



Bureau for Family Assistance Indirect Cost Verification

As a pass-through entity (PTE) under 2 CFR part 200, the Bureau for Family Assistance (BFA) requires documentation prepared by a grantee to substantiate its request for the establishment of an approved indirect cost rate, if indirect costs are charged to the grant.

Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. Direct cost of minor amounts may be treated as indirect costs under the conditions described in § 200.413(d). After direct costs have been determined and assigned directly to awards or other work as appropriate, indirect costs are those remaining to be allocated to benefiting cost objectives. A cost may not be allocated to a Federal award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to a Federal award as a direct cost.

Does your budget include indirect costs? If the answer is “NO”, you do not need to submit indirect cost rate documentation or continue with this verification form. **You will need to check ‘N/A’ on the Grant Application Cover Sheet to indicate your application submission is complete.**

Verification

There are four options to choose from when charging indirect costs to this grant. All four options require a brief statement in your budget narrative justification. Only Options 1, 2, and 3 require separate documentation.

- Option 1- Indirect cost proposal and corresponding negotiated indirect cost rate agreement as issued or otherwise approved by a Federal cognizant agency for indirect costs.
- Option 2- Indirect cost proposal and corresponding indirect cost rate agreement (or similar script) as issued or otherwise approved by another State grant-awarding agency that has agreed to review the proposal and negotiate a rate.
- Option 3- Indirect cost proposal that includes the indirect cost rate; the distribution base; a signed certification as outlined within 2 CFR part 200; and a written attestation (or other form of assurance) from an independent certified public accountant confirming that the proposal complies with, was prepared in accordance with and addresses all of the requirements of 2 CFR part 200.
- Option 4- A De Minimis rate of up to 15% of modified total direct costs as allowed by 2 CFR part 200 (some exceptions are applicable per 2 CFR part 200). **If you do not have a current Federal negotiated indirect cost rate (including provisional rate) you may elect to charge a De Minimis rate of up to 15% of modified total direct costs (MTDC).** The 15% rate is a De Minimis rate as defined and allowed per [2 CFR part 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#). The 15% De Minimis rate is based on 15% of MTDCs (not total direct costs). “Modified total direct costs” means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and subawards and subcontracts up to the first \$50,000 of each subaward or subcontract (regardless of the period of performance of the subawards and subcontracts under the award). MTDCs exclude equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs, and the portion of each subaward and subcontract in excess of \$50,000. When applying the De Minimis rate, costs must be consistently charged as either direct or indirect costs and may not be double charged or inconsistently

charged as both. Once elected, you must use the De Minimis rate consistently for all Federal awards until you choose to receive a negotiated rate.

Budget and Budget Narrative

- You must identify the distribution base for calculating the indirect cost rate. You must also list the applicable indirect cost rate and provide the dollar amount of indirect costs charged to the award.
- You must provide a brief statement in your budget narrative justification affirming you can substantiate the indirect cost rate. Examples below.
- You must provide the appropriate documentation referenced within Options 1, 2 or 3 above with your grant application.

Your budget narrative **MUST** include one of the following statements regarding indirect cost plans (filling in the blanks and omitting information in parenthesis):

- **Option 1-An indirect cost proposal and corresponding indirect cost rate negotiated and approved by a federal agency for indirect costs.**

“_____ (agency name) has an indirect cost proposal and an "Indirect Cost Negotiation Agreement" approved by _____ (agency name), a federal cognizant agency, for the rate of _____ (insert full approved indirect cost rate) calculated based on _____ (total direct costs, modified direct costs, direct salaries and fringe).

Optional sentence: Although we have an approved indirect cost rate of _____ (insert total approved rate), our agency has elected to reduce the rate applied to this grant to _____ (reduced indirect cost rate chosen by agency).

The applicable distribution base amount for indirect for this grant is _____ (insert base amount from section H on the Detailed Line-Item Budget) which is exclusive of any capital, equipment, or per diem amounts. The total indirect costs budgeted for the grant is _____ (insert total indirect cost from section H on the Detailed Line-Item Budget).”

- **Option 2-An indirect cost proposal and corresponding indirect cost rate approved by another State grant-awarding agency.**

“_____ (agency name) has an indirect cost proposal and an "Indirect Cost Negotiation Agreement" approved by _____ (agency name), a state grant-awarding cognizant agency, for the rate of _____ (insert full approved indirect cost rate) calculated based on (total direct costs, modified direct costs, direct salaries and fringe).

Optional sentence: Although we have an approved indirect cost rate of _____ (insert total approved rate), our agency has elected to reduce the rate applied to this grant to _____ (reduced indirect cost rate chosen by agency).

The applicable distribution base amount for indirect for this grant is _____ (insert base amount from section H on the Detailed Line-Item Budget) which is exclusive of any capital, equipment, or per diem amounts. The total indirect costs budgeted for the grant is _____ (insert total indirect cost from section H on the Detailed Line-Item Budget).”

- **Option 3-An indirect cost proposal and corresponding indirect cost rate reviewed and attested to by an independent certified public accountant.**

“_____ (agency name) has an approved indirect cost proposal reviewed and attested to by _____ (agency name), an independent certified public accountant, for the rate of _____ (insert full approved indirect cost rate) calculated based on _____ (total direct costs, modified direct costs, direct salaries and fringe).

Optional sentence: Although we have an approved indirect cost rate of _____ (insert total approved rate), our agency has elected to reduce the rate applied to this grant to _____ (reduced indirect cost rate chosen by agency).

The applicable distribution base amount for indirect for this grant is _____ (insert base amount from section H on the Detailed Line-Item Budget) which is exclusive of any capital, equipment, or per diem amounts. The total indirect costs budgeted for the grant is _____ (insert total indirect cost from section H on the Detailed Line-Item Budget)."

- **Option 4-A De Minimis rate of up to 15% of modified total direct costs as allowed by 2 CFR part 200.** (some exceptions are applicable per 2 CFR part 200)
"_____ (agency name) does not have an approved indirect cost plan nor an indirect cost negotiation agreement and has elected to charge the 15% De Minimis rate as defined and allowed per 2 CFR part 200. The 15% rate is based on 15% of modified total direct costs. "Modified total direct costs" means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and subawards and subcontracts up to the first \$50,000 of each subaward or subcontract (regardless of the period of performance of the subawards and subcontracts under the award). Modified total direct costs exclude equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs, and the portion of each subaward and subcontract in excess of \$50,000. The applicable distribution base amount for indirect for this grant is _____ (insert base amount from section H on the Detailed Line-Item Budget). The total indirect costs budgeted for the grant is _____ (insert total indirect cost from section H on the Detailed Line-Item Budget)."