

WEBINAR

10% DE MINIMIS & INDIRECT COSTS: A NON-U.S. LOCAL PARTNER PERSPECTIVE

15th June 2023

Presented by:
Accelerating Support to Advanced Local Partners
(ASAP II)

WELCOME ALL

- 1. Over 1,100 people registered for this webinar!**
- 2. Please let us know where you are from in the chat.**
- 3. Please use the Q&A box to ask questions and the chat box for answering questions asked by the presenters.**
- 4. The presentation for today's webinar will be saved on ASAP's website for 30 days at www.intrahealth.org/asap-resources**

ASAP I
April 1, 2019 to May 30, 2022

ASAP II
May 31, 2022 - January 30, 2024

PURPOSE

Rapidly prepare Local Partners to have the capabilities and resources to serve as Prime Partners for USAID/PEPFAR programming, in compliance with USAID and PEPFAR procedures, for PEPFAR program implementation.

70% of USAID PEPFAR funding to local prime partners.

STRATEGIC OBJECTIVES

1. **Strengthen Local Partners as they transition to receive PEPFAR funding as a USAID Prime Partner to comply with regulations.**
2. **Prepare Local Partners to directly manage, implement, and monitor PEPFAR programs, and maintain consistent PEPFAR program achievement and quality.**

ASAP II-SUPPORTED COUNTRIES

Angola

Cameroon

Côte d'Ivoire

DRC

eSwatini

Ethiopia

Lesotho

Malawi

Namibia

Nigeria

South Sudan

Uganda

Zimbabwe

ASAP I

**additional
countries:**

Kenya

Mozambique

South Africa

Tanzania

Zambia

**18 TOTAL
COUNTRIES**

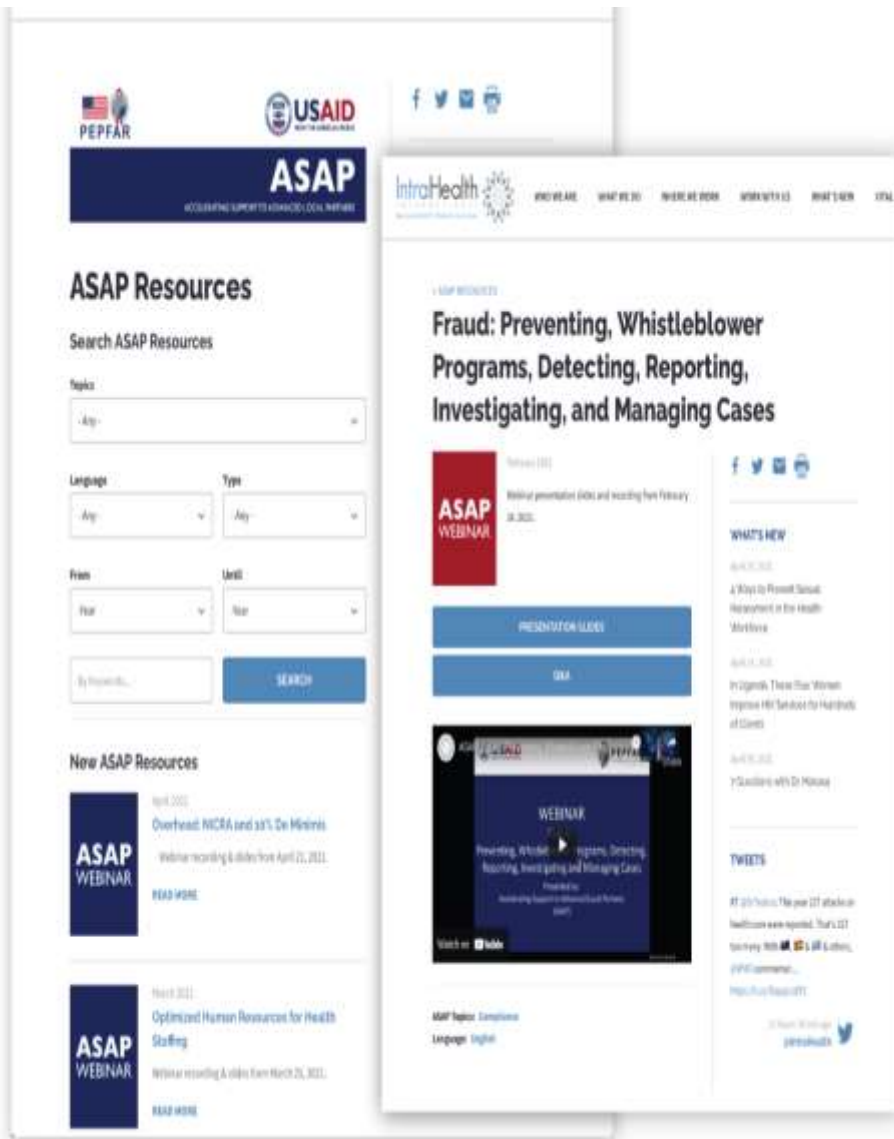
KEY RESULTS from ASAP I & II

**ASAP has supported
126 local organizations
in 18 countries**

113 local partner organizations

13 local government partners





VISIT

www.intrahealth.org/asap-resources

USAID/ASAP has broadcasted 92 webinars for more than 21,000 attendees in 76 countries.

Topics
- Any -

Language
- Any -

Type
- Any -

From
- Year -

Until
- Year -

By Keywords...

SEARCH

AVAILABLE IN 3 LANGUAGES

Upcoming Webinars

July 20- Strengthening Integrity: Combating Corruption in Global health

August 17- Procurement and Property Management Compliance Issues

August 31- USAID Financial Policies, Internal Controls and Compliance

September 28- USG Rules and Regulations: Cost Principles



Communities of Practice

Active CoPs:

- English Monitoring and Evaluation
- English Leadership and Governance
- French Finance, Management and Compliance
- French Leadership and Governance
- Portuguese Finance, Management and Compliance
- Portuguese Monitoring and Evaluation

Upcoming CoP Meetings

June 22– French Finance and Compliance

July 20– Portuguese Monitoring and Evaluation

August 17– Portuguese Monitoring and Evaluation

Link to register:

<https://foundation.eventsair.com/usaids-asap/II-cop-2023-intake/Site/Register>

TODAY'S PRESENTERS and PANELISTS

Doug Franke- Managing Partner, SustainAbility Solutions PC

Rami Khyami- Contract Specialist at USAID

Ramon Santos- Contract Specialist at USAID

Callie Raulfs-Wang- Capacity Building and Partnerships Branch Chief, Office of HIV/AIDS, USAID




Trainer

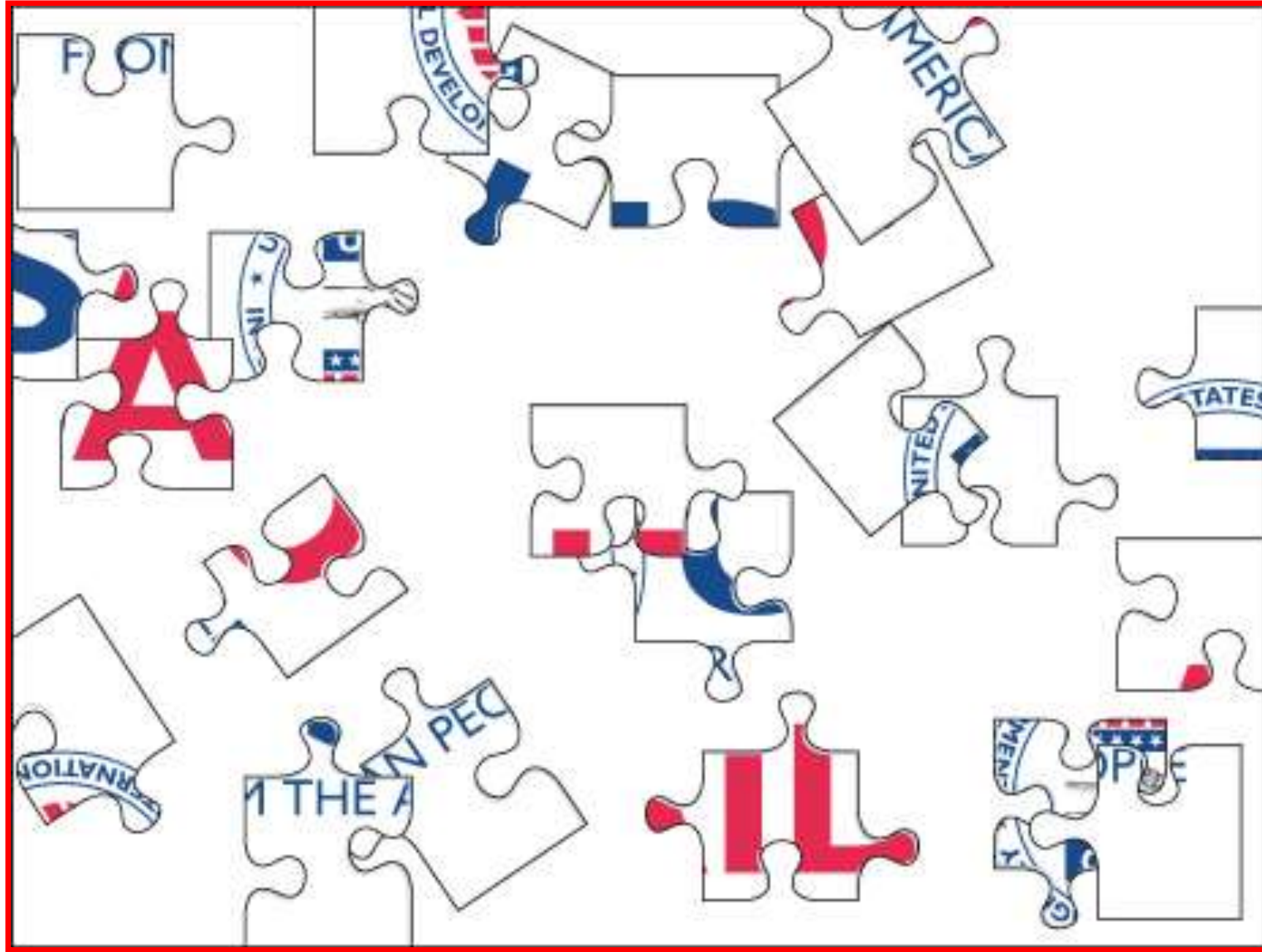
Doug Franke, CPA

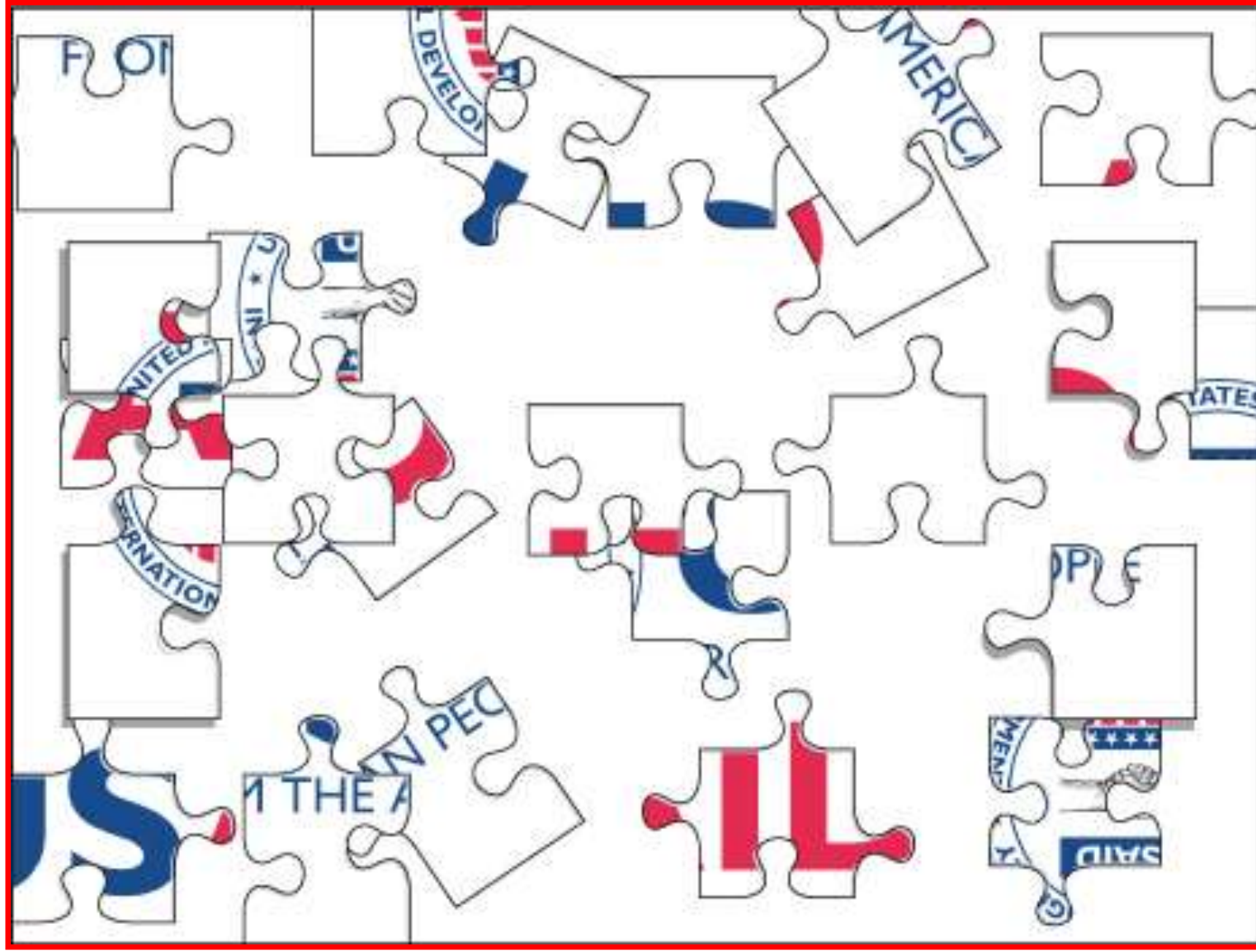
Managing Partner
SustainAbility Solutions PC

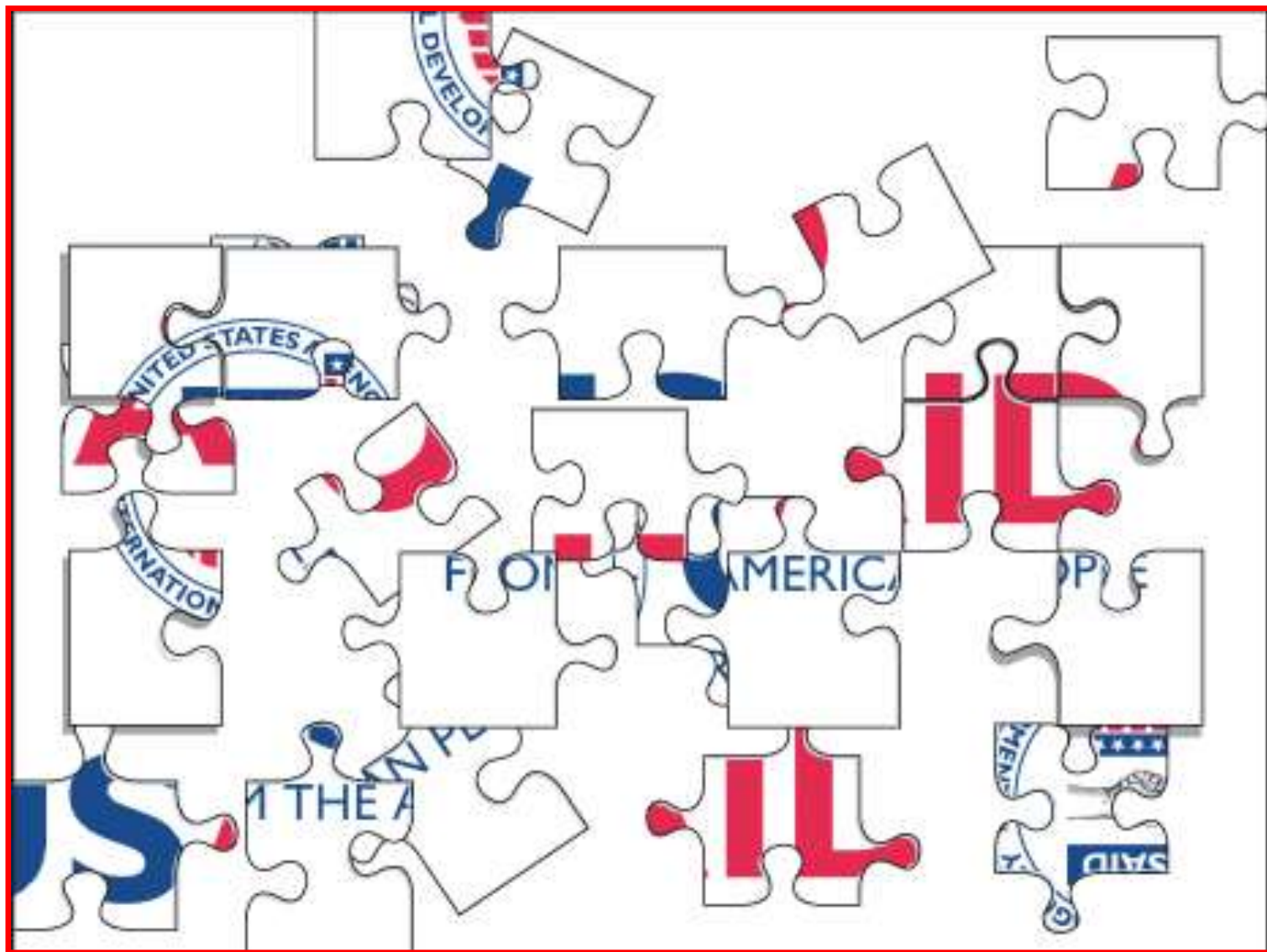
Doug Franke spent 26 years with PwC before founding SustainAbility Solutions. He is a US CPA with over 42 years of experience with USAID rules and regulations and Yellow Book audits, and has trained thousands of NGO staff and auditors over the past 15 years, worldwide

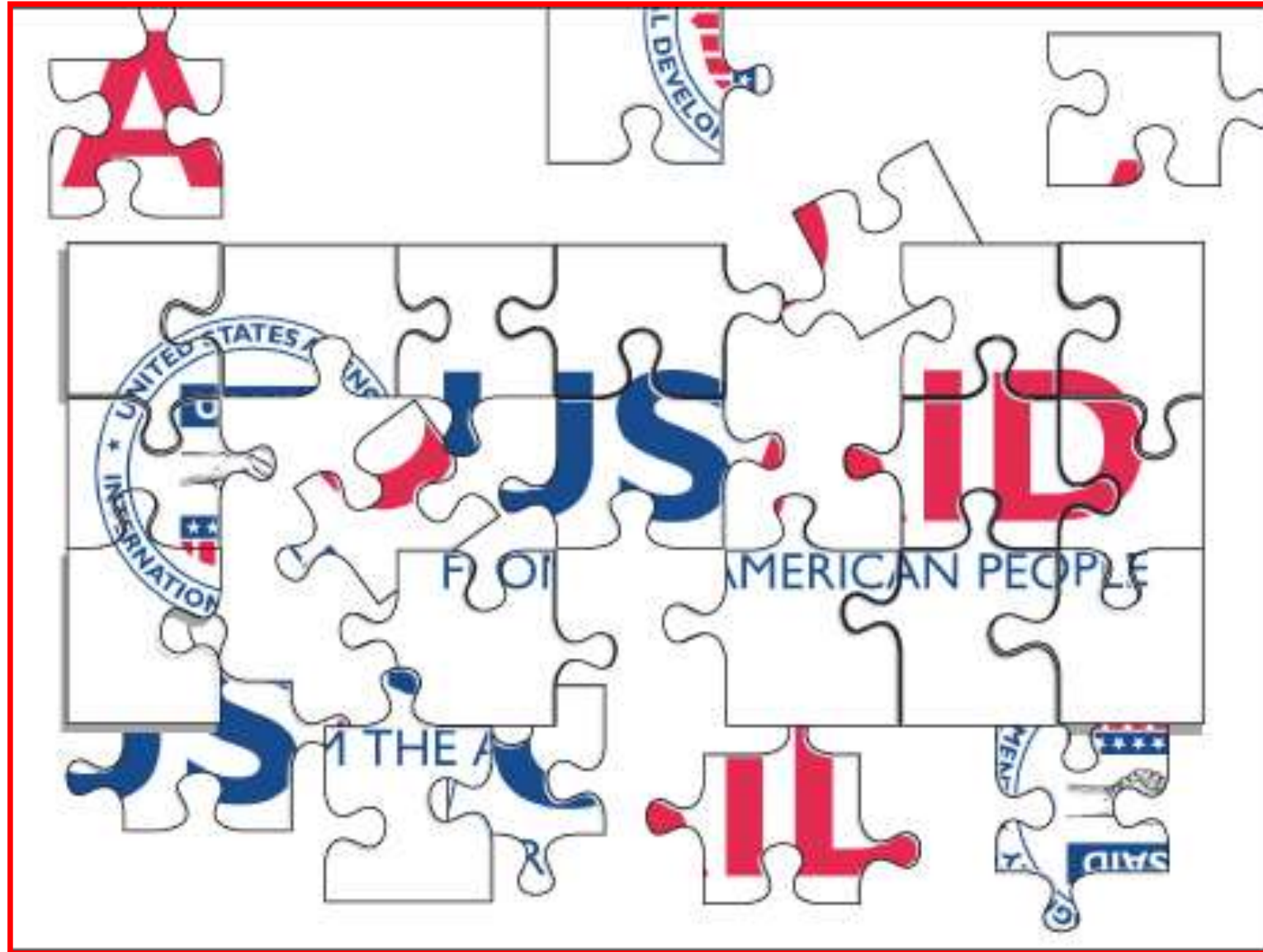
AGENDA

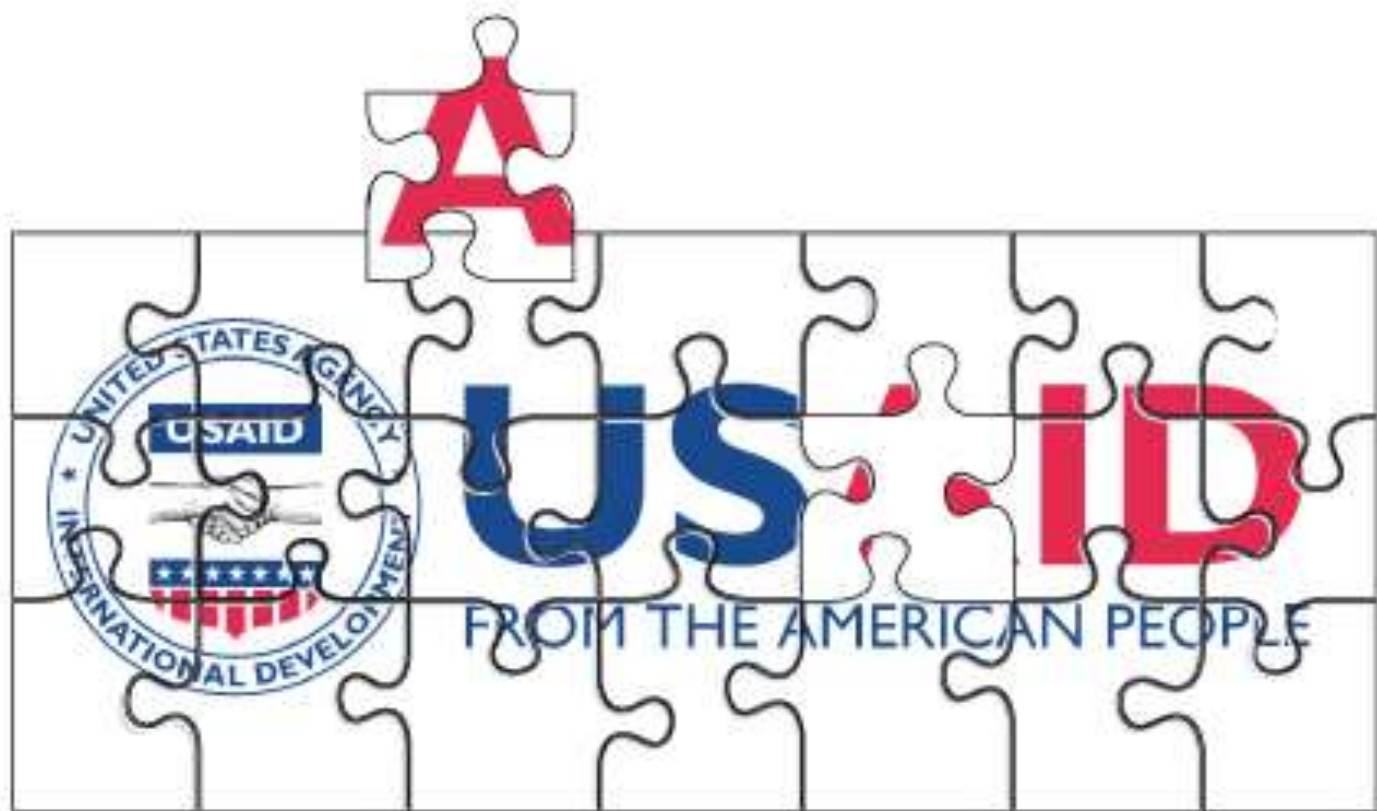
- What is the 10% de minimis and where did it come from?
 - How does the 10% de minimis relate to NICRAs?
 - Why is there confusion about the 10% de minimis, and who can get and use it?
 - How to calculate the MTDC (Modified Total Direct Cost) base to determine the 10% allowance
 - How about the 10% allowance in a Prime – Sub situation?
 - How to invoice USAID or the Prime for the 10%
 - What are the roles of the IPs, Missions, Primes and Auditors with regards to the 10% allowance?
 - Questions and Answers (throughout)
- 















COFAR Training Webcast Series

October 2014: Uniform Guidance Implementation: A Series of Dialogues:

Entire (2 hour) webcast:



• Intro



• Session 1: Internal Controls



• Session 2: Procurement Standards





Code of Federal Regulations

A point in time eCFR system



Title 2



Displaying title 2, up to date as of 4/04/2023. Title 2 was last amended 3/01/2023.

[view historical versions](#)


Enter a search term or CFR reference (eg. fishing or 1 CFR 1.1)



◀ ECFR CONTENT

 Details

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 Timeline

▼ Title 2	Grants and Agreements	Part / Section
▼ Subtitle A	Office of Management and Budget Guidance for Grants and Agreements	1 – 299
Part 1	About Title 2 of the Code of Federal Regulations and Subtitle A	1.100 – 1.305
Chapter I	Office of Management and Budget Governmentwide Guidance for Grants and Agreements	2 – 199
Chapter II	Office of Management and Budget Guidance	200 – 299
▶ Subtitle B	Federal Agency Regulations for Grants and Agreements	300 – 6099

Agencies' acceptance of UG as is

<u>Agency for International Development</u>	<u>Corporation for National and Community Service</u>	<u>Department of Agriculture</u>	Department of Commerce*
<u>Department Of Defense</u>	<u>Department Of Education</u>	<u>Department Of Energy</u>	Department of Homeland Security*
<u>Department Of Justice</u>	<u>Department Of Labor</u>	<u>Department of State</u>	<u>Department of The Interior</u>
<u>Department Of Transportation</u>	<u>Department of Treasury</u>	<u>Environmental Protection Agency</u>	Gulf Coast Restoration Council*
<u>Health and Human Services</u>	Housing and Urban Development*	Institute of Museum and Library Services*	<u>National Aeronautics and Space Administration</u>
<u>National Archives and Records Administration</u>	National Endowment for Arts*	National Endowment for Humanities*	<u>National Science Foundation</u>
Office of the National Drug Control Policy*	<u>Small Business Administration</u>	Social Security Administration*	Veterans Affairs*

*These agencies do not have exceptions relating to 2 CFR 200

10% DE MINIMIS

Federal Register Page 78600

Language in paragraph (f) provides that any non-Federal entity that has never had a negotiated indirect cost rate may use a de minimis rate of 10% of modified total direct costs. Commenters recommended that this rate should be higher—either at 15% or 20% respectively. They were concerned that because for smaller organizations the capacity to conduct full negotiations is often out of reach, this rate will most likely be the de facto rate rather than the de minimis rate. The COFAR considered the possibility of raising this rate, but ultimately recommended that as an automatic de minimis rate without analysis of actual costs it should stay at a conservative level in order to minimize the possibility that the Federal government over reimburse for these costs. Additional comments also



WHAT DOES DE MINIMIS MEAN?

In Relation to the **law**, the **term** 'de minimis' is taken from the extended latin phrase '**de minimis non curat lex**', which translates to 'the law cares not for small things'. De minimis is a legal principle which allows for matters that are small scale or of insufficient importance to be exempted from a rule or requirement. It can be used by the courts as an exclusionary tool to dismiss trivial matters from litigation.

Contracts often include de minimis provisions as preventative measures to limit the applicability of restrictions within a contract where a party's failure to observe such restrictions only leads to negligible or insignificant consequence. They can also be used to set a threshold for bringing claims under warranties, as a trigger for the right to recover a loss or damage under an indemnity or a right of reimbursement under expenses provisions.

WHAT IS ANOTHER WORD FOR DE MINIMIS?

Significantly
unimportant and
deserving of little
to no attention

Trivial

Insignificant

Trifling

Negligible



MERIAM WEBSTER DICTIONARY DEFINITION

Source: www.merriam-webster.com

Dictionary

Definition

de minimis adjective

de min-i-mis (dē-'mi-nə-məs) dā-'mē-ni-mis

Synonyms of *de minimis* >

: lacking significance or importance : so minor as to merit disregard

| *de minimis* fringe benefits

| what amounts to a *de minimis* tax increase

Synonyms

chicken	footling	inconsequential
inconsiderable	insignificant	measly
Mickey Mouse	minute	negligible
niggling	no-account	nominal
paltry	peanut	petty
picayune	piddling	piddly
piffling	pimping	slight
trifling	trivial	

Synonyms



PURSHIE KAPLAN STERLING
INVESTMENTS
80 STATE STREET
ALBANY, NY 12207

2022 TAX REPORTING STATEMENT

ROBERT A FRANKE REVOC TR

Account No. **G31-007200** Customer Service: 800-801-6851

Recipient ID No. ****1645** Payer's Fed ID Number: 04-3523567

Due to de minimis rules this form is not filed with the IRS.

eDelivered

Form 1099-DIV

2022 Dividends and Distributions

Copy B for Recipient
(OMB No. 1545-0110)

1a Total Ordinary Dividends	0.00	6 Investment Expenses	0.00
1b Qualified Dividends	0.00	7 Foreign Tax Paid	0.00
2a Total Capital Gain Distributions	0.00	8 Foreign Country or U.S. Possession	
2b Unrecap. Sec 1250 Gain	0.00	9 Cash Liquidation Distributions	0.00
2c Section 1202 Gain	0.00	10 Non-Cash Liquidation Distributions	0.00
2d Collectibles (28%) Gain	0.00	12 Exempt Interest Dividends	0.00
2e Section 897 Ordinary Dividends	0.00	13 Specified Private Activity Bond Interest Dividends	0.00
2f Section 897 Capital Gain	0.00	14 State	
3 Nondividend Distributions	0.00	15 State Identification No.	
4 Federal Income Tax Withheld	0.00	16 State Tax Withheld	0.00
5 Section 199A Dividends	0.00		

Form 1099-INT

2022 Interest Income

Copy B for Recipient
(OMB No. 1545-0112)

1 Interest Income	0.00	10 Market Discount	0.00
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What makes up the US government's discretionary spending?

Estimated government discretionary spending for fiscal year 2023, in billion U.S. dollars

\$4.1 Trillion is mandatory

\$1.7 Trillion is discretionary

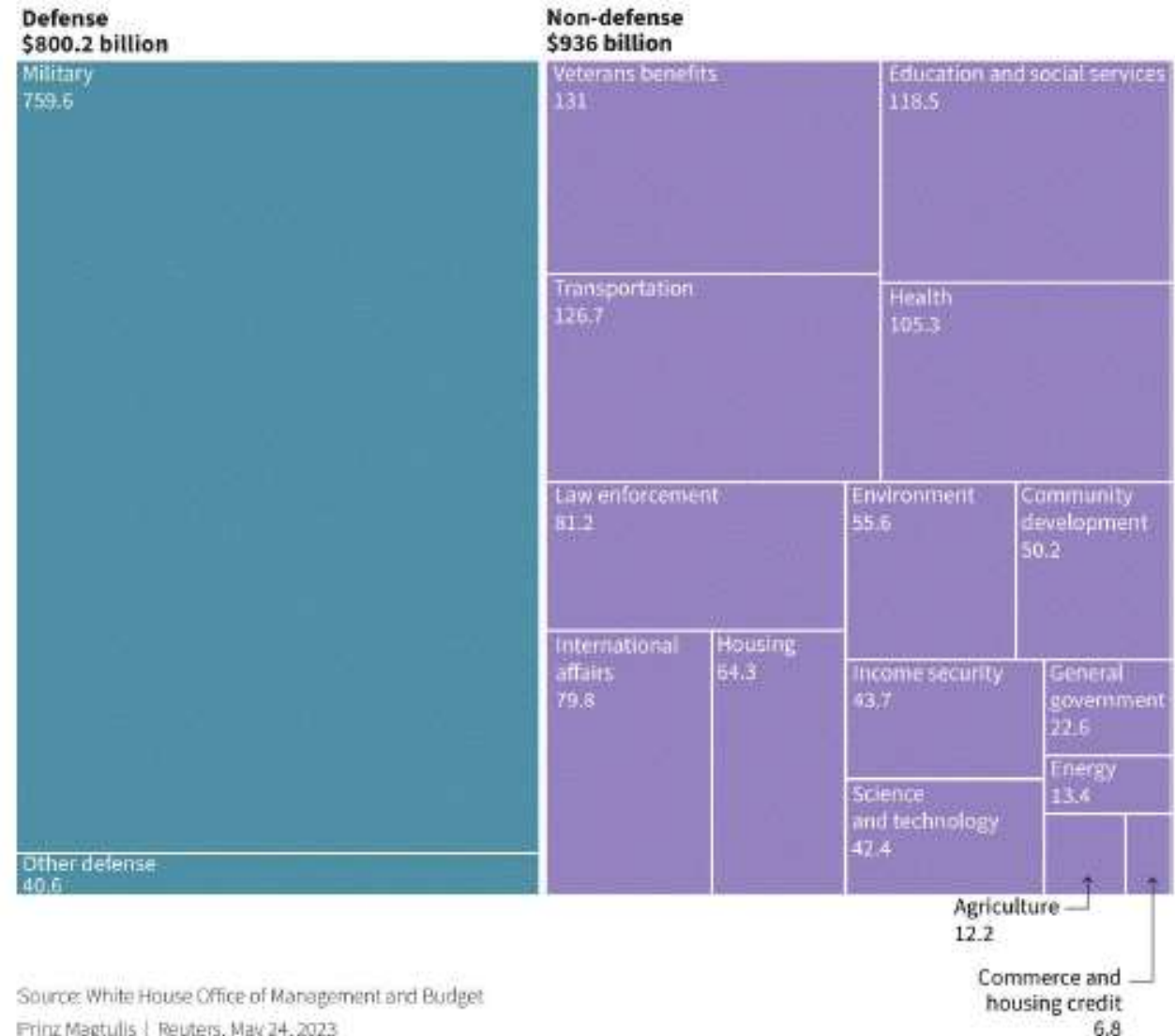
\$800 Billion – Defense

\$936 Billion – Non-defense

\$80 Billion - Foreign operations

\$35 Billion – USAID

6/10^{ths} of 1% of the total Federal budget is for USAID



Source: White House Office of Management and Budget

Prinz Magtulis | Reuters, May 24, 2023

Estimated U.S. government discretionary spending for fiscal year 2023, in billion US dollars

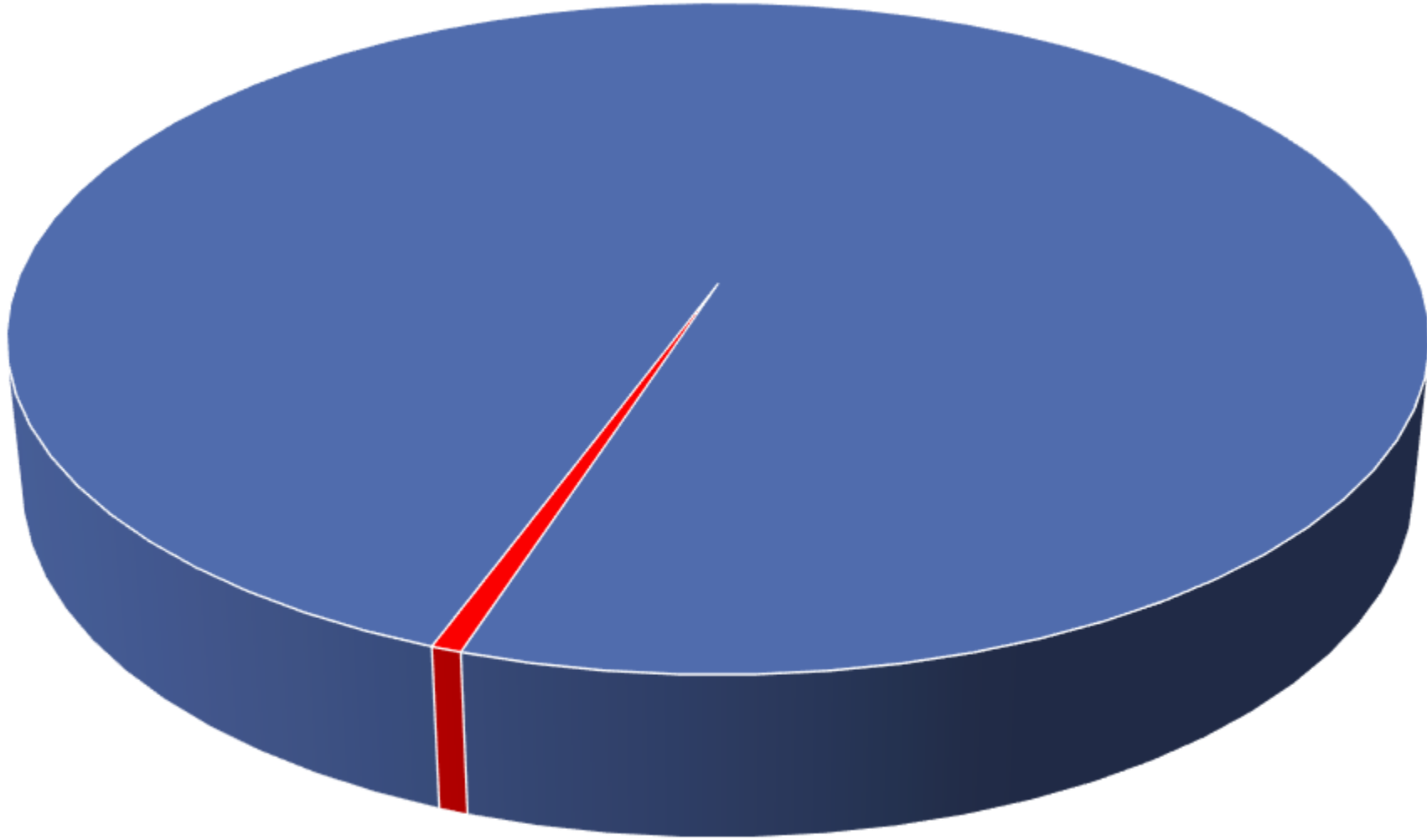
USAID's Funding Levels

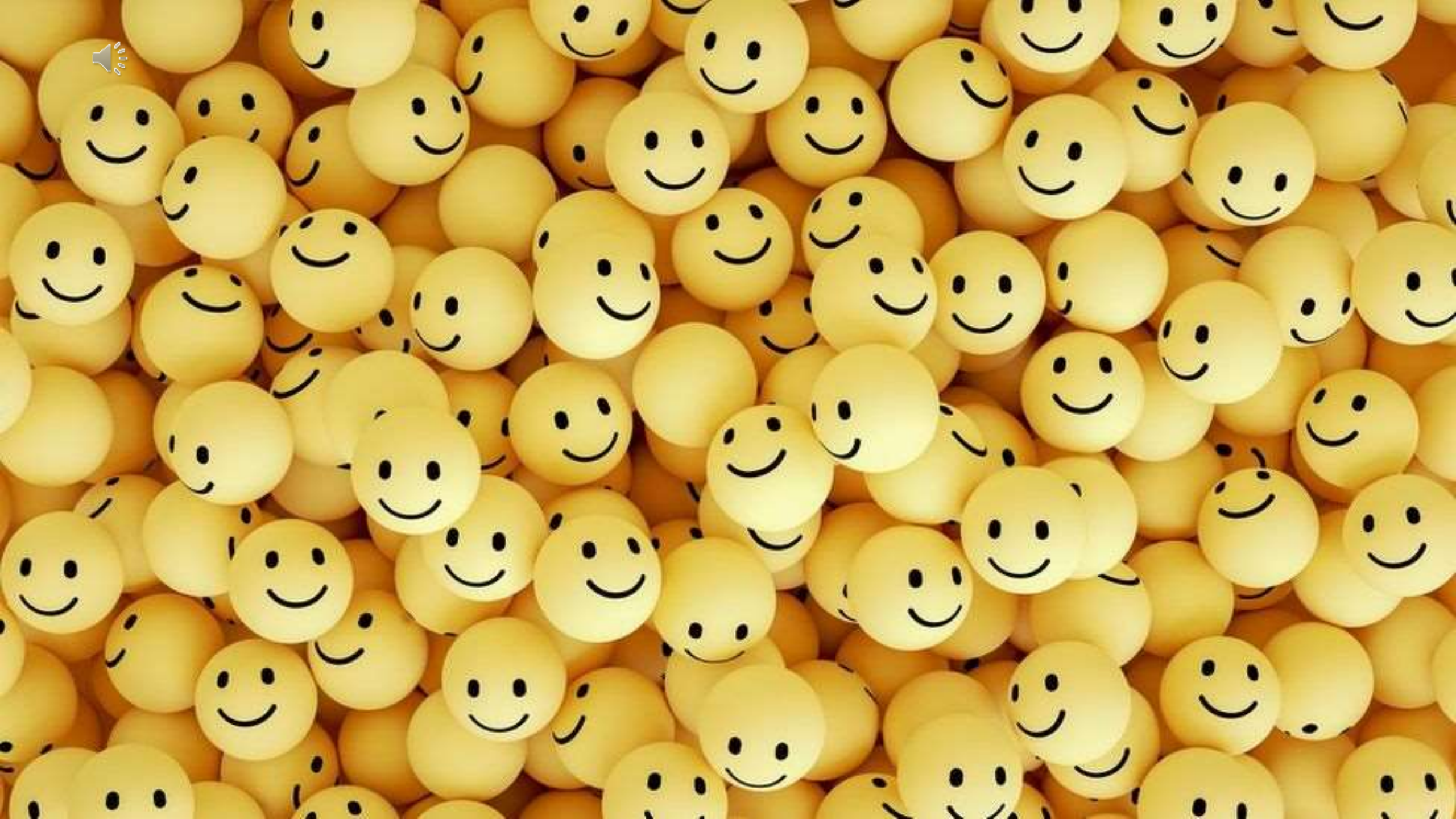
Up until the matter of the debt ceiling was resolved, USAID's funding and that of allied Federal foreign aid agencies had been requested for FY 2024 in President Biden's budget request or appropriated for FY 2023 and 2022 as shown follows:

	FY 2024 <u>Budget Request</u>	FY 2023 <u>Enacted</u>	FY 2022 <u>Enacted</u>
Global Health:	\$10.928B	\$10.560B	\$9.830B
USAID	(4.058)	(4.165)	(3.880)
State Dept.	(6.870)	(6.395)	(5.950)
Development Assist.	5.426	4.369	4.140
Economic Supp. Fund	5.391	4.301	4.099
Int'l Disaster Asst.	4.699	4.543	3.905
Asst. Europe & Eurasia	1.049	850M	500M
Democracy Fund	291M	355	341
Transition Initiatives	102	80	80
Complex Crises Fund	60	60	60
USAID OE, Cap. & OIG	2.293B	2.082B	1.716B
Migration & Refugee Ass't	3.912	3.827	2.912
PL 480 Title II Grants	1.800	1.800	1.740
Millennium Challenge Corp.	1.073	930M	912M
U.S. Develop. Fin. Corp	565M	617	698
McGovern-Dole Food Ed.	<u>243</u>	<u>248</u>	<u>237</u>
	\$37.832B	\$34.622B	\$31.170B

As you can see, FY 2023's enacted level is very much better than FY 2022's, but nowhere near the level President Biden had requested for next year.


USAID PORTION OF THE TOTAL FEDERAL BUDGET







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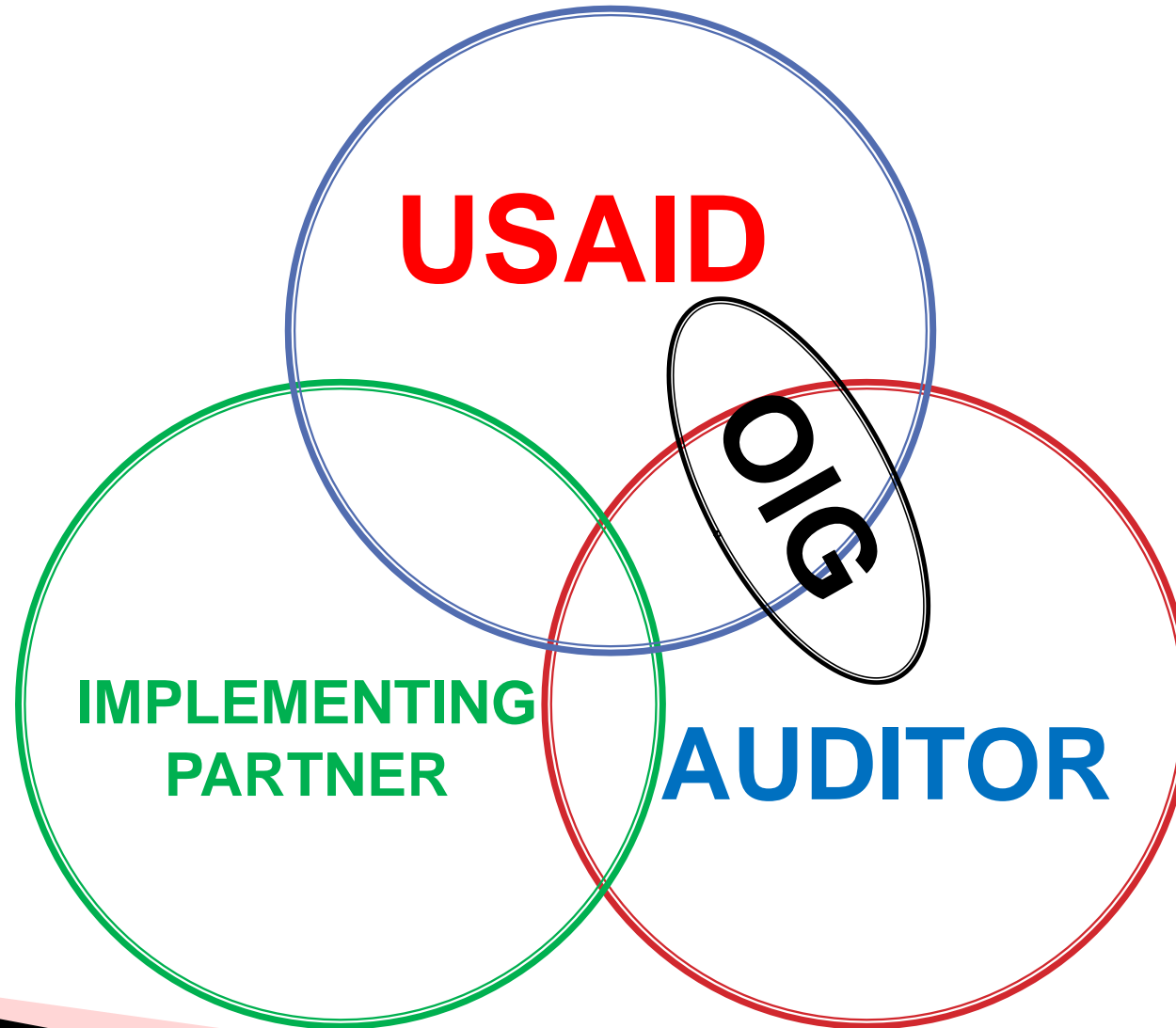
§200.414 (f) effective Nov 12, 2020

(f) In addition to the procedures outlined in the appendices in paragraph (e) of this section, any non-Federal entity that does not have a current negotiated (including provisional) rate, except for those non-Federal entities described in appendix VII to this part, paragraph D.1.b, may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely. **No documentation is required to justify the 10% de minimis indirect cost rate.** As described in §200.403, 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.

§200.414 (f) effective Nov 12, 2020

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RELEVANT PLAYERS FOR A NICRA ENVIRONMENT



NICRA 101

INDIRECT
COST
POOL

TDC
MTDC
S&W

DIRECT
COST
BASE



AN INDIRECT COST RATE GUIDE FOR NON-PROFIT ORGANIZATIONS

Cost Principles and Procedures
Required by 2 CFR 200

Prepared by the
Bureau for Management
Office of Acquisition and Assistance
Cost Audit and Support Division
Overhead, Special Cost, and Closeout Branch

1. GENERAL INFORMATION

A. Overhead, Special Cost and Closeout Branch

When the U.S. Agency for International Development (USAID) provides the majority of a non--profit organization's Federal funding, it is the cognizant Federal agency for negotiating the organization's indirect cost rates. All Federal agencies are required to use the rates and methodology negotiated by USAID and the related organization.

B. Indirect Cost Rates Issued to Foreign NGOs

Responsibility for the negotiation and issuance of NICRAs for foreign organizations, with no awards issued by USAID/Washington's M/OAA, rests with the Mission (and handled by the Agreement Officer) providing the majority of the entities' funding. A foreign organization is an organization located in a country other than the United States that is a non--profit and tax exempt under the laws of its country of domicile and operation. The cognizant Mission initially negotiates, and subsequently updates, the NICRA on a company--wide basis; not per grant/award. M/OAA/CAS/OCC provides support and guidance to Agreement Officers (AO) and Agreement Officer's Representatives (AOR) at Missions regarding the negotiation of NICRAs as requested. If the foreign entity has an award issued from Washington, M/OAA/CAS/OCC will negotiate and issue the issuance of a NICRA. Once a NICRA is issued, either by a Mission or M/OAA/CAS/OCC, this NICRA will apply to all Federal awards.

A Guide for Indirect Cost Rate Determination

Based on the Cost Principles and Procedures
Required by 2 CFR Part 200, Subpart E & Appendix IV
for Non-profit Organizations
and by the Federal Acquisition Regulation -
Parts 31.2 and 42.7 for Commercial Organizations




U.S. Department of Labor
Cost & Price Determination Division
Office of Strategy & Administration/OSPE/
OASAM

For additional Information: [Contact Us](#)

February 2023

AGENDA

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- 

§200.211 Information contained in a Federal award.

A Federal award must include the following information:

(a) *Federal award performance goals.* Performance goals, indicators, targets, and baseline data must be included in the Federal award, where applicable. The Federal awarding agency must also specify how performance will be assessed in the terms and conditions of the Federal award, including the timing and scope of expected performance. See §§200.202 and 200.301 for more information on Federal award performance goals.

(b) *General Federal award information.* The Federal awarding agency must include the following general Federal award information in each Federal award:

(1) Recipient name (which must match the name associated with its unique entity identifier as defined at 2 CFR 25.315);

(2) Recipient's unique entity identifier;

(4) Federal Award Date (see Federal award date in §200.201);

(8) Total Amount of Federal Funds Obligated;

(11) Budget Approved by the Federal Awarding Agency;

((15) Indirect cost rate for the Federal award (including if the de minimis rate is charged per §200.414).

2 CFR Frequently Asked Questions

Publication Date: May 03, 2021

This document is designed to address common questions regarding the Office of Management and Budget's (OMB) implementation of the updates to Title 2 of the Code of Federal Regulations (2 CFR), also referred to as the Uniform Guidance. This document provides additional context and background behind the Uniform Guidance for Federal agencies and non-Federal entities seeking to understand the policy changes. In case of any discrepancy between this document and the Uniform Guidance in 2 CFR, the Uniform Guidance published in 2 CFR governs.

Recipients should consult with the Federal awarding agency regarding whether the Uniform Guidance applies to a particular Federal award. Subrecipients should consult with the pass-through entity.

Additional information about government-wide efforts to improve Federal financial assistance can be found at the U.S. Chief Financial Officers Council website (www.cfo.gov/financial-assistance/).

Q-115. Does a non-Federal entity using the de minimis rate need to provide documentation to substantiate its costs?

No. The de minimis rate was designed to reduce burden for small non-Federal entities. The non-Federal entity must report in its SEFA whether it elected to use the de minimis rate for its Federal awards. See §§ 200.414(f) and 200.510.



Published on National Council of Nonprofits (<https://www.councilofnonprofits.org>)

Original URL: <https://www.councilofnonprofits.org/trends-and-policy-issues/federal-policy-tax-law/omb-uniform-guidance/nonprofits-and-new-omb-uniform>

Nonprofits and the New OMB Uniform Guidance: Know Your Rights ... and How to Protect Them

6. “You have to prove your indirect costs are at least 10 percent of your modified total direct costs to receive the *de minimis* rate.”

What OMB Says: In the preamble to the Uniform Guidance published in the federal register on December 26, 2013, the COFAR notes that the *de minimis* rate should remain conservative at 10% of modified total direct costs (MTDC) because it is an automatic rate without any review of actual costs.[\[15\]](#)

What you can do: Provide the citation or a copy of the language from the federal register that clearly states that the 10 percent *de minimis* rate does not require documentation of actual costs.

Uniform Guidance: The De Minimis Indirect Cost Rate – Updated



Print

Posted on May 31, 2016 in **Federal Awards**

By Troy Rector, CPA

7/30/2021: This article has been updated since its original publishing date to reflect changes to the Uniform Guidance.

In addition, the Uniform Guidance updates explicitly state that “no documentation is required to justify the 10% de minimis indirect cost rate.” The existing COFAR FAQs stated that a reconciliation to actual costs was not needed to substantiate the de minimis indirect cost rate. The inclusion of this language in the Uniform Guidance now makes it even more official. NFPs are not to support use of the de minimis indirect recovery with specifically identified costs.



USAID
FROM THE AMERICAN PEOPLE

Resources for Implementing Partners

When can an organization use the

—10%—

de minimis rate for indirect costs?



WHAT ARE INDIRECT COSTS?

For purposes of the 10% de minimis rate, indirect costs are those costs incurred for a common purpose that are too time consuming/costly to allocate to a specific cost objective.

Examples of indirect costs include office space rental, utilities, and clerical and managerial staff salaries. To the extent that indirect costs are reasonable, allowable and allocable, they are a legitimate cost of doing business payable under a U.S. Government assistance award.



WHAT IS THE 10% DE MINIMIS RATE?

2 CFR 200.414(f) states that organizations can charge a 10% de minimis rate of modified total direct costs.

Modified total direct costs includes 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 subaward).



**USAID MUST ACCEPT THE 10%
DE MINIMIS RATE WITHOUT ANY
REVIEW OF ACTUAL COSTS.**



- they are receiving project grants, and not general operating support. That's where indirect cost (IDC) rates come in; they allow organizations to operate sustainably by covering the operational fees necessary for them to fulfill their project's objectives.

Today, my colleagues and I are proud to announce that effective January 1, 2023, the Ford Foundation will raise its minimum indirect cost (IDC) rate applicable to eligible project grants from 20% to 25% —or to an even higher rate, under certain

circumstances. This increase will allow us to fully cover indirect costs on the vast majority of our project grants and ensure that our grantees have the flexibility and support to cover the true cost of their work.

10% RATE "JUSTIFICATION"

Different Types of Indirect Cost Pools and Common Rates

For Nonprofit Organizations:

<u>Base of Allocation</u>	<u>Range of Rates</u>	<u>Mean</u>
(Direct) Salaries and Wages	44.36-92.45%	72.8%
Total Direct Costs	19.53-20.34	19.94
Modified Total Direct Costs	6.8-30.41	22.90

For Universities and Colleges:

Modified Total Direct Costs	34.9-74.5%	51%
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§200.414 (f) effective Nov 12, 2020

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AN INDIRECT COST RATE GUIDE FOR NON-PROFIT ORGANIZATIONS

Cost Principles and Procedures
Required by 2 CFR 200

Prepared by the
Bureau for Management
Office of Acquisition and Assistance
Cost Audit and Support Division
Overhead, Special Cost, and Closeout Branch

Model Cost Policy Statement (CPS)

The purpose of the CPS is to establish a clear understanding between the organization and the federal government as to what costs will be charged directly and what costs will be charged indirectly. It also provides awardee personnel with a record of the awardee's practices in the event of personnel changes (only changes to accounting practices or allocation methods need be submitted after the first year).

The CPS should be tailored to fit the specific policies of each organization. Although there are different methodologies available for allocating costs, the methodology used should result in an equitable distribution of costs to programs. Organizations must have a system in place to equitably charge costs.

The CPS should include, as a minimum, the following information:

- Organization legal name, address, telephone number
- General accounting policies:
 - ✓ Basis of Accounting
 - ✓ Fiscal Period
 - ✓ Allocation Basis for Individual Cost Elements
 - ✓ Indirect Cost Rate Allocation on each indirect cost rate
 - ✓ Description of the accounting system software


Model Cost Policy Statement (CPS) (Cont)

- Description of Cost Allocation Methodology:

- ✓ Direct and indirect labor
 - ✓ Executive compensation
 - ✓ Severance
 - ✓ Fringe Benefits
 - ✓ Direct and Indirect Travel
 - ✓ Board Expenses
 - ✓ Supplies and Material
 - ✓ Occupancy Expenses
 - ✓ Utilities
 - ✓ Communications
 - ✓ Photocopying and Printing
 - ✓ Outside Services
 - ✓ Depreciation
 - ✓ Unallowable Costs
- 


INDIRECT COSTING CONCEPTS (Cont'd)

Typical Indirect Cost Functions

- ▶ Corporate governance
 - ▶ Executive direction
 - ▶ Business/program development
 - ▶ Financial management and accounting
 - ▶ Human resources
 - ▶ Purchasing
 - ▶ Contract administration
- 

INDIRECT COSTING CONCEPTS (Cont'd)

Typical Indirect Cost Functions (Cont'd)

- ▶ Information technology
 - ▶ Audit
 - ▶ Legal counsel
 - ▶ Insurance
 - ▶ Space and facilities support
 - ▶ Records management
- 

DIRECT COSTING CONCEPTS

Direct Costing of Shared Staff, Facilities, Equipment and Administrative Services

Organizations without a NICRA, but with field offices should have tight policies and procedures over the control of direct costing

Staff salaries are to be allocated based upon the work performed.

Other shared costs should be allocated based on the following bases:

Accounting: number of transactions, headcount, or funds processed

Personnel: headcount, labor hours, or payroll cost

Purchasing: number of transactions

Occupancy: gross or net square footage

DIRECT COSTING CONCEPTS (Cont'd)

Direct Costing of Shared Staff, Facilities, Equipment and Administrative Services (Cont'd)

Vehicles: miles traveled or passenger-miles

Computers: number of computers or usage

Reproduction: usage

Insurance: payroll or factor upon which payment made

Security: headcount or square feet



REASONABLE

ALLOCABLE

ALLOWABLE

SUPPORTED

200.405 Allocable costs.

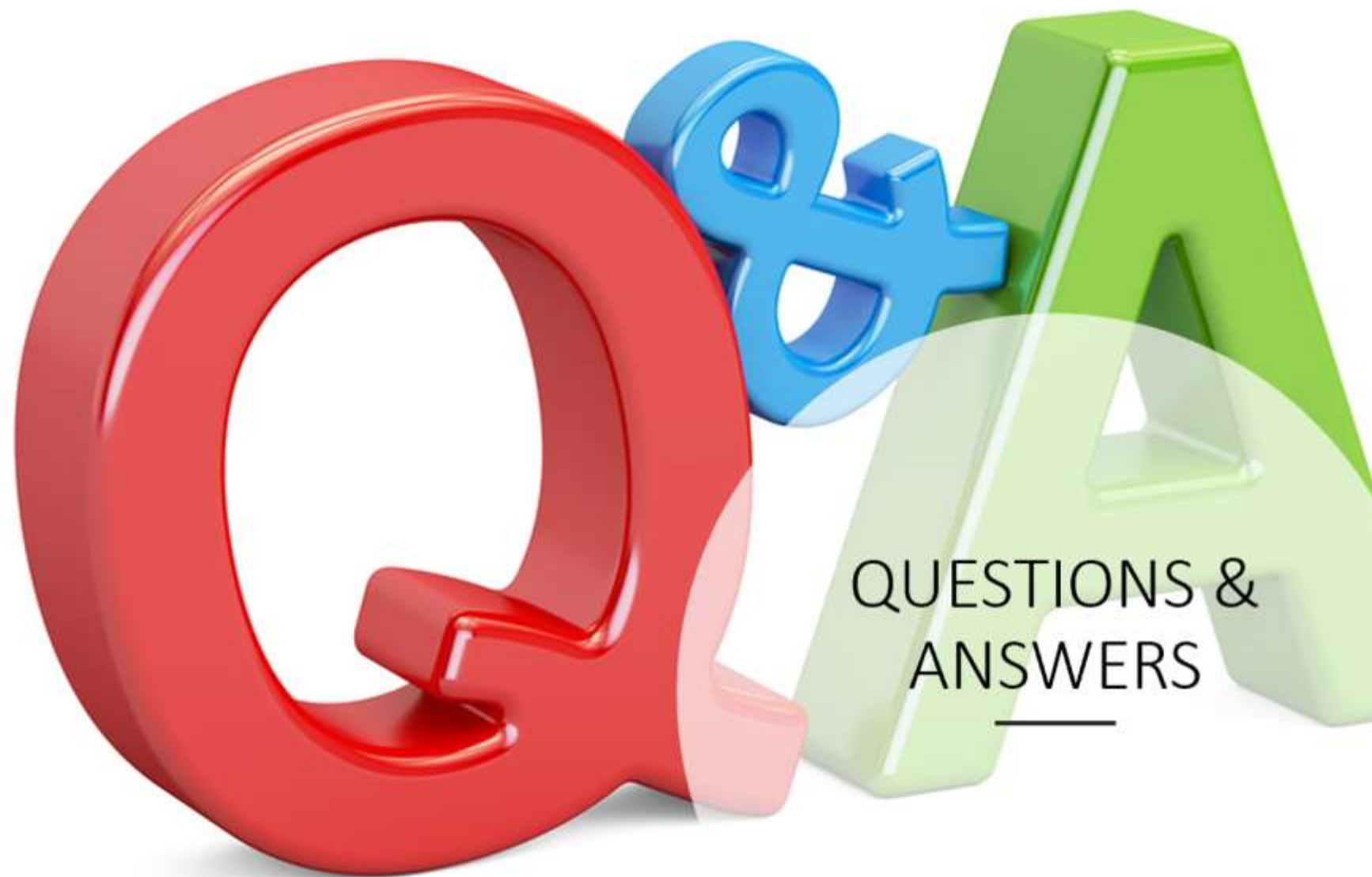
(a) A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:

- (1) Is incurred specifically for the Federal award;
- (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
- (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.


(b) All activities which benefit from the non-Federal entity's indirect (F&A) cost, including unallowable activities and donated services by the non-Federal entity or third parties, will receive an appropriate allocation of indirect costs.

(c) Not applicable to this webinar

(d) Direct cost allocation principles: If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.



AGENDA

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 - Questions and Answers (throughout)
- 

§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.

[79 FR 75880, Dec. 19, 2014]

§200.68 Modified Total Direct Cost (MTDC)

.68-2 Determining Modified Total Direct Costs *

In determining Modified Total Direct Costs, some non-Federal entities are interpreting the definition of MTDC in §200.68 as only including “direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward.” Others interpret it to mean all allowable direct costs minus “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.” Since the two methods are not always the same, is one method preferable to the other?

No. The MTDC definition in §200.68 does not have two different methods for determining MTDC. The definition of MTDC in that section must be considered in its entirety. However, the list of direct costs by each entity is different; therefore, the preference would be to state total direct costs and exclude the items listed as per the definition in §200.68. In general, MTDC is the total direct costs *excluding* 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. Any other exclusions are for cost items that may skew the equitable distribution of indirect costs and must be approved by the cognizant agency for indirect cost.

Direct Costs for Organization ABC

	Category	Expense Amt
1	Salaries	750 000
2	Travel	150 000
3	Equipment	100 000
	– Equipment purchases (including vehicles) *	55 000
	– Refurbishment of clinic	45 000
4	Training	115 000
	– Accommodation, per diems, car rental	60 000
	– Conference venues (including meals)	45 000
	– Participant support costs	10 000
5	Sub-recipients	175 000
	– Sub-recipient A	110 000
	– Sub-recipient B	45 000
	– Sub-recipient C	20 000
6	Other Direct Costs	200 000
	– Rent	74 000
	– Communication costs	10 000
	– HIV Test Kits (Supplies)	100 000
	– Legal fees	16 000
	Total Direct Costs	1 490 000


MTDC and 10% De Minimis Calculation for ABC

10% De Minimis Calculation				
				Amount
	Total Direct Costs			1 490 000
less	MTDC Exclusions (insert reason)			289 000
	Equipment purchases		55 000	
	Clinic construction & repairs		45 000	
	Participant Support Costs		10 000	
	Subrecipient > \$25k		105 000	
	Rent		74 000	
	Total MTDC			1 201 000
	Indirect Costs (10% De minimis)			120 100
	TOTAL COSTS			1 610 100

Org. ABC MTDC Calculation for 10% De minimis

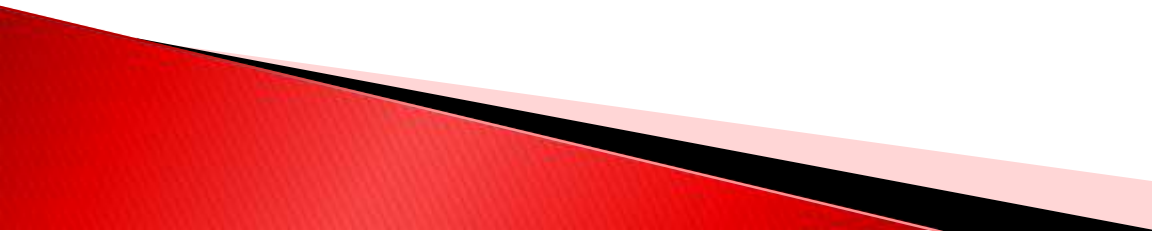
	Category	Expense Amt	Exclusions	MTDC Amt
1	Salaries	750 000	–	750 000
2	Travel	150 000	–	150 000
3	Equipment	100 000	100 000	–
	– Equipment purchases (including vehicles) *	55 000	55 000	–
	– Refurbishment of clinic	45 000	45 000	–
4	Training	115 000	10 000	105 000
	– Accommodation, per diems, car rental	60 000		60 000
	– Conference venues (including meals)	45 000		45 000
	– Participant support costs	10 000	10 000	–
5	Sub-recipients	175 000	105 000	70 000
	– Sub-recipient A	110 000	85 000	25 000
	– Sub-recipient B	45 000	20 000	25 000
	– Sub-recipient C	20 000		20 000
6	Other Direct Costs	200 000	74 000	126 000
	– Rent	74 000	74 000	–
	– Communication costs	10 000		10 000
	– HIV Test Kits (Supplies)	100 000		100 000
	– Legal fees	16 000		16 000
	Total Direct Costs	1 490 000	289 000	1 201 000
6	Indirect costs (10% de minimis)			120 100
	TOTAL AWARD COST	1 610 100		


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 - Questions and Answers (throughout)
- 

§200.332 Requirements for pass-through entities

All pass-through entities must:

- 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;
 - (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 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)(i) An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government. If no approved rate exists, the pass-through entity must determine the appropriate rate collaboration with the subrecipient, which is either:

(A) The negotiated indirect cost rate between the pass-through entity and the subrecipient; which can be based a prior negotiated rate between a different PTE and same subrecipient. If basing the rate on a previously rate, the pass-through entity is not required to collect justifying this rate, but may elect to do so;

- (B) The de minimis indirect cost rate.
- (ii) The pass-through entity must not require use of a de minimis indirect cost rate if the subrecipient has a Federally approved rate.

Subrecipients can elect to use the cost allocation method to account for indirect costs in accordance with §200.405(d).


- (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 part; and
 - (6) Appropriate terms and conditions concerning closeout of the subaward
- 

- b) Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:
 - (1) The subrecipient's prior experience with the same or similar subawards;
- 

Pre-award Assessment

A Prime Recipient may include the following areas during subrecipient pre-award assessments:


1. Legal & Governance – *to include:*

- ▶ Legal requirements
 - ▶ Organizational Structure
 - ▶ Governance
 - ▶ Control Environment
- 


Pre-award Assessment

A Prime Recipient may include the following areas during subrecipient pre-award assessments (*continued*):

2. Financial Controls – *to include:*

- ▶ Financial management system
 - ▶ Standards of internal control
 - ▶ Financial records
 - ▶ Allowable and unallowable costs
 - ▶ Financial records management
 - ▶ Response to audit findings
- 

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Direct Costs for Organization ABC – October 2022

	Category	Expense Amt
1	Salaries	65,000
2	Travel	10,000
3	Equipment	50,000
	– Equipment purchases (including vehicles)	45,000
	– Refurbishment of clinic	5,000
4	Training	22,000
	– Accommodation, per diems, car rental	8,000
	– Conference venues (including meals)	4,000
	– Participant support costs	10,000
5	Sub-recipients	62,000
	– Sub-recipient A	30,000
	– Sub-recipient B	26,000
	– Sub-recipient C	6,000
6	Other Direct Costs	82,500
	– Rent	6,500
	– Communication costs	10,000
	– HIV Test Kits (Supplies)	50,000
	– Legal fees	16,000
	Total Direct Costs	291,500


MTDC and 10% De Minimis Calculation for ABC – October 2022

10% De Minimis Calculation			
			Amount
	Total Direct Costs		291,500
less	MTDC Exclusions (insert reason)		72,500
	Equipment purchases	45,000	
	Clinic construction & repairs	5,000	
	Participant Support Costs	10,000	
	Subrecipient > \$25k	6,000	
	Rent	6,500	
	Total MTDC		219,000
	Indirect Costs (10% De minimis)		21,900
TOTAL PROJECT COSTS FOR OCTOBER 2022			313,400
OCTOBER 2022 USAID AMOUNT			313,400

Org. ABC MTDC Calculation for 10% De minimis – October 2022

	Category	Expense Amt	Exclusions	MTDC Amt
1	Salaries	65,000	–	65,000
2	Travel	10,000	–	10,000
3	Equipment	50,000	50,000	–
	– Equipment purchases (including vehicles)	45,000	45,000	–
	– Refurbishment of clinic	5,000	5,000	–
4	Training	22,000	10,000	12,000
	– Accommodation, per diems, car rental	8,000		8,000
	– Conference venues (including meals)	4,000		4,000
	– Participant support costs	10,000	10,000	–
5	Sub-recipients	62,000	6,000	56,000
	– Sub-recipient A	30,000	5,000	25,000
	– Sub-recipient B	26,000	1,000	25,000
	– Sub-recipient C	6,000		6,000
6	Other Direct Costs	82,500	6,500	76,000
	– Rent	6,500	6,500	–
	– Communication costs	10,000		10,000
	– HIV Test Kits (Supplies)	50,000		50,000
	– Legal fees	16,000		16,000
	Total Direct Costs	291,500	72,500	219,000
6	Indirect costs (10% de minimis)			21,900
	TOTAL PROJECT COSTS – OCTOBER 2022	313,400		313,400
	OCTOBER 2022 AMOUNT TO BE INVOICED TO USAID			313,400

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WHAT ARE THE ROLES OF THE:

- ▶ Implementing Partners
- ▶ Missions
- ▶ Prime Recipients
- ▶ Auditors



HHS has a different rule for Non-U.S. Organizations

(c) Federal Agency Acceptance of Negotiated Indirect Cost Rates. (See also §75.306.)

(1) The negotiated rates must be accepted by all Federal awarding agencies. An HHS awarding agency may use a rate different from the negotiated rate for a class of Federal awards or a single Federal award only when required by Federal statute or regulation, or when approved by a Federal awarding agency head or delegate based on documented justification as described in paragraph (c)(3) of this section.

(i) Indirect costs on training grants are limited to a fixed rate of eight percent of MTDC exclusive of tuition and related fees, direct expenditures for equipment, and subawards in excess of \$25,000;

(ii) Indirect costs on grants awarded to foreign organizations and foreign public entities and performed fully outside of the territorial limits of the U.S. may be paid to support the costs of compliance with federal requirements at a fixed rate of eight percent of MTDC exclusive of tuition and related fees, direct expenditures for equipment, and subawards in excess of \$25,000; and,



THANK YOU

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FINAL

