

## Indirect Cost Rate Frequently Asked Questions

### **Negotiating an Indirect Cost Rate**

1. Can subgrantees apply for a federal indirect cost rate from CNCS?
  - a. *Only organizations receiving direct federal funding may apply for negotiation of a federal indirect cost rate. If the subgrantee is receiving direct funding from CNCS and CNCS is their cognizant federal agency (cognizance is determined by the largest dollar figure of federal funds expended), then they can apply to CNCS for a negotiated indirect cost rate.*
2. If a previously approved subgrantee federal indirect cost rate changes, does the subgrantee have to renegotiate with CNCS on using that rate for its AmeriCorps grant?
  - a. *The sub-grantee must report their indirect cost rate approvals to their prime grantee. They should also update their information under the organization section of their eGrants account.*
3. If a sub-recipient requests to establish a rate via negotiation with their prime grantor (pass through), is the prime grantor required to establish the rate via negotiation.
  - a. *Pass through entities may, but are not required, to negotiated a rate with a sub-recipient. Other options may include, agreeing on an acceptable rate between parties or, if the pass through entity is a state agency, they may allow negotiation of a rate within their state government.*
4. If a grantee/subgrantee is receiving several AmeriCorps grants (e.g., grants through several different State Commissions), to whom would the grantee/subgrantee send a request for Indirect Cost Rate?
  - a. *If the organization is receiving direct federal funding (not pass-through or sub-award) and CNCS is the cognizant agency for indirect costs, requests for instructions on how to negotiate a federal indirect cost rate can be sent to [indirectcostrate@cns.gov](mailto:indirectcostrate@cns.gov).*
  - b. *Sub-grantees should contact their prime grantor for instructions on negotiating an indirect cost rate.*
5. Because most state commission are part of state government, does CNCS consider the state as a whole as the agency that has to negotiate the indirect cost rate, or does CNCS consider commissions to be an independent part of state gov't, allowing them to negotiate the rate directly with CNCS?
  - a. *This is dictated by the state and it can vary state by state. Some allow the independent agencies within the state to use the overall state rate. Some states allow individual agencies to negotiate their own rate. Commissions need to look at their own state regulations.*

### **AmeriCorps Specific Indirect/ Administrative Costs**

6. If an organization has a federally negotiated indirect cost rate, can they still use the AMC allowed 5% of federal funds and 10% matching for indirect?
  - a. *No, if you have a federally approved indirect cost rate, you must use it. The 5% federal share/10% grantee share (match) still applies, even when a federally approved indirect cost rate is used. For example: a grantee has a federally approved indirect cost rate of 19%. The grantee would charge 5% of indirect costs to the federal share of the award and the remaining 13% would be charged to the grantee share (match).*
7. What about the Commission 1% and 2% that they are allowed to hold from subgrants?
  - a. *1% and 2% will not change*
8. Participant support costs—one place in the CFR indicates that they can be included and one place indicates that these should be excluded. Is it excluded?
  - a. *Participant support costs is a term CNCS has typically used to describe member costs. The CFR definition is around conferences and trainings. When the CFR is saying to exclude participant support costs from the MTDC calculation, that is what they are talking about. Member support costs are direct and are not a part of an indirect cost pool.*
9. But, if you use the 5%/10% it's on the total budget from sections 1 and sections 2, so this does include member support costs.
  - a. *Yes, calculation of the 5%/10% administrative costs allowed through AmeriCorps programs is taken off the top of the overall award and the total award amount is included. However, the federal regulation for calculating the de minimis rate of 10% of modified total direct costs, excludes participant support costs. Understand that this rate option was developed for use across government programs, not just CNCS.*

### **General Indirect Cost Rate Questions**

10. Is it allowable for staff expenses to be split between direct costs and indirect costs?
  - a. *Technically yes, however it can be tricky. If staff costs are going to be split between direct and indirect costs, the formula being used must be clearly outlined and the specific costs must be able to be separated in your general ledger. You MUST be very careful about not double charging costs to both direct and indirect. For instance, if you have an individual whose salary is partially included in the IDCR pool and the organization sends them on a monitoring visit which is charged directly to the award, then you have to make sure that those travel expenses and their salary for that period of time on the trip would readily identified over the portion of their salary and expense included in the IDCR pool.*

11. With an approved federal indirect cost rate, does the grantee/subgrantee have to have back-up documentation for those expenses? What documentation is required for indirect expenses?
- An organization must maintain the documentation submitted for their federal indirect cost rate application and produce it upon request of any federal official. Typically GO's & PO's will ask for the rate approval letter however all the documentation may be monitored or audited.*
  - If an eligible organization uses the De Minimis Rate of 10% of Modified Total Direct Costs documentation supporting costs under that rate must be maintained and produced upon request of any federal official.*
12. A commission has a university in their portfolio which has several negotiated indirect cost rates. For the purpose of the program the Commission is sponsoring, which is off-campus, the university wants to use the on-campus rate because they do the planning on campus.
- When you are working with your grantees, prime grantors have the authority to determine what they will accept and what they won't accept. It is advisable to ensure that the university can prove that the work is occurring on campus in order to justify the indirect cost rate, especially if it is higher. The OIG has challenged the use of certain rates when multiple rates existed.*
13. If an organization's indirect cost rate expires and they negotiate another rate at a higher level, can they use that?
- Yes. If their rate expired, then the new rate would be provisional, not final. When the final rate is negotiated, which would typically occur the following year, it is based on actual expenses and would be adjusted. Organizations should adjust their rate in their budget and update their organization record in eGrants to reflect the final rate. In accordance with ACSN provisions, final rates are subject to downward adjustment ONLY.*
14. Do fixed amount awards need negotiated indirect cost rate?
- No. The amount of the award is fixed and based on members enrolled; therefore, the amount of the award would not be separated out based on different cost categories. However, organizations still must ensure that all costs charged to the award meet the standards of being allowable, allocable, and reasonable.*

### **Indirect Cost Rate Extensions**

15. What are the requirements for getting an extension on a federally negotiated indirect cost rate?
- Organizations for which CNCS is their cognizant agency for indirect costs, may request a one time extension of any current final indirect cost rate for a period of time not to exceed four years. Rate extension requests will ONLY be considered on FINAL rates and ONLY once in a rate negotiation cycle. Extension requests should be sent a MINIMUM of 60 days PRIOR to the expiration of the current final rate to [indirectcostrate@cns.gov](mailto:indirectcostrate@cns.gov). Rates which have already expired will not be considered for extension. Extension requests should include rate approval letters from the*

*previous three years. Approval for extensions may be for periods of less than 4 years. The extension period is subject to the review and approval of the cognizant agency for indirect costs.*

**De Minimis Rate of 10% of Modified Total Direct Costs (MTDC)**

16. If a grantee/subgrantee is using the AmeriCorps 5/10% rates for budget Section III, could the grantee/subgrantee still use the 10% de minimis rate method for other federal grants?
  - a. *Yes. As long as that organization meets the qualifications as outlined in 2 C.F.R 200.414 to use the De Minimis Rate of 10% of Modified Total Direct Costs.*
17. If a nonprofit used to have a negotiated indirect cost rate, but due to circumstances they no longer have it, can they use the De Minimis Rate of 10% of Modified Total Direct Costs?
  - a. *No. they are not qualified to use the De Minimis Rate of 10% of Modified Total Direct Costs They can use the AmeriCorps 5% and 10%.*
18. Is it acceptable to require a subrecipient to accept a rate lower than the de minimis rate of 10% of MTDC via negotiation or in lieu of their negotiated rate?
  - a. *No. If a sub-recipient already has a negotiated rate with the federal government, the negotiated rate must be used on AmeriCorps awards. It is NOT permissible for prime grantors to force or entice a proposed sub-recipient to accept a lesser amount than either their negotiated rate or the de minimis rate. An applicant may elect to accept less than their negotiated indirect cost rate or the de minimis rate and if they chose to do so, this should be reflected in their application.*
19. Are there situations where a sub would want to use the de minimus instead of the AmeriCorps 5%/10%?
  - a. *We cannot think of a reason why they would do this but it is an option. They would leave money on the table.*