

Non-Cognizant Indirect Cost Rate Proposal

The Indirect Cost (IDC) rate proposal is the documentation prepared by a non-federal entity to substantiate its request for the establishment of an indirect cost rate as described in appendices III through VII and appendix IX to [2 CFR 200](#) linked below:

APPENDIX III	Indirect (F&A) Costs Identification and assignment, and Rate Determination for Institutions of Higher Education (IHEs)
APPENDIX IV	Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations
APPENDIX V	State/Local Governmentwide Central Service Cost Allocation Plans
APPENDIX VI	Public Assistance Cost Allocation Plans
APPENDIX VII	States and Local Government and Indian Tribe Indirect Cost Proposals
APPENDIX IX	Hospital Cost Principles

Organizations that expend federal funds and claim indirect costs will need to certify their organization's indirect cost rate/plan with the Pass-Through Entity (PTE).

The three basic methods for calculating indirect cost rates are:

1. Simplified Allocation Method
 - Organization's major functions benefit from its indirect costs to approximately the same degree.
 - Organization may have only one major function.
 - The number of Federal awards granted is relatively small for the organization.
 - Allocation of indirect costs may be accomplished by separating the organization's total costs for the base period as either allowable indirect or direct costs and dividing the total allowable indirect costs by an equitable base.
2. Multiple Rates
 - Organization's indirect costs benefit its major functions in varying degrees.
 - Costs are accumulated into separate groupings to allow the allocation of each grouping based on the benefits provided to the major functions and allocated based on various distribution bases.
 - An indirect cost rate is developed for each separate indirect cost pool developed.
3. Direct Allocation
 - All costs are treated as direct costs except general administration and general expenses.
 - Joint costs, such as rental costs, depreciation, telephone expenses, are prorated individually as direct costs to each category and to each award or other activity using a base appropriate to the cost being prorated.
 - This method is acceptable provided each joint cost is prorated using a base which accurately measures the benefits provided to each Federal award or activity (i.e., information technology allocated based on the number of computers).

Each indirect cost proposal must be accompanied by a certification, which is required to be completed and signed on behalf of the organization. Certification forms can be found on the Office of Audit website:

<https://www.dot.state.mn.us/audit/rates.html>. See links above to applicable [2 CFR 200](#) Appendices for the requirements based on type of methodology.

For organizations with no prior indirect cost rate, a budget proposal must be submitted no later than three months after the effective date of the Federal award per [2 CFR 200 Appendix IV C\(2\)\(b\)](#). Organizations with a previously established indirect cost rate must submit a new indirect cost proposal along with supporting documentation no later than six months after the close of the organization's fiscal year.

Resources:

[2 CFR 200 Uniform Guidance](#)

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

Department of Labor, [A Guide for Indirect Cost Rate Determination](#)