



United States
Department
of Agriculture

Research,
Education, and
Economics

National Institute
of Food and
Agriculture

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**United States Department of Agriculture
National Institute of Food and Agriculture
Indirect Cost Rate Negotiation and
Interagency Agreement with
Department of Interior**

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Summary

The U.S. Department of Agriculture, National Institute of Food and Agriculture (NIFA) has entered into a working relationship with the U.S. Department of the Interior, Interior Business Center (IBC) to issue negotiated indirect cost rates (NICRA) to organizations for which NIFA is the cognizant agency for indirect costs. Effective May 8, 2019, the Office of Indirect Cost Services for IBC (IBC/ICS), on NIFA's behalf, will collect the required documents, negotiate, issue and countersign indirect rate agreements for organizations that wish to receive a NICRA. For organizations that do not want a NICRA, please also refer to the guidance in this document for information about the slightly revised process for your organization.

In selecting IBC/ICS, we were particularly impressed with the depth of their experience in negotiating indirect cost rate agreements, the quality of their customer service, and the utility of their website. To obtain the best service, you should use the websites listed in this guidance document to familiarize yourselves with IBC/ICS requirements. Familiarity will help ensure that all documentation submitted to NIFA or IBC/ICS, as appropriate, can be processed by IBC/ICS in a timely manner. IBC/ICS has stated that incomplete documentation is the number one cause of delays in issuing rates.

During the transition, all indirect cost proposals should be submitted to NIFA's Indirect Cost Coordinator and at email indirectcostinquiries@usda.gov. NIFA will then submit your proposal to IBC/ICS on your behalf. Please note that once your proposal has been submitted to IBC/ICS, negotiation and issuance of rates will be conducted directly between your organization POC and IBC/ICS.

Once you have an IBC/ICS issued rate agreement, future proposals can be submitted directly to IBC/ICS. However, NIFA's Indirect Cost Coordinator must be cc'd on these communications so that NIFA can release funding for the IBC/ICS review. Contact information for IBC/ICS and NIFA can be found in Section 6 of this guidance and on [IBC/ICS's website](#).

We appreciate your cooperation as we make this transition, and think you will benefit from the change. If you have any questions, please reach out to NIFA's Indirect Cost Coordinator at indirectcostinquiries@usda.gov.

1.0 Background and Purpose

Indirect costs are the costs incurred by an organization that are not readily identifiable with a particular project or activity, but are nevertheless necessary to the operation of the organization and the performance of its programs. The costs of operating and maintaining facilities, and administrative salaries are all examples of typical indirect costs.

In theory, all such costs might be charged directly. Practical difficulties with identifying and apportioning such common or joint costs to a particular project or activity funded under the grant or cooperative agreement, however, will normally preclude this approach. The indirect costs are therefore grouped into common pools and distributed to the organization's programs or cost centers through a cost allocation process. The end product of this allocation process is an indirect cost rate (or rate for each pool) which is then applied to individual financial assistance awards to determine the amount of indirect costs chargeable to the awards.

The purpose of this document is to explain the policies and procedures governing NIFA's Indirect Cost program, which apply when NIFA is an organization's "cognizant agency", as defined below. If NIFA is not an organization's cognizant agency, the instructions in this document do not apply to that organization and it should instead refer to any instructions promulgated by its respective cognizant agency.

2.0 Definitions

- a. *Indirect Cost Rate* – The ratio, expressed as a percentage, of an organization's total indirect costs (numerator) to its direct cost base (denominator). The direct cost base can be determined using one of three methodologies:
- Total Direct Salaries and Wages (SW): This base includes only the direct salaries and wages incurred by the organization.
 - Total Direct Salaries and Wages, including Fringe Benefits (SWF): This base includes only the direct salary and wages and the direct fringe benefits incurred by the organization.
 - Modified Total Direct Cost (MTDC): This base includes all direct costs incurred by the organization with the exception of distorting items such as capital expenditures, subcontracts, flow through funds, etc.

The base chosen should result in each award bearing a proportionate share of the indirect costs relative to the benefits received from those costs. There are four different types of rates that can be negotiated:

- 1) *Provisional* – a temporary indirect cost rate that is applied for a limited time period. A Provisional rate is used until a "final" rate is established for that same period. Provisional rates can be used for funding, interim reimbursement, and reporting of indirect costs on federal awards. They must be finalized by submitting an "Indirect Cost Rate Proposal for a Final Rate" once the actual costs for the specified time period are known and can be verified through audited financial statements.

- 2) *Final* – an indirect cost rate applicable to a specified past period that is based on the actual costs of the period. A final rate is not subject to adjustment.
 - 3) *Predetermined* – an indirect cost rate, applicable to a specified current or future period, usually the organization’s fiscal year. The rate is based on an estimate of the costs to be incurred during the period. A predetermined rate is not subject to adjustment. Predetermined indirect cost rates may be negotiated for periods of up to 2 to 4 years.
 - 4) *Fixed (or Fixed Carry-Forward)* – an indirect cost rate which has the same characteristics as a predetermined rate, except that the difference between the estimated costs and the actual costs of the period covered by the rate is carried forward as an adjustment to the rate computation of a subsequent period.
- b.** *Indirect Cost Rate Proposal* – The documentation prepared by an organization to substantiate its request for the establishment of an indirect cost rate, as described in Appendixes IV to VII of the Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Appendix IV to 2 C.F.R. Part 200— Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations through Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals). The package normally includes the proposal, related audited financial statements, and other detailed supporting documents such as general ledger, trial balance, etc.
 - c.** *Cognizant Agency* – For commercial, for-profit companies and nonprofit organizations, the Federal agency that provides the most funding is the cognizant agency responsible to establish indirect cost rates (see FAR 42.003(a) and 2 CFR 200 Appendix IV, (c)(2)).
 - d.** *Award* – The term “award”, as used in this document, includes grants, cooperative agreements, and other forms of financial assistance.
 - e.** *Indirect Cost Negotiation Agreement* – A document that formalizes the indirect cost rate negotiation process. This document typically contains:
 - The type of rate(s) negotiated;
 - The effective period(s) of the rate(s); and
 - The base(s) used to distribute indirect costs

It also provides information on the treatment of fringe benefits and paid absences and the definition of equipment for the organization’s capitalization threshold.

The indirect cost negotiation agreement must be signed by both the organization’s authorized representative and the IBC/ICS or authorized representative.

3.0 Cognizant Agency

Each organization is assigned or derived to a single cognizant agency which acts on behalf of all federal agencies by reviewing and accepting indirect cost rates. Once established, a change of cognizant agency will not be addressed unless there is a major, long-term shift in the dollar volume of federal awards to the organization.

Indirect cost rates approved by cognizant agencies must be accepted by all Federal agencies, unless otherwise stipulated by Federal statute, or regulation, or agency head or delegate, in accordance with 2 C.F.R. § 200.414(c)(1).

OMB is responsible for assigning federal agencies to serve as cognizant agencies to review and accept indirect cost rates for organizations receiving financial awards. The Office of Federal Financial Management is the responsible unit within OMB.

Non-profit and commercial organizations must develop and submit a new indirect cost proposal to NIFA or IBC/ICS, as appropriate, no later than six months prior to the expiration of their current rate. The rate is calculated based on the organization's most recent audited financial statements. For example, an organization requesting an FY 2018 indirect cost rate will base the proposed FY 2018 rate on their audited FY 2016 or FY 2017 financial statements.

4.0 Development and Submission of Indirect Cost Proposals

All organizations are required to develop an indirect cost rate proposal and retain this on file for their annual audit. For organizations seeking a negotiated rate, submission requirements vary depending on the type of rate an organization has received. Annual submissions are required for provisional/final or fixed with carry forward rates. If an organization has a predetermined rate, the proposal should be filed six months prior to the rate expiration date (if there is a previously established rate). To receive a rate extension, the proposal must be filed six months prior to the rate expiration date. If needed, the organization may use the rate proposed in their submitted indirect cost proposal as the provisional rate until NIFA notifies them of the accepted rate.

a. No Previous Rate

Non-profit and commercial organizations that have never received a federally negotiated indirect cost rate from NIFA should submit their indirect cost proposals to the NIFA Indirect Cost Coordinator at IndirectCostInquiries@usda.gov. NIFA will submit your proposal to IBC/ICS for negotiation on your behalf.

b. Previously Established Rate

Organizations that have previously established an indirect cost rate with NIFA must submit a new indirect cost proposal to NIFA's Indirect Cost Coordinator or IBC/ICS, as appropriate, no later than six months prior to the expiration of their current rate.

If an organization previously had a rate established with the Government, but has not submitted a rate proposal for one or more years, the organization should contact the NIFA Indirect Cost Coordinator at IndirectCostInquiries@usda.gov prior to submitting their proposal. Depending on the circumstances, NIFA will determine if the organization's next

indirect cost proposal should be considered as an establishment of a new rate, or a continuation of a previously approved rate.

c. De Minimis Rate

In accordance with 2 C.F.R. § 200.414(f), any organization, whether non-profit/commercial, Indian Tribe, or state/local government, that has never received a federally-approved indirect cost rate, except for those non-Federal entities described in Paragraph D.1.b of Appendix VII to 2 C.F.R. Part 200 (specifically, a governmental department or agency that receives more than \$35 million in direct Federal funding), may elect to charge a de Minimis rate of 10% of modified total direct costs (MTDC). An organization which is authorized to charge the 10% de Minimis rate is allowed to continue doing so indefinitely, until it chooses to submit an indirect cost proposal. Once an organization has submitted an indirect cost proposal, however, it is no longer eligible to charge the 10% de Minimis rate. The use of de Minimis rates does not require the review and approval of the cognizant agency for indirect costs.

If a NIFA grantee would like to elect to use the 10% de Minimis rate to recover indirect costs, the organization must download the [Certification of de Minimis rate election template](#), sign and scan the template, and send via email to: IndirectCostInquiries@usda.gov (link sends e-mail). The e-mail's subject line should read, "Organization Name Request 10% de Minimis Indirect Cost Rate."

d. Multi-year Extension of Approved Indirect Cost Rate

In accordance with 2 C.F.R. § 200.414(g), any non-Federal entity, whether non-profit/commercial, Indian Tribe, or state/local government, that has a current federally negotiated indirect cost rate may apply for a one-time extension of the rates in that agreement for a period of up to four years. The extension will be subject to the review and approval of NIFA through IBC/ICS. If an extension is granted, the non-Federal entity may not request a new rate until the extension period ends. At the end of the extension period, the non-Federal entity must re-apply to negotiate a rate. Subsequent one-time extensions (up to four years) are permitted if a renegotiation is completed between each extension request.

* Only final and predetermined rates may be eligible for consideration of rate extensions.

e. Requirements for Indirect Cost Proposals

NIFA or its designee will review these proposals in accordance with the provisions of 2 C.F.R. 200 Subpart E. For detailed information on how to develop an indirect cost proposal, see the Indirect Cost Proposal Checklists, templates, and sample documents found on the [NIFA Negotiating Indirect Costs Guidance webpage](#).

5.0 Notification of Approved Indirect Cost Rates

For all organizations submitting an indirect cost proposal for review and negotiation, IBC/ICS will review the proposal and issue an appropriate indirect cost rate on NIFA's behalf. If additional information is needed, IBC/ICS will notify the organization of the specific requirements necessary to

complete the review.

Once the review is complete, IBC/ICS will send the organization a Negotiated Indirect Cost Rate Agreement providing formal notification of their approved indirect cost rate. This Agreement must be signed by the organization and returned to IBC/ICS.

6.0 Contact Information

Contact information for NIFA's Indirect Cost Coordinator is:

TBD
Oversight Branch Chief
indirectcostinquiries@usda.gov

Contact information for DOI Indirect Cost Services:

U.S. Department of the Interior
Interior Business Center (IBC)
Indirect Cost Service (ICS)
650 Capitol Mall, Suite 7-400
Sacramento, CA 95814

IBC/ICS General Questions and Inquiries:
916-930-3803
Fax 916-930-3804
[Email Us](#)

7.0 Additional Information

The full text of the OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is available [online](#).

Also, the U.S. Department of Interior, Interior Business Center websites referenced below contain many useful examples of indirect cost proposal documentation:

- [Nonprofit Organizations](#)
- [State/Local Governments](#)
- [Tribal Governments](#)

NIFA guidance and template for For-Profit entities

- [For-profit entities](#)

8.0 Frequently asked questions

- [General Indirect Costs Frequently Asked Questions](#)
- [Indirect Cost Caps Frequently Asked Questions](#)