

## **Federally Approved Indirect Cost Rate Informational Sheet**

### **Introduction**

This informational sheet was designed to aid grantees in understanding the process of including a federally approved indirect rate in their MOVA grant budget. This is a general overview of the indirect cost category. For more specific information regarding your federally approved indirect rate, reach out to your cognizant agency.

### **Indirect Cost Definition & Types of Indirect Costs**

An indirect cost rate is a percentage used to help agencies figure out how much of their general overhead costs (like rent, utilities, administrative services) should be charged to specific projects. Indirect costs are costs that are not readily assignable to a project but are necessary to the operation of the organization and the performance of the project. The rate helps divide these costs fairly across different projects or activities. There are 3 different types of indirect cost rates which subrecipients can adopt, as applicable.

- 1) Federally approved or otherwise predetermined indirect costs rates
- 2) De minimis
- 3) MOVA-negotiated indirect cost rates (For more information on de minimis indirect costs, see our partner informational sheet).

This info sheet will focus on Federally approved indirect rates only. For information regarding de minimis, see MOVA's [De Minimis Indirect Costs Info Sheet](#).

### **Federally Approved Indirect Rates: Overview**

Approval of a federally approved indirect rate typically starts with your organization submitting an indirect cost proposal to your cognizant agency.

- Note: A cognizant agency is the agency responsible for reviewing, negotiating, and approving indirect cost proposals.
- The agency that provides the most federal direct funding (excluding pass-throughs & other local funding) to a grantee is the cognizant federal agency.
- Federally indirect cost rate proposals must be submitted 6 months after the end of the federal fiscal year (this due date may vary or be noted in your approved indirect rate letter).
- One-time extensions of current negotiated rates may be granted for a period of time. The period is subject to the cognizant agency's approval.

Documents submitted with the proposal could include but are not limited to:

- Indirect Cost Rate Proposal
- Indirect Cost Rate Certification
- Audited Financial Statements
- List of Grant Funding or SEFA
- Organizational Chart (First time)
- Cost Policy Statement
- Statewide Cost Allocation Plan (State Governments)
- Itemized Direct and Indirect Cost Pool
- List of subawards > \$50k
- Personnel Cost Worksheet
- Fixed Plus Carry Forward Calculation (State Governments)
- Copy of last negotiated rate, if applicable

Once approved, you will receive a federally approved rate letter from the cognizant agency you negotiated with. Your letter will provide you with your rate, if your rate is provisional 1 or final 2, and when the rate is set to expire.

### **Federally Approved Indirect Rates – MOVA Budget Best Practices**

Below are some general tips and guidelines for federally approved rates within your MOVA budget. If you have specific questions regarding your federally approved rate, contact the cognizant agency you negotiated with.

- Your federally approved indirect rate can be requested in your MOVA budget up to the approved percentage in your letter. If you request to use less than the approved rate, it should be applied consistently throughout the fiscal year.
- Be mindful of the indirect cost base outlined within your federally approved rate letter when calculating the amount to be included in your MOVA budget. Bases may include but are not limited to:
  - Personnel costs (salary and fringe benefits).
  - Personnel costs (excluding fringe benefits).
  - Modified Total Direct Costs (MTDC).
    - MTDC includes direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$50k of each subaward,
    - MTDC excludes Equipment <sup>3</sup>, Capital expenditures, participant support costs, tuition charges, rental of space, each subaward in excess of \$50k.
- Utilizing an expired indirect rate on your MOVA grant budget is unallowable.
- If an incorrect rate is being utilized, a budget amendment will be required to be submitted, as well as Program Reimbursement Adjustment Request (PRAR) to redistribute funds reimbursed with the incorrect rate.
- If you are no longer negotiating for a federal indirect rate, you can request to utilize the de minimis rate on your MOVA grant budget. Coordinate with your program coordinator at MOVA as well as your contact at the cognizant agency.

### **Mid-Fiscal Year Changes in Federally Approved Indirect Rates**

For any changes in indirect rates during the MOVA fiscal year, a budget amendment should be submitted to apply the new rate.

For example, a grantee has a federally approved indirect rate of 19% to start the fiscal year (July). In November, the subrecipient receives an updated indirect rate of 20% which starts in September of that fiscal year. The 20% indirect rate can only be adjusted from the September invoice forward. When a new federally approved indirect rate is issued, provide the updated rate to your MOVA program coordinator and submit a budget amendment in eGrants.

### **Federally Approved Indirect Rates - Monitoring**

During contracting MOVA will:

- Ensure grantees have submitted a current federally approved indirect letter which is reflective of the rate being requested in the budget.
- Review the costs included in the indirect cost base for accuracy and allowability.

Monthly during the fiscal year MOVA will:

- Review the status of all federally approved indirect rate expiration dates and contact sub-recipients with a rate that is expiring in the next 30 days.

During budget amendment review MOVA will:

- Review the costs included in the indirect costs base for accuracy and allowability.

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<sup>1</sup> Provisional: Temporary rate until final indirect cost approval. May be subject to adjustment.

<sup>2</sup> Final: Based on actual cost and not subject to adjustment.

Equipment means tangible personal property (including information technology systems) having 1) a useful life of more than one year and 2) a per-unit acquisition cost of \$10,000 or greater (or the organization's capitalization policy, if it is less than \$10,000). If the organization does not have a capitalization policy in place, the Federal policy amount of \$10,000 must be followed.

["DOJ Grants Financial Guide](#) pg 44."

- Review the federally approved letter received during contracting and request an updated letter if the rate is being adjusted.

During monthly expenditure report review MOVA will:

- Review the costs included in the indirect costs base for accuracy and allowability.
- Review the rate being used to ensure it is consistent with the approved budget