INDIRECT COST AND THE UNIFORM GUIDANCE

2018 Annual State Directors Meeting
Division of Adult Education and Literacy
U.S. Department of Education
WHO IS YOUR COGNIZANT AGENCY?

- A. U.S. Department of Education
- B. U.S. Department of Labor
- C. U.S. Department of Health and Human Services
- D. What is a cognizant agency?
My Agency And My Grantees Can Use A De Minimis Indirect Cost Rate.

1. Yes

2. No
My agency can determine the indirect cost rate for my subgrantees.

1. Yes
2. No
3. Maybe
OBJECTIVES

- Overview of Indirect Costs
- Key Changes Under the Uniform Guidance
  - De Minimis Rate
  - Sub-Recipient Rates
- Timelines
  - Time and Effort Changes
- Resources and Tools
WHAT ARE INDIRECT COSTS?

- Costs that have been incurred for common or joint purposes.

- Costs that benefit entire organization, and cannot be specifically identified to one cost objective.

An indirect rate ensures that each Federal agency providing funding picks up its fair share of indirect costs.
Typical Indirect Expenditures?

- Executive Costs
- Payroll Personnel
- Finance (Accounting)
- Human Resources
- Utilities
- Maintenance

Please note: There are no costs that are exclusively indirect.
Cognizant Agency Determination

- The Federal agency with the largest dollar amount of direct Federal awards with an organization will be designated as the cognizant agency for indirect costs and for the negotiation and approval of the indirect cost rates and/or Cost Allocation Plans.
SPECIFIC COGNIZANCE GUIDANCE

Regarding State Education Agencies (SEAs) and Local Education Agencies (LEAs):

- **EDGAR §§ 75.561 (b) and 76.561 (b)** states:
  Each SEA on the basis of a plan approved by the Secretary (ED Indirect Cost Group), shall approve an indirect cost rate for each LEA that requests it to do so. These rates may be for periods longer than a year if rates are sufficiently stable to justify a longer period.
SPECIFIC COGNIZANCE GUIDANCE

Unless there is a significant shift in dollar volume of the Federal awards to an entity, cognizance lasts:

- Three years for Non-Profits. See Appendix IV to Part 200 paragraph C. 2. a.
- Five years for State & Local Govts. See Appendix V. to Part 200 paragraph F.1.
METHODS OF PROPOSAL SUBMISSION

In order for a grantee to claim indirect costs, it must submit either a(n):

- Indirect Cost Rate Proposal; or
- Cost Allocation Plan (CAP)
INDIRECT COST RATE AGREEMENT

An agreement signed by Federal agency head of Indirect Cost Office and an authorized representative of the non-federal entity; e.g. Commissioner, CEO, CFO, Comptroller, etc. This agreement establishes indirect cost rates for non-federal entities to utilize for administrative cost reimbursement.
RESTRICTED PROGRAMS ARE UNIQUE TO ED

- SUPPLEMENT NOT SUPPLANT - A statutory requirement that prohibits the use of federal funds to supplant non-federal funds.
- These programs require the use of a restricted indirect cost rate. AEFLA is one of them.
- Computed in accordance with 34 CFR 76.564-76.569.
- Adjustments to the unrestricted rate calculation are made and result in a lower rate to claim indirect cost reimbursement on restricted rate programs.
Types of Indirect Rates

- **Provisional** - a temporary indirect cost rate used for funding, interim reimbursement and reporting indirect costs on federal awards pending the establishment of a “final rate” for that period.

- **Final** - an indirect cost rate based on the actual allowable costs of the period. A final rate is not subject to adjustment.
Eligibility to Use the De Minimis Rate

- This is a key flexibility to reduce burden for new grantees; however, please be aware that some programs/entities are restricted from using the de minimis rate:

  - State and Local Governments
    - Under §§75.561 and 76.561 procedures, LEAs will receive their rates from the SEAs, based on a plan approved by the ICG.

  - Restricted rate programs with statutory supplement not supplant provisions
**Sub-Recipient Indirect Rates**

- Pass-through entities must list the approved federally recognized indirect cost rate on the GAN.

**If no such rate exists:**
- A rate can be negotiated between the prime and sub-recipient.
- **AEFLA Sub-recipients cannot use de minimis rate.** AEFLA is a restricted rate program with statutory supplement not supplant provisions.
RESOURCES

- Cost Allocation Guide for State & Local Governments
  https://www2.ed.gov/about/offices/list/ocfo/fipao/guideigcwebsite.pdf

- A Guide for Indirect Costs Determination (Labor Guide)

- Indirect Cost Frequently Asked Questions (FAQs)
  http://www2.ed.gov/about/offices/list/ocfo/fipao/icgindex.html
RESOURCES

- External homepage for applicants, grantees, and the general public