

Indirect Cost - Frequently Asked Questions (FAQ's)

1. How can we determine our cognizant agency for our indirect cost rate(s)?

Generally, for commercial, for-profit companies and nonprofit organizations, the Federal agency that provides the most funding is the cognizant agency and normally responsible to establish indirect cost rates. For entities such as States and territories, tribes, local governments, hospitals and universities, the Office of Management and Budget (OMB) designates cognizance.

2. We have been selected for funding and want to establish an indirect cost rate with NIFA. What is the first step in the process?

Once you have received your award, NIFA must first determine if it is the cognizant Federal agency responsible to establish indirect cost rates. Accordingly, we suggest you prepare a schedule of your current and pending Federal funding (both grants and contracts). The list should identify: (a) Federal awarding agency; (b) complete award number; (c) type of award (grant or contract); (d) whether the organization is the prime recipient or a subrecipient; (e) award amount; (f) effective period; and (g) whether the award is fixed-price or cost reimbursable. Submit the schedule of Federal funding via e-mail to RecipientsICPs@usda.gov. The e-mail's subject line should read, "*Request to Determine if NIFA is Cognizant for award no. #####-#####-#####*" If cognizant, NIFA will explain the next steps in the process. If not, NIFA will direct you to your cognizant agency.

3. What do we do if our grant program does not allow any indirect costs or limits indirect costs to a rate that is lower than our negotiated, provisional or final rates?

Indirect costs that exceed any administrative or statutory restrictions on a specific Federal grant/contract are not allocable to the award. Furthermore, these indirect costs may not be shifted to any other Federal grants/contracts, unless specifically authorized by legislation (this is very unusual). Non-Federal revenue sources must be used to pay for these unrecovered costs. All indirect costs must be allocated to all grants/contracts regardless of any funding restrictions or funding limitations.

4. We have exceeded the indirect cost ceiling; however, funds remain available on our award. Can we recover excess indirect costs?

No. The ceiling on the indirect cost was included in the agreement to limit the amount of grant funds used for indirect cost purposes by the grantee. This condition was known by the grantee before any funds were expended.

5. Our company received a Small Business Innovation Research (SBIR) Award from NIFA. Our cognizant agency is the Department of Defense (DOD). We provided NIFA a copy of our approved indirect cost rates from DOD; however, NIFA adjusted the rates. Why?

Many DOD contractors and recipients of SBIR funding incur Independent Research & Development (IR&D) costs. Some Federal agencies, such as DOD, allow IR&D. However, NIFA's SBIR grant terms and conditions of award specifically exclude IR&D costs from indirect cost rates. As a result, NIFA must remove IR&D costs and adjust the rates for use on NIFA's awards.

6. Our cognizant agency refuses to negotiate an indirect cost rate or issue a Negotiated Indirect Cost Rate Agreement (NICRA). What should we do?

We recommend elevating the issue within the hierarchy of your cognizant agency until you obtain the NICRA. You may also consider informing the Office of Management and Budget (OMB) that your cognizant agency refuses to issue a NICRA. Address your concerns to Gil Tran at OMB (htran@omb.eop.gov).

7. What is effective time period that a NICRA covers?

The NICRA specifies effective time periods for the negotiated rates. Typically, a final indirect cost rate agreement is negotiated to cover one fiscal year period and provisional rates cover a two-year period. Please note all provisional rates must be closed with a final rate based on the grantee's actual indirect costs. A predetermined rate often covers the entire grant award period.

8. How long does it take to negotiate an indirect cost rate?

The process for establishing a NICRA can take up to six months (180 days) from the time NIFA receives your Indirect Cost Proposal (ICP) at its dedicated email RecipientsICPs@usda.gov.

9. NIFA is our cognizant agency for indirect costs. We understand NICRA negotiations are performed by the Department of the Interior (DOI) for NIFA. Do we submit our ICPs to DOI?

No. Submit your ICP to NIFA at its dedicated email RecipientsICPs@usda.gov. Since NIFA is the cognizant agency for indirect costs, NIFA must accept and forward ICPs to DOI before review or negotiation can begin. Rates are negotiated by DOI on NIFA's behalf.

10. We received an award from NIFA and have begun negotiating an indirect cost rate. The negotiation is taking several months. Grant funds covering indirect costs are being withheld pending completion of the negotiations. Can we use available direct funding to pay for indirect costs until the rates are approved? How can we cover indirect costs while waiting for approval of the rates?

No. Organizations receiving Federal awards should be viable “going concerns.” That is, organizations are expected to be financially sound and have the ability to carry out operations for one year or more. There are delays inherent to the Federal award process and organizations must maintain adequate cash reserves to conduct operations while awaiting various approvals, such as the indirect cost negotiation process.

11. NIFA has been our cognizant agency responsible to establish indirect cost rates, for several years. We prepared our current ICP following the NIFA templates and guidance used in prior years. Are we now required to resubmit our ICP following the sample indirect cost templates and guidance from the DOI website?

Yes. DOI Indirect Cost Services (ICS) is now performing indirect cost negotiations on NIFA’s behalf. DOI’s ICS Branch has created sample proposal formats, checklists, and templates to assist award recipients in completing the proposal package. Following a specific proposal format is not required; however, it will expedite the review process because the format contains the information needed and enables the use of review and negotiation tools. All indirect cost proposals, including subsequent submissions for final rates, must be submitted to the NIFA mailbox RecipientsICPs@usda.gov.

12. Who is eligible to receive the 10% de minimis rate?

Generally, recipients and subrecipients of Federal awards that do not have a current NICRA (or provisional rate) are eligible to elect the 10% de minimis rate. However, the 10% de minimis rate must be applied consistently to all active Federal awards.

13. How is the 10% de minimis rate applied?

The 10% de minimis rate is applied to Modified Total Direct Costs (MTDC). MTDC includes all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward (regardless of the period of performance of the subawards under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000. Once elected, this methodology once elected must be used consistently for all Federal awards until such time as a non-Federal entity chooses to negotiate a rate, which the non-Federal entity may apply to do at any time.

14. Our organization received an award directly from NIFA and therefore we are considered the prime recipient. We have several subrecipients who are requesting indirect costs. As the prime recipient, are we responsible to establish subrecipients' indirect costs?

Yes. As the prime recipient you are responsible to approve your subrecipients' indirect costs. Prime recipients have three options as follows:

- a. The prime recipients must accept subrecipients' Federally-negotiated indirect cost rates, if available (i.e., the Negotiated Indirect Cost Rate Agreement - NICRA);
- b. The prime recipients can negotiate an indirect cost rate with subrecipients in accordance with the requirements of the Uniform Guidance found at 2 CFR PART 200, *UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS*; and
- c. The prime recipients can approve subrecipients' use of the 10% de minimis rate.

With all three (3) options, prime recipients should maintain documentation to support their approval of subrecipients' indirect cost requests. Also, you may wish to remind sub-recipients that all indirect costs charged to a Federal award must comply with award statutes and terms and conditions of awards and that indirect cost program limitations apply to the total award.

15. Our cognizant agency issued us a billing rate for use only on its award. NIFA is not our cognizant agency and will not accept our agency's award-specific billing rate. Can we elect the 10% de minimis indirect cost rate on NIFA's grant?

If your cognizant agency has not issued a NICRA then you could elect to receive the 10% de minimis rate. However, please be aware that you must consistently apply the de minimis rate to all awards, including the current award allowing the billing rate.

16. When we prepared our grant application, we budgeted for a 35% indirect cost rate. NIFA is our cognizant agency and just completed the indirect cost negotiation approving a lower rate of 20%. Are we required to re-budget?

Yes. Since your approved rate is lower than requested, you must work with your grant specialist to re-budget indirect costs.

17. Are there specific accounting system requirements we must adhere to when we receive a Federal award?

Yes. The Award Face Sheet references all applicable terms and conditions on page one (1). Most accounting system requirements for non-profit organizations can be found in the Uniform Guidance (UG), 2 CFR PART 200, *UNIFORM ADMINISTRATIVE*

REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS; and for Commercial entities can be found in Federal Acquisition Regulations (Part 31.2 & 42.7).

** Disclaimer: The contents of this document do not have the force and effect of law and are not meant to bind the public in any way. The document is intended only to provide clarity to **NIFA award recipients** regarding existing requirements under the law or agency policies.