

# Indirect Cost Rate FAQs

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- 1. If ISBE uses our AFR to calculate a restricted and unrestricted indirect cost rate for the school district, will this be given to GATA to use as our indirect cost rate?**

*Yes, Unrestricted and Restricted rates negotiated by ISBE for LEAs or school districts will be provided to the Centralized Indirect Cost Rate System by ISBE*

- 2. Is there someone who can help an agency to do an indirect cost proposal?**

*Training on how to complete and submit an indirect cost rate proposal will be provided by the State of Illinois Indirect cost rate vendor. Additional indirect cost guides from the Dept. of Labor and Health and Human Services are valuable proposal resources. There are also a number of consulting and accounting firms that provide these services.*

- 3. Does all the information given apply to a local government entity?**

*Local government units should follow indirect cost rate rules set forth in Appendix VII- of 2 CFR 200.*

- 4. We have no employees at our CAC, I am a consultant cost who does everything at our Center. Would we be required to have a rate?**

*Determination of being a single function entity where all costs would be considered direct will be made by the awarding agency. Prior written approval is needed from the State of Illinois awarding agency prior to charging or billing all costs as direct.*

- 5. Does use of a "provisional" rate mean that everything calculated using the provisional rate will need to be re-calculated once a final can be determined based on the prior year audit?**

*When seeking initial reimbursement of indirect costs using the provisional/final rate methodology, a provisional proposal must be submitted within 90 days of receiving a State award that requires accounting for actual costs incurred. The Grantee must submit an indirect cost rate proposal within six (6) months after the end of their fiscal year to establish a final rate. Once a final rate is negotiated, billings and charges to State awards must be adjusted if the final rate varies from the provisional rate. If the final rate is greater than the provisional rate and there are no funds available to cover the additional indirect costs, the Grantee may not recover all indirect costs. Conversely, if the final rate is less than the provisional rate, the Grantee will be required to reimburse the funding agency for the excess billings.*

- 6. Are you going to add a part on Section A if there is an approved cost allocation plan for the grantee to select?**

*No*

- 7. Is charging indirect costs mandatory?**

*NO. If a Grantee receiving a State of Illinois award voluntarily chooses to waive indirect costs or charges less than their negotiated indirect cost rate, State awarding agencies and pass-through entities can allow this. The decision must be made solely by the Grantee or subrecipient that is eligible for indirect cost reimbursement and must not be encouraged or coerced in any way by the State awarding agency or pass-through entity.*

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- 8. Can you switch between the de minimis rate and the indirect cost rate from year to year, for annual awards?**

*Effective November 12, 2020, grantees and subrecipients who have previously negotiated an indirect cost rate may elect the de minimis rate in a subsequent year.*

- 9. Can we continue to charge occupancy as a direct program cost, allocated to programs by square footage?**

*Yes. If allocation methodology is "Reasonable", "Documented" and "Consistently applied". Please review 2 CFR 200 Subpart E – Cost Principles.*

- 10. Can we use our federally negotiated indirect cost rate on pass-thru and state funded awards?**

*Yes*

- 11. Can the grantee submit the indirect cost rate proposal prior to award? E.g., non-competitive grants?**

*Indirect cost rate proposals must be submitted within 90 days of first receiving a State award. Grantees must then submit an indirect cost rate proposal within six (6) months after the end of their fiscal year on an annual basis.*

*After the Organization's first negotiated indirect cost rate and depending on the Organization's fiscal year-end, it is typical for Organizations or Grantees to re-submit or re-apply at various times throughout the year. This may even occur prior to the issuance of an award.*

- 12. Do you have an anticipated range of rates?**

*No*

- 13. Would an Illinois developed/approved ICR be accepted by the federal government?**

*No*

- 14. Does the grantee decide on a base? Will the funding agency determine this? How does this work?**

*The Grantee decides the most appropriate base in the proposal. The State of Illinois Indirect Cost Rate contractor/consultant will advise and assist the Grantee if needed or if the base that was selected turns out not to be the most appropriate. 2 CFR 200 Appendix IV --The essential consideration in selecting a method or a base is that it is the one best suited for assigning the pool of costs to cost objectives in accordance with benefits derived; a traceable cause and effect relationship; or logic and reason, where neither the cause nor the effect of the relationship is determinable based upon the characteristics.*

- 15. After a rate is approved can it be retroactively applied if we have billed the de minimis rate of 10%?**

*That will be an Awarding Agency decision.*

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- 16. We are a municipality - not a not for profit. Any difference in approval process? We have always had a CPA prepare the indirect cost plan in previous years.**

*There is no difference in the approval process from Non-Profits to Local Governments. Please refer to 2 CFR 200 Appendix VII which provides guidance to Local Governments for indirect cost rate proposals.*

- 17. I am using the de minimis rate of 10% for the budget submission and will then submit my indirect cost rate proposal in July,**

*Grantees are allowed to utilize the De Minimis rate for budgeting and billing until a full negotiated rate is negotiated and approved by the Grantee's Cognizant Agency. The indirect cost rate proposal must be submitted three months after the effective date of the award for initial submissions and within six months of the grantee's fiscal year end for subsequent, annual, submissions.*

- 18. At the time of an award, we had a provisional rate. Subsequently, we received a final rate. Which rate applies to the current program period?**

*Organizations must use the rate that is designated during the effective period. If a Final rate of 12.3% is determined for a period from July 1, 2014 through June 30, 2015 and a Provisional rate of 11.2% is determined from July 1, 2015 through June 30, 2016, an organization may need to use a combination if their award is effective during various periods.*

- 19. If we want to use the de minimis rate, do we still have to submit an indirect cost rate plan?**

*No.*

- 20. We applied for an indirect rate over a year ago. Do we need apply again in July?**

*Yes, the submission and negotiations of Indirect Cost Rate Proposals are annual requirements based on the grantee's fiscal year end.*

- 21. We previously submitted an indirect cost proposal to DHS and received an email confirmation it was approved. Can we use that rate?**

*Submission and negotiations of Indirect Cost Rate Proposals are annual requirements. Please submit current proposal to the State of Illinois Indirect Cost Rate Unit as soon as possible.*

- 22. For the state approved indirect cost rates, what will be the timeframe for multi-year grants? Is it a rate for 1 year or multiple years/length of the program?**

*Rates are negotiated on an annual basis regardless if an award is multi-year funded.*

- 23. Can you change from the de minimis 10% to another rate in future years?**

*Organizations may elect to negotiate an Indirect Cost Rate at any time with the State of Illinois. Effective November 12, 2020, grantees and subrecipients who have previously negotiated an indirect cost rate may elect the de minimis rate in a subsequent year.*

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## 24. What are the examples of Participant Support Costs that are excluded from the MTDC?

*Participant support costs are directly related to transportation, per diem, stipends and other related costs for participants or trainees (but NOT employees) in connection with programs conferences, meetings, symposia, training activities and workshops.*

## 25. Is an ED's salary 100% indirect even if they do some direct service?

*No.*

*§200.430 Compensation—personal services.*

*Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:*

*..... (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; **an indirect cost activity and a direct cost activity**; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.*

## 26. For budget purposes if you don't have an ICR you must include the 10% but can you then amend the budget following the approval of the ICR?

*Yes, if the rates are finalized during the period of performance, the newly negotiated rate will only apply to the extent funds are available. The negotiated indirect cost rates are subject to any statutory or administrative limitations and apply to a given grant, contract or other agreement only to the extent funds are available.*

## 27. Who decides what is included in the MDTC base?

*2 CFR 200 specifies what items of costs are either included or excluded to create the modified total direct cost base. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs and may be done with the approval of the cognizant agency for indirect costs.*

## 28. So with HP funding, we have chosen the de minimis rate of 10% and the rest of the grant is direct assistance (rent, mortgage, deposit and utility assistance) do you still need to ask for permission to apply the rest of the grant to direct assistance? Would all of this assistance be placed under grant exclusive items on line 15 on budget form?

*Please consult with your State awarding agency for guidance regarding certain selected items of costs pertaining to specific programs and awards.*

## 29. Can you use the de minimis rate until you negotiate a rate?

*Yes.*

## 30. Do you have to submit an indirect cost proposal annually?

*Yes.*

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

*2. Negotiation and Approval of Rates*

*b. Except as otherwise provided in §200.414 Indirect (F&A) costs paragraph (f) of this Part, a nonprofit*

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*organization which has not previously established an indirect cost rate with a Federal agency must submit its initial indirect cost proposal immediately after the organization is advised that a Federal award will be made and, in no event, later than **three months** after the effective date of the Federal award.*

*c. Unless approved by the cognizant agency for indirect costs in accordance with §200.414 Indirect (F&A) costs paragraph (g) of this Part, organizations that have previously established indirect cost rates must submit a new indirect cost proposal to the cognizant agency for indirect costs within **six months** after the close of each fiscal year.*

- 31. With regard to statutory caps, is it the case that the RFP will include information about a cap which will determine the allowable IDC? How will the grantee be informed?**

*All restrictions and limitations on awards should be made available to Grantees either through the Notice of Funding Opportunity (NOFO), program descriptions in the Catalog of State Financial Assistance (CFSA), or the Uniform Grant Agreement. If not made available through these systems or documents, please consult your State awarding agency.*

- 32. You said you cannot switch from negotiated to de minimis - do you mean never ever? We are making a choice that is permanent as long as our agency exists. Or do you mean within one year?**

*Due to a change in 2 CFR 200, effective November 12, 2020, grantees and subrecipients who have previously negotiated an indirect cost rate may elect the de minimis rate in a subsequent year.*

- 33. Would adding indirect costs, which we have, potentially increase our award amount?**

*Not necessarily. The amount of the award granted by the State includes indirect and direct costs.*

- 34. GATU discussed some agencies that are dedicated to one service/program (like Domestic Violence) would not have any indirect costs as they would all be direct costs. Did I understand this right?**

*Some Grantees or Organizations provide only one function and with very few funding sources, therefore all of their costs could be classified as direct. Prior approval of this practice is required by the Grantee's State Cognizant Agency.*

- 35. What is the estimated timeframe from complete submission to receipt of your Illinois ICR?**

*Depending on the complexity of the Organization submitting the proposal and the accuracy and completeness of the proposal, the goal is to review and negotiate a rate agreement within 60 days.*

- 36. Can mortgage interest be allowed?**

§200.449 Interest.

- (a) General. Costs incurred for interest on borrowed capital, temporary use of endowment funds, or the use of the non-Federal entity's own funds, however represented, are unallowable. Financing costs (including interest) to acquire, construct, or replace capital assets are allowable, subject to the conditions in this section. (please refer to all parts 200.449 Interest)

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**37. If we use the Federal 10% De Minimis rate, why do we have to certify it?**

*An organization must certify that they are eligible to elect the de minimis rate. Once the 10% De Minimis election is made within the Centralized Indirect Cost Rate System it will remain in effect in perpetuity unless another option is selected.*

**38. Does the Uniform Budget Template have to be completed in addition to the program-specific Budget template received from a pass-through agency?**

*The Uniform Budget template will replace any program specific budget requirement.*

**39. If the indirect costs associated with a program total less than the 10% de minimis rate, can you claim the exact indirect cost total? The 10% represents the upper limit, right?**

*If a Grantee receiving a State award voluntarily chooses to waive indirect costs or charge less than the full indirect cost rate, State awarding agencies can allow this. The decision must be made solely by the Grantee that is eligible for Indirect cost rate reimbursement and must not be encouraged or coerced in any way by the State awarding agency.*

**40. Are these rules applicable to Fee for Service agreements? When does all of this go into effect?**

*Uniform Guidance applies to all State awards.*

**41. You are telling us we can use de minimis for a period before the rate is negotiated? How long is that period?**

*The De Minimis rate can be used indefinitely until a full negotiated rate is approved. In the instance of State of Illinois grantees and their approved rate with the State of Illinois Indirect Cost Rate Unit the timing or period could be as little as 3 months.*

**42. Our agency has submitted an indirect cost proposal to DHS (uploaded to the CRV) the past 2 years as required. Will these proposals be reviewed for a rate approval?**

*Per Uniform Guidance, Indirect Cost Rate Proposals (ICRPs) are required to be submitted annually. All prior proposals to State of Illinois agencies will now be required to be submitted to the State of Illinois Indirect Cost Rate Unit.*

**43. If our federal rate will expire by end of this fiscal year and we have not yet received the renewed rate, what if any rate should be used on budget submissions?**

*If your federal renewal is being delayed, GATU recommends using the most current rate from your most recent Federally Negotiated Indirect Cost Rate Agreement (NICRA) until a current rate is completed. If the new Federal rate is substantially different from prior current period, adjustments can be made to the extent funds are available.*

*If the Federal Cognizant agency responsible for negotiating your rate communicates to your organization that the negotiation process has ended for any reason, it is recommended that your organization submit an Indirect Cost Rate Proposal (ICRP) to the State of Illinois Centralized Indirect Cost Rate System as soon as possible.*

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**44. Can an agency elect to claim indirect costs on one award and not on another award?**

*If a Grantee receiving a State award voluntarily chooses to waive indirect costs or charge less than the full indirect cost rate, State awarding agencies can allow this. The decision must be made solely by the Grantee that is eligible for Indirect cost rate reimbursement and must not be encouraged or coerced in any way by the State awarding agency.*

**45. Are fundraising costs considered allowable direct costs?**

*Costs of organized fundraising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions are unallowable. Fundraising costs for the purposes of meeting the Federal program objectives are allowable with prior written approval from the Federal awarding agency.*

**46. Is a DCFS purchase of service contract considered a "grant"?**

*The relationship of the award is considered more important than the mechanism of vehicle used, ie. "contract", "fee-for-service", "grant", "agreement", "purchase of care", "fixed-rate award" please consult your awarding agency for more information.*

**47. Does use of a "provisional" rate mean that everything calculated using the provisional rate will need to be re-calculated once a final can be determined based on the prior year audit?**

Yes.

**48. If a sub-grantee has an approved rate of 15% but the lead grantee only has an approved rate of 12%, can the sub-grantee still charge 15%?**

*Subrecipients are entitled to use the rate negotiated by either the Federal government, State of Illinois or rate negotiated by the pass-through entity even if the rate is higher than the awarding agency.*

**49. When you've received a negotiated approved rate, will it always be the same rate or are we able to renegotiate the rate?**

*Organizations that have previously established indirect cost rates must submit a new election in the State of Illinois Centralized Indirect Cost Rate System within six months after the close of the grantee's fiscal year. So, if unforeseen changes occur within a future period for an organization, an indirect cost rate proposal will reflect those changes at least annually.*

**50. Can a local unit of government, such as a county, who has never had a negotiated rate, elect to use the de minimis rate? If not, can they use the de minimis rate until they get a negotiated rate?**

*Yes. State and local government departments that receive less than \$35 million in direct Federal funding per year may use the 10% de minimis indirect cost rate, and must keep the documentation of this decision on file. Local governments may also choose to negotiate a rate with the State of Illinois.*

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- 51. If a grantee only has one primary function and elects not to do the indirect rate is prior approval required - Is the prior approval required by GATU or by the state agency?**

*Prior approval must come from the organization's State cognizant agency.*

- 52. Do you use the same indirect cost rate for all state and federal grant programs that are not capped or restricted?**

*Yes, once a rate is approved, it is used across all State of Illinois awards that contain federal pass through and state funding.*

*Currently a State of Illinois approved indirect cost rate **cannot** be used on programs that are directly funded to an organization by a Federal Awarding Agency.*

- 53. Are these rules applicable to government agencies?**

*Yes, Uniform Guidance (2 CFR 200) applies to local government agencies.*

- 54. If the grantee has subcontracts, do the subcontract agencies need to have a negotiated indirect cost agreement or use MTDC? Do the Subcontract agencies also need to certify the MTDC or provide copy of the negotiated rate?**

*§200.332 Requirements for pass-through entities. (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);*

- 55. How do you know who your cognizant agency is?**

*Cognizance is determined by the State Agency that provides the most funding to an Organization.*

- 56. Can a State Negotiated Indirect Rate be LESS than the de minimis rate of 10%?**

*10% De Minimis of MTDC is generally considered the floor. There is always a possibility that a full negotiated rate may be less. GATU recommends all Grantees that may be unsure which rate to select to draft a proposal and consult within its own organization to determine the optimal indirect cost rate plan.*

- 57. As a Regional Office of Education, the Illinois State Board of Education provides a restricted and unrestricted indirect cost rate, is this considered a negotiated rate with the Federal government or do we need to certify?**

*ISBE has been given "delegation" rights by the Federal government to negotiate rates for LEAs, school districts within Illinois. Any Grantee that currently has an approved "restricted" and "unrestricted" rate from ISBE is advised to continue this practice. No certification or entry into the State of Illinois Indirect Cost Rate Unit is needed. All required information will be automatically uploaded by ISBE on behalf of all the organizations it represents.*



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- 58. This question relates to budgeting for indirect costs in grant proposals that involve contractual partners. How does the applicant accommodate indirect costs requested by each of the partner agencies who would be contracted if the grant is awarded?**

*First the determination needs to be made if the arrangement is a subrecipient or contractor relationship. If the determination is a subrecipient relationship, the pass-through entity is responsible for negotiating a rate, or accepting a de minimis rate if the subrecipient is eligible, see 2 CFR 200. 331 and 332. If the relationship is contractual than you must follow the procurement requirements in 2 CFR 200.317-326*

- 59. If a department is part of a county government, who applies for the indirect cost rate?**

*This is up to the governmental unit; however, each separate negotiated rate must have a separate DUNS number.*