



## Indirect Cost Rate Proposal Submission Procedures

### Overview of Submission Requirements

Federal award recipients that recover administrative overhead costs through the use of an indirect cost rate (ICR) must submit an annual ICR proposal to:

1. Establish a final ICR for a prior fiscal year, and
2. Establish a provisional rate to charge estimated indirect costs to an award.

Organizations that have previously negotiated ICRs with the National Science Foundation (NSF) must submit a new ICR proposal to the Cost Analysis and Audit Resolution (CAAR) department within six months after the close of the organization's fiscal year.<sup>i</sup> Submissions should be mailed to:

The National Science Foundation  
Division of Institution and Award Support  
ATTN: CAAR Branch - Indirect Cost  
4201 Wilson Boulevard, Room 485  
Arlington, VA 22230

Electronic submissions may be sent to: [bfacaarmpr@nsf.gov](mailto:bfacaarmpr@nsf.gov)

**December 2014**

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<sup>i</sup> Awardees that have not previously negotiated an ICR with NSF must submit their proposals no later than three months after the effective date of an award.

## Federal Requirements:

NSF reviews indirect cost proposals for many of its diverse awardees. Each organization must comply with applicable federal requirements contained in 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards related to cost principles<sup>ii</sup>, administrative standards<sup>iii</sup>, and audit requirement publications<sup>iv</sup>. Specific indirect cost requirements are applicable to different types of organizations, as follows:

1. **Non-profit organizations** are required to follow the regulations contained in 2 CFR 200, Appendix IV—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations.
2. **For profit organizations** are required to follow the cost principles contained in the federal acquisition regulations (FAR) Part 31, and federal administrative standards contained in 2 CFR 200, Subparts A-D. Audit requirements are the responsibility of the cognizant federal agency.
3. **State and local governments** are required to follow regulations contained in 2 CFR 200, Appendix VII—States and Local Government and Indian Tribe Indirect Cost Proposals. **Note:** Because the federal organization providing the preponderance of funding is normally the cognizant agency, NSF is rarely the cognizant agency for state and local government agencies.
4. **Educational institutions** (colleges, universities, and tribal colleges) are required to follow the regulations contained in 2 CFR 200, Appendix III—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education. **Note:** NSF does not negotiate indirect cost rates with institutions of higher education.<sup>v</sup>

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<sup>ii</sup> Link to 2 CFR 200: <http://www.gpo.gov/fdsys/pkg/FR-2013-12-26/pdf/2013-30465.pdf>

<sup>iii</sup> 2 CFR 200, Subpart E

<sup>iv</sup> 2 CFR 200, Subparts A-D

<sup>v</sup> 2 CFR 200, Appendix III(c)(11) assigns cost negotiation cognizance for educational institutions primarily to the Department of Health and Human Services (HHS) or the Department of Defense's Office of Naval Research (DOD). We recommend that these institutions prepare an indirect cost proposal in accordance with the guidance provided by HHS/DOD on its Web site and use the rate calculated from that guidance in proposals submitted to NSF. If NSF subsequently issues an award, the institution should then go to HHS/DOD to complete a rate negotiation. For more information, visit the HHS site at <https://rates.psc.gov/> or the ONR site at <http://www.onr.navy.mil/Contracts-Grants/manage-grant/indirect-cost-proposal.aspx>.

## Organizational Background Information

The following information is required from each organization with which NSF has rate cognizance:

- I. **Organizational profile:** The purpose of an organizational profile is to gain an understanding of the basic structure of the organization and should include, at a minimum, the following components:
  - A. A statement of major activities performed at the organization, including a description of the organization's mission, services performed for the general public, member services, fundraising, lobbying, research grants and contracts, etc. (should be 1-2 pages in length)
  - B. Organizational chart(s) and any information or material explaining the various services and functions of each unit
  - C. Based on information provided in response to A above, describe which services are allowable and allocable to federal grants and contracts, under 2 CFR 200 Subpart E, or FAR Part 31
  - D. Based on the information provided in B above, determine which units are indirect (administrative) functions of the organization
  
- II. **Cost policy statement (CPS)<sup>vi</sup>:** The purpose of a 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 include the following information:
  - A. A statement on general accounting policies, including, but not limited to:
    1. Basis of accounting (accrual or cash basis)
    2. Fiscal year end
    3. Method of allocating indirect costs
    4. Statement of allocation base for the indirect cost rate
    5. Statement of allocation base for the fringe benefits (if using a fringe benefit rate)
    6. Accounting system software description
    7. Etc.

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<sup>vi</sup> For additional guidance on the above requirements, you may refer to one of the applicable guides listed below. Please note, these guides provide similar but different components to the above CPS requirements:

Non-profit organizations - Refer to one of the following ICR guides:

DOL: <http://www.dol.gov/oasam/boc/dcd/np-comm-guide.htm>

HHS: <https://rates.psc.gov/fms/dca/np1.html>

For-profit organizations - Refer to one of the following ICR guides:

DCAA's ICR guide at <http://www.dcaa.mil/ice.htm>

DOL: <http://www.dol.gov/oasam/boc/dcd/np-comm-guide.htm>

[Larger non-profit organizations may also find the DCAA ICR guidance helpful]

- B. Statements for each general ledger expense account (or cost element). Indicate whether each account is used to record direct or indirect expenses. For those accounts related to activities that are sometimes charged as both direct and indirect costs, indicate the circumstances under which the determination is made. Example accounts include, but are not limited to:
1. Salaries and wages
  2. Fringe benefits, including:
    - a. A statement of how fringe benefits are charged (e.g. actual basis by employee, via a fringe benefit rate, etc.)
    - b. A statement of the treatment of compensated leave costs (vacation, holiday, sick leave, etc.)
  3. Travel
  4. Board expenses
  5. Supplies and materials
  6. Occupancy expenses
  7. Utilities
  8. Communications
  9. Photocopying and printing
  10. Outside services
  11. Capital items
  12. Depreciation
  13. Services to members
- C. For each of the above general ledger accounts in which costs are allocated to more than one activity, describe the method used to allocate the costs (such as actual usage, square feet, cost of space, volume, etc.)
- D. A statement on unallowable costs, including:
1. A description regarding the accounting treatment of unallowable costs
  2. Methods and controls in place to segregate unallowable costs
  3. List of expense accounts the unallowable costs are charged to

III. **ICR proposal preparation policies and procedures:** Provide written policies and procedures describing how the organization prepares the annual ICR proposal.

## ICR Proposal Required Documentation:

The following data is required to be submitted with the organization's annual proposal for indirect cost rate(s)<sup>vii</sup>:

1. Cover letter indicating the requested period(s) covered by the rate(s), the type of rate(s), allocation base, etc.
2. Changes to the organizational profile and cost policy statement (CPS): These documents are submitted initially as part of the awardee's organizational background information requirements. Only revisions need to be submitted with subsequent proposals
3. Financial reports for the year under review, including:
  - a. A complete copy of the audited financial statements
  - b. Single Audit Report (previously OMB A-133 audit); if not available, then the organization's completed federal tax return for the year should be submitted
4. Indirect cost rate (ICR) proposal<sup>viii</sup>:
  - a. Detailing indirect expenses by function and cost category
  - b. Detailing fund distribution of the direct cost base by function and cost category
  - c. Including a reconciliation between the proposal and the financial statements (financial report) for the applicable fiscal years. All differences must be explained
5. Allocation of salaries and wages: A schedule of positions, functions, and annual salaries for the people who charge time to an indirect cost function (include employees who charge 100 percent of their effort to indirect tasks as well as employees who split time between direct and indirect tasks)
6. Statement of employee benefits: A schedule showing the actual costs of applicable employee fringe benefit expenses (such as vacation, sick and holiday payroll taxes, employee health insurance, retirement, etc.) Fringe benefits are a consideration in the determination of the reasonableness of compensation. **Note:** The CPS provides a description of the treatment of fringe benefits, while the above statement shows actual costs included in the employee fringe benefit pool
7. Identification and description of unusual factors which affect the proposed rates (such as anticipated increase or decrease in business, non-recurring costs, etc.), or any

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<sup>vii</sup> For additional guidance on the above required documentation, please refer to one of the following guides:

Non-profit organizations - Refer to one of the following ICR guides:

DOL: <http://www.dol.gov/oasam/boc/dcd/np-comm-guide.htm>

HHS: <https://rates.psc.gov/fms/dca/np1.html>

For-profit organizations - Refer to one of the following ICR guides:

DCAA's ICR guide at <http://www.dcaa.mil/ice.htm>

DOL: <http://www.dol.gov/oasam/boc/dcd/np-comm-guide.htm>

<sup>viii</sup> For a sample ICR proposal, please refer to the following HHS guide: [https://rates.psc.gov/fms/dca/np\\_exall2.html](https://rates.psc.gov/fms/dca/np_exall2.html)

memoranda of understanding or advance agreements which may affect the proposed rate(s)

8. A listing of all grants and contracts (by federal agency) that were active during the fiscal year: Include total dollar amount, period of performance, and indirect cost limitations (if any) applicable to each, such as ceiling rates or amounts restricted by administrative or statutory regulations
9. A completed lobbying certificate, which verifies that the organization does not include lobbying cost in indirect costs.
10. A completed certificate of indirect costs: Negotiated agreements and certifications must be signed by an organizational representative who has the ability to contractually bind the organization (at a level no lower than the CFO, vice president, or comparable position within the organization). A sample of this certificate may be found in Attachment V of this guide.

**Sample Documents Attached**

**ATTACHMENT**

<b>Allocation of Salaries and Wages</b>	<b>I</b>
<b>Statement of Employee Fringe Benefits</b>	<b>II</b>
<b>Non-Profit Indirect Cost Proposal</b>	<b>IIIa</b>
<b>For-Profit Indirect Cost Rate Proposal</b>	<b>IIIb</b>
<b>Lobbying Cost Certificate</b>	<b>IV</b>
<b>Certificate of Indirect Costs</b>	<b>V</b>

**EXHIBIT B**

**Sample - Allocation of Salaries and Wages**

January 1, 20XX TO December 31, 20XX

Position	Annual Salary	Indirect Costs	Federal Awards	Private Found.	Visitor Services	Member Services	Fund Raising	Totals
EXE DIRECTOR	\$60,000	90%					10%	100%
ADMINISTRATIVE ASSISTANT	\$22,000	100%						100%
CONTROLLER	\$45,000	100%						100%
ACCOUNTANT	\$60,000	100%						100%
PROGRAM PLANNER	\$120,000	10%	75%		5%		10%	100%
FIELD OPER. DIRECTOR	\$35,000	15%	45%	10%	15%	5%	10%	100%
PERSONNEL DIR.	\$40,000	100%						100%
PERSONNEL CLERK	\$60,000	100%						100%
MIS DIRECTOR	\$45,000	100%						100%
HEAD START DIR.	\$45,000	20%	30%	30%		20%		100%
MUSEUM DIRECTOR	\$45,000	15%			30%	20%	35%	100%
DATA ENTRY CLERK*	\$12,000	45%	10%	10%	10%	25%		100%
<b>TOTAL</b>	<b>\$589,000</b>							

\* REPRESENTS AN EMPLOYEE WHO WORKS LESS THAN A TWELVE MONTH PERIOD.

**NOTE: THE SALARIES AND AMOUNT OF ALLOCATION INCLUDED IN THIS EXHIBIT ARE FOR ILLUSTRATIVE PURPOSES ONLY.**

**ATTACHMENT II**

**Sample - Statement of Employee Fringe Benefits  
January 1, 20XX TO December 31, 20XX**

ANNUAL LEAVE	\$50,384		
SICK LEAVE TAKEN	25,269		
HOLIDAYS	<u>50,384</u>		
TOTAL RELEASE TIME			\$126,037
FICA			100,245
STATE UNEMPLOYMENT COMPENSATION			2,497
WORKER'S COMPENSATION INSURANCE			6,570
MEDICAL INSURANCE			144,540
PENSION			<u>65,700</u>
TOTAL EMPLOYEE FRINGE BENEFITS			\$445,589
ALLOCATION BASE:			
TOTAL SALARIES			\$1,314,000
LESS: RELEASE TIME			<u>(126,037)</u>
CHARGEABLE SALARIES			\$1,187,963
EMPLOYEE FRINGE BENEFIT RATE			
	<u>\$445,589</u>	=	37.51%
	\$1,187,963		

THE FRINGE BENEFIT POOL INCLUDES TIME FOR VACATION, HOLIDAY AND SICK LEAVE AND IS DISTRIBUTED THROUGH A FRINGE BENEFIT RATE.

**NOTE: THE RATES INCLUDED IN THIS STATEMENT OF EMPLOYEE BENEFITS ARE FOR ILLUSTRATIVE PURPOSES ONLY**

**ATTACHMENT IIIa**

**Universal Society  
Sample – Non-Profit Indirect Cost Rate Proposal  
Simplified Allocation Method  
FYE 12/31/04**

<b>Cost Category</b>	<b>Total Costs All Funds</b>	<b>Less: Exclusions &amp; Unallowables</b>	<b>Indirect Costs</b>	<b>Total Direct Costs</b>	<b>Federal Program</b>	<b>Non-Federal Programs (3)</b>
	1,314,000		373,250	940,750	141,000	799,750
<b>Salaries (a)</b>	352,000		99,988	252,012	37,772	214,240
<b>Fringe Benefits (b)</b>	26,000		14,000	12,000	1,800	10,200
<b>Consultant Services</b>	94,000		20,000	74,000	11,100	62,900
<b>Staff Travel</b>	10,000	10,000 (1)				
<b>Bad Debts Office Rent</b>	170,000		170,000	150,000	22,500	127,500
<b>Consumable Supplies</b>	161,000		11,000	68,000	10,200	57,800
<b>Subcontracts</b>	175,000	107,000 (2)				
<b>Purchase, Equipment Lease</b>	82,000	22,100 (2)	59,900			
<b>Telephone</b>	109,400		55,000	54,400	8,200	46,200
<b>Entertainment</b>	1,800	1,800 (1)				
<b>Printing &amp; Reproduction</b>	48,000		11,000	37,000	5,500	31,500
<b>Insurance and Bonding</b>	42,000		42,000			
<b>Fundraising</b>	120,000			120,000		120,000
<b>Postage and Delivery</b>	34,000		5,100	28,900	4,300	24,600
<b>Depreciation</b>	28,800		8,800	20,000	3,000	17,000
<b>Allowances</b>	148,000	148,000 (2)				
<b>Emergency Assistance</b>	54,000	54,000 (2)				
<b>Training Materials</b>	82,000			82,000	12,300	69,700
<b>Participant Support Costs</b>	36,000	36,000 (2)				
<b>Total Costs</b>	<b>3,088,000</b>	<b>378,900</b>	<b>870,038</b>	<b>1,839,062</b>	<b>257,672</b>	<b>1,581,390</b>

<b>Indirect Rate (c)/(d)</b>	<u>870,038</u>		<b>(c)</b>	<b>(d)</b>
	1,839,050	<b>47.31%</b>		
<b>Fringe Benefit Rate (b)/(a)</b>	<u>352,000</u>	<b>26.79%</b>		
	1,314,000			

Notes:

- (1) Unallowable costs per 2 CFR 200 Subpart E include entertainment expense, lobbying, bad debts or allowance for doubtful accounts, fines and penalties, losses on Federal or non-Federal projects, provisions for contingencies, and charitable contributions.
- (2) Various direct costs are excluded from the base because their inclusion distorts the assessment of indirect costs per 2 CFR 200.68: the portion of subcontract costs in excess of \$25,000 each; equipment and other capital expenditures, such as major renovations, alterations and improvements; participant support costs and payments to participating agencies (flow-through funds).
- (3) Would include IR&D, if applicable. NSF does not fund Independent Research and Development costs either directly or indirectly. Therefore, while IR&D should not be proposed as direct costs, these costs must be treated as a direct cost in the indirect cost calculations.

**Sunny Graphics  
Sample – For-Profit Indirect Cost Rate Proposal  
FYE 12/31/04**

Cost Category	Total Cost	Eliminations	Indirect Costs	Direct Costs	Project A NSF	Project B DOE	Project C NASA	(4) IR&D
B. Able, President	70,000		25,000	45,000	15,000	5,000	15,000	10,000
J. Brue, Sr. Scientist	65,000		15,200	49,800	23,800	10,000	8,000	8,000
P. Dent, Engineer	60,000		4,800	55,200	0	40,000	10,000	5,200
C. Kipe, Scientist	50,000		4,000	46,000	30,000	12,000		4,000
S. Smith, Typist	30,000		12,400	17,600	10,000	6,000	1,000	600
M. Jones, Accounting	45,000		45,000	0	0	0	0	0
<b>Total Salaries &amp; Wages</b>	<b>320,000</b>		<b>106,400</b>	<b>213,600</b>	<b>78,800</b>	<b>73,000</b>	<b>34,000</b>	<b>27,800</b>
			<b>(3)</b>	<b>(B)</b>				
FICA	24,480		24,480					
Health Insurance	28,000		28,000					
Consultant Fees	49,000		3,000	46,000	13,000	27,000	3,750	2,250
Depreciation	10,000		10,000					
Entertainment/Penalties	3,500	3,500						
Equipment	23,000	23,000						
Legal & Accounting	5,000		5,000					
Materials & Supplies	20,000		1,500	18,500	9,400	2,500	900	5,700
Office Supplies	2,000		2,000					
Computer Services	6,500		1,000	5,500	4,500	1,000		
Postage & Telephone	1,500		1,500					
Printing & Publication	3,000		400	2,600	1,400	700	500	
Rent	12,000		12,000					
Utilities	2,400		2,400					
Travel	6,000		600	5,400	3,600	800	750	250
Subawards	95,000	95,000						
<b>Total Expenses</b>	<b>611,380</b>	<b>121,500</b>	<b>198,280</b>	<b>291,600</b>	<b>110,700</b>	<b>105,000</b>	<b>39,900</b>	<b>36,000</b>

	(1)	(2)	(A)	(C)	
Indirect Cost Pool (divided by)			<u>(A)</u>	<u>198,280</u>	
Salaries and Wages Distribution Base(B)				213,600	= 92.8%
			OR		
Indirect Cost Pool (divided by)			<u>(A)</u>	<u>198,280</u>	
Modified Total Direct Cost Distribution Base			<u>(C)</u>	291,600	= 68%

- Indirect cost proposal should be based on actual cost data for the most current ended accounting year and should be submitted with the financial statements (F/S) for that year. The total amount of expenses per the indirect cost proposal should be reconciled to the total expenses reported in the F/S. A second "budgeted" indirect cost proposal(s) should be provided if it is expected that the indirect cost rate will change significantly during the actual period of the award (if covering more than one accounting year, a proposal should be provided for each year). Where projected costs in any particular cost category have significantly increased, an explanation for the increase should be provided.
- Both direct costs and indirect costs shall exclude capital expenditures. Unallowable costs are also excluded, unless they 1) include the salaries of personnel, 2) occupy space, and (3) benefit from the organization's indirect costs; in which case they are included as a direct cost (see applicable cost principles which identify other unallowable costs). Distorting items such as sub-awards and participant support costs should be excluded from the distribution base.
- Fringe benefits, including FICA, non-work time, health, etc., in this example are included in the indirect cost pool and therefore would not be proposed as a separate direct cost element. (Although not separately itemized, vacation, holiday and sick are included in the indirect salaries and wages amounts in this example.) It can be appropriate, however, to segregate fringe type costs and allocate these costs to direct and indirect salary and wage categories in determining total indirect and direct amounts. It would then be appropriate to propose fringe benefits as a separate rate applied to direct salaries and wages.
- NSF does not fund Independent Research and Development (IR&D) costs either directly or indirectly. Therefore, while IR&D should not be proposed as direct costs, these costs must be treated as a direct cost in indirect cost rate calculations.

**LOBBYING COST CERTIFICATE**

I hereby certify that \_\_\_\_\_ has complied with the requirements and standards on lobbying costs in 2 CFR 200 for the fiscal year ended \_\_\_\_\_.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

**CERTIFICATE OF INDIRECT COSTS**

This is to certify that I have reviewed the indirect cost proposal submitted herewith and to the best of my knowledge and belief:

(1) I have reviewed the indirect (F&A) cost proposal submitted herewith

(2) All costs included in this proposal dated \_\_\_\_\_ to establish billing or final indirect (F&A) costs rates for fiscal year(s) ended \_\_\_\_\_ are allowable in accordance with the requirements of the federal awards to which they apply and with the federal cost principles; i.e., (please check those applicable costs principles):

\_\_\_\_\_ 2 CFR 200, Subpart E, "Cost Principles" and Appendices III-VIII, or

\_\_\_\_\_ Federal Acquisition Regulation (FAR), Subpart 31.2, Cost Principles for commercial organizations.

(3) This proposal does not include any costs which are unallowable under applicable federal cost principles. For example:

Advertising, contributions and donations, bad debts, entertainment costs, fine and penalties, general government expenses, and defense of fraud proceeding;

(4) The requirements standards on lobbying costs for non-profit (2 CFR 200, Subpart E) and commercial (FAR) organizations have been compiled with for the fiscal year ended \_\_\_\_\_, and

(5) All costs included in this proposal are properly allocable to federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the federal awards to which they are allocated in accordance with applicable Federal cost principles.

Subject to the provisions of the Program Fraud Civil Remedies Act of 1986, (31 USC 3801 et seq.), and the Department of Labor's implementing regulations, (29 CFR Part 22), the False Claims Act (18 USC 287 and 31 USC 3729); and the False Statement Act (18 USC 1001), I declare to the best of my knowledge that the foregoing is true and correct.

Nonprofit Organization: \_\_\_\_\_

Signature: \_\_\_\_\_

Name of Authorized Official: \_\_\_\_\_

Title: \_\_\_\_\_

Date of Execution: \_\_\_\_\_