

Indirect Costs 101

for Grant Recipients

June 12, 2025





Emily Wen

Cost Negotiator

Emily joined DOL in 2018 as a Cost Accountant within DOL's Cost and Price Determination Division (CPDD), with her primary responsibilities including reviewing and negotiating indirect cost rates and cost allocation plans. Emily has more than 30 years of experience in the accounting field. She earned her BS in Accounting from the University of Maryland and is a CPA in the State of Maryland.



Tamara Holland

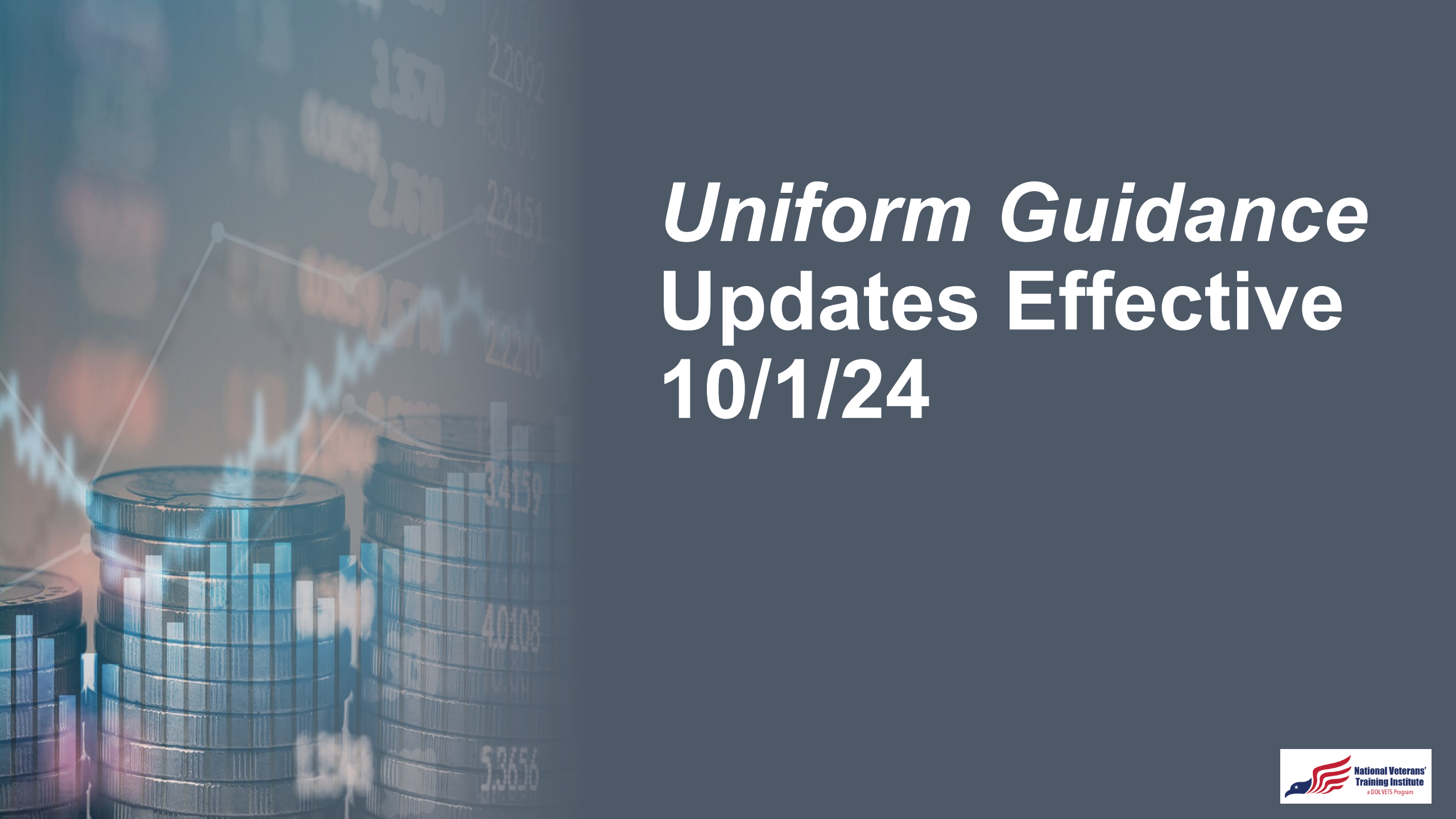
Grant Management Specialist

Currently a Grant Management Specialist at DOL ETA, Tamara has served as a technical SME and trainer regarding federal grants for over 50 federal agencies, focusing on technology development/management and interpreting cooperative agreements/requests for proposal funding opportunities.

Tamara has a B.A. in Science, an M.S. in HR, an MBA, and a certification in Leadership and Management.

Overview

- 2 CFR 200 Updates, Effective October 1, 2024
- Grant Life Cycle
- Different Types of Costs
- Reimbursement Methods
- Indirect Cost Rate (ICR)
- Commonly Used Allocation Bases
- Indirect Cost Proposal Due Dates
- Reimbursement of Indirect Costs via a Negotiated Rate
- Cost Allocation Plan (CAP)
- Reimbursement of Indirect Costs via a CAP
- Reimbursement of Indirect Costs via a De Minimis Rate
- Post-Closeout Adjustments
- Questions
- Contact Information

The background of the slide features a dark blue gradient. On the left side, there are several stacks of gold coins. Overlaid on the image are faint, semi-transparent financial charts, including a line graph with data points and a bar chart. Various numbers, such as 22092, 450.00, 22151, 22210, 34159, 40108, and 53656, are scattered across the background, suggesting a financial or economic theme.

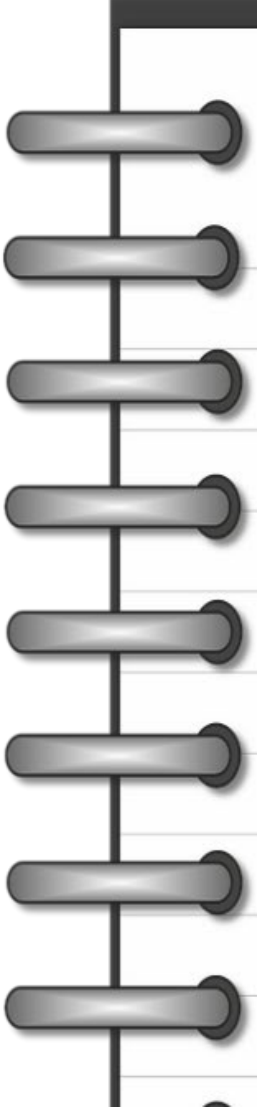
Uniform Guidance Updates Effective 10/1/24

2 CFR 200 (the *Uniform Guidance*) Updates

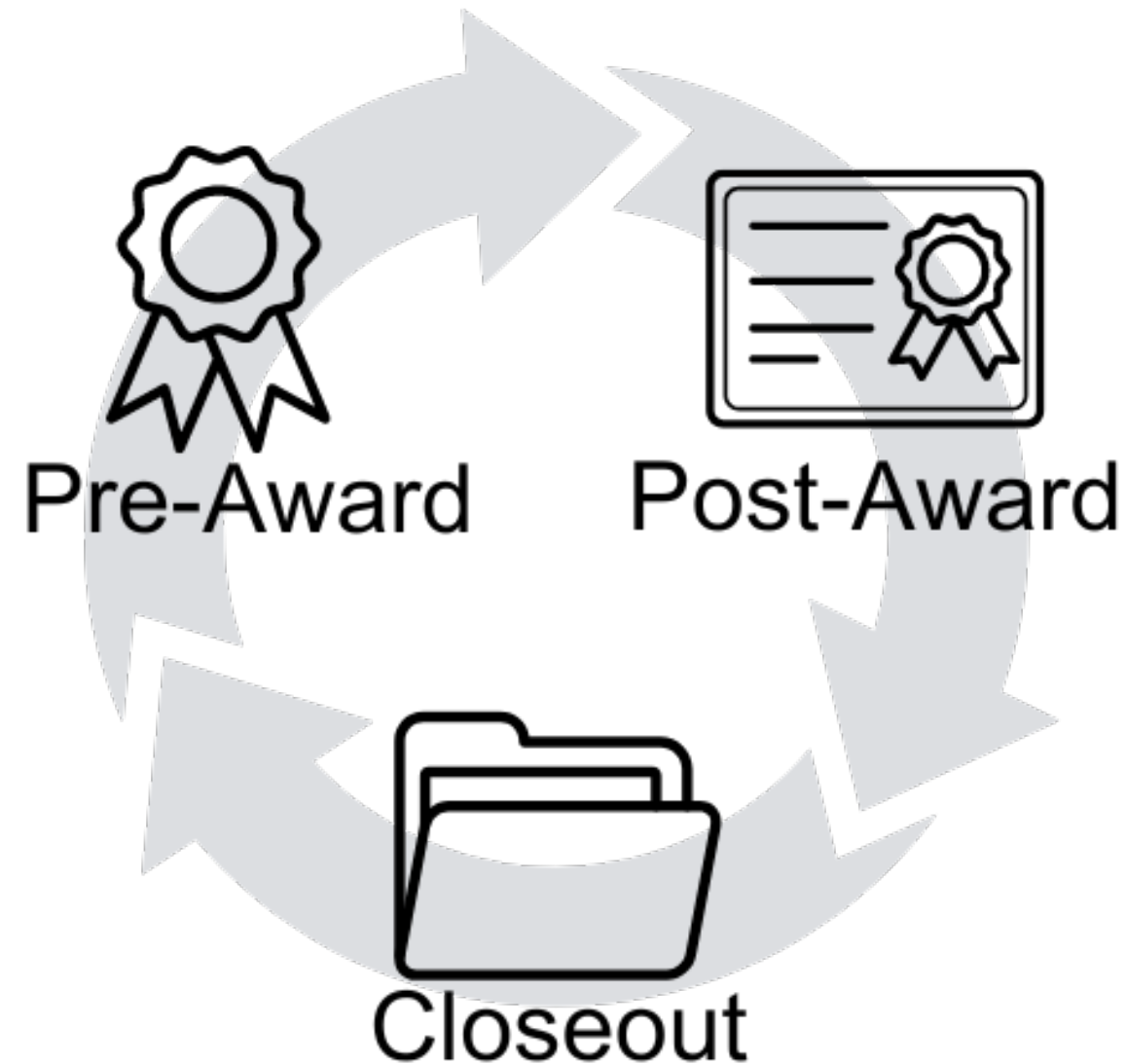
What is 2 CFR 200 (the *Uniform Guidance*)?

- 2 CFR 200 – Basic Layout
 - Subpart A, Acronyms & Definitions
 - Subpart B, General
 - Subpart C, Pre-Award
 - Subpart D, Post-Award
 - Subpart E, Cost Principles
 - Subpart F, Audit
 - 12 Appendices – I through XII
 - Appendices III through VII address indirect costs

2 CFR 200 Updates Effective 10/1/24

- 
- De minimis rate: increased from 10% to “up to 15%”
 - Subaward threshold: increased from \$25,000 to \$50,000 in the MTDC base
 - Equipment threshold: increased from \$5,000 to \$10,000
 - Closeout and Post-Closeout

Grant Life Cycle



The background of the slide is a dark blue-grey gradient. On the left side, there are several stacks of silver coins. Overlaid on the image are faint, semi-transparent financial graphics: a line graph with white dots and connecting lines, and a bar chart with blue bars. Various numbers are scattered across the background, including 1350, 22092, 450.00, 22151, 22210, 34159, 40108, and 53656.

The Different Types of Costs

Total Costs

Indirect Costs (2 CFR 200.414)

- Incurred for a **common or joint** purpose benefitting more than one cost objective
- **Not readily assignable** to the cost objectives specifically benefitted, without effort disproportionate to the results achieved
- It may be necessary to establish an indirect cost pool or several pools of indirect costs

+

=

Total Costs

Indirect Costs (2 CFR 200.414)

- Incurred for a **common or joint** purpose benefitting more than one cost objective
- **Not readily assignable** to the cost objectives specifically benefitted, without effort disproportionate to the results achieved
- It may be necessary to establish an indirect cost pool or several pools of indirect costs

+

Direct Costs (2 CFR 200.413)

- **Directly associated** with a program activity or participant, such as costs that are specific to a single program
- **Readily identified with** a particular cost objective

=



Total Costs

Indirect Costs (2 CFR 200.414)

- Incurred for a **common or joint** purpose benefitting more than one cost objective
- **Not readily assignable** to the cost objectives specifically benefitted, without effort disproportionate to the results achieved
- It may be necessary to establish an indirect cost pool or several pools of indirect costs

+

Direct Costs (2 CFR 200.413)

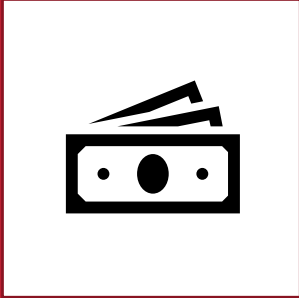
- **Directly associated** with a program activity or participant, such as costs that are specific to a single program
- **Readily identified with** a particular cost objective

=

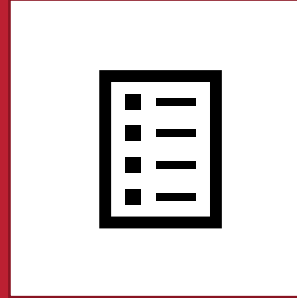
Total Costs

Three Types of Indirect Cost Reimbursement Methods

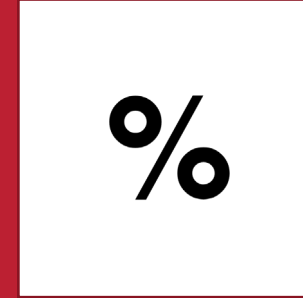
Indirect Cost Reimbursement Methods



Negotiated Indirect
Cost Rate Agreement
(NICRA) or Indirect
Cost Rate (ICR)



Cost Allocation Plan
(CAP)



De Minimis Rate of
15% of MTDC,
effective October 1,
2024

Indirect Cost Rate (ICR)

ICR Types

There are four types of ICRs that can be negotiated with the cognizant agency.



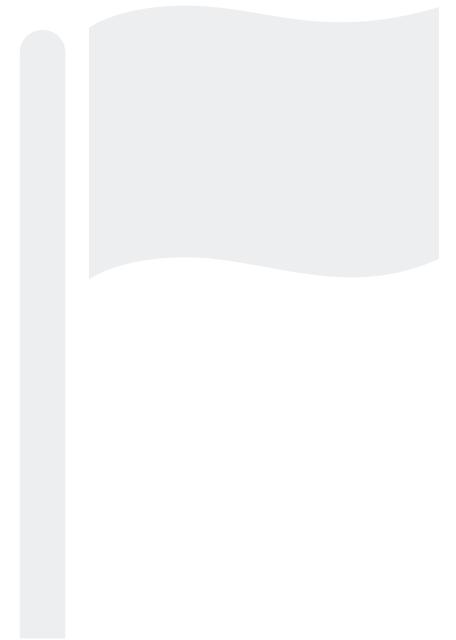
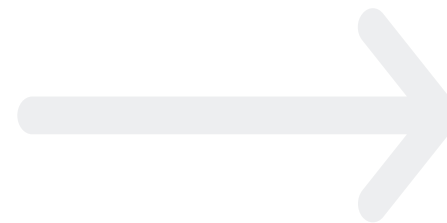
In addition, the grantee can elect a de minimis rate of 15% MTDC in lieu of a negotiated rate.

ICR Types: Provisional

- Temporary ICR applicable to a specified period; past, present, or future
- Used pending the establishment of a “final rate” for that period, allowing for recovery of indirect costs
- Used for funding, interim reimbursement, and reporting indirect costs on federal awards
- Based on projected information, historical information, or a combination
- All provisional ICRs must eventually be “finalized”
- Set by the cognizant agency for indirect costs

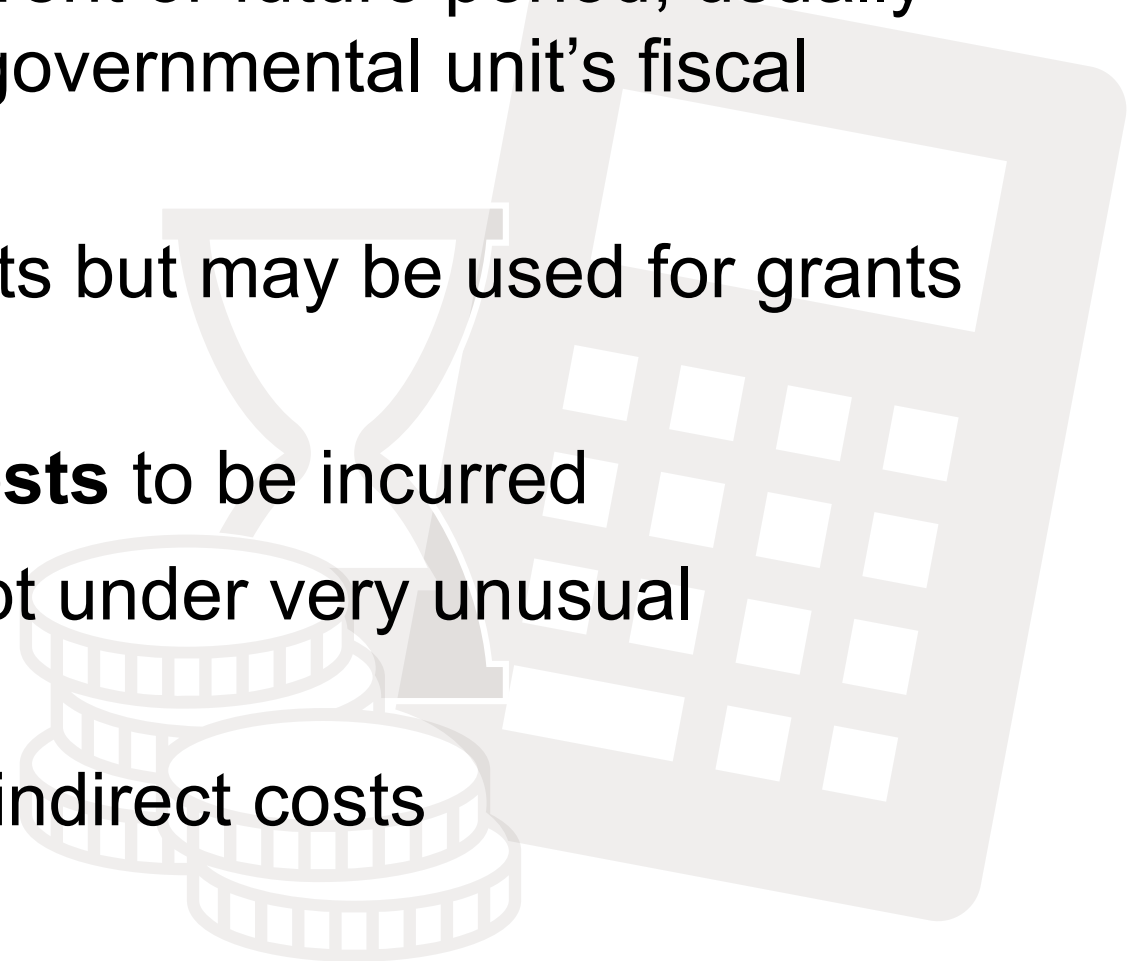
ICR Types: Final

- ICR applicable to a specified **past period**
- Based on the **actual allowable costs** of the period
- **Not** subject to adjustment
- Set by the cognizant agency for indirect costs



ICR Types: Predetermined

- ICR applicable to a specified current or future period; usually several years (for example, the governmental unit's fiscal years)
- Not permitted for federal contracts but may be used for grants or cooperative agreements
- Based on **an estimate of the costs** to be incurred
- **Not** subject to adjustment, except under very unusual circumstances
- Set by the cognizant agency for indirect costs



ICR Types: Fixed

- An adjustment is carried forward in the rate computation of a subsequent period
 - Similar to a predetermined rate, a negotiated fixed rate is not subject to change
 - The difference between the estimated costs and the actual costs of the period is carried forward as an adjustment
- Typically approved for state/local organizations
- Based on the **actual allowable costs** of the completed period, but affecting the rate of a future period
- Set by the federal cognizant agency

The background of the slide features a dark blue gradient. On the left side, there are several stacks of silver coins. Overlaid on the image are faint, semi-transparent financial charts, including a line graph with multiple data points and a bar chart. Various numerical values are scattered across the background, such as 22092, 450.00, 22151, 22210, 34159, 40108, and 53656.

Commonly Used Allocation Bases

Allocation Base

Appendix IV to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations

- Allocation of Indirect Costs and Determination of Indirect Costs
 - B.2.C. The distribution base may be total direct costs (excluding capital expenditures and other distorting items, such as subawards for \$50,000 or more), direct salaries and wages, or other base which results in an equitable distribution. The distribution base must exclude participant support costs as defined in [§ 200.1](#).

What is an Allocation Base?

Factors to Consider:

Why is an allocation base important?

How is an allocation base selected?

Allocation Base, 1

Total Direct Costs

Total direct costs *include*:



ICR Calculation – “Total Direct Costs”

Category	Total Costs	Indirect Costs	Total Direct Costs
Composition	A = (B+C)	B	C
Salaries	\$589,000	\$70,000	\$519,000
Benefits	\$176,700	\$21,000	\$155,700
Other Costs	\$161,000	\$59,000	\$102,000
Total	\$926,700*	\$150,000	\$776,700

Indirect Rate

$$\begin{aligned} &= \text{Pool} / \text{Base} \\ &\text{Total Indirect Costs} / \text{Total Direct Costs} \\ &\rightarrow \$150,000 / \$776,700 \leftarrow \\ &19.3\% \end{aligned}$$

*Must reconcile to the Financial Statements

Allocation Base 1 – Standard Forms

SF-424A – Award

6. Object Class Categories		(2) F
a. Personnel	\$ 519,000.00	
b. Fringe Benefits	\$ 155,700.00	
c. Travel	0.00	
d. Equipment	\$0.00	
e. Supplies	\$0.00	
f. Contractual	\$0.00	
g. Construction	\$0.00	
h. Other	\$ 103,300.00	
i. Total Direct Charges (sum of 6a-6h)	\$778,000.00	
j. Indirect Charges	\$148,700.00	
k. TOTALS (sum of 6i and 6j)	\$926,700.00	

Total Direct

Final FFR – Section 11

11. Indirect Expense	a. Type	b. Rate	c. Period From	Period To	d. Base	e. Amount Charged	f. Federal Share
	Final	19.30	July 1, 2023	June 30, 2024	\$778,000.00	\$150,154.00	\$148,700.00
				g. Totals:	\$778,000.00	\$150,154.00	\$148,700.00

Allocation Base, 2

Modified Total Direct Cost (MTDC)

Total direct costs ***excluding***:



Allocation Base, 3

Direct Salaries & Wages

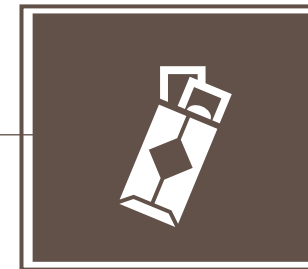
Direct salaries and wages *including Paid Time Off*:

Vacation, holiday,
and sick pay



Direct salaries and wages *excluding*:

All other fringe
benefits



ICR Calculation – “Total Direct Salaries”

Category	Total Costs	Indirect Costs	Total Direct Costs
Composition	A = (B+C)	B	C
Salaries	\$589,000	\$70,000	\$519,000
Benefits	\$176,700	\$21,000	\$155,700
Other Costs	\$161,000	\$59,000	\$102,000
Total	\$926,700*	\$150,000	\$776,700

Indirect Rate

$$\begin{aligned} &= \text{Pool} / \text{Base} \\ &\text{Total Indirect Cost} / \text{Total Direct Salaries} \\ &\$150,000 / \$519,000 \\ &28.9\% \end{aligned}$$

*Must reconcile to the Financial Statements

Allocation Base 3 – Standard Forms

SF-424A – Award

6. Object Class Categories		(2) F
a. Personnel	\$ 519,000.00	
b. Fringe Benefits	\$ 155,700.00	
c. Travel	0.00	
d. Equipment	\$0.00	
e. Supplies	\$0.00	
f. Contractual	\$0.00	
g. Construction	\$0.00	
h. Other	\$ 103,300.00	
i. Total Direct Charges (sum of 6a-6h)	\$778,000.00	
j. Indirect Charges	\$148,700.00	
k. TOTALS (sum of 6i and 6j)	\$926,700.00	

Total Direct Salaries

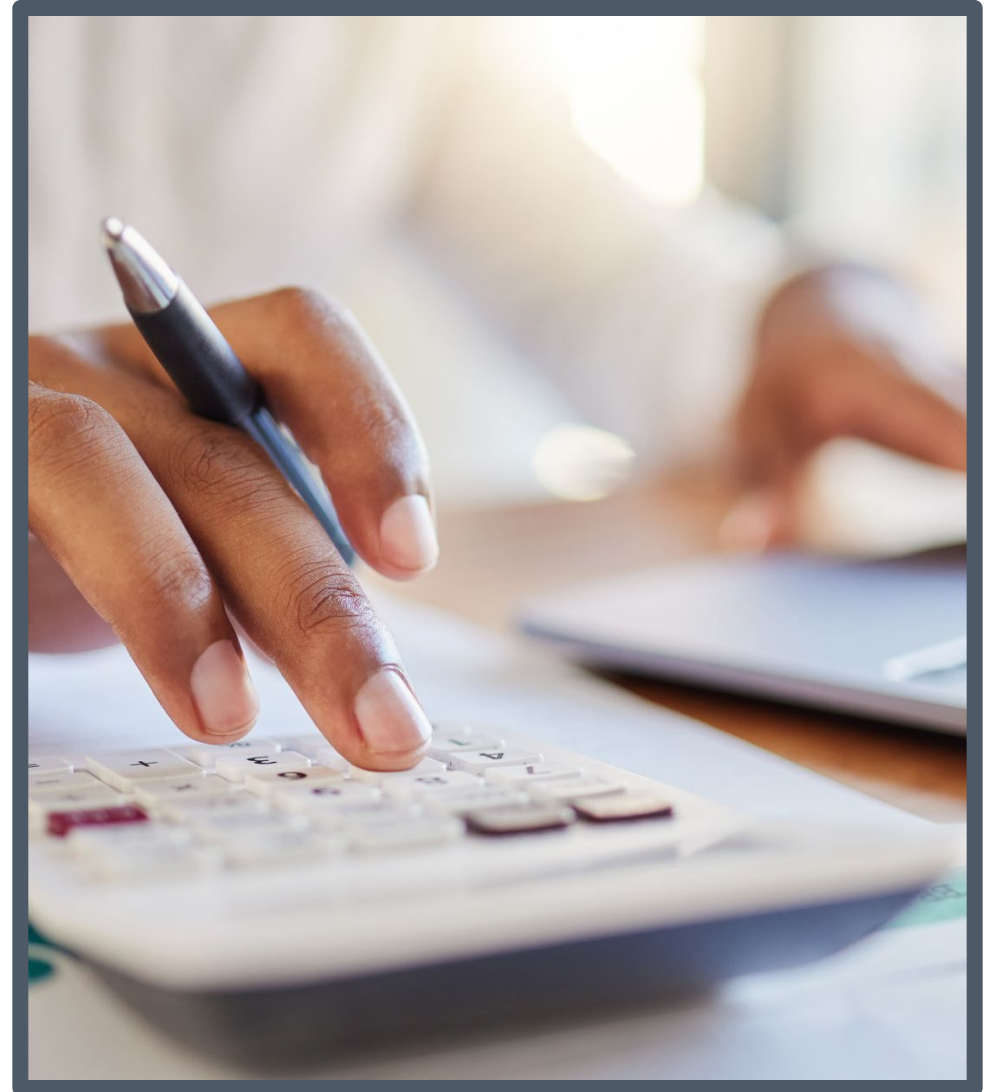
Final FFR – Section 11

11. Indirect Expense	a. Type	b. Rate	c. Period From	Period To	d. Base	e. Amount Charged	f. Federal Share
	Final	28.90	July 1, 2023	June 30, 2024	\$519,000.00	\$149,991.00	148,700.00
				g. Totals:	\$519,000.00	\$149,991.00	148,700.00



Discussion Question 1

When looking at an ICR and the base of that rate, can the grant officer change or add to the definition of base?



Indirect Cost Proposal Due Dates

When Indirect Cost Proposals Are Due

Initial Proposal After Award

Organizations that **have** not previously established an ICR with a federal agency must submit their **initial** proposal:

- Immediately after being notified of the award
- Not later than **three months** after the award's effective date

When Indirect Cost Proposals Are Due

Initial Proposal After Award

Organizations that **have** not previously established an ICR with a federal agency must submit their **initial** proposal:

- Immediately after being notified of the award
- Not later than **three months** after the award's effective date

Annual Proposal Based on Actuals

Unless the cognizant agency approves a rate extension, organizations that **have** previously established ICRs must submit a **new** proposal:

- Within **six months** after the close of each fiscal year
- For the life of the federal award

Reimbursement of Indirect Costs via a Rate

Coming to an Understanding

The grant recipient and the Grant Officer Technical Representatives (GOTRs) must establish a full and shared understanding of critical information in the rate agreement:



Type of
rate



Effective
period of
the rate



Approved
rate to be
used
during the
respective
effective
period



Distribution
base and
any related
exclusions



Which
offices/
programs
the rate is
applicable
to



All other
special
remarks
and
instructions

Sample Indirect Cost Rate Agreement

NEGOTIATED INDIRECT COST RATE AGREEMENT

NON-FEDERAL ENTITY

UEI: xxxxxxxx

DATE: 4/30/2024

ABC, Inc.
xxx
Honolulu, HI 96819

EIN: 51-0xxxxx

FILE REF.: This
replaces the agreement
dated 5/30/2023

The indirect cost rate(s) contained in this Agreement are for use on grants, contracts, and other agreements with the Federal Government. This Agreement was negotiated by **ABC, Inc.** (non-Federal entity) and the **U.S. Department of Labor** in accordance with the authority contained in the Federal Acquisition Regulation (FAR) for commercial entities, or Title 2 of the Code of Federal Regulations, Part 200 for nonprofit and state/local entities. This Agreement is subject to the limitations in Section II, A, below.

When applicable, the rates presented in this Agreement may only be applied to: (1) cost-reimbursement contracts and (2) actual costs for materials in time-and-materials (T&M) contracts. Any indirect rates for labor costs in T&M, labor-hour and fixed-price contracts must be negotiated with the Contracting Officer during pre-award in accordance with FAR Part 15.404-1(c).

SECTION I: RATES

<u>TYPE</u>	<u>APPROVAL</u>	<u>FROM</u>	<u>TO</u>	<u>RATE</u>	<u>BASE</u>	<u>LOCATION</u>	<u>APPLY TO</u>
Indirect	Final	07/01/2022	06/30/2023	30.18%	SW-1	Loc-1	AP-1
Indirect	Provisional	07/01/2023	06/30/2024	33.06%	SW-1	Loc-1	AP-1
Indirect	Provisional	07/01/2024	06/30/2025	31.28%	SW-1	Loc-1	AP-1

(SEE SPECIAL REMARKS)

BASE:

SW-1: Total direct salaries and wages including vacation, holiday, sick pay, other paid absences, and all applicable fringe benefits.

LOCATION

Loc-1: All Locations

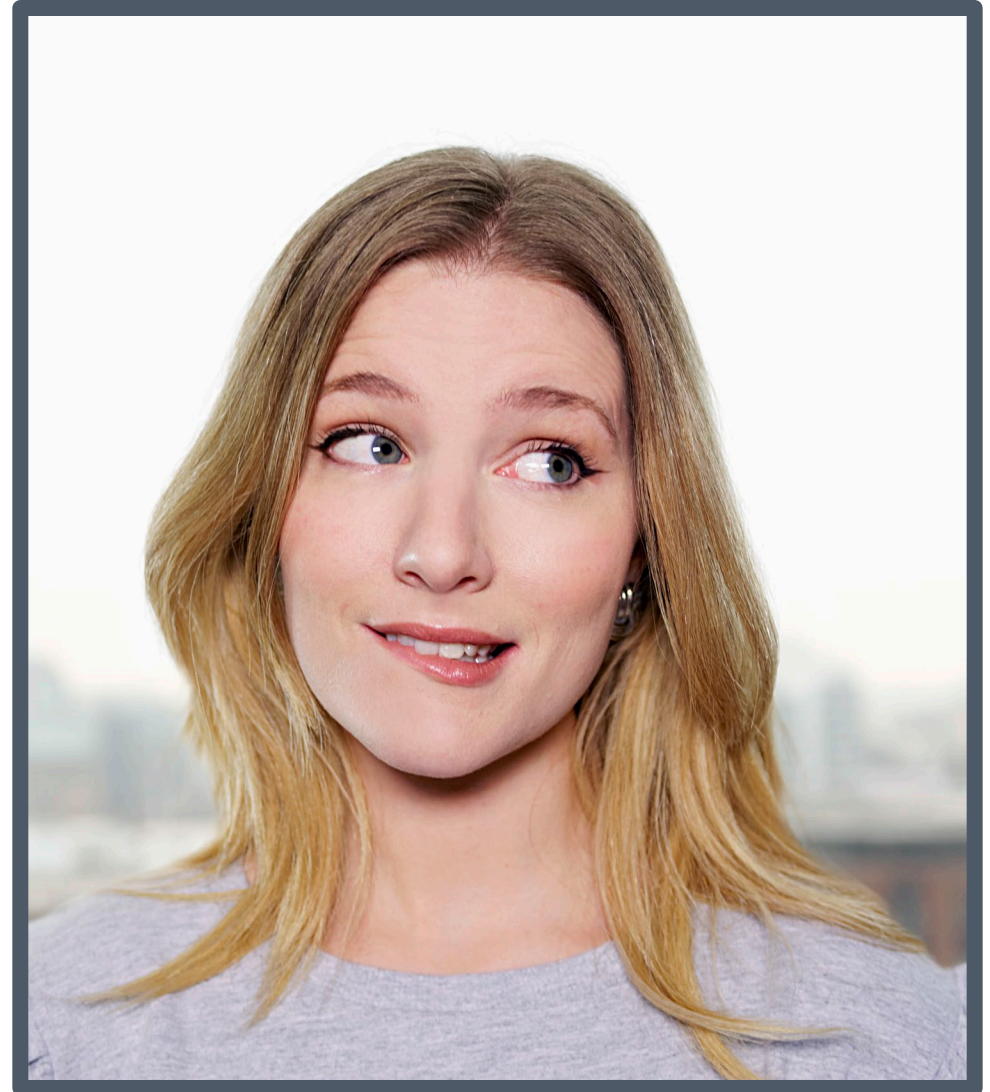
APPLY TO

AP-1: All Programs



Discussion Question 2

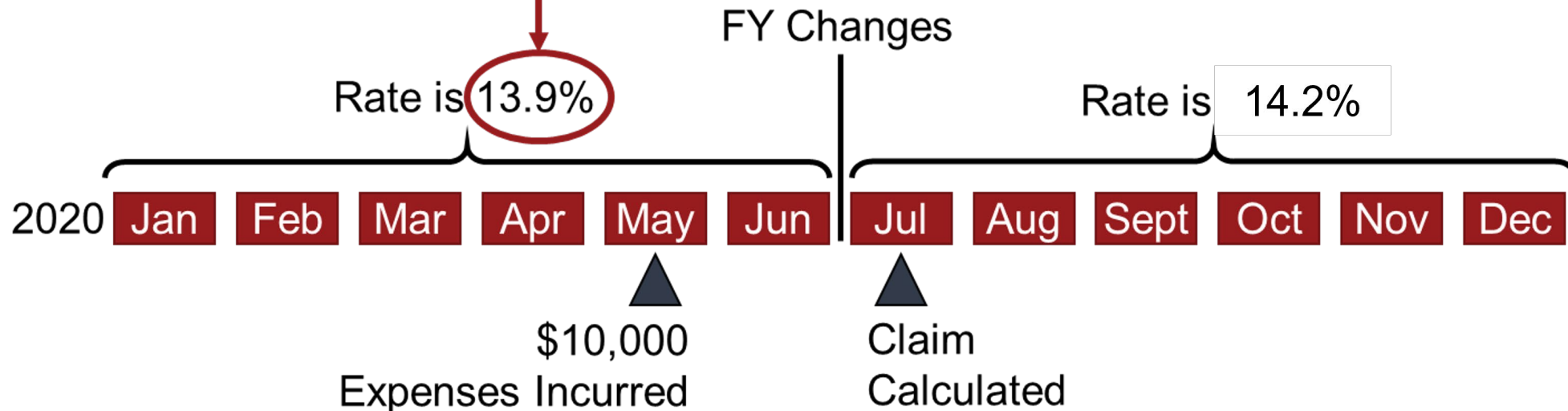
What if a grantee does not pay attention to the applicable period of the rate?



Using the Correct Period's Rate

When calculating indirect cost reimbursement, the rate applied must correspond to the expenses/expenditures incurred during the same time period.

Type	From	To	Rate	Base	Applicable To
Provisional	07/01/2019	06/30/2020	13.9%	Salary & Wages	All Programs
Provisional	07/01/2020	06/30/2021	14.2%	Salary & Wages	All Programs



Cost Allocation Plan (CAP)

Indirect Cost Allocations Not Using Rates

Appendix VII F3.3 Indirect Cost Allocations Not Using Rates

In certain situations, governmental departments or agencies (components of the governmental unit), because of the nature of their Federal awards, may be required to develop a cost allocation plan that distributes indirect (and, in some cases, direct) costs to the specific funding sources. In these cases, a narrative cost allocation methodology should be developed, documented, maintained for audit, or submitted, as appropriate, to the cognizant agency for indirect costs for review, negotiation, and approval.

Cost Allocation Plan (CAP)

A Cost Allocation Plan...

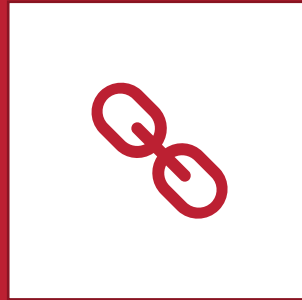
- Is tailored to the grantee's specific cost structures and policies
- Summarizes the methods and procedures that the grantee uses to allocate costs to various programs and activities
- Assists the grantee in equitably distributing costs in lieu of an ICR
- Must include the written CAP narratives

CAP Narrative

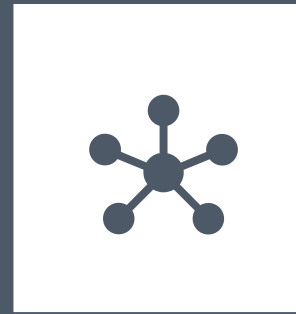
The CAP Narrative describes:



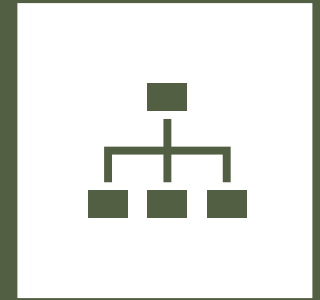
The type of services/programs/activities carried out by the organization



Join/Indirect costs to be allocated to those service/program activities



Allocation base(s) used for distributing expenses to benefitting cost objectives



Often multiple bases are involved based on the nature of activities

Sample CAP Agreement

NEGOTIATED INDIRECT COST ALLOCATION PLAN AGREEMENT

NON-FEDERAL ENTITY

XXXXXX
XXXXXXXXXXXX
XXXXXXXXXXXX

UEI: XXXXXXXXXXXX

EIN: 02-XXXXXX

DATE: 5/25/2024

FILE REF.: This
replaces the agreement
dated 7/31/2023

The cost allocation plan (CAP) for indirect costs approved in this Agreement is to be use on grants, contracts, and other agreements with the Federal Government. This Agreement was negotiated by [REDACTED] (non-Federal entity) and the U.S. Department of Labor in accordance with the authority contained in Title 2 of the Code of Federal Regulations, Part 200. This Agreement is subject to the limitations in Section II, A, below.

SECTION I: DEPARMENTAL INDIRECT COSTS

The U.S. Department of Labor's Cost & Price Determination Division (CPDD) has reviewed the non-Federal entity's CAP. The non-Federal entity has chosen not to employ an indirect cost rate, but to allocate actual indirect costs monthly in accordance with the CAP. The allocation methodologies delineated in the non-Federal entity's CAP are hereby approved. Attached is the Schedule of Allocated Indirect Costs by Award ID Number for the indirect costs allocated for the Final period.

<u>APPROVAL</u>	<u>FROM</u>	<u>TO</u>	<u>BASE</u>	<u>LOCATION</u>	<u>APPLY TO</u>
Final	07/01/2022	06/30/2023	FTE	Loc-1	AP-1
Provisional	07/01/2023	06/30/2024	FTE	Loc-1	AP-1
Provisional	07/01/2024	06/30/2025	FTE	Loc-1	AP-1

(SEE SPECIAL REMARKS)

BASE

FTE: Direct full-time equivalent employees (FTE) allocated on a monthly basis.

LOCATION

Loc-1: All Locations

APPLY TO

Loc-1: All Locations

Schedule of Indirect Costs by Grant Award ID

Organization Name
Schedule of Allocated Indirect Costs by Grant Award ID Number
For Fiscal Year Ended 6/30/2024

CFDA #	Federal Grantor Agency	DOL Sub-Agency	Program Description	Grant Award #	Total Departmental Allocable Indirect Costs
17.801	USDOL	VETS	Jobs for Veterans Grant Disabled Veterans Outreach Program	DV-xxxxxxxxxxxxx	29,025
17.207	USDOL	ETA	Workforce Information Grant	ES-xxxxxxxxxxxxx	31,840
17.207	USDOL	ETA	Employment Services/Wagner Peyser	ES-xxxxxxxxxxxxx	525,311
17.273	USDOL	ETA	Foreign Labor Certification Non AG	FL-xxxxxxxxxxxxx	286
17.002	USDOL	BLS	Local Area Unemployment Statistic	LM-xxxxxxxxxxxxx	905
17.002	USDOL	BLS	Current Employment Statistics	LM-xxxxxxxxxxxxx	10,575
17.002	USDOL	BLS	Covered Employment and Wages (ES202)	LM-xxxxxxxxxxxxx	47,801
17.002	USDOL	BLS	Occupational Employment Statistics	LM-xxxxxxxxxxxxx	32,520
17.245	USDOL	ETA	Trade Adjustment Assistance Training	TA-xxxxxxxxxxxxx	21,058
17.225	USDOL	ETA	Unemployment Insurance	UI-xxxxxxx	2,132,512
17.225	USDOL	ETA	Reemployment Services and Eligibility Assessment	UI-xxxxxxx	92,432
17.271	USDOL	ETA	Workforce Opportunity Tax Credit	WT-xxxxxxx	19,576
Federal					2,943,841
Non-Federal					689,054
Total					\$ 3,632,895

Approved CAP – Standard Form

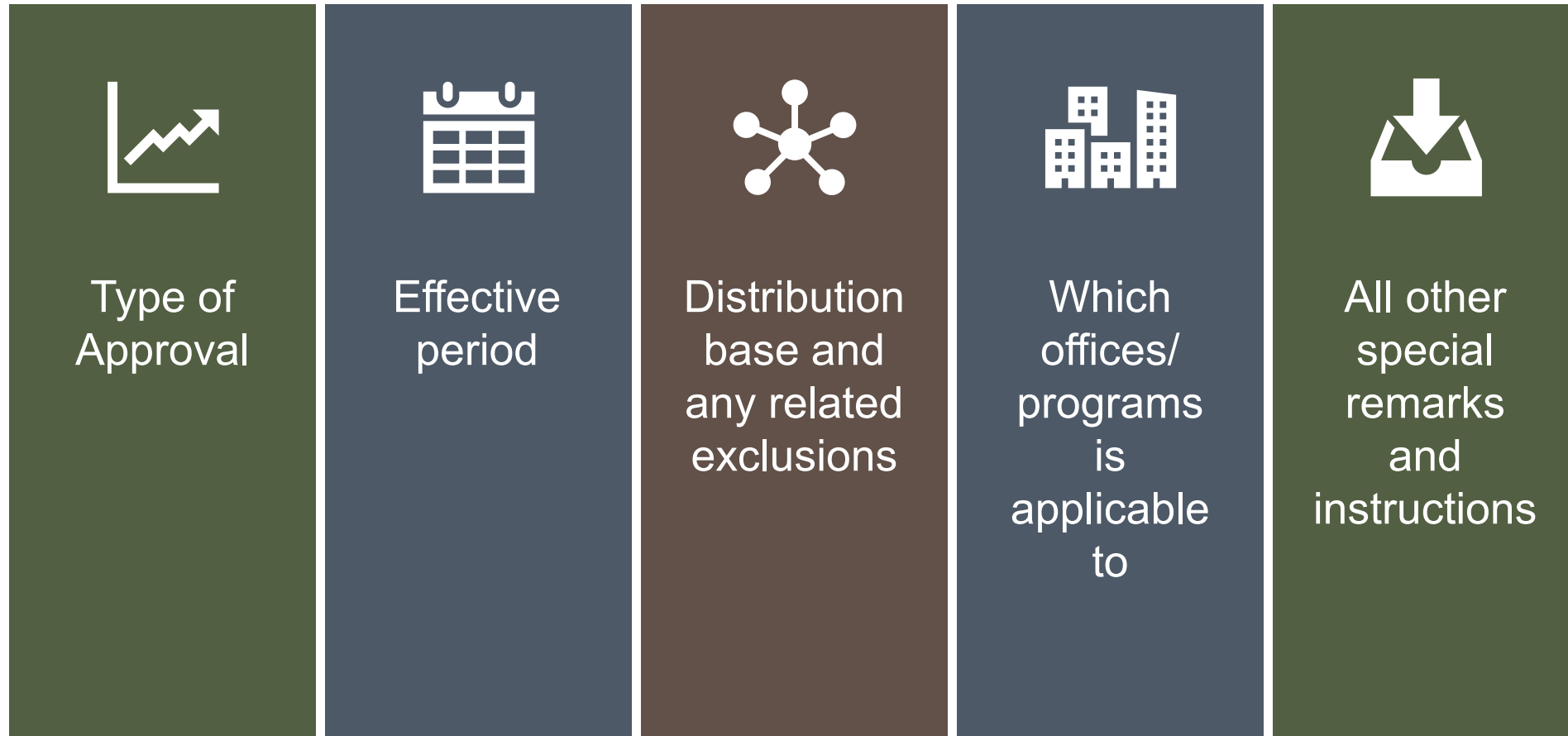
Final FFR – Section 12

11. Indirect Expense	a. Type	b. Rate	c. Period From	Period To	d. Base	e. Amount Charged	f. Federal Share
				g. Totals:			
12. Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation: Approved CAP. Indirect Cost 10/01/2023 - 12/31/2024. Indirect Cost \$29,025.							

Reimbursement of Indirect Costs via a CAP

Coming to an Understanding

The grant recipient and the Grant Officer Technical Representatives (GOTRs) must establish a full and shared understanding of critical information in the rate agreement:

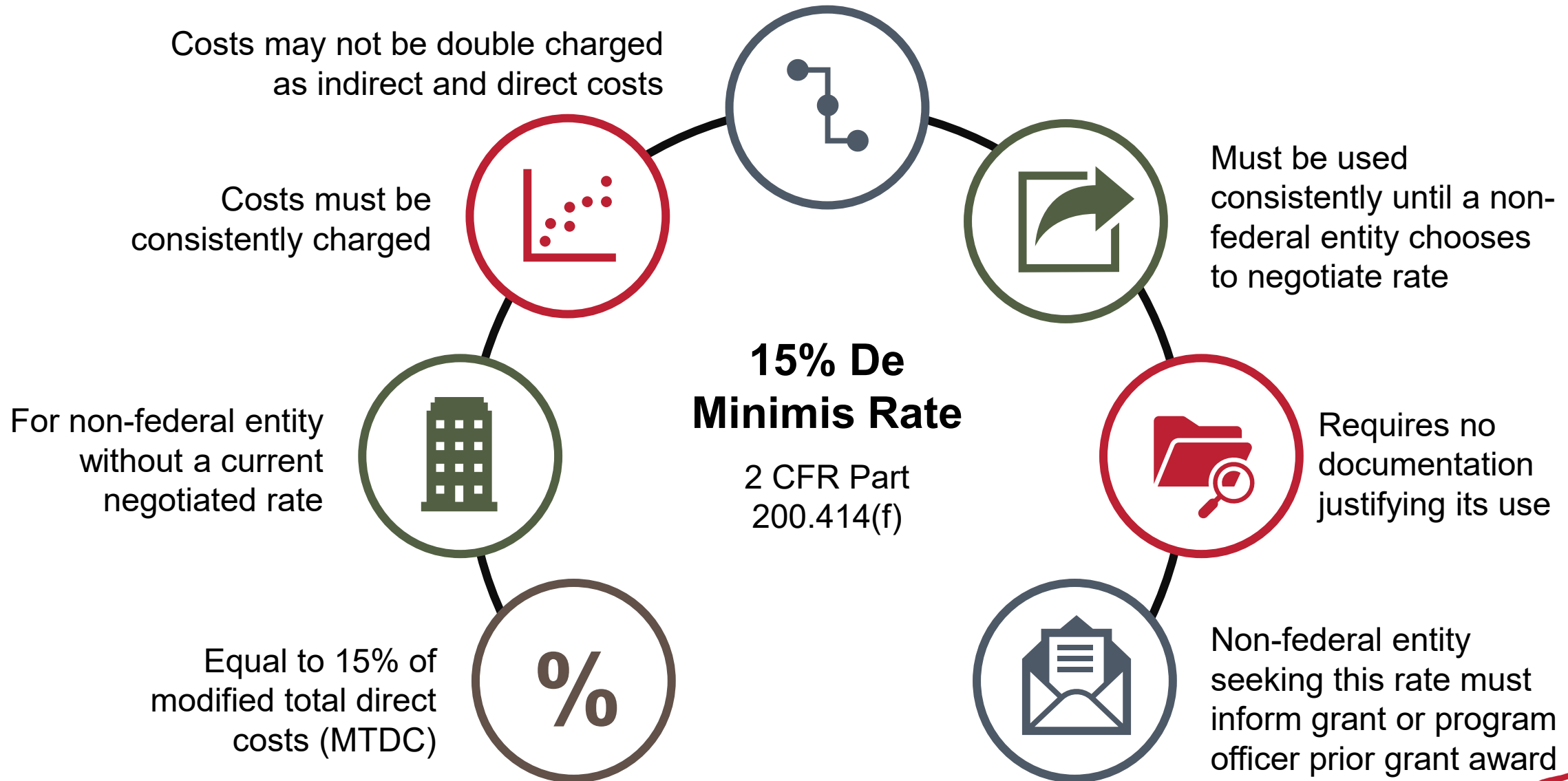


General Information

- Allocates indirect costs to the grant(s) through an approved cost allocation methodology
- Allocation base examples: direct hours paid, direct FTEs, etc.
- Typically adjusted and charged to grants on a **monthly** basis based on actual costs
- CAP letter with/without budgetary rate (for planning purposes only) and supplemental schedule of allocated indirect costs completes negotiation

Reimbursement of Indirect Costs via De Minimis Rate of 15% of MTDC

The De Minimis Rate of 15% of MTDC



De Minimis Rate of 15% MTDC Calculation

Typical Line Items for Direct Costs	Direct	Include in 15% De Minimis Allocation Base?	Allocation Base for 15% De Minimis	Direct
Personnel	\$700,000	Y	\$700,000	\$700,000
Fringe Benefits	\$210,000	Y	\$210,000	\$210,000
Travel	\$30,000	Y	\$30,000	\$30,000
<i>Rent</i>	<i>\$24,000</i>	<i>N</i>	<i>\$0.00</i>	<i>\$24,000</i>
Utilities	\$5,000	Y	\$5,000	\$5,000
Insurance/Bonding	\$2,500	Y	\$2,500	\$2,500
<i>Equipment</i>	<i>\$15,000</i>	<i>N</i>	<i>\$0.00</i>	<i>\$15,000</i>
Supplies	\$5,000	Y	\$5,000	\$5,000
Contractual – Subawards	\$100,000	Y	\$50,000*	\$100,000
Consultant Services	\$10,000	Y	\$10,000	\$10,000
<i>Participant Support Costs/Related Supportive Services</i>	<i>\$300,000</i>	<i>N</i>	<i>\$0.00</i>	<i>\$300,000</i>
Other	\$5,000	Y	\$5,000	\$5,000
Total Direct Costs	\$1,406,500	n/a	\$1,017,500	\$1,406,500

Indirect Costs:

= De Minimis Rate x Allocation Base for De Minimis
 = 15.0% x \$1,017,500
 = **\$152,625**

De Minimis Indirect Rate 15%

Total Costs:

= Indirect Costs + Direct Costs
 = \$152,625 + \$1,406,500
 = **\$1,559,125**

*Include the first \$50,000 for each subaward.

De Minimis Rate of 15% MTDC – Standard Forms

SF-424A – Award

a. Personnel	\$700,000.00
b. Fringe Benefits	\$210,000.00
c. Travel	\$30,000.00
d. Equipment	\$15,000.00
e. Supplies	\$5,000.00
f. Contractual	\$100,000.00
g. Construction	
h. Other	\$346,500.00
i. Total Direct Charges (sum of 6a-6h)	\$1,406,500.00
j. Indirect Charges	\$152,625.00
k. TOTALS (sum of 6i and 6j)	\$1,559,125.00

Final FFR – Section 12

11. Indirect Expense	a. Type	b. Rate	c. Period From	Period To	d. Base	e. Amount Charged	f. Federal Share
				g. Totals:			
12. Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation: Elected 15% De Minimis Rate. Total Base Amount is \$1,017,500. Indirect Cost Charged \$152,625.00							

Post-Closeout Adjustments

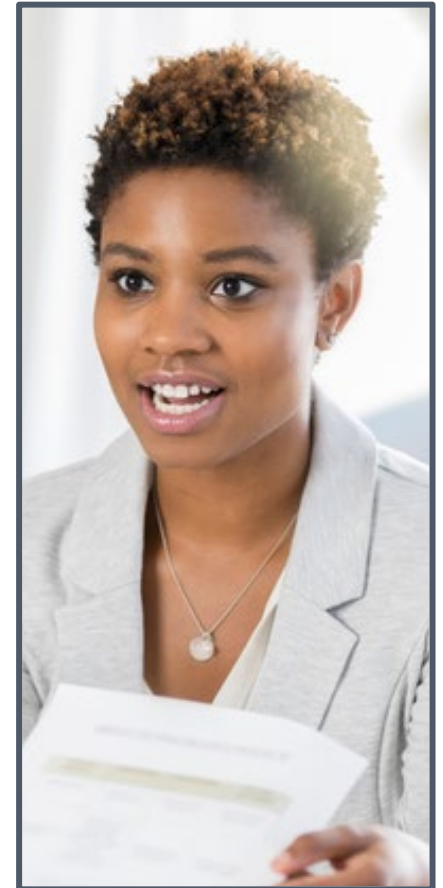
Closeout Regulations and Final Rates

Even if a federal award is administratively closed before settling the final indirect cost rates, the closeout of a federal award does not affect:

- The right of the federal agency or pass-through entity to disallow costs and recover funds on the basis of a later audit or review. However, the federal agency or pass-through entity must make determinations to disallow costs and notify the recipient or subrecipients within the record retention period.
- The recipient's or subrecipient's requirement to return funds or right to receive any remaining and available funds as a result of refunds, corrections, final indirect cost rate adjustments (unless the Federal award is closed in accordance with 200.344(h) or other transactions).

§200.344 Closeout

§200.345 Post-closeout adjustments
and continuing responsibilities





Discussion Question 3

Upon the receipt of the final rate, what process must the grantee execute when the final rate is higher than the provisional rate?

What process must the grantee execute when the final rate is lower than the provisional rate?



Wrap Up

Additional Questions?

Need more info? Contact us!

- Emily Wen
 - USDOL Cost & Price Determination Division, Cost Negotiator
 - Wen.Emily.W@dol.gov
 - 202-693-4107

- Victor Lopez
 - USDOL Cost & Price Determination Division, Branch Chief
 - Lopez.Victor@dol.gov
 - 202-693-4106