

II. FISCAL SECTION
1300 Indirect Cost Certification

1301 Definitions

Indirect costs are classified into two broad categories; facilities and administration. Facilities is defined as, depreciation and use allowance on buildings, equipment and capital improvements, and operations and maintenance expenses. Administration is defined as, general administration, and general expenses such as; director's office, accounting personnel, administrative personnel, bookkeeping and payroll services, janitorial services, insurance, and audit expenses.

Indirect costs are determined through a variety of rates or "cost allocation plans" that detail how the costs are to be shared by the funding agency. Normally, the federal agency that provides the most funding to the Contractor assigns the indirect cost rate (ICR). Example: If the majority of the organizations funding comes from the [Center for Disease Control and Prevention \(CDC\)](#), the indirect rate negotiated with CDC would be the applicable ICR. The agency providing the majority of an organization's funding is also called the "cognizant" agency.

1302 Indirect Methodology

If the contractor has a federally-negotiated ICR, that rate is the one to be used for calculating the indirect costs line item. [If the indirect costs are based on a modified amount, the contractor must identify with an explanation as to what expenses are not included in the calculation to arrive at the total indirect costs amount indicated in the budget.](#)

For colleges and universities, since most nutrition education services normally occur, off-campus, the off-campus rate is considered most appropriate. If the majority of the nutrition education activities will be conducted on-campus, then the on-campus rate will be allowed.

[For agencies that do not have a federally-negotiated ICR, they must submit a cost allocation plan to the *Network* for review and approval.](#)

There are two methods for calculating the ICR for agencies that do not have federally negotiated ICR:

1. Simplified allocation method ([Appendix A24](#));
2. Multiple allocation method ([Appendix A25](#)).

1303 Simplified Allocation Method

Simplified allocation method is to be used when the contractors' functions benefit from its indirect costs to approximately the same degree.

To calculate:

1. Separate your total costs for the fiscal year as either direct or indirect;
2. Divide the total indirect costs by the total direct costs;
3. Both indirect and direct costs should exclude capital expenditures and unallowable costs;
4. The resulting percentage is applied to each budget as their share of the indirect costs.

The simplified allocation methodology must be submitted to the *Network* for approval prior to reimbursement. Contractors should submit "Sample Certification form for Indirect Costs Simple Allocation Method" depending on methodology (Appendix A24).

The rate cannot exceed 26 percent of the total Modified Direct Costs (Total Direct Costs less subcontractors and equipment) or 25 percent of Total Personnel Costs.

1304 Multiple Allocation Method

Multiple allocation method is to be used when the contractors' functions benefit from its indirect costs to varying degrees.

1. Usually meant for a larger contractor.
2. Various costs are pooled and then allocated to the various contracts.

The multiple allocation methodology must be submitted to the *Network* for approval prior to reimbursement. Contractors should submit Sample Certification form for Indirect Costs Multiple Allocation Method depending on the methodology (Appendix A25).

The rate cannot exceed 26 percent of Total Modified Direct Costs (Total Direct Costs less subcontractors and equipment) or 25 percent of Total Personnel Costs.

1305 Supporting Documentation Requirements

For contractors using a federally negotiated rate, the supporting documentation is a letter from their cognizant agency approving the indirect rate. A cognizant agency is a federal agency that has been identified by the Office of Management and Budgets (OMB) and is responsible for establishing indirect cost rates. This information can generally be obtained from the contractor's fiscal department, as they will have worked with the cognizant agency to determine the indirect rate for their other funding sources. See OMB Circular for appropriate agency type. (A-122 Cost Principles for Non-Profit Organizations, A-87 Cost Principles for State, Local and Indian Tribal Governments, or OMB Circular A21, Cost Principles for Education Institutions). OMB Circulars are found at: <http://www.whitehouse.gov/omb/circulars/index.html> .