



## OHIO DEPARTMENT OF TRANSPORTATION

CENTRAL OFFICE, 1980 W. Broad St., 4<sup>th</sup> Floor, COLUMBUS, OHIO 43223

SUBJECT: Indirect Cost Rates & Cost Allocation Plans for Nonprofit Agencies

Effective Date: September 1, 2015

Last Updated: August 20, 2015

### I. APPLICABILITY

The subrecipient requirements documented in this guidance were established in the Code of Federal Regulations. The additional implementing guidance was developed by the Ohio Department of Transportation (ODOT) Office of External Audits and is applicable to all nonprofit agency subrecipients of the Office of Transit administering cost reimbursement grants.

### II. DEFINITIONS

Terminology used in these TRANSIT guidance documents is intended to be consistent with 2 CFR 200<sup>1</sup>. Users shall refer to the defined terms in 2 CFR 200 Subpart A- Acronyms and Definitions and other sections of 2 CFR 200 as cited throughout the text.

### III. AUTHORITY

In accordance with §200.331 Requirements for pass-through entities, All pass-through entities must:<sup>2</sup>

(a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

(1) Federal Award Identification. . . [see §200.331 (a)(1)(i) thru (xiii)]

(2) All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award.

(3) Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;

(4) An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in §200.414 Indirect (F&A) costs, paragraph (b) of this part.

(5) A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this section, §§200.300 Statutory and national policy requirements through 200.309 Period of performance, and Subpart F—Audit Requirements of this part; and

(6) Appropriate terms and conditions concerning closeout of the subaward. . . .

<sup>1</sup> Title 2 Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

<sup>2</sup> Text in blue font is copied directly from 2 CFR 200.

#### **IV. ISSUE**

As stated in §200.331 paragraph (a)(4), the pass-through entity must provide for:

- A. The subrecipient agency to use a federally approved indirect cost rate,
- B. Negotiate a rate between the pass-through entity and the subrecipient (in compliance with 2 CFR 200), or
- C. Permit the subrecipient to utilize the de minimis indirect cost rate as defined in §200.414 Indirect (F&A) costs, paragraph (b) of 2 CFR 200.

#### **V. APPLICATION**

Generally, the Office of External Audits shall review each subrecipient's documented cost allocation policies and procedures to determine if they are in compliance with 2 CFR 200. The review process may result in an approved Cost Allocation Plan or negotiated indirect cost rate(s) which are documented in an Indirect Cost Rate Agreement.

#### **VI. FEDERALLY APPROVED INDIRECT COST RATE or COST ALLOCATION PLAN**

Please submit the following documents if your agency has or will have a federally approved indirect cost rate or cost allocation plan which is applicable to the period of performance of the ODOT program:

- A. A copy of the approved indirect cost proposal which was submitted to the federal agency, and
- B. A copy of the Federal agency approval document which shows the approved rates.

Additionally, if there are any other shared costs your agency incurs, which are not included in the federally approved plan and which are to be allocated to multiple programs that include transit programs, then please submit a cost allocation plan for those other shared costs in accordance with 2 CFR 200 Appendix IV.

#### **VII. INDIRECT COSTS FOR NONPROFIT ORGANIZATIONS**

Refer to Appendix IV to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations. A hyperlink is provided on the Office of External Audits webpage named Transit System Audit Materials.

<http://www.dot.state.oh.us/Divisions/Finance/Auditing/Pages/Transit.aspx>

#### **VIII. TEN PERCENT DE MINIMIS INDIRECT COST RATE**

The following is stated at §200.414 Indirect (F&A) costs.

(f) In addition to the procedures outlined in the appendices in paragraph (e) of this section, any non-Federal entity that has never received a negotiated indirect cost rate, except for those non-Federal entities described in Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals, paragraph (d)(1)(B)<sup>1</sup> may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely. As described in §200.403 Factors affecting allowability of costs, costs must be consistently charged as either indirect or direct costs, but may not be double charged or inconsistently charged as both. If chosen, this methodology once elected must be used consistently for all Federal awards until such time as a non-Federal entity chooses to negotiate for a rate, which the non-Federal entity may apply to do at any time.

---

<sup>1</sup> Appendix VII paragraph D(1)(b) states that a governmental department or agency unit that receives more than \$35 million in direct Federal funding must submit its indirect cost rate proposal to its cognizant agency for indirect costs.

Additionally, the following is found in the definitions at §200.68 Modified Total Direct Cost (MTDC).

MTDC means 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, charges for patient care, 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 agency for indirect costs.

The Office of External Audits has submitted a request to the Council on Financial Assistance Reform (COFAR) for additional guidance on the proper application of this de minimis indirect cost rate with regard to Federal Transit Administration grant programs. If and when we receive this information we plan to make it available to subrecipients on the Office of External Audits webpage named Transit System Audit Materials.

## **IX. SAMPLES AND ADDITIONAL GUIDANCE**

As of the release date of this ODOT guidance document the Federal Government had not yet released new guidelines or illustrations to align with 2 CFR 200. Accordingly, we direct users to the Implementation Guide for OMB Circular A-87 developed by the U.S. Department of Health and Human Services in coordination with the Office of Management and Budget. This guide is identified as ASMB C-10 Cost Principles and Procedures for Developing Cost Allocation Plans and Indirect Cost Rates for Agreements with the Federal Government and is available on the internet at the following location:

<https://rates.psc.gov/fms/dca/asmb%20c-10.pdf>

Additionally, we plan to make a copy of this document available on the Office of External Audits webpage named Transit System Audit Materials.

<http://www.dot.state.oh.us/Divisions/Finance/Auditing/Pages/Transit.aspx>

While all sections of the Implementation Guide are related to cost allocation we specifically direct users to Parts 1, 2, 4, and 6 of this guide as they have the most relevance to this subject. Further, users will find samples in Parts 4 and 6 of this Implementation Guide which will be of assistance in developing spreadsheets for the process. Please look for the following illustrations:

- 4-1, Sample Central Service Cost Allocation Plan Statement of Function & Benefit, Personnel Department
- 4-2, Sample Central Service Cost Allocation Plan Costs to be Allocated, Personnel Department
- 4-3, Sample Central Service Cost Allocation Plan Allocation of Costs, Personnel Department
- 4-4, Sample Central Service Cost Allocation Plan Summary of Allocated Central Service Costs
- 4-5, Sample Central Service Cost Allocation Plan Summary of Central Services Billed to User Organizations
- 4-6, Summary of Actual and Imputed Revenues by Fund
- 4-7, Reconciliation of Retained Earnings
- 6-1, Sample Indirect Cost Rate Proposal - Simplified Method
- 6-2, Sample Indirect Cost Rate Proposal - Simplified Method
- 6-3, Sample Indirect Cost Rate Proposal - Multiple Rate Method
- 6-4, Sample Indirect Cost Rate Proposal - Multiple Rate Method

## **X. SUBRECIPIENT'S REQUIRED ANNUAL DOCUMENTATION SUBMISSION**

### **A. Required Documents:**

1. If not already submitted for the applicable period of performance, all required documents listed in ODOT Guidance No. 1.
2. A completed and signed Certification of Indirect Costs as contained in Appendix 1.
3. A schedule which lists all of the agency's intermediate cost objectives consistent with the template contained in Appendix 2.
4. Excel workbooks containing worksheets which show the estimated costs for each intermediate cost objective and the proposed allocations to all benefiting cost objectives.
5. Those additional documents which sufficiently support your agency's request for cost allocation plan or indirect cost rate approval in accordance with 2 CFR 200 Appendix IV.

- B. Submitted Documents Format.** Consistent with §200.335 Methods for collection, transmission and storage of information which states: ["In accordance with the May 2013 Executive Order on Making Open and Machine Readable the New Default for Government Information, the Federal awarding agency and the non-federal entity should, whenever practicable, collect, transmit, and store Federal award-related information in open and machine readable formats rather than in closed formats or on paper."](#)

Therefore, the preferred method of receipt of the required documents is electronically via e-mail attachment. Acceptable file formats include Microsoft Excel or Word files as well as Adobe PDF files. DO NOT send closed format image files such as TIF or JPEG. DO NOT send electronic files which are write-protected such that the auditor would be unable to edit, sort, filter, or annotate the content.