

2.05 Negotiation and Approval of Indirect Cost Rates

Policy Information

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08/15/2024

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Attachments/Related Documents:

none

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Trauma Informed Review

Racial Equity Review

Authorizing Signature:



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Policy Statement:

The objective of this policy and associated procedures is to outline the process by which departments within the Agency of Human Services (AHS) may negotiate and set indirect administrative cost rates for grantees of AHS in accordance with State of Vermont Agency of Administration, Bulletin No. 5 Grant Issuance and Monitoring Policy, 6.10 Indirect Cost Rates.

If the grantee does not have a Federally approved or other negotiated indirect cost rate with the State of Vermont, the departments under AHS may negotiate a rate with a grantee upon their request but are not compelled to do so. The department shall act in the same manner as a federal agency under Office of Management and Budget (OMB) Guidance for Federal Financial Assistance (GFFA) Part 200, Appendix IV, when it is designated as the primary pass-through for the grantee. Once an AHS department is designated as the primary pass-through, it shall remain as the primary rate-setting authority unless there is a shift in the dollar volume of the Federal awards to the grantee from another state agency for at least three years. The indirect rates that are set will be used by all AHS departments for the relevant period.

Procedural Requirements:

- 1.) **Designation:** AHS must be designated the pass-through agency of federal awards for the grantee to negotiate and set an approved rate for that grantee. Designation is by the Department of Finance and Management and it is recorded in the VISION Grant Tracking Module.
- 2.) The preferred option is the Federal de minimis indirect cost rate. The Federal de

de minimis indirect cost rate has been increased from 10% to 15% of modified total direct costs (MTDC). This change is part of the updated OMB GFFA, effective October 1, 2024. No documentation is required to justify the Federal de minimis indirect cost rate.

3.) Indirect cost rates shall be calculated by the department's business office and reviewed and approved at the agency level for all departments.

4.) **Exclusions:**

- a. The grantee must not have a current approved federal rate or another negotiated rate with AHS.
- b. Prior to initiating the negotiation, the awarding department must confirm with AHS Internal Audit Group (IAG) that the grantee does not already have an indirect rate in place with another State of Vermont agency/department.

5.) **Process:**

- a. The grantee must submit to the awarding department its initial Indirect Cost Proposal (ICP) immediately after the organization is advised that an award will be made by the state.
- b. The ICP Checklist template developed and maintained by IAG must be used to realize the indirect rate that will be applied. IAG will provide the ICP Checklist template for department Finance Directors use upon request.
 - i. The certification page contained in the ICP Checklist must be signed/dated by the awarding department's Finance Director to evidence the department's primary review and approval of the subrecipient's completed ICP Checklist.
 - ii. Note, since the awarding department will, in effect, be setting the indirect rate for all departments across AHS, the awarding department Finance Director must include other relevant department Finance Directors in the review process.
- c. The Finance Director will provide the ICP Checklist (along with the certification page) to the IAG.
- d. The certification page will be similarly signed/dated by the AHS Director of Internal Audit to evidence the IAG's secondary review and approval of the ICP Checklist.
- e. The AHS Chief Financial Officer will evidence final review and approval of the ICP Checklist by signature/date on the certification page as well.
- f. The completed ICP Checklist and certification page for a negotiated rate must be retained in the grant file. Approved ICPs must be submitted to the Department of Finance and Management (Fin.subrecipient@vermont.gov) once agreed to by the grantee and the awarding AHS department.

6.) Grantees that have previously established indirect cost rates must submit a new indirect cost proposal to the awarding AHS department within six months after the close of each fiscal year.

Types of Rates Allowed:

The AHS department may set the following types of rates in accordance with GFFA Appendix IV Part 200, Section C:

Predetermined rate-An indirect cost rate, applicable to a specific current or future period, usually the organization’s fiscal year. The rate is based on an estimate of the costs to be incurred during the period. A predetermined rate is not subject to adjustment.

A predetermined rate may be used on awards where there is reasonable assurance that the rate is not likely to exceed a rate based on the organization’s actual costs.

Fixed rate with carry-forward – An indirect cost rate which has the same characteristics as a predetermined rate, except that the difference between the estimated costs and the actual costs of the period covered by the rate is carried forward as an adjustment to the rate computation of a subsequent period.

Final rate – An indirect rate applicable to a specific past period which is based on the actual costs of the period. A final rate is not subject to adjustment. The final indirect cost rate is established after an organization’s actual costs are known, typically a fiscal year. Once established, a final indirect cost rate is used to adjust the indirect cost claimed.

Provisional or billing rate – A temporary indirect costs rate applicable to a specified period which is used for funding, interim reimbursement, and reporting indirect costs on awards pending the establishment of a final rate for the period.

References:

Document Review and Revision Control

Version	Review Date	Author/Reviewer	Description
1.0			
2.0	8/31/24	Peter Moino	

Appendix:

None.