

## Negotiated Indirect Cost Rate (NICRA)

A Negotiated Indirect Cost Rate Agreement (NICRA) is a document that estimates an Indirect Cost (IDC) rate negotiated between the Federal Government and a grantee. This IDC rate reflects the indirect costs (i.e., facilities and administrative costs) and fringe benefit expenses incurred by the grantee. The federal cognizant entity is required to negotiate the indirect cost rate and is specific to the type of organization seeking a NICRA:

1. For Institutions of Higher Education (IHEs): [Appendix III](#) to this part, paragraph C.11 states: “Cognizant agency for indirect costs is defined in Subpart A. Cost negotiation cognizance is assigned to the Department of Health and Human Services (HHS) or the Department of Defense's Office of Naval Research (DOD).”
2. For nonprofit organizations: [Appendix IV](#) to this part, paragraph C.2.a. states: “Unless different arrangements are agreed to by the federal agencies concerned, the federal agency with the largest dollar value of federal awards directly funded to an organization will be designated as the cognizant agency for indirect costs.”
3. For state and local governments: [Appendix V](#) to this part, paragraph F.1.Negotiation and Approval of Central Service Plans states: “In general, unless different arrangements are agreed to by the concerned federal agencies, for central service cost allocation plans, the cognizant agency responsible for review and approval is the federal agency with the largest dollar value of total federal awards with a governmental unit. For indirect cost rates and departmental indirect cost allocation plans, the cognizant agency is the federal agency with the largest dollar value of direct federal awards with a governmental unit or component, as appropriate.”
4. For Indian tribes: [Appendix VII](#) to this part, paragraph D.1.c.states: “Each Indian tribal government desiring reimbursement of indirect costs must submit its indirect cost proposal to the Department of the Interior.”

To determine the rate, the grantee organization must complete an indirect cost proposal and submit it to their cognizant agency. The cognizant agency will review the proposal and, if approved, the rate will be authorized for a set period and for a specific rate for various types of projects.

The benefit of having a NICRA is that all federal awarding agencies and Pass-through Entities (PTEs) must accept the negotiated rate(s) per [2 CFR 200.414\(c\)\(1\)](#). A Federal awarding agency can only use a rate different from the negotiated rate for a class of Federal awards or a single Federal award only when required by Federal statute or regulation, or when approved by a federal awarding agency head or delegate based on documented justification. In other words, the funding mechanism might be able to disallow indirect or set or cap the indirect rate.

A NICRA is approved for a one-year period and is calculated and approved annually. The grantee must submit an indirect cost rate proposal within six months after the end of their fiscal year. Any non-Federal entity that has a current federally negotiated indirect cost rate may apply for a one-time extension of the rate in that agreement for a period of up to four years per [2 CFR 200.414\(g\)](#). If the extension is granted, the non-Federal entity may not request a rate review 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. For example, a grantee has a NICRA approved through June 30, 2023. After June 30, 2023, an indirect cost rate proposal is required to be submitted by December 31, 2023, unless an extension has been approved. If an extension has been approved for 2 years (June 30, 2025), the same rate must be used until that date. A new proposal must be submitted within the six-month timeframe after June 30, 2025.

Organizations must manage and negotiate their NICRAs on a periodic basis with their cognizant agency. It is the organization's responsibility to ensure it has a valid negotiated rate for each year indirect costs are claimed. For organizations that have not previously established an indirect cost rate with a federal agency, an initial cost proposal must be submitted immediately after the organization is advised that a federal award will be made and no later than three months after the effective date of the Federal award. Organizations that have previously established indirect cost rates must submit a new IDC rate proposal to the cognizant agency for indirect costs within six months after the close of each fiscal year. See [2 CFR 200 Appendix IV C\(2\)\(b-c\)](#)

The cognizant agency for indirect costs is the federal agency that acts on behalf of all federal agencies in negotiating an indirect cost rate agreement with your organization. This agency is responsible for reviewing, negotiating, and approving cost allocation plans or indirect cost proposals.

To help determine the cognizant agency for your organization see [2 CFR 200](#) Uniform Administrative Requirements, [Cost Principles](#), and [Audit Requirements](#) for Federal Awards:

- For Institutions of Higher Education (IHEs): see [Appendix III](#), paragraph C.11. It states: "Cognizant agency for indirect costs is defined in Subpart A. Cost negotiation cognizance is assigned to the Department of Health and Human Services (HHS) or the Department of Defense's Office of Naval Research (DOD)."
- For nonprofit organizations: see [Appendix IV](#), paragraph C.2.a. It states: "Unless different arrangements are agreed to by the federal agencies concerned, the federal agency with the largest dollar value of federal awards directly funded to an organization will be designated as the cognizant agency for indirect costs."
- For state and local governments: see [Appendix V](#), paragraph F.1. It states: "In general, unless different arrangements are agreed to by the concerned federal agencies, for central service cost allocation plans, the cognizant agency responsible for review and approval is the federal agency with the largest dollar value of total federal awards with a governmental unit. For indirect cost rates and departmental indirect cost allocation plans, the cognizant agency is the federal agency with the largest dollar value of direct federal awards with a governmental unit or component, as appropriate."
- For Tribal governments: see [Appendix VII](#), paragraph D.1. It states: "Each Indian tribal government desiring reimbursement of indirect costs must submit its indirect cost proposal to the Department of Interior."

The [cognizant agency for indirect costs](#) is not necessarily the same as the [cognizant agency for audit](#). The cognizant agency for indirect costs is the agency that provides the majority of your federal funding. If an entity expends more than \$50 million a year in federal awards will have a cognizant agency for audit assigned. The cognizant agency for audit is the agency that provides the predominant amount of direct funding as listed on the Schedule of Federal Awards.

The NICRA will specify:

- The final rate(s),
- The base(s) to which the rate(s) apply, and
- The period(s) for which the rates apply.

The NICRA shall not change any nonmonetary ceiling, obligation or specific cost allowance or disallowance provided for in each grant or contract between the parties.

**Resources:**

[2 CFR 200 Uniform Guidance](#)

MnDOT Office of Financial Management – Grants Unit, [MnDOT Subrecipient Guide](#)