base

TOTAL Expenses	Unallow indirect costs	Excluded direct costs	Indirect costs	MTDC	prog 1 direct	prog 2 direct	prog 3 direct	unallow direct cost
4,450,000	10,000	40,000	400,000	4,000,000	1,000,000	2,100,000	700,000	200,000
Indirect	400,000							
MTDC	4,000,000							
Indirect rate	0.10							

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Applying Indirect Cost Rate

TOTAL Expenses	Unallow indirect costs	Excluded direct costs	Indirect costs	MTDC	prog 1 direct	prog 2 direct	prog 3 direct	unallow direct cost
4,450,000	10,000	40,000	400,000	4,000,000	1,000,000	2,100,000	700,000	200,000
Indirect Rate .10				400,000	100,000	210,000	70,000	20,000
Excluded costs							40,000	
Unallow indirect								10,000
Total Costs					1,100,000	2,310,000	810,000	230,000

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Indirect Rate > 10%

TOTAL Expenses	Unallow indirect costs	Excluded direct costs	Indirect costs	MTDC	prog 1 direct	prog 2 direct	prog 3 direct	unallow direct cost
4,450,000	10,000	40,000	600,000	3,800,000	1,000,000	1,900,000	700,000	200,000
Indirect	600,000							
MDTC	3,800,000							
Indirect rate	0.16							

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Applying 10% Limit

TOTAL Expenses	Unallow indirect costs	Excluded direct costs	Indirect costs	MTDC	prog 1 direct	prog 2 direct	prog 3 direct	unallow direct cost
4,450,000	10,000	40,000	600,000	3,800,000	1,000,000	1,900,000	700,000	200,000
De Minimis Rate 10%			-380,000	380,000	100,000	190,000	70,000	20,000
Indirect Costs above 10 %			-215,000					215,000
Excluded costs		-40,000					40,000	
Unallow indirect costs	-10,000							10,000
Total Costs	0	0	5,000		1,100,000	2,090,000	810,000	445,000

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Options if your MTDC Indirect Cost Rate Exceeds 10%

- Obtain a negotiated indirect cost rate (**NICR**) = to your actual rate
- Identify indirect costs which can be **redefined** as direct
- Accept the 10% de minimis rate and **identify unrestricted sources** to cover the excess indirect costs

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May Combine Cost Allocation Plan with 10% de Minimis Rate

- **Cost allocation plan** documents an allowable method to estimate the benefit of shared costs to a federal award
- Cost is allocated according to cost allocation plan and the appropriate **portion** of the cost is **charged** to federal award as **direct cost**

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Statutory Limitations on Admin Costs

- Determine if all costs included in your indirect cost center are “**administrative**”
- Identify any “**administrative**” costs that you will charge as direct costs
- Apply the statutory limitation to determine the **amount of admin costs that can be charged** to award with the limitation
- Use **unrestricted funds** to cover remaining fair share of admin costs

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Impact of 5% Admin Cost Limitation

TOTAL Expenses	Unallow indirect costs	Excluded direct costs	Indirect costs	MTDC	Award 1	Award 2	Award 3	Unrestricted Sources
4,450,000	10,000	40,000	400,000	4,000,000	1,000,000	2,100,000	700,000	200,000
Indirect Rate .10				400,000	100,000	210,000	70,000	20,000
5% Admin limitation					-50,000			50,000
Excluded costs							40,000	
Unallow indirect								10,000
Total Costs					1,050,000	2,310,000	810,000	280,000

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Possible Strategies to Deal with Statutory Limitations

- Review definitions of admin costs carefully
- Review overall cost allocation methods
- Determine availability of unrestricted sources to subsidize the award with limitations

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HELP!!!! COFAR FAQs & Webinars

- Council on Financial Assistance Reform
- FAQ updated November 2014
- Recorded Webinars for download
- <https://cfo.gov/cofar/>

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More Help

- Department of Labor
- Guide to Negotiating Indirect Cost Rates 2015
- <http://www.dol.gov/oasam/boc/DC-D-2-CFR-Guid-Jan2015.pdf>

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Indirect Cost Webinar Series Parts 3 & 4

2/25 NICR Choices

3/4 Estimating & Reconciling
Indirect Costs

Parts 1 & 2 in series are available for download

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Indirect Cost Rate

Modified Total Direct Cost Base

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Applying Indirect Cost Rate

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Excluded costs							40,000	
Unallow indirect								10,000
Total Costs					1,100,000	2,310,000	810,000	230,000

Indirect Rate > 10%

	Unallow	Excluded	Indirect	MTDC	prog 1	prog 2	prog 3	unallow
TOTAL	indirect	Excluded	Indirect	MTDC	prog 1	prog 2	prog 3	unallow
Expenses	costs	direct costs	costs		direct	direct	direct	direct cost
4,450,000	10,000	40,000	600,000	3,800,000	1,000,000	1,900,000	700,000	200,000
Indirect	600,000							
MDTC	3,800,000							
Indirect rate	0.16							

Applying 10% Limit

TOTAL Expenses	Unallow indirect costs	Excluded direct costs	Indirect costs	MTDC	prog 1 direct	prog 2 direct	prog 3 direct	unallow direct cost
4,450,000	10,000	40,000	600,000	3,800,000	1,000,000	1,900,000	700,000	200,000
De Minimis Rate 10%			-380,000	380,000	100,000	190,000	70,000	20,000
Indirect Costs above 10 %			-215,000					215,000
Excluded costs		-40000					40,000	
Unallow indirect costs	-10000							10,000
Total Costs	0	0	5,000		1,100,000	2,090,000	810,000	445,000

TOTAL Expenses	Unallow indirect costs	Excluded direct costs	Indirect costs	MTDC	Award 1	Award 2	Award 3	Unrestricted Sources
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