

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

Point of Contact

Send any questions about this guidance by email to the Chief, Policy Branch, Financial Assistance Support and Oversight (FASO), Division, Wildlife and Sport Fish Restoration Program (WSFR). See the Policy Branch Contact Us Intranet page at <https://inside.fws.gov/index.cfm/go/post/FASOPOL-ContactUs> for contact information.

Document Change Log

The Policy Branch will update this document over time to incorporate changes resulting from any new government-wide regulations or new Department of the Interior or Service policy. We will post updated versions of this document on the Intranet at <https://inside.fws.gov/go/post/FASOPOL-NewAwards> and will log updates made to this guidance in the following table:

Date Changed	Description of Change Made
01-06-2017	Updated responses to Q1 and Q4 to clarify the purpose of establishing an indirect cost rate and to incorporate a new applicant statement option added to the NOFO Template.
9-30-2015	Added clarification to Question 4 response related to recipients requesting/charging less than their negotiated rate as allowed under DOI-AAAP-0007. Inserted new Q&A related to creating a form to collect indirect cost rate statements from applicants; updated DOI Indirect Cost Services contact information.
2-20-2015	Updates made to: • Incorporate new 2 CFR 200 and DOI-AAAP-0007 definitions, allowances, restrictions, and requirements; • Simplify the indirect cost statements to be submitted by applicants; • Reorganize questions to improve document flow; and • Revise some questions and answers to improve clarity.

Definitions

Term	Definition
Cognizant agency for indirect costs	See also 2 CFR 200.19 . Cognizant agency for indirect costs means the Federal agency responsible for reviewing, negotiating, and approving cost allocation plans or indirect cost proposals developed under this part on behalf of all Federal agencies. For assignments of cognizant agencies see the following: • 2 CFR 200, Appendix III—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs), paragraph C.11. • 2 CFR 200, Appendix IV—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations, paragraph C.12. • 2 CFR 200, Appendix V—State/Local Governmentwide Central

Term	Definition
	Service Cost Allocation Plans, paragraph F.1. • 2 CFR 200, Appendix VII—States and Local Government and Indian Tribe Indirect Cost Proposal, paragraph D.1. • 45 CFR Part 75, Appendix E—Principles for Determining Cost Applicable to Research and Development Under Grants and Contracts with Hospitals. • For-profits: Contact the National Interior Business Center (IBC), Indirect Cost Services at (916) 566-7111 or ics@ibc.doi.gov.
Direct costs	See also 2 CFR 200.413 . Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (F&A) costs.
Indirect costs	See also 2 CFR 200.414 . Indirect (facilities & administrative (F&A)) costs means those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

1. Can a grant or cooperative agreement award (award) recipient charge all costs directly?

Yes. A recipient with a single or a few external funding sources should be able to allocate costs to specific objectives and charge all costs directly. Recovery of costs through the establishment of an indirect cost rate is needed when an entity has multiple or numerous sources of funding and the effort to allocate costs to specific objectives becomes disproportionate to the results.

2. What requirements must a recipient meet before charging indirect costs to an 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 cost rate 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 and the direct cost base against which it will be calculated are supported, accurate, and reasonable. Once the proposal is approved by the cognizant agency it is referred to as a negotiated indirect cost rate agreement; or
- B. If eligible, accept as a condition of award a flat 10% *de minimis* indirect cost rate to be charged to modified total direct costs as defined in 2 CFR 200.68. This option is available only to recipients who have never negotiated a rate with their cognizant

agency and have indicated on their application that, in the event an award is made, they will not be able to meet the requirement to submit an indirect cost rate proposal to their cognizant agency within 90 calendar days after award. The *de minimis* rate option is available to all entities that have never negotiated a rate with their cognizant agency except U.S. state and local governments receiving more than \$35 million in direct Federal funding per year (see [2 CFR 200.414\(f\)](#)).

3. Is an applicant required to have a federally-negotiated indirect cost rate when they apply for funds?

No. Applicants must have an 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, will not have a federally-negotiated indirect cost rate when they apply for funding.

4. What indirect cost-related information must applicants submit to the Service?

All applicants, except individuals applying for funds separate from a business or non-profit organization he/she may operate, must include in their application one of the following statements, and attach to their application any required documentation identified in the applicable statement:

"We are:

- ☐ A U.S. state or local government entity receiving more than \$35 million in direct Federal funding each year with an indirect cost rate of [insert rate]. We submit our indirect cost rate proposals to our cognizant agency. A copy of our most recently approved rate agreement/certification is attached.
- ☐ A U.S. state or local government entity receiving less than \$35 million in direct Federal funding with an indirect cost rate of [insert rate]. We are required to prepare and retain for audit an indirect cost rate proposal and related documentation to support those costs.
- ☐ A [insert your organization type; U.S. states and local governments, please use one of the statements above or below] that has previously negotiated or currently has an approved indirect cost rate with our cognizant agency. Our indirect cost rate is [insert rate]. [Insert either: "A copy of our most recently approved but expired rate agreement is attached. In the event an award is made, we will submit an indirect cost rate proposal to our cognizant agency within 90 calendar days after the award is made" OR "A copy of our current, approved rate agreement is attached"].
- ☐ A [insert your organization type] that has never submitted an indirect cost rate proposal to our cognizant agency. Our indirect cost rate is [insert rate]. In the event an award is made, we will submit an indirect cost rate proposal to our cognizant agency within 90 calendar days after the award is made.
- ☐ A [insert your organization type] that has never submitted an indirect cost rate proposal to our cognizant agency and has an indirect cost rate that is lower than 10%. Our indirect cost rate is [insert rate; must be lower than 10%]. However, in the event an award is made, will not be able to meet the requirement to submit an indirect cost rate proposal to our cognizant agency within 90 calendar days after award. We request as a condition of award to charge a flat indirect cost rate of [insert rate; must be less than 10%] of [insert a clear description of the direct cost base against which your rate is charged (e.g., salaries; salaries and

fringe benefits; or modified total direct costs). However, please note that your organization cannot charge indirect costs in excess of the indirect costs that would be recovered if applied against modified total direct costs as defined in 2 CFR 200.68]. We understand that we must notify the Service in writing immediately if we establish an approved rate with our cognizant agency at any point during the award period.

- ☐ A [insert your organization type] that has never submitted an indirect cost rate proposal to our cognizant agency and has an indirect cost rate that is 10% or higher. Our indirect cost rate is [insert your organization's indirect rate; must be 10% or higher]. However, in the event an award is made, we will not be able to meet the requirement to submit an indirect cost rate proposal to our cognizant agency within 90 calendar days after award. We request as a condition of award to charge a flat *de minimis* indirect cost rate of 10% of modified total direct costs as defined in Title 2 of the Code of Federal Regulations Part 200, section 200.68. We understand that we must notify the Service in writing immediately if we do establish an approved rate with our cognizant agency at any point during the award period. We understand that additional Federal funds may not be available to support an unexpected increase in indirect costs during the project period and such changes are subject to review, negotiation, and prior approval by the Service.
- ☐ A [insert your organization type] that is submitting this proposal for consideration under the [insert either "Cooperative Fish and Wildlife Research Unit Program" or "Cooperative Ecosystem Studies Unit Network"], which has a Department of the Interior-approved indirect cost rate cap of [insert program rate]. If we have an approved indirect cost rate with our cognizant agency, we understand that we must apply this reduced rate against the same direct cost base as identified in our approved indirect cost rate agreement. If we do not have an approved indirect cost rate with our cognizant agency, we understand that the basis for direct costs will be the modified total direct cost base defined in 2 CFR 200.68, "Modified Total Direct Cost (MTDC)". We understand that we must request prior approval from the Service to use the MTDC base instead of the base identified in our approved indirect cost rate agreement, and that Service approval of such a request will be based on: 1) a determination that our approved base is only a subset of the MTDC (such as salaries and wages); and 2) that use of the MTDC base will still result in a reduction of the total indirect costs to be charged to the award. In accordance with 2 CFR 200.405, we understand that indirect costs not recovered due to a voluntary reduction to our federally negotiated rate are not allowable for recovery via any other means.
- ☐ A [insert your organization type] that will charge all costs directly.

5. Can we create a form that contains the indirect cost rate statements listed in the response to Question 4 above to collect the required information from our applicants?

You can use such a form only if your program has obtained approval for the form from the Office of Management and Budget (OMB). 5 CFR 1320, Controlling Paperwork Burdens on the Public, requires financial assistance programs to submit to the Office of Management and Budget (OMB) for review and clearance for the collection of the following types of information from applicants and recipients:

- Application project and budget narratives and any other required documentation other than that found on OMB-approved Government-wide application forms (Standard Form (SF) 424 “Family”);
- Program-specific application forms;
- Recipient technical/progress/performance reporting;
- Any other program or project-specific reporting required other than the information requested on OMB approved Government-wide recipient forms such as, but not limited to, the SF 425 (Federal Financial Report), SF 270 (Request for Advance or Reimbursement), SF 271 (Outlay Report and Request for Reimbursement for Construction Programs) , SF 428 (Tangible Personal Property Report), or SF 429 (Real Property Status Report); and
- Written requests for changes to project and budget narratives required prior to award amendment other than the information requested on OMB approved Government-wide application forms (SF 424 Family).

For more information and a listing of Service programs with OMB clearance, see the Service’s financial assistance information collection clearance page on the Intranet at <https://inside.fws.gov/index.cfm/go/post/FASOPOL-ICC>.

6. How do we approve a proposed budget from an entity that does not have a federally-negotiated indirect cost rate, but has indicated in their application that they will submit an indirect cost rate proposal after the award is made?

For entities that do not have a federally-negotiated rate at the time of application, either because they never had one or their previously negotiated rate 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 rate. If the recipient does not establish a rate 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 may not shift the disallowed indirect costs to another Federal award, unless specifically authorized by legislation.

7. Can an applicant/recipient apply their indirect cost rate to the cost-sharing portion of the project budget?

Yes, unless otherwise prohibited under program legislation or regulation.

8. When must recipients submit their indirect cost rate proposal?

A recipient must submit an indirect cost rate proposal:

- A. Immediately after being 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 period of performance 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.

9. 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.

10. 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 in accordance with the applicable cost principles and rate identification and assignment/determination procedures identified in the Service Financial Assistance Award Terms and Conditions posted on the Internet at <http://www.fws.gov/grants/>.

11. What information does an approved indirect cost rate agreement contain?

The document reflecting the cognizant agency's approval of a recipient's indirect cost rate will detail:

- A. The approved indirect cost rate(s), including the type of rate(s), the rate effective period, and distribution base to be used;
- B. Either an approved fringe benefit rate, or a determination that fringe benefits will be treated as direct and/or indirect costs;
- C. General terms and conditions; and
- D. Any special remarks (e.g., composition of the indirect cost pool).

12. Must we honor a recipient's federally-negotiated indirect cost rate?

Yes. The provisions of 2 CFR 200.414 and related Department policy [DOI-AAAP-0007](#) require programs to accept federally-negotiated indirect cost rates (Note: recipient acceptance of the 10% *de minimis* rate is considered a federally-negotiated rate). The only exceptions are:

- A. If the 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 program has received approval from the Department of the Interior to deviate from recipient negotiated rates for a program or class of awards. The only Department programs with rate deviation approval are: the Cooperative Fish and Wildlife Research Unit Program and the Cooperative Ecosystem Studies Unit Network. Only those projects funded under/in support of these two programs qualify for the approved indirect cost rate deviation. All other Service awards to the same recipients must honor the recipients' approved indirect cost rates.
- C. If the recipient attributes some or all of their allowable indirect costs as voluntary cost-share or, when allowable, to satisfy cost-sharing or matching requirements.
- D. If the recipient voluntarily charges less than the full amount of indirect costs allowed under the award. The election must be voluntary; Service employees must not require or otherwise solicit such a reduction. To document the voluntary nature of the lower rate, the applicant/recipient must submit 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 applies. 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.

For all deviations to the Federal negotiated indirect cost rate, including statutory, regulatory, programmatic, and voluntary, the basis of direct costs against which the indirect cost rate is applied must be either:

- 1) The same base identified in the recipient's negotiated indirect cost rate agreement, if the recipient has a federally-negotiated indirect cost rate agreement; or
- 2) The Modified Total Direct Cost (MTDC) base, in cases where the recipient does not have a federally-negotiated indirect cost rate agreement or, with prior approval of the Awarding Agency, when the recipient's federally-negotiated indirect cost rate agreement base is only a subset of the MTDC (such as salaries and wages) and the use of the MTDC still results in an overall reduction in the total indirect cost recovered. MTDC is the base defined by 2 CFR 200.68, "Modified Total Direct Cost (MTDC)."

In cases where the recipient does not have a federally-negotiated indirect cost rate agreement, under no circumstances will the Service use a modified rate based upon Total Direct Cost or other base not identified in the federally-negotiated indirect cost rate agreement or defined within 2 CFR 200.68 (Service employees, see [DOI-AAAP-0007](#) for more information).

13. What if an applicant does not budget for or a recipient does not charge to the award some or all of their allowable indirect costs?

Applicants are responsible for submitting a complete proposed project budget. Applicants that inadvertently fail to include some or all of their allowable indirect costs on their proposed budget run the risk that the funding program may not have additional funds available at a later date to cover those costs. Further, under discretionary competitive programs, recipients that did not include some or all of their allowable indirect costs in their application in order to be more competitive may not be authorized, at the discretion of the funding

program, to request reimbursement after an award is issued for any indirect costs not included on their approved application.

Recipients are responsible for requesting funds for allowable costs and submitting to the program a final financial report summarizing their expenditures under the award. The Service is not obligated to ensure that a recipient charges to the award all of their allowable indirect costs.

14. 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

2180 Harvard Street, Suite 430, Sacramento, CA 95815

Phone: 916-566-7111

Email: ics@ibc.doi.gov

Website: <https://www.doi.gov/ibc/services/finance/indirect-cost-services>