

## Cost Allocation 101 Webinar Q&As

### February 12, 2016

1. Do you have to negotiate the de minimis rate or can you just apply for it?

Response: There is no negotiation when electing the de minimis rate. However, the use of the 10 percent de minimis indirect cost rate is based on meeting the following conditions at 2 CFR 200.414(f). These include limiting availability to organizations that have never received a negotiated indirect cost rate, except for those described in Appendix VII of Part 200, paragraph (D)(1)(b) governmental department or agency unit that receives more than \$35 million in direct Federal funding must submit its indirect cost rate proposal. The election must be made through the Grant Officer, or the pass-through entity when awarding Federal funds at the subrecipient level.

2. What is considered a subaward?

Response: According to 2 CFR Part 200.92, see below:

*Subaward* means an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.

3. Rental costs are excluded from MTDC. Does this include every kind of rental cost from facilities to equipment?

Response: For purposes of using the 10% de minimis, our interpretation is that all direct rental costs are excluded from the MTDC allocation base.

4. Please confirm whether office leasing costs are excluded from MTDC and are bus passes for participants excluded?

Response: For purposes of using the 10% de minimis, our interpretation is that all direct rental costs, including leasing costs, are excluded from the MTDC allocation base.

Regarding “bus passes” for participants, they are also part of participant support costs as defined at 2 CFR 200.75. Accordingly, those costs are excluded from the MTDC which is commonly used distribution basis or allocation base for calculating indirect costs. .

## Cost Allocation 101 Webinar Q&As

### February 12, 2016

5. What would be an example of "personnel staff"?

Response: Personnel staffs are employees of an organization in which salaries and fringe benefits can be charged or allocated to a program or grant.

6. You provided an example of an Executive Director being responsible for multiple programs charging their time to an indirect pool. Could the Executive Director charge some of their time to a specific program? Maybe the Executive had to step in while the Program manager is on extended leave. What if the executive director is leading a series of training modules for senior-level managers under a grant, can this be treated and charged as a direct program cost?

Response: Yes, with grant officer approval, you can direct charge the cost of the Executive director. The organization must maintain sufficient documentation to support the charging of his/her time between a direct cost category or an indirect cost pool.

7. Can you elaborate on the allowability of an entity charging an indirect rate to participant costs?

Response: Participant support costs at 2 CFR 200.75 are excluded from the MTDC which is the allocation base or distribution basis for calculating indirect costs. See [2 CFR Part 200.68](#) for details. Therefore, applying the indirect cost rate to those costs would not be allowable.

8. If the accountant spends 40% of his/her time performing functions that benefit for all programs but 60% of his/her time on specific tasks related to a specific program (i.e. tracking ITA funds exclusive to 1 program, billing etc). Is this ok?

Response: Yes, with grant officer approval to allow applicable time charges to be charged as direct costs.

9. Would you consider FTEs as a base to fall into the category: Plans, budgets or estimates not adjusted for actual costs?

Response: FTEs can be used as a basis for allocating shared program costs. For the purposes of allocating indirect cost, it is usually total direct salaries and/or fringe benefits that is used.

## Cost Allocation 101 Webinar Q&As

### February 12, 2016

10. As I understand, an organization can chose either a cost allocation rate OR just take the allowable rate of 10%?

Response: See previous answers and the following guidance at 2 CFR Part 200.414:

#### **200.414 Indirect (F&A) costs.**

(f) In addition to the procedures outlined in the appendices in paragraph (e) of this section, any non-Federal entity that has never received a negotiated indirect cost rate, except for those non-Federal entities described in Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals, paragraph D.1.b, may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely. As described in §200.403 Factors affecting allowability of costs, costs must be consistently charged as either indirect or direct costs, but may not be double charged or inconsistently charged as both. If chosen, this methodology once elected must be used consistently for all Federal awards until such time as a non-Federal entity chooses to negotiate for a rate, which the non-Federal entity may apply to do at any time.

11. Can I allocate direct shared salaries based on number of participants as opposed to the employee allocating on their timesheets?

Response – Yes, a cost is allocable if charged in accordance with relative benefits received (21 CFR 200.405).

12. Some grants don't allow for indirect costs. Can these costs be included as administrative costs or as a percentage of actual costs?

Response – No. Suggest asking the Federal agency or pass-through entity to explain why indirect costs are not allowed to be charged to the program or project noting that 2 CFR Part 200.414(c) supports it.

13. Will we be able to continue to use Federally Approved Cost Allocation Plans or will we need to switch to and Indirect Cost Rate?

Response - Yes. Grant recipients that have approved cost allocation plans to recover indirect costs may continue using those plans.

14. If I award funds to a sub-recipient who uses an ICR based on budget and then trues up to actual costs at year end can we reimburse monthly based on budget or only annually after actual costs are final?

## Cost Allocation 101 Webinar Q&As

### February 12, 2016

Response – Adjustments for indirect costs using the calculated final rate at the end of the year will be the best way, noting that the cost principles provide guidance on submitting proposals based on actual costs using the organization's fiscal year.

15. Does WIOA define administrative costs as 100% as indirect costs?

Response – No. Administrative costs under WIOA may be both direct and indirect costs.

16. Please confirm that indirect costs can be charged to grants through a CAP...that a negotiated ICR is not required. Also, must a CAP be approved by DCD?

Response – A negotiated indirect cost rate is required in order to charge indirect costs to a program or project. Typically, cost allocation plans to recover indirect costs are approved by DCD for States and local governments.

17. If you are a subrecipient of a federal award and already have an indirect cost rate can you still apply for a new indirect cost rate

Response – Yes, assuming that the rate negotiated was based on a provisional/final rate methodology. For example, an organization could experience significant increase in funding after being issued a provisional rate. In that case, the indirect cost rate should be renegotiated to avoid excessive collection of indirect costs. The opposite could also happen where the organization loses significant funding. In that case, the provisional rate being used would be understated.

18. As a subrecipient I know we have to use the grantor's rate but wanted to know if we could still apply for a new rate.

Response: See related Q&As from the [Council of Financial Assistance and Reform website](#):

#### .331-6 Pass-through Entities and Indirect Cost Rate Negotiation

This section states that pass-through entities are expected to honor a subrecipient's negotiated F&A rate agreement, or use a 10% MTDC de minimis rate, or negotiate an F&A rate with the subrecipient. Is it acceptable to require a subrecipient to accept a rate lower than 10% MTDC via negotiation, or in lieu of their negotiated F&A rate? If a subrecipient requests to establish a rate via negotiation, does the pass-through entity have to establish the rate via negotiation?

## Cost Allocation 101 Webinar Q&As

### February 12, 2016

If the subrecipient already has a negotiated F&A rate with the Federal government, the negotiated rate must be used. It also is not permissible for pass-through entities to force or entice a proposed subrecipient without a negotiated rate to accept less than the de minimis rate. The cost principles are designed to provide that the Federal awards pay their fair share of the costs recognized under these principles. (See section 200.100(c).) Pass-through entities may, but are not required, to negotiate a rate with a proposed subrecipient who asks to do so.

#### .331-7 Indirect Cost Rates and non-Compliance with Guidance

What should I do if my pass-through entity won't honor my entity's federally negotiated indirect cost rate agreement?

You may wish to remind your pass-through entity of their obligation under the uniform guidance in part 200.331. As with any instance where a non-Federal entity does not comply with the guidance, the pass-through entity will be vulnerable to any of the measures available in sections 200.338-200.342, Remedies for Non-Compliance, depending on the Federal awarding agencies oversight of their Federal award. The COFAR is working with a Coalition of non-Federal entities to evaluate the effectiveness of implementation and the overall impact of the guidance. For information about where to direct inquiries about the Uniform Guidance in general, please see part 200.108.

19. Can a sub recipient request a De Minimis Rate that is lower than the 10 percent?

Response: Yes. See related Q&A from the [Council of Financial Assistance and Reform website](#):

#### .414-8 (Also applicable to 200.331) Federally negotiated indirect cost rates – voluntary under-charging or waiving IDC \*

Section 200.414(c) says "The negotiated rates must be accepted by all Federal awarding agencies. A Federal awarding agency may use a rate different from the negotiated rate...only when required by Federal statute or regulation, or when approved by a Federal awarding agency head or delegate based on documented justification." For pass-through entities, FAQ .331-6 says "If the subrecipient already has a negotiated F&A rate with the Federal government, the negotiated rate must be used. It also is not permissible for pass-through entities to force or entice a proposed subrecipient without a negotiated rate to accept less than the de minimis rate." However, some non-Federal entities voluntarily choose to not charge indirect costs for certain Federal programs or choose to charge less than their full negotiated rate, to allow a greater share of the Federal program funds to be used for the direct program costs. Can Federal awarding agencies and pass-through entities permit this practice when it is truly voluntary?

Yes. If a non-Federal entity receiving a direct Federal award or a subrecipient voluntarily chooses to waive indirect costs or charge less than the full indirect cost rate, Federal awarding agencies and pass-through entities can allow this. The decision must be made solely by the non-Federal entity or subrecipient that is eligible for IDC reimbursement, and must not be encouraged or coerced in any way by the Federal awarding agency or pass-through entity.

## Cost Allocation 101 Webinar Q&As

### February 12, 2016

20. Do we need to renegotiate our existing ICR even though we have another two years left on the current agreement?

Response – Federally approved provisional rates require a re-negotiation to final rates on a yearly basis. Fixed rates proposals applicable to future periods are required on a yearly basis. Predetermined rates don't require negotiation. A de minimis rate does not require renegotiation.

21. As a state we use a cost allocation plan. Our sub recipient has an indirect cost rate with DOL. Do we have to honor that indirect cost rate?

Response - Yes. See below:

#### **§200.331 Requirements for pass-through entities.**

All pass-through entities must:

(a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

(1) Federal Award Identification....

(xiii) Indirect cost rate for the Federal award (including if the de minimis rate is charged per §200.414 Indirect (F&A) costs).

(2) All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award;

(3) Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;

**(4) An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in §200.414 Indirect (F&A) costs, paragraph (f);**

## Cost Allocation 101 Webinar Q&As

### February 12, 2016

22. A local Workforce agency has direct, indirect, and allocable costs - but also administers program services through sub-contracts. Can we apply the indirect cost rate to total amount (including subcontracts) or is it limited only to personnel/fringe costs?

Response – Refer to the approved allocation base in the rate agreement to determine what you can apply to the indirect cost rate.

23. If I am a Workforce Development Board under WIOA but have a DHHS discretionary grant, which agency do I apply for an indirect cost rate from?

Response – To the Federal agency providing the preponderance of direct Federal funds. If it DOL, then you can submit the proposal to the Division of Cost Determination (DCD). Contact DCD for more details at 202-693-4100.

24. Where would I find the written definition of admin vs program? Is it in WIOA Law?

Response – The definition of administrative costs can be found in Section 3 of the WIOA statute and in Section 683 of the regulations.

25. The state of MN has always assumed that subrecipient monitoring was a program cost. One of the slides in this presentation states that "monitoring" is an admin cost. Which is it?

Response – For ETA funded grants, program monitoring is a program cost and Fiscal and administrative monitoring is an administrative cost.

26. When we will start to use the new reporting form 9130?

Response – The new form is awaiting approval from OMB. Once approval is obtained, the new report form will be required shortly thereafter. A TEGL will contain the expected roll-out date.