



OFFICE OF
HOUSING COUNSELING

U.S. Department of Housing and Urban Development Office of Housing Counseling



Facilitated by
Booth Management Consulting
7230 Lee Deforest Drive, Suite 202
Columbia, MD 21046

Understanding Indirect Cost Rates, De Minimis Rate,
and Cost Allocation Plans

April 8, 2019 @ 2 PM EST

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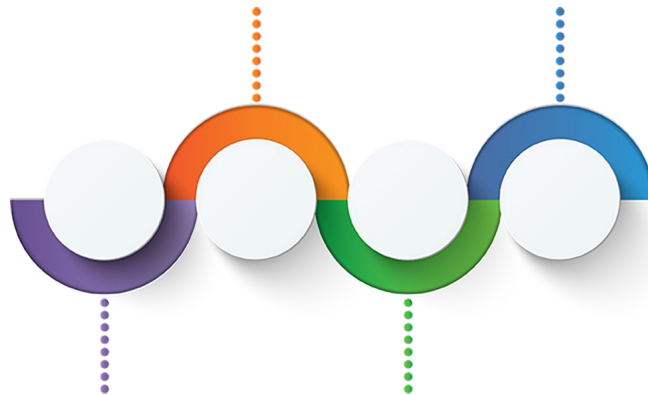


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**Facilitated By
Robin L. Booth, CPA
Audit Principal
Booth Management Consulting**

Training Topics



- Understanding indirect cost and indirect rates
- Understanding the difference between direct and indirect costs
- Identifying unallowable and excluded cost
- Recognizing Agency Options for Computing Indirect Costs (10% De Minimis Rate, NICRA, and Cost Allocation)
- Computing the indirect cost for each option
- Understanding sub-recipient considerations
- Reviewing record retention requirements
- Available OHC Services

Indirect Rate

What is an Indirect Rate?



A ratio, expressed as a percentage, for allocating to each program/grant a fair share of the general, administrative, and facility expenses that are not charged as direct expenses to any given program. It is the ratio of the indirect costs to a direct cost base.



How Does the Indirect Rate Work?



Agencies provide services which the Federal government would otherwise provide (Direct expenses) and incur expenses that need to be reimbursed for them to be sustainable and effective (Indirect expenses)

- 100% of the Direct expenses
- Fair share of the allowable, reasonable, and allocable costs indirect costs

There are 3 options for charging indirect expenses to a Federal grant:

- Option 1: 10% De Minimis Rate
- Option 2: Negotiated Indirect Cost Rate
- Option 3: Cost Allocation Plan

How is This Done?



An Agency should do the following steps to charge direct and indirect cost to a grant

- **Step 1:** Identify direct costs for the grant
- **Step 2:** Group all indirect costs for the entire organization
- **Step 3:** Determine how they will compute indirect costs (De Minimis, NICRA, or Cost Allocation)
- **Step 4:** Compute the actual indirect costs using the method identified in Step 3

Direct vs. Indirect Costs

What are Direct and Indirect Costs?



Direct Costs: Costs that are SPECIFIC, IDENTIFIABLE, and are incurred to provide services or products for a grant award, service, or activity (2 CFR, §200.413)

Indirect Costs: Costs that CANNOT be identified for a specific grant award, service, or activity of an organization, but are incurred as the result of MULTIPLE grant awards, services, or activities

Indirect costs generally fall within two categories: 1) facilities and; 2) administration (2 CFR, §200.414)

***It is very important that agencies clearly segregate direct and indirect costs in their accounting system and when computing their indirect cost rate.**

Direct Costs



FY 2018 NOFA

1. Emphasis on costs associated with eligible activities
2. More costs towards actual counseling
3. Encourages charging indirect costs
 - a. NICRA
 - b. 10% De Minimis Rate
 - c. Cost Allocation Plan



***The major difference between direct costs and indirect costs is that only direct costs can be traced to specific programs or projects.**

Examples of Direct Costs

Eligible Activities and Allowable Expenses



Eligible Activities	Examples of Expenses
Salaries	Housing counseling, supervision, oversight, compliance, and quality control salaries (justified)
Training	Travel, Training fees/costs/registration, salaries, workshops, seminars, and related materials
Oversight	Administrative Cost, travel, consultants
Marketing	Travel, marketing materials, printing, brochures, consultants,
Housing Counseling Certification	Training, testing (computer or proctored exams), salaries (time), travel, consultants, and other certification expenses
Capacity Building	Costs associated with hiring additional staff
Other Eligible Activities (Direct Costs)	Credit Reports, informational documents for clients, CMS, audits (subject to allocation justification), bus tours

What are Indirect Costs?



According to the Uniform Grant Guidance, 2 CFR Part 200 §200.56

Indirect costs *“are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective...”*

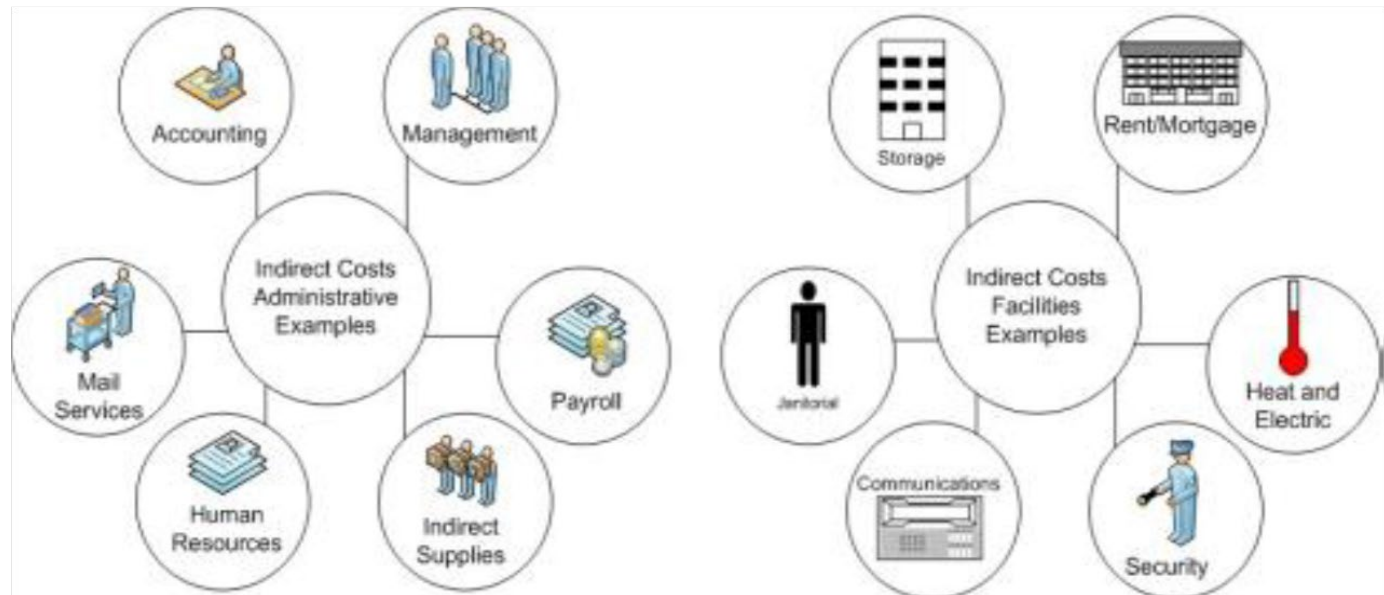
There are two broad categories: “Facilities” and “Administration

- **Facilities** - depreciation of buildings, equipment and capital improvement, interest on debt associated with certain buildings, equipment and capital improvements, and operations and maintenance expenses.
- **Administration** - general administration and general expenses not listed specifically under one of the subcategories of “Facilities,” including cross allocations from other pools.

Examples of Indirect Costs



The figure below shows several examples of indirect administrative costs and facilities costs.



Allowable vs. Unallowable Costs

What Cost Can be Charged?



To be chargeable to a Federal grant/contract, costs must be:

1. Allowable
2. Reasonable
3. Allocable



What is Allowable?



Allowability under 2 CFR Part 200, Subpart E. A Federal award recipient MUST:

- Have in place a sufficient financial management systems
- Follow terms and conditions of the specific federal award
- Determine and assure how to properly and efficiently administer Federal funds based on its unique resources and experiences
- Must not be an expressly unallowable cost under 2CFR, Part 200

What is Allowable?



What makes a cost *allowable*?



Generally, the factors affecting cost allowability are that a cost must;

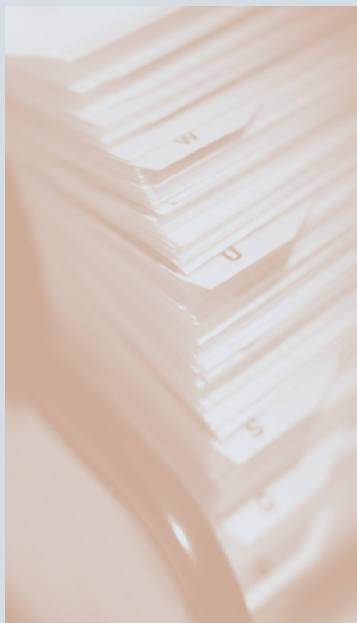
- ✓ Be reasonable and necessary §200.403(a)
- ✓ Conform to limitation or Exclusions §200.403(b)
- ✓ Consistent with Policies and Procedures §200.403(c)
- ✓ Accorded Consistent Treatment §200.403(d)
- ✓ Determined in Accordance with GAAP §200.403(e)
- ✓ Not Included as Match or Cost Share §200.403(f)
- ✓ Adequately documented §200.403(g)

***Once a cost has been determined to be allowable it must be allocable to federal awards consistent with 2 CFR §200.405 (a)**

What is Unallowable?



What makes a cost *unallowable*?



2 CFR, Part 200 identifies expressly unallowable costs, common unallowable costs include:

- \$200.421 Advertising and public relations.
- \$200.423 Alcoholic beverages.
- \$200.426 Bad debts.
- \$200.434 Contributions and donations.
- \$200.438 Entertainment costs.
- \$200.441 Fines, penalties, damages and other settlements.
- \$200.442 Fund raising and investment management costs.
- \$200.445 Goods or services for personal use.
- \$200.449 Interest.
- \$200.450 Lobbying.
- \$200.451 Losses on other awards or contracts.
- \$200.455 Organization costs.
- \$200.467 Selling and marketing costs.
- \$200.470 Taxes (including Value Added Tax).

***A cost may not be charged to a Federal award to overcome deficiencies, to avoid restrictions imposed by federal statutes, regulations, or terms and condition of the federal awards, or for other reasons pursuant to §200.405(c).**

What is Ineligible for CHC Grant

Costs Not Eligible for Reimbursement under FY2018 NOFA



- Salaries and fringe for time not spent performing eligible activities (client education; oversight, compliance, and quality control; supervision of housing counseling staff; housing counselor training, marketing and outreach; and counselor certification)
- Fringe without corresponding salary costs
- Unspecified “administrative costs” not related to the performance of eligible activities
- Travel not related to eligible activities
- Rent and utilities, including unspecified “overhead”
- Phone
- Internet
- Postage
- Supplies (general office supplies, furniture)
- Technology/equipment (hardware like computers, printers, cell phones)

Options for Charging Indirect Costs

What Are the Options?



There are three (3) primary options for requesting reimbursement of indirect costs:

- Option 1: 10% De Minimis Rate
- Option 2: Negotiated Indirect Cost Rate Agreement
- Option 3: Cost Allocation Plan



What Are the Options?



Option	How is it Computed?	Generally Used By:
10% De Minimis Rate	A 10% fixed indirect cost rate based on Modified Total Direct Cost	LHCAs small Intermediaries
Negotiated Indirect Cost Rate (NICRA)	A negotiated rate based on identified indirect cost with a Federal cognizant agency	Intermediaries and MSOs
Cost Allocation Plan	An allocation plan (not 1 rate) to charge all costs, direct and indirect, to each grant based on approved methodologies for each cost, i.e. rent-based on square footage, HR & Accounting – based on hours worked, etc.	SHFAs and MSOs

Pros and Cons?



Option	Pros	Cons
Option 1: 10% De Minimis Rate	<ol style="list-style-type: none">1. Allows eligible recipients and sub-recipients that historically could not charge any indirect costs to now recover some administrative costs2. Does not require submission of a detailed indirect cost proposal3. Immediately eligible, no time delays4. No pre-negotiation5. Easy computation using the MTDC6. Does not require an in-depth knowledge of cost accounting	<ol style="list-style-type: none">1. Must meet the eligibility requirements2. Indirect costs are limited to 10%3. Certain eligible activity component costs are unallowable for computation of the MTDC4. Must track salaries, wages, fringe benefits, service contracts, and consultant separately and not as a total program component cost

Pros and Cons



Option	Pros	Cons
Option 2: Negotiated Indirect Cost Rate Agreement	<ol style="list-style-type: none">1. Allows recipients/sub-recipients to charge for more indirect costs based on the actual indirect cost rate2. All Federal agencies must accept the negotiated rates if indirect costs can be charged to grant3. Can request an increase in the rate based on submission and approval of an updated incurred cost approval	<ol style="list-style-type: none">1. Must prepare and submit and indirect cost plan2. Have to identify the appropriate Federal Cognizant agency3. Review and negotiation of the indirect rate agreement usually takes extended amount of time4. Requires experienced and knowledgeable staff to prepare proposal5. Must maintain an accounting system to properly accumulate cost by pool6. Rates must be renegotiated every three years

Pros and Cons



Option	Pros	Cons
Option 3: Cost Allocation Plan	<ol style="list-style-type: none">1. Ensures that all costs are charged and paid for all grants and agencies2. Recognizes the actual costs for each program/grant	<ol style="list-style-type: none">1. State, local government and Indian tribes that receive over \$35 million of Federal awards.2. Must prepare and submit a cost allocation plan and cost policy3. Very complexed4. Requires experienced and knowledgeable staff to prepare cost plan and policy statement5. Must maintain an accounting system to properly accumulate all costs and the corresponding cost allocation methodology6. Time consuming for review and approval by the Federal cognizant agency

Option #1



10% De Minimis Rate

Is it a smaller Recipient or Sub-recipient organization?

Consider the 10% De Minimis Rate

Criteria for Selecting De Minimis Rate



- Non-Federal entity has never received a negotiated indirect cost rate
- Rate must be used indefinitely once elected and must be used consistently for all federal awards until such time the entity chooses to negotiate for a rate
- Cost composition of the MTDC must comply with §200.403 Factors affecting allowability of cost

***You must meet ALL of the criteria listed in order to be eligible to elect the 10% De Minimis rate**

Criteria for Selecting De Minimis Rate (cont.)



- Non-Federal entities receiving over \$35 million in direct funding are prevented from selecting this rate. See Appendix VII to Part 200-States and Local Government and Indian Tribe Indirect Cost proposals, paragraph (d)(1)(b).
- Documentation supporting the methodology (as set forth in 2 CFR Part 200.403) used to determine the MTDC (as set forth in 2 CFR Part 200.68) should be provided as part of the Grantee's budget and retained for audit in accordance with records retention requirements

***You must meet ALL of the criteria listed in order to be eligible to elect the 10% De Minimis rate**

Modified Total Direct Cost (MTDC)

Modified Total Direct Cost (MTDC)



- Recipients and sub-grantees electing the 10% De Minimis Rate must use the Modified Total Direct Cost (MTDC) as its base.
- All costs must be identified specifically with a particular sponsored program or can be directly assigned to such activities relatively easily with a high degree of accuracy and must be necessary and reasonable for the performance of Federal award and be consistent with policies and procedures that apply uniformly to both federal and non-Federal activities of the grantee (2 CFR §200.403).

Included in the MTDC



According to §2 CFR 200.68, it is composed of:

“All direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, sub-awards and sub-contracts up to the first \$25,000 of each sub-award or sub-contracts (regardless of the period of performances under the award).”

**Cost must be identified specifically with a particular sponsored program or can be directly assigned to such activities relatively easily with a high degree of accuracy.

*** Must be necessary and reasonable for the performance of federal award and be consistent with policies and procedures that apply uniformly to both federal and non-federal activities of the grantee in accordance with §200.403.

Excluded from MTDC



§2 CFR 200.68 specifically excludes the following cost from the determination of MTDC:

Equipment: defined as an item of property that has an acquisition cost of \$5000 or more and an expected value of more than one year.

Generally, equipment is excluded from the modified cost base, so if you have something with a short service life (<1 year), even it cost more than \$5000, you are better off including it under supplies.

Capital Expenditure: buildings, land, office equipment and furnishings, alterations and renovations, telephone networks, and motor vehicles.

Excluded from MTDC



1. **Sub awards/Subcontracts:** Portion of each sub-award and sub-contract exceeding \$25,000 regardless of the period of performance.
2. Other costs to exclude:
 - a. Rental Cost
 - b. Scholarships and Fellowships
 - c. Participant Support Cost

Included or Excluded from MTDC?



Housing Counseling Grant Modified Total Direct Costs

Included	Excluded/Ineligible
Direct Labor	Rent
Fringe Benefits	Utilities
	Phone
	Internet
Sub-awards (\$25K per sub-grantee)	Technology/Equipment
Training	Supplies
	Postage
Marketing/Outreach	Capital Expenditures
Travel	Program Participant Costs
Consultants	Unspecified Administrative Costs
Other Direct Costs	

What Costs Are in the MTDC?



Direct Salaries and Wages: All remuneration paid or currently accrued by the organization for employees working on the federally funded program during the grant period is allowable: **(a)** the compensation to individual employees is reasonable for the work performed directly on the award charged; **(b)** is consistently applied to both government and non-government activities, and; **(c)** the charges for work performed are documented in an auditable format easily distinguishable from other unrelated wages.

Direct Administrative and Clerical Salaries and Wages: Salaries of administrative or clerical staff may be requested as direct costs as mandated by §200.413 (c) when: **(a)** They are an integral part of the project or program, and; **(b)** The estimated percent of effort for specific individuals are justified in the budget proposal.

What Costs are in the MTDC?



Applicable Fringe Benefits: Allowable as a direct cost in proportion to the salary charged to the award, to the extent that such payments are made under formally established and consistently applied organizational policies.



What Costs are in the MTDC? (cont.)



If the entity does not have a fixed “fringe benefit rate,” then actual charges for the below should be used in estimating these cost to the extent possible

- Employee Retirement Contributions
- Employer Paid Taxes (Local, State, Federal, Medicare, Social Security, Unemployment Contribution
- Employee Paid Employee Health Benefit
- Employee Paid Employee Tuition Benefit

What Costs are in the MTDC?



Services Contract/Consultant Fees: allowable when reasonable in relation to the objectives of the services rendered and applicable to the program objectives.

***Salary limitation for consultants:** For FY 2018 funds, reimbursement for payment of the salary of a consultant, whether retained by the Federal government or the Grantee, should be at a rate no more than the equivalent of General Schedule 15, Step 10 base rate. FY 2018 is \$136,659. The hourly rate is \$65.48.

Travel Cost: Expenses for transportation, lodging, subsistence, ground travel, and related items incurred by grant personnel and outside consultants employed for the program who are on travel status on business related to a Federally supported program are allowable as prescribed in the *Governing Cost Principles*.

What Costs are in the MTDC?



Sub awards/Subcontracts: Cost for the first \$25,000 of each of the program sub-awards are included in calculation, regardless of the period of performance.



Determining the MTDC Scenario #1



Example Budget #1: Portion of each sub award exceeding \$25,000 regardless of period of performance should not be included in MTDC as reflected below:

Budget Line Items	Direct Cost	Eligible for MTDC
Salary- Janet Brown Counselor	\$50,000	\$50,000
Salary- Jack Black Admin	\$50,000	\$50,000
Fringe Benefits	\$25,000	\$25,000
Travel	\$10,000	\$10,000
Training	\$10,000	\$10,000
Equipment	\$20,000	-
Subawards-ABC Grantee	\$75,000	\$25,000
Subawards-DCE Grantee	\$20,000	\$20,000
Subawards-MNO Grantee	<u>\$25,000</u>	<u>\$25,000</u>
Sub Total –Direct Cost	<u>\$285,000</u>	<u>\$215,000</u>

Computing Indirect Cost Scenario #1



To compute the 10% De Minimis rate in Example Budget #1:

Determine the Modified Total Direct Costs by taking the total direct costs and subtracting out unallowed/excluded cost as follows: any major equipment, capital expenditures, rental costs of off-site facilities, as well as the portion of each subcontract in excess of \$25,000.

Total direct costs		\$285,000
Less:	Equipment	(\$20,000)
	Subcontract in excess of \$25,000	<u>(\$50,000)</u>
	Subtotal	(\$70,000)
Modified Total Direct Cost Base		\$215,000

Computing Indirect Cost Scenario #1



Multiply the De Minimis Rate determined in the first step by the Modified Total Direct Costs determined in the second step.

***\$215,000 (MTDC) x 10% (De Minimis Rate) = \$21,500 (Indirect Costs)**

This application is correct!

NOTE: Agency would have incorrectly overbilled HUD if MTDC was not adjusted:

***\$285,000 (MTDC) x 10% (De Minimis Rate) = \$28,500 (Indirect Costs)**

This application is incorrect! The 10% De Minimis Rate MUST only be applied to Modified Total Direct Costs.

Determining the MTDC

Scenario #2



Example Budget #2 : Expenses such as equipment, capital expenditures, rental costs, portion of awards exceeding \$25,000, and consultant fees exceeding the annual amount of \$136,659 for FY 2018 are excluded from the MTDC. Total Award Amount \$900,000.

Budget Line Items	Direct Cost
Direct Salaries	\$450,000
Fringe Benefit	\$90,000
Travel	\$15,000
Sub awards (a)	\$65,000
Training	\$15,000
Credit Reports (b)	\$15,000
Annual Consultant Fee (c)	<u>\$155,000</u>
Total Cost	\$805,000

Computing Indirect Cost Scenario #2



Assumptions to Example Budget #2:

(a) Sub-award to one grantee for \$65,000. Exclude amount over \$25,000 (\$65,000-\$25,000 = \$40,000)

(b) Credit reports are not allowable under the MDTC although eligible under the CHC

(c) Consultant Fees (e) over the annual amount of \$136,659 for FY 2018. (\$155,000-\$136,659 = \$18,341)

Step 1: Identify direct cost and determine MTDC eligibility.

Total direct cost		\$805,000
Less: Sub awards in excess	(\$40,000)	
Excessive Consultant fees	(\$18,341)	
Credit Reports	<u>(\$15,000)</u>	
Subtotal		<u>(\$73,341)</u>
Modified Total Direct Cost		<u><u>\$731,659</u></u>

Determining the MTDC

Scenario #2



Example Budget #2 : Expenses such as equipment, capital expenditures, rental costs, portion of awards exceeding \$25,000, and consultant fees exceeding the annual amount of \$136,659 for FY 2018 are excluded from the MTDC.

Budget Line Items	Direct Cost	Eligible for MTDC
Direct Salaries	\$450,000	\$450,000
Fringe Benefit	\$90,000	\$90,000
Travel	\$15,000	\$15,000
Sub awards (a)	\$65,000	\$25,000
Training	\$15,000	\$15,000
Credit Reports (b)	\$15,000	-
Annual Consultant Fee (c)	<u>\$155,000</u>	<u>\$136,659</u>
Total Cost	<u>\$942,000</u>	<u>\$731,659</u>

Computing Indirect Cost Scenario #2



*Multiply the De Minimis Rate determined in the first step by the Modified Total Direct Costs determined in the second step.

*\$731,659 (MTDC) x 10% (De Minimis Rate) = \$73,165 (Indirect Costs)

This application is correct!

NOTE: Agency would have incorrectly overbilled HUD if MTDC was not adjusted:

*\$805,000 (MTDC) x 10% (De Minimis Rate) = \$80,500 (Indirect Costs)

This application is incorrect! The 10% De Minimis Rate MUST only be applied to Modified Total Direct Costs.

Determining the MTDC Scenario #2



Total Grant Award Amount = \$850,000

Budget Line Items	Direct Cost
Direct Salaries	\$450,000
Fringe Benefit	\$90,000
Travel	\$15,000
Sub awards (a)	\$65,000
Training	\$15,000
Credit Reports (b)	\$15,000
Annual Consultant Fee (c)	<u>\$155,000</u>
Total Direct Cost	\$805,000
Indirect Cost (10% De Minimis)	<u>\$45,000</u>
Total Budget= Grant Award Amount	<u>\$850,000</u>

NOTE: Although the computed indirect costs is \$73,165, you can only charge up to the grant award amount.

Negotiated Indirect Cost Rate

What is NICRA?



An indirect rate negotiated with a Federal cognizant agency for Federal awards by non-Federal entities that allocate and claim indirect costs.



***Cognizant agency is generally the agency that provides the largest amount of direct federal funds to the organization.**

Types of Indirect Rates



NICRA Designation	Description	When Renewed?
Provisional rate	Temporary rate for funding, interim reimbursement, and reporting indirect costs on awards	Upon Completion of the grant period
Final rate	Rate determined at the end of the accounting period based on the actual costs and not subject to adjustment	Typically annually
Predetermined Rate	Permanent rate established for a discrete period of time that corresponds to one or more of the organization's fiscal years	2 to 5 years
Fixed Rate with Carryforward	Fixed Rate set for the period covered under the funding action and any adjustments (different between estimated and actual) will be carry forward to the subsequent period	2 years, then annually thereafter

NICRA Example



State And Local Department/Agency Indirect Cost Negotiation Agreement

EIN: 92-6001185

Organization:

State of Alaska
Department of Fish and Game
P.O. Box 115526
Juneau, Alaska 99811-5526

Date: October 26, 2011

Report No(s) .: 12-A-0058

Filing Ref.:

Last Negotiation Agreement
dated October 12, 2010

The indirect cost rate contained herein is for use on grants, contracts, and other agreements with the Federal Government to which 2 CFR 225 (OMB Circular A-87) applies, subject to the limitations in Section II.A. of this agreement. The rate is negotiated by the U.S. Department of the Interior, National Business Center, and the subject organization in accordance with the authority contained in 2 CFR 225.

Section I: Rate

Type	Effective Period		Rate*	Locations	Applicable To
	From	To			
Fixed Carryforward	07/01/11	06/30/12	14.90%	All	All Programs

***Base:** Total direct costs, less capital expenditures and passthrough funds.

Treatment of fringe benefits: Fringe benefits applicable to direct salaries and wages are treated as direct costs; fringe benefits applicable to indirect salaries and wages are treated as indirect costs.

How Do I Use the NICRA?



1. Verify the indirect cost rate
2. Verify the rate effective date
3. Verify the base
4. Compute the indirect cost

How Do I Use the NICRA?



Verify the indirect cost rate

1. Review the rate on the NICRA
2. Verify the type of rate (provisional, final, predetermined)
3. Use the actual rate, do not round the rate up or down

How Do I Use the NICRA?



Verify the Rate Effective Date

1. Review the rate effective dates on the NICRAs
2. Use the rate effective during the period of performance of the grant
3. If the rates are expired, ask the agency for any modifications or extensions.
 - a. If no extensions, ask for their most recent indirect rate cost proposal and the rate in that proposal.
 - b. Use the lower of the expired rate or the new proposed rate

How Do I Use the NICRA?



Verify the Base

1. Review the base in the NICRA (direct salaries including fringe, modified total direct costs, etc.) the agreement will state the base
2. Review the submitted budget and identify those line items that should be included or excluded from the base.
 - a. Exclude unallowable costs per the Uniform Guidance
 - b. Exclude costs not included per the NICRA
3. Compute the correct base

Common Base(s)



Most Common Allocation Basis

1. Direct salaries and wages including (or excluding) all fringe benefits
2. Direct salaries and wages including vacation, holiday, sick pay, and other paid absences but excluding all other fringe benefits
3. Modified total direct costs (“MTDC”) consisting of salaries and wages, fringe benefits, materials and supplies, services, travel, and sub-awards up to \$25,000 each or all sub-awards

How Do I Use the NICRA?



Compute the Indirect Cost

1. Multiply the verified rate by the verified base
2. Compare the computed total to the budget submitted by the agency
3. Discuss any variances with the agency

***Total direct and indirect costs SHOULD NOT exceed the award amount.**

Cost Allocation Plan

What is a Cost Allocation Plan?



A document that identifies and explains the distribution of allowable direct and indirect costs and declares the allocation methods used for distribution.

States, local governments, and public assistance programs are the only entities that can submit a cost allocation plan and it must be approved in the same manner as an indirect rate.



***Federally-approved Cost Allocation Plan**

Methods for Allocation



Simplified

1. Federal awards are not material
2. Organization has only a single function
3. All programs benefit from indirect costs to about the same degree

Methods for Allocation



Multiple Allocation

- All programs do not benefit to the same degree
- Preferred method for state, local government agencies
- Preferred method for state, local government agencies



Methods for Allocation



Direct Allocation

- All costs are charged directly to programs to except for general administration
- All costs are charged directly to programs to except for general administration
- Indirect costs are pooled and allocated to direct cost objectives based on various distribution bases

Other Considerations

Other Considerations



Federal Agencies, Pass-Thru, and Sub-recipients

Federal Agency: As required under §200.203 Notices of funding opportunities, the Federal awarding agency must include in the notice of funding opportunity the policies relating to indirect cost rate reimbursement, matching, or cost share.

Pass-Thru Agency: Federal Uniform Guidance including section 200.331(a)(4) applies to Federal funds as specified in the terms and conditions of the Federal award when a pass-through entity uses Federal and non-Federal funds to make a sub-award to a nonprofit as a sub recipient.



Other Considerations (cont.)



Federal Agencies, Pass-Thru, and Sub-recipients

- **Non-Federal entities** that are able to allocate and charge 100% of their costs directly may continue to do so. Claiming reimbursement for indirect costs is never mandatory; a non-Federal entity may conclude that the amount it would recover thereby would be immaterial and not worth the effort needed to obtain it.
- NICRA must be used if a sub-recipient already has a negotiated F&A rate with the Federal government.
- It is not permissible for pass-through entities to force or entice a proposed sub recipient without a negotiated rate to accept less than the de minimis rate.

Retention of Records



If the indirect cost rate proposal, cost allocation plan, or other computation is not required to be submitted to the Federal Government for negotiation purposes, then the 3-year retention period for its supporting records starts from the end of the fiscal year (or other accounting period) covered by the indirect cost rate proposal, cost allocation plan, or other computation.

For regulatory basis on “retention requirements of records” for non-profits, see §2 CFR 200.333.

Available OHC Services

Available Services



Type of Assistance	Description	Onsite and/or Remote
Technical Assistance	<ul style="list-style-type: none">• Develop, modify, and/or update Cost policies and procedures,• Indirect Cost Application and Calculation• Review Schedule of Indirect Costs• Personnel Activity Reporting and Quarterly Financial Reporting Templates• Address findings from reviews	Onsite or Remote
Financial Analysis	<ul style="list-style-type: none">• Grant Executive Package Review• Financial Capability Assessment• Risk Assessment• Financial Review of sub-grantees• Accounting System Review• Billing Methodology Review• Indirect Cost Methodology Review• Quarterly Financial & Personnel Activity Report Review	Onsite or Remote

Available Services



Type of Assistance	Description	Onsite and/or Remote
Training	<ul style="list-style-type: none">• Module #1 — Overview of Grant Requirements• Module #2 — Submitting a Budget• Module #3 — Grant Financial Reporting• Module #4 — Personal Activity Reporting and Timekeeping• Module #5 — Implementing the 10% De Minimis Rate	Remote
Action Plan	<ul style="list-style-type: none">• Conduct readiness assessment of compliance with Uniform Guidance requirements (including internal control and procurement) and provide recommendations for training or technical assistance.	Remote

Requesting Services



1. **REQUEST Assistance from HUD POC:** State assistance required, person who will be the POC if approved, and availability for the assistance
2. **POC APPROVAL:** HUD POC reviews and determines for approval
3. **INITIATE ASSISTANCE:** If HUD POC approves, will submit to the HUD GTM for assistance



Please forward any questions to:
housing.counseling@hud.gov

with

**“Understanding Indirect Cost Rates, De
Minimis Rate, and Cost Allocation Plans”
in the Subject line**

**Note: Only questions related to the HUD, Office of
Housing Counseling, Comprehensive Housing
Counseling grant will be accepted and responded to.**