

U.S. Fish and Wildlife Service
Financial Assistance Business Process
Indirect Costs and Negotiated Indirect Cost Rate Agreements

Term	Definition
Cognizant Agency	The Federal awarding agency that provides the predominant amount of direct funding to a recipient, unless otherwise assigned by the White House Office of Management and Budget (OMB). The Department of Health and Human Services is the cognizant agency for hospitals, states and most cities. The Department of the Interior is the cognizant agency for all Indian tribal governments and insular governments.
Direct Costs	Any costs that can be specifically identified with a particular project or activity, or that can be directly assigned to the project or activity with a high degree of accuracy. Direct costs generally include, but are not limited to, salaries, staff travel, project-related equipment, and supplies directly benefiting the award-supported project or activity.
Fixed Rate	Fixed rate means an indirect cost rate which has the same characteristics as a predetermined rate, except that the difference between the estimated costs and the actual costs of the period covered by the rate is carried forward as an adjustment to the rate computation of a subsequent period.
Final Rate	A final rate is a rate applicable to a specified past period based on the actual incurred costs for that period. A final rate is not subject to adjustment.
Indirect Costs	Costs incurred by an organization for common or joint objectives and that, therefore, cannot be identified specifically with a particular project or program but are, nevertheless, necessary to the general operation of its activities. Indirect costs generally include, but are not limited to, facilities operation and maintenance costs, depreciation, and administrative expenses. Because of the diverse characteristics and accounting practices of non-profit organizations, it is not possible to specify the types of cost that may be classified as indirect in all situations.
Negotiated Indirect Cost Rate Agreement (NICRA)	<p>The document reflecting the cognizant agency's approval of a recipient's indirect cost rate. A NICRA will contain:</p> <ul style="list-style-type: none"> • The approved rate(s) and information directly related to the use of the rates (e.g., type of rate, effective period, and distribution base); • The treatment of fringe benefits as either direct and/or indirect costs, or an approved fringe benefit rate; • General terms and conditions; and • Special remarks (e.g., composition of the indirect cost pool).
Predetermined Rate	Predetermined rate means an indirect cost rate applicable to a specified current or future period, usually the organization's fiscal year. The rate is based on an estimate of the costs to be incurred during the period. A predetermined rate is not subject to adjustment.
Provisional Rate	Provisional rate or billing rate means a temporary indirect cost rate applicable to a specified period which is used for funding, interim reimbursement, and reporting indirect costs on awards pending the establishment of a final rate for the period.

1. Can a recipient charge all costs directly?

Yes. A recipient can use the direct cost allocation method if they have only a few funding sources. We do not recommend this method if the recipient has more than three funding sources.

2. What requirements must a recipient meet before charging indirect costs to a grant or cooperative agreement award?

A recipient who receives an award as an individual separate from a business or non-profit organization he/she may operate is not eligible to charge indirect costs to their award. All other recipients must either:

- A. Show that the indirect amount they seek to charge is proper by submitting to their cognizant agency an indirect cost rate proposal that includes financial documentation and analysis showing that the desired rate is supported, accurate, and reasonable. Once the proposal is approved by the cognizant agency it is referred to as a Negotiated Indirect Cost Rate Agreement (NICRA); or
- B. Request/accept a flat 10% indirect cost rate to be charged to allowable direct costs (see Question 4) for the life of the award. This option is available only to recipients who do not have an approved NICRA at the time of award. This option may be of interest to recipients who: have never previously received a Federal award; will require more than 90 calendar days from the date the award is made to prepare an indirect cost rate proposal; and/or do not expect to apply for or receive any future Federal awards.

3. What information does an indirect cost rate proposal contain?

The proposal identifies all activities carried out within the organization, classifies those activities as either indirect or direct, and then subtracts from the indirect costs those costs that are ineligible based on OMB guidance and agency regulation. The proposal also identifies the type of rate being requested. A recipient must develop their indirect cost rate proposal based on the Federal cost principles applicable to their organization, as follows:

- 2 CFR Part 220, Cost Principles for Educational Institutions
- 2 CFR Part 225, Cost Principles for State, Local and Indian Tribal Governments
- 2 CFR Part 230, Cost Principles for Non-Profit Organizations (except those listed in Attachment C of OMB Circular A-122)
- 48 CFR Part 31.2, Cost Principles for for-profit/commercial organizations and non-profits listed in Attachment C of OMB Circular A-122
- 45 CFR part 74, Appendix E, Principles for Determining Costs Applicable to Research and Development Under Grants and Contracts with Hospitals

Links to the full text for these regulations are available on the Internet at <http://www.fws.gov/grants/>. Foreign recipients must contact their cognizant agency for guidance on which cost principles to follow when developing an indirect cost rate proposal.

4. Does an applicant have to have a NICRA when they apply for funds?

No. Applicant entities must have an open, active Federal award before they can submit an indirect cost rate proposal to their cognizant agency. An applicant who has never received Federal funds or an applicant whose previously negotiated rate has expired and has not

received other Federal funds since will not have a NICRA in place when they apply for funding.

5. What indirect cost related information must applicants submit with their application?

All applicants, except individuals applying for funds separate from a business or non-profit organization he/she may operate, must include in the budget justification narrative one of the following statements as applicable to their circumstance and attach to the application all required documentation, as detailed in the table below:

Circumstance:	Statement to include in budget narrative:	Document(s) to attach:
<ul style="list-style-type: none"> • No indirect cost rate • Charges all costs directly 	<p>Indirect Cost Statement: Our organization does not have an indirect cost rate and will charge all costs directly.</p>	None
<ul style="list-style-type: none"> • Is not an individual • Has an indirect cost rate • Has an approved Negotiated Indirect Cost Rate Agreement (NICRA) with their Federal cognizant agency covering part/all of the proposed project period 	<p>Indirect Cost Statement: We have an approved NICRA covering part/all of the proposed project period. A copy of that NICRA is attached.</p>	Copy of approved NICRA.
<ul style="list-style-type: none"> • Is not an individual • Has an indirect cost rate • Has established a NICRA in the past, but do not have an approved rate covering part/all of the proposed project period • May or may not have submitted a new NICRA proposal to cognizant agency. If not, will do so within the required timeframe, in the event an award is made 	<p>Indirect Cost Statement: Our indirect cost rate is [insert a description of the rate]. We have established a NICRA in the past but it expired. [Insert one of the following statements: "We submitted a new NICRA proposal to our cognizant agency on [insert date]." OR "In the event an award is made we will submit a NICRA proposal to our cognizant agency immediately and no later than 90 calendar days after the award is made. We understand that:</p> <ul style="list-style-type: none"> • Although the Service may approve a budget that includes an estimate of indirect costs based on our stated rate, that approval will be contingent on our establishing a NICRA. • Recipients without a NICRA are prohibited from charging indirect costs to a Federal award. • Failure to establish a NICRA during the award period will make all costs otherwise allocable as indirect costs under the award unallowable. 	Copy of most recently expired NICRA and, when applicable, a copy of any NICRA proposal submitted to the cognizant agency that is currently pending approval.

	<ul style="list-style-type: none"> We will not be authorized to transfer any unallowable indirect costs to the amount budgeted for direct costs or to satisfy cost-sharing or matching requirements without the prior written approval of the Service. We may not shift unallowable indirect costs to another Federal award unless specifically authorized by legislation. 	
<ul style="list-style-type: none"> Is not an individual Has an indirect cost rate Has never established a NICRA in the past Will submit a NICRA proposal to cognizant agency within the required timeframe, in the event an award is made 	<p>Indirect Cost Statement: Our indirect cost rate is [insert a description of the rate]. We have never established a NICRA. In the event an award is made we will submit a NICRA proposal to our cognizant agency immediately and no later than 90 calendar days after the award is made. We understand that:</p> <ul style="list-style-type: none"> Although the Service may approve a budget that includes an estimate of indirect costs based on our stated rate, that approval will be contingent on our establishing a NICRA. Recipients without a NICRA are prohibited from charging indirect costs to a Federal award. Failure to establish a NICRA during the award period will make all costs otherwise allocable as indirect costs under the award unallowable. We will not be authorized to transfer any unallowable indirect costs to the amount budgeted for direct costs or to satisfy cost-sharing or matching requirements without the prior written approval of the Service. We may not shift unallowable indirect costs to another Federal award unless specifically authorized by legislation. 	<p>None at the time of application. In the event an award is made, recipient must submit a copy of their approved NICRA before charging indirect costs to the award.</p>
<ul style="list-style-type: none"> Is not an individual, state, local or Federally-recognized Indian tribal government Has never established a NICRA in the past Cannot charge all costs directly Will not be able to meet 	<p>Indirect Cost Statement: We have never established a NICRA in the past and will not be able to meet the requirement to submit a NICRA proposal to our cognizant agency within 90 calendar days after award, in the event an award is made. In the event an award is made we request as a condition of award to charge a flat indirect cost rate of 10% of modified total direct costs (MTDC). We understand this rate will apply for the life of the award, including any future</p>	<p>None.</p>

<p>the requirement to submit a NICRA proposal within 90 calendar days after award, in the event an award is made</p>	<p>extensions for time and cannot be changed even if we do establish a NICRA at any point during the award period. We understand that MTDC is defined as all salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and subawards and subcontracts up to the first \$25,000 of each subaward or subcontract (regardless of the period of performance of the subawards and subcontracts under the award). We understand that 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 and subcontract in excess of \$25,000.</p>	
--	--	--

6. When must a recipient wanting to establish or maintain a NICRA submit an indirect cost rate proposal?

A recipient must submit an indirect cost rate proposal:

- A. Immediately after the recipient is advised in writing that a Federal award will be made and no later than 90 calendar days of the date the award is made; and then
- B. Within six months of the end of the recipient’s fiscal year on an annual basis for the life of the Federal award. For example, an organization receives an award with a three-year project period that begins August 1, 2013 and ends August 1, 2016. The organization’s fiscal year ends on December 31st. The organization must submit rate proposals within six months of: Dec. 31, 2013; Dec. 31, 2014; Dec. 31, 2015; and Dec. 31, 2016.

7. Must we honor a recipient’s approved rate?

Yes. Once a rate is approved by the cognizant agency, we are expected to honor that rate on all awards to the entity. The only exceptions are:

- A. If the Federal program is governed by legislation or regulation that otherwise prohibits or limits recipient indirect cost rates. In this case, when the amount otherwise allocable as indirect costs exceeds the amount allowable under the award, the excess amount may, if not otherwise prohibited by legislation or regulation, be used to satisfy cost-sharing or matching requirements. However, the difference may not be shifted to another Federal award unless specifically authorized by legislation.
- B. If the recipient is NOT a state, local or Federally-recognized Indian tribal government, did not have an approved rate at the time of the award and chooses to accept as a condition of award a flat 10% indirect cost rate chargeable against modified total direct costs for the life of the award, regardless of any rate they might negotiate after award. This 10% *de minimus* rate allowance is provided specifically for those non-governmental entities that have never had a rate and for whom existing requirements

to negotiate might be a burden that prevents them from receiving assistance or implementing it effectively.

8. What if a recipient wants to waive or ask for less than their approved rate?

We must always honor a recipient's approved rate. The only exception is if the recipient submits to the Service a written statement signed by *the official having the authority to negotiate indirect cost rates for the recipient organization* notifying us that they will assess a reduced indirect cost rate. This statement must also specify to which award(s)/project(s) the reduced rate will apply. The Service will not use the reduced rate on any award/project not specified by the recipient in writing. A copy of the recipient's statement must be maintained in the official award file for every award to which the rate is applied.

9. How do we make an award to an entity that does not have a NICRA but has indicated in their proposal that they will submit an indirect cost rate proposal after the award is made?

For entities that do not have a NICRA, either because they never had one or their previously approved NICRA has expired, we can conditionally approve the organization's proposed budget for both direct and indirect costs. The program will obligate funds for all expected direct and indirect costs, but will include an award condition that prohibits the recipient from charging any indirect costs until they have established a NICRA. If the recipient does not establish a NICRA during the award period, all indirect costs will be unallowable and the program may either: 1) deobligate the Federal amount budgeted for indirect costs and, if not otherwise prohibited by legislation or regulation, allow the recipient to use costs otherwise allocable as indirect costs to satisfy cost-sharing or matching requirements; or 2) allow the recipient to transfer the amount otherwise allocable as indirect costs to direct costs. Service approval of such budget changes will depend on the particular award circumstance. The recipient is not authorized to shift the disallowed indirect costs to another Federal award unless specifically authorized by legislation.

10. If the Department of the Interior is their cognizant agency, what office does a recipient contact for more information on indirect cost rate proposals?

An organization that has not previously established an indirect cost rate and has received, or expects to receive, the greatest amount of Federal funding in direct awards from the Department of the Interior, should contact the Interior Business Center at:

Indirect Cost Services
Acquisition Services Directorate, National Interior Business Center
U.S. Department of the Interior
2180 Harvard Street, Suite 430
Sacramento, CA 95815
Phone: 916.566.7111 Fax: 916.566.7110
Email: ics@nbc.gov
Website: http://www.doi.gov/ibc/services/Indirect_Cost_Services/index.cfm

11. What if a recipient submitted their indirect cost rate proposal within the required timeframe but the cognizant agency delays approval of their proposal?

The recipient must provide to the Service a copy of their submitted proposal, the name of their cognizant agency, and evidence of the proposal submission date in the form of either a copy of an emailed submission or written confirmation of the proposal receipt date from the

cognizant agency. The Service may, upon review of the documentation and consultation with the cognizant agency, give written approval to the recipient to charge indirect costs at their proposed rate until their proposal is approved. Service approval to charge indirect costs based on a proposed rate will depend on the circumstance; the Service will not approve a recipient to charge indirect costs based on a proposed rate if rate approval delays are due to the recipient having submitted a late, incomplete, or inaccurate proposal. The recipient must receive written prior approval from the Service before charging indirect costs based on a proposed rate. The award may be subject to further revision if the approved rate is higher or lower than the proposed rate.