



Community Oriented Policing Services
U.S. Department of Justice

Fact Sheet

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Indirect Cost Rate for FY 2017 Awards

COPS Office programs

If you are requesting indirect costs under a COPS Office program that allows those costs, a copy of your agency's most current, signed, federally approved Negotiated Indirect Cost Rate Agreement must be included with your application, or it must be noted in your budget narrative that you have never received an indirect cost rate. If the rate agreement is expired at the time of application, then you should submit documentation demonstrating that the rate is under review by your cognizant federal agency. If your agency requests indirect costs for a COPS Office award based on an expired rate, your agency may not draw down funding for indirect costs until the current approved rate agreement or an approved extension is submitted to the COPS Office. In addition, if your agency's rate agreement expires or changes during the award period, you must submit the new rate agreement or approved one-time extension from your cognizant federal agency to the COPS Office.

What are indirect costs?

Indirect Facilities & Administrative (F&A) costs are costs incurred for a common or joint purpose benefiting more than one cost objective. They are not readily attributable to the cost objectives that are being benefited. To facilitate equitable distribution of indirect expenses to the specific cost objectives, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools must be distributed to benefited cost objectives on bases that will produce equitable results in consideration of relative benefits derived.¹

What is an indirect cost rate proposal?

An indirect cost rate proposal as defined in 2 C.F.R. § 200.57 is the documentation prepared by a nonfederal entity to support its request for the establishment of an indirect cost rate, as described in Appendix III to 2 C.F.R. Part 200, Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs) through Appendix VII to 2 C.F.R. Part 200, States and Local Government and Indian Tribe Indirect Cost Proposals.

Indirect (facilities & administrative (F&A)) costs are costs incurred for a common or joint purpose benefiting more than one cost objective. They are not readily attributable to the cost objectives that are being benefited.

There are several types of indirect cost rates:

- **Final rate** is applicable to a specified past period that is based on the actual costs of the period. A final audited rate is not subject to adjustment.
- **Fixed rate** has the same characteristics as a predetermined rate except that the difference between estimated costs and actual allowable costs of the covered period is carried forward as an adjustment for a future period.
- **One-time extension** allows your agency to apply for a one-time extension of a negotiated indirect (F&A) cost rate. The negotiated cost rate may be extended for up to four years. Once your cognizant federal agency has approved an extension for indirect costs, you must abide by the rate for the agreed-upon time period. No further negotiations regarding indirect cost rates may occur until the extension has expired. At the end of the extension period, you must negotiate a new indirect cost rate.

¹ See 2 C.F.R. § 200.56 in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as adopted by the U.S. Department of Justice in 2 C.F.R. § 2800.101.

- Predetermined rate is applicable to a specified current or future period and is not subject to adjustment. A predetermined rate may be used where there is reasonable assurance that the rate is not likely to exceed a rate based on the agency's actual costs. Predetermined rates may not be used by governmental units that have not submitted and negotiated the rate with the cognizant federal agency.
- **Provisional rate** is a temporary rate applicable to a specified time period that is used for funding, interim reimbursement, and reporting of indirect costs pending establishment of a final rate for that period.
- **De minimis indirect cost rate** provides the option for certain nonfederal entities that have never received a negotiated indirect cost rate to accept a flat rate of up to 10% of modified total direct costs (MTDC). MTDC can include 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, rental costs, tuition remission, scholarships and fellowships, participant support costs, and the portion of each subaward in excess of \$25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs and with the approval of the cognizant federal agency for indirect costs.

How does an agency establish an indirect cost rate?

If your agency does not have a previously established indirect cost rate, your agency can obtain a rate by contacting your agency's cognizant federal agency, which will review all documentation and approve a rate for the covered time period. For more information on the requirements for development and submission of indirect (F&A) cost rate proposals, please refer to 2 C.F.R. § 200.414 (e) and Appendices III – VII to 2 C.F.R. Part 200.

What is a cognizant federal agency?

Cognizant federal agency for indirect costs as defined in 2 C.F.R. § 200.19 is the Federal agency responsible for reviewing, negotiating, and approving cost allocation plans or indirect cost proposals on behalf of all Federal agencies. The cognizant federal agency for indirect cost is not necessarily the same as the cognizant federal agency for audit. The COPS Office is not a cognizant federal agency. For nonprofit, state, local, and tribal governments your cognizant federal agency is generally the federal agency that provides your organization with the most federal financial assistance. For assignments of cognizant federal agencies, see the following:

- (a) For institutions of higher education: Appendix III to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs), paragraph C.11.
- (b) For nonprofit organizations: Appendix IV to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations, paragraph C.2.a.
- (c) For state and local governments: Appendix V to Part 200—State/Local Government and Indian Tribe-Wide Central Service Cost Allocation Plans, paragraph F.1.
- (d) For Indian tribes: Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposal, paragraph D.1.

What should an agency do if its indirect cost rate expires or changes during the award period?

If your agency's approved indirect cost rate agreement expires during the award period, a current approved rate agreement must be obtained from the cognizant federal agency and submitted to the COPS Office. The agency must advise the COPS Office of any changes to its approved indirect cost rate during the award period and, if necessary, request a budget modification that reflects the rate change. Please contact your COPS Office Grant Program Specialist or Program Manager to determine when a budget modification is necessary.

If the agency experiences an increase or a decrease in its indirect cost rate, it should submit the new rate to the COPS Office within 30 days of the change.

Can an agency reprogram indirect costs to direct costs?

Reprogramming requests of indirect costs to direct costs are administered through the budget modification process for the specific COPS Office award that your agency received. Please contact your COPS Office Grant Program Specialist or Program Manager to obtain guidance on any additional requirements that may apply to your modification request. The COPS Office will then evaluate your request and notify you, in writing, of our decision.

Please be advised that if your agency's revised indirect cost rate is lower than the rate approved at the time of award and a formal budget modification was not approved, excess indirect cost rate funds should not be drawn down and will be deobligated at closeout.

What should an agency expect at the end of the award period regarding its indirect costs rate?

If a provisional indirect cost rate is in effect at award closeout, the recipient shall proceed with closeout but will complete an expenditure analysis upon receipt of the approved final indirect cost rate to determine if an adjustment is necessary. If the recipient drew down excess COPS Office funding for indirect costs, the recipient must return the overpayment to the COPS Office and submit a revised Federal Financial Report (SF-425). If the recipient incurred additional indirect costs, the recipient may request a budget modification if the award is still open and award funds are available. If the recipient returns or draws down COPS Office funding, the recipient will need to submit a revised final Federal Financial Report (SF-425).

Other important factors

To support the indirect cost rate agreement, recipients are responsible for ensuring independent audits are conducted in accordance with existing federal auditing and reporting standards set forth in 2 C.F.R. Part 200, Subpart F - Audit Requirements. A copy of the audit report must be submitted to the cognizant federal agency to support the indirect cost rate agreement.

In accordance with ensuring proper award management and use of funding awarded through the COPS Office, recipients may be selected for a site visit or an enhanced office-based grant review (EOBGR) or may need to address an alleged noncompliance complaint during a compliance review by the COPS Office Grant Monitoring Division.

Therefore, recipients must adhere to proper accounting practices and recordkeeping to ensure all necessary documentation is available for review if requested by the COPS Office. Noncompliance may result in the repayment of misused funds, suspension of funds, or other remedial actions available by law until the noncompliance is resolved.

Contact the COPS Office

If you have any questions regarding the federal requirements that guide indirect cost rates, please refer to the applicable COPS Office Award Owner's Manual or contact your COPS Office Grant Program Specialist or Program Manager.

For more information about COPS Office programs, please contact the COPS Office Response Center at 800-421-6770 or by e-mail at AskCopsRC@usdoj.gov or visit the COPS Office online at www.cops.usdoj.gov.