**Indirect Costs For Your CVAD Program Budget(s)**

Agencies can elect to charge an indirect rate to your CVAD funded grant(s). The indirect costs can either be a federally approved indirect cost rate or the de minimus rate of 10% of modified total direct cost. If you are not familiar with indirect costs, please read the following information.

**Definition**

Defined under [§ 200.56 Indirect costs.](https://fawiki.fws.gov/pages/viewpage.action?pageId=24707419)  Indirect (F&A) costs means those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.

The Uniform Administrative Requirements allows any non-Federal entity that has never received a negotiated indirect cost rate to elect to charge a *de minimis* rate of 10% of modified total direct costs (MTDC) which may be used indefinitely**.  *If a non-Federal entity chooses to charge the 10% de minimis rate, then the non-Federal entity must use this rate consistently for all Federal awards until such time as the non-Federal entity chooses to negotiate for a rate****.*

**2 CFR 200.412 Classification of costs**

There is no universal rule for classifying certain costs as either direct or indirect under every accounting system. A cost may be direct with respect to some specific service or function, but indirect with respect to the Federal award or other final cost objective. Therefore, it is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or an indirect cost in order to avoid possible double-charging of Federal awards.

**What type of indirect base can you apply the 10% de minimis towards?**

2 CFR 200.414(f) states that an eligible non-Federal entity which elects to charge the 10% de minimis may only apply the rate to modified total direct costs (MTDC). The MTDC as a base removes "distorting items" (i.e. capital expenditures, subawards). Non-Federal entities are allowed to charge the 10% de minimis to the first $25,000 of its subgrants. [Click here for more information](https://fawiki.fws.gov/pages/viewpage.action?pageId=21268677).

**What this means for you and your program**

If you have a federally negotiated indirect rate, you need to upload your agreement in Iowagrants.gov, in the current funding opportunity or send it to your grants specialist if the grant opportunity has closed. If you do not have a federally negotiated indirect rate and wish to use the de minimis rate of 10%, you must let us know by completing the form at the end of this document and uploading it in Iowagrants.gov.

Your award amount will not change if you charge an indirect rate to your project. The calculation to determine direct costs from your award amount is = Total award amount divided by 1.10 (for 10%).

Award amount = $100,000

This is an example of how to determine what portion of your award is direct and what portion is indirect

Direct amount= $90,909 ($100,000 / 1.10)

Indirect amount = $9,091 (90,909 x 10%)

Award amount ($90,909 + $9,091 =$100,000)

Indirect costs are always a percentage of the MTDC. MTDC are the total direct costs minus certain costs that cannot be included when calculating indirect costs, such as capitalized equipment and amounts of subawards greater than $25,000.

You do not have to show documentation for indirect costs when submitting claims, or when we conduct desk audits or on-site financial monitoring.

Indirect costs can be calculated on both grant funds and on claimed match.

Indirect costs charged on grant funds can be waived and used as match. If you struggle to meet match, you can waive collecting indirect costs and use the value as match.

**Costs are either direct or indirect. Direct costs are specific to a project/grant. If you didn’t have the grant, you likely wouldn’t have the expense. Indirect costs are basically the costs of doing business, also called overhead or administrative costs. Indirect costs are not tied to a specific grant. Programs, which are 100% funded by CVAD could, in theory, have 100% of their grant funds be direct funds, because all funds are 100% allocable to the CVAD grant(s).**

As stated earlier, there are no universal rules for classifying costs as direct or indirect; however the costs **must be consistently applied**. A cost can’t be a direct cost on one project and an indirect cost on another project. Here are a few examples of each:

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| --- | --- | --- |
| Cost Category | Direct or Indirect | Explanation  |
| Salary and benefits of staff who work directly with programs  | Direct  | The program has the benefit of the person working specifically for the grant. It is easy to allocate time/expenses to the project. If the staff works on more than one project, he/she can allocate the time spent on each project.  |
| Executive Director and other administrative staff, such as finance, IT, marketing, HR, etc. salary and benefits | Indirect – generally  | It is more difficult to allocate directors’ time to various funding sources, since directors are responsible for all aspects of the agency.  |
| Office supplies  | Indirect  | Office supplies are a part of doing business. It is expected your agency would have sufficient supplies to do business. It is difficult to allocate the cost of pens, paper or toner to specific projects.  |
| Project supplies  | Direct  | You would not have the expense if you didn’t have the project. These are not general office supplies. They are specific to a project.  |
| Rent, utilities, maintenance, repairs, phone, Internet, audit, insurance  | Indirect, unless shelter  | Shelter expenses directly benefit the program and the listed expenses (except audit and maybe some insurance) are not shared with other programs. If the shelter went away, these expenses would go away.  |

Sample budget using 10% de minimis rate

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| --- | --- | --- | --- |
| **Budget Item** | **CVAD Budget**  | **Match Budget**  | **Explanation**  |
| Personnel costs (salaries and fringe for direct grant work) | $50,000 | $12,500 | All of personnel are included in MTDC) |
| Travel (directly related to grant) | $4,000 | $1,000 | All travel is included in MTDC |
| Subcontract for victim services – not a vendor | $50,000 | $0 | Only the first $25,000 is included MTDC.  |
| Client Assistance  | $25,000 | $0 | All client assistance is included in MTDC |
| **Total direct costs** | **$129,000** (all costs) | **$13,500** (all costs) | The total of all direct costs.  |
| MTDC (exclude costs on subawards greater than $25,000) | **$104,000** ($129,000 minus $25,000. You can charge indirect costs only on the first $25,000 of a subaward) | **$13,500** (same as above since there are no costs excluded) | MTDC (modified total direct costs) = total direct costs minus excluded costs.  |
| Indirect rate 10% of MTDC | $10,400 | $1,350 | $104,000 x 10% CVAD$13,500 x 10% Match |
| **Total budget** | **$139,400 ($129,000+$10,400)**  | **$14,850 ($13,500+$1,350)** | $139,400 = total direct costs + indirect costs (CVAD budget)$14,850 = total direct costs + indirect (match budget)  |

In the example above, we only included costs directly allocated to grant activities. Any costs not easily allocated to grant activities as office supplies, utilities, toner, executive director salary/benefits, telephone/Internet or maintenance/repairs are often included as part of the indirect costs.

You can include the value of indirect costs on your match budget. In the budget example above, the agency anticipates claiming $1,350 of indirect costs to meet their match requirement.

For this purpose subawards are associated with providing specific program needs, vendors provide general services and are not associated with a grant program i.e., copier, maintenance.

Example of a claim (simplified) using indirect costs:

|  |  |  |  |
| --- | --- | --- | --- |
| **Budget Item** | **Monthly claim**  | **Match Budget**  | **Explanation**  |
| Personnel costs  | $5,293.49 | $1,323.37 | Actual costs divided between grant and match |
| Travel | $519.23 | $129.80 | Actual costs divided between grant and match |
| Subaward expense | $49,375.00 | $0 | Actual subaward costs |
| Client Assistance  | $5,000 | $0 | Actual costs |
| **Total direct costs** | **$60,187.72 (all costs)** | **$1,453.17 (all costs)** | The total of all direct expenses |
| MTDC (exclude costs on greater than $25,000) | **$35,812.72**(You can charge indirect costs only on the first $25,000 of a subaward) | **$1,453.17 (same as above since there are no costs excluded)** | MTDC – excludes contract costs more than $25,000 |
| Indirect rate 10% of MTDC | $3,581.27 | $145.31 | $35,812.72 x 10% CVAD$1,453.17 x 10% Match |
| **Total Claim** | **$63,698.99 ($60,187.72+3,581.27)**  | **$1,598.48 ($1,453.17+$145.31)** | For this claim the agency contributed $1,598.48 in match.  |

In the above example, our claim follows our budget. We submit actual costs that will be charged to the grant (reimbursed) and credited to match.

If the agency decided to waive collecting indirect costs (not be reimbursed for them) CVAD would reimburse only the total direct costs ($60,187.72) and $3,581.27 would shift to the match column. If your agency struggles to meet match, you might consider doing this. Your award amount won’t change. Your budget will only include direct costs and your match budget will include waived indirect costs from the grant budget. If you do not struggle to meet match, using waived indirects as match is not something you will likely consider.

Finally - If you choose to use an indirect rate, you must use it consistently for all your programs. Once a cost is considered an indirect cost, it can’t also be a direct cost. You do not have to apply for the de minimis rate. You do not have provide backup documentation for indirect costs. Indirect costs, once reimbursed to your agency are generally unrestricted funds.

Please email me lori.miller@ag.iowa.gov or call me with questions 515-725-4130.

**Upload the following document in Iowagrants.gov if you chose to use the de minimis rate.**

**Iowa Office of the Attorney General**

**Crime Victims Assistance Division**

**Indirect Costs Rate Form**

|  |  |
| --- | --- |
| **TAX ID#:** | **Date:** |
| **Organization:** |  |
| The rates approved in this agreement are for use on grants, contracts and other agreements with the Crime Victim Assistance Division, subject to the conditions in Section III. |
| **Section I. Indirect Cost Rates** |
| **\_\_\_\_ Our agency wishes to use the de minimis rate types and as such these costs will be included on our CVAD budget(s). The de minimis rate is 10% unless a federally negotiated rate is in place.****\_\_\_\_ We are using our federally negotiated rate and have uploaded it in iowagrants.gov****\_\_\_\_ We choose not to use an indirect rate** |
| Effective Period: Oct 1, 2019 - Sep 30,2020 |  |

Use the following to list which expenses you consider indirect costs. Do not include dollar amount. These costs will not be included as direct costs on your budget. Typical indirect costs include: office supplies, building maintenance, utilities, board insurance or payroll services. For shelters: certain indirect costs, such as utilities, maintenance can be considered direct costs due to the nature of running a shelter; however these costs must be allocated appropriated amongst all funding sources.

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