



Department of Community & Economic Development

FINANCIAL MANAGEMENT CENTER

Title: Indirect Cost Support for Federal Federally Funded Grants

Directive 2016-02

Effective: Immediately

To: All Sub-recipients of Pass-through Federal Funding

From: Kevin M. Rowland, DCED, Chief Financial Officer

Handwritten signature of Kevin M. Rowland in black ink.

1.0 Purpose

This directive is to provide sub-recipients that receive federal funding as a pass-through from the Department of Community & Economic Development (DCED) guidance on what documentation will be accepted as support for indirect costs charged to the grant.

2.0 Revision History

This Financial Management Center (FMC) Directive replaces all Community Service Block Grant, (CSBG), Weatherization, Low Income Home Energy Assistance Program (LIHEAP), Community Development Block Grant (CDBG), Emergency Shelter Grant (ESG), HOME, Neighborhood Stabilization Program (NSP) and Disaster Recovery directives and/or instructions previously issued related the documentation necessary to support indirect costs charged to the grant. This directive is effective immediately and applies to all federally funded grants.

3.0 Policy

Administration is defined under the new guidelines as general administration and general expenditures such as the Director's office, accounting, personnel and associated expenditures. The use of any of the aforementioned approved methodologies does not constitute an increase in your contractual or statutory limit on administrative expenditures.

DCED will accept the following to support indirect costs charged to Federal grants for which it acts as the pass-through agency:

Indirect Cost Rates

DCED will honor all indirect cost rates that have been negotiated and accepted by the sub-recipient's Federal Cognizant Agency or were calculated by an independent third party (auditor or consultant). A copy of the acceptance letter or plan will be required during the application process.

Indirect Cost Allocation Plans

The Agency may use a cost allocation plan to support its indirect costs charged to a grant. The cost allocation plan should be in accordance with the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and will be reviewed by the Compliance

Monitoring Division of the Financial Management Center at DCED during a subsequent monitoring visit.

De Minimis Rate

A non-federal entity may elect to charge its Federal grants a 10% De Minimis Rate of modified total direct costs. In order to charge the 10% De Minimis the following factors must be met:

- Never received a negotiated indirect cost rate
- Costs must be consistently charged as either indirect or direct costs
- May not be double charged or inconsistently charged as both direct or indirect

If this methodology is chosen, then it must be applied consistently for all federal awards. All applications submitted to DCED for federal funding must outline who and where those staff positions will be charged directly to the grant.