



Indirect Cost Rate Proposal (ICRP) Tool Kit
(Nonprofit Organizations)

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Introduction

The Federal Motor Carrier Safety Administration (FMCSA) developed this “toolkit” to assist nonprofit organizations in the preparation, submission, and review of indirect cost rate proposals (ICRP). An ICRP is the documentation that serves as the basis for the determination of the organization’s indirect cost rate. This Tool Kit contains informational guidance, forms, samples, and templates that can be used to meet the indirect cost proposal documentation standards required by 2 CFR Part 230 (formerly Office of Management and Budget ((OMB) Circular A-122). 2 CFR Part 230 also establishes the cost principles for:

1. Determining allowable direct and indirect costs, and
2. Approving indirect cost rates and indirect cost rate agreements.

Indirect costs are those incurred for common or joint purposes that benefit multiple Federal and non-Federal activities and cannot be associated with specific programs without an effort disproportionate to the cost. Examples of indirect costs are:

- Payroll Services
- Human Resources
- Procurement
- Accounting
- Executive Administration
- Facilities/Occupancy/Maintenance

An indirect cost rate is simply a device for determining fairly and conveniently within the boundaries of sound administrative principles, what proportion of indirect cost each program should bear. The indirect cost rate is the ratio of allowable indirect costs over a direct cost base that will assign a share of indirect costs in relation to benefits received. The cost principles allow recipients to use indirect cost rates under grants to reimburse themselves for these costs.

Organizations may, and often do, choose to not claim indirect costs in order to use a greater share of the grant for direct costs. However, any proposed claims for indirect costs are assessed according to whether or not an indirect cost rate agreement exists with the Cognizant Agency.

We hope the information in the toolkit helps you put together and properly document an indirect cost rate proposal.

For further information or technical assistance on the indirect cost process please contact the Grants Management Help Desk at FMCSA_GrantMgmtHelpDesk@dot.gov.

Checklist for Developing an Indirect Cost Proposal (Nonprofit Organizations)

Office of Management & Budget (OMB) Circular A-122 (Now 2 CFR Part 230) Appendix A. Section E.2.b. requires nonprofit organizations to submit their initial indirect cost rate proposal to the cognizant agency upon receipt, or notification, of a federal award. A standard nonprofit indirect cost rate proposal should include:

- 1. **Contact person information** (preferably the person who prepared the proposal)
 - Entity Name and mailing address
 - Employer Identification Number (EIN)
 - Point-of Contact Name and position title
 - Email address (very important)
 - Phone & fax numbers
 - Entity's Internet website address

- 2. Indirect cost rate calculation detailing total direct and indirect expenses by function and cost category, and subsidiary worksheets (use the below link to the Department of Labor, Section III of the Non-Profit Guide for Indirect Cost Determination at: [DOL - Examples of Exhibits to Support Indirect Cost Rate Proposals](#)).

- 3. Reconciliation of the indirect cost rate calculation to an audited financial statement, expenditure report, or approved budget.

- 4. Most recently completed single audit report, if applicable.

- 5. Most recent Internal Revenue Service Form (IRS 990).

- 6. Breakdown of indirect cost salaries by position title, amount, and percentage.

- 7. A Cost Policy Statement (sample attached).

- 8. Signed "Certificate of Indirect Costs".

- 9. A depreciation schedule if depreciation is included as indirect costs.

- 10. Percentage of Federal funds in the indirect cost rate base.

- 11. The most recent organizational chart.

- 12. A list of sub-awards or sub-contracts that are given out by the organization (required for modified total direct cost (MTDC) base, only).

- 13. Schedule of Direct Federal funding by Catalog of Federal Domestic Assistance (CFDA) number for the most recently audited year.
- 14. Identify any costs associated with:
 - Lobbying \$ _____
 - Entertainment \$ _____
 - Fundraising \$ _____
- 15. Schedule of any volunteer services and hours by job function and fair market value of the services provided.
- 16. A break-out of fringe benefit costs.
- 17. A copy of the last approved indirect cost rate agreement.
- 18. Method for allocating rent/facility costs (square footage, FTEs, salaries, etc.)

ABC NONPROFIT ORGANIZATION
MODEL COST POLICY STATEMENT

The following model Cost Policy Statement is intended to be used as guidance for nonprofit organizations that seek reimbursement for indirect costs under Federal awards. The model assumes that the ABC Nonprofit Organization uses the direct allocation basis of charging costs. That is, in addition to direct costs, ABC has in place accounting procedures which enable it to direct charge some costs that would otherwise be considered indirect costs (see, for example, the description below as to how photocopy costs are charged).

I. General Accounting Policies:

- A. Basis of Accounting – Accrual Basis
- B. Fiscal Period – July 1 through June 30
- C. Allocation Basis – Direct Allocation Basis
- D. Indirect Cost Rate Allocation Base – Salaries and Wages including Applicable Fringe Benefits
- E. Fringe Benefit Allocation Base – (If ABC Nonprofit Organization needed a fringe benefit rate, it would describe it at this point)
- F. ABC maintains adequate internal controls to ensure that no cost is charged both directly and indirectly to Federal contracts or grants.
- G. ABC accumulates all indirect costs and revenues in accounts titled, “Indirect Cost-Expense” and “Indirect Cost-Revenue” respectively.

II. Description of Cost Allocation Methodology:

- A. Salaries and Wages:
 - 1. **Direct Costs** – The majority of ABC’s employee’s direct charge their salary costs since their work is specifically identifiable to specific grants, contracts, or other activities of the organization such as lobbying, fund raising, or providing services to members. These charges are supported by auditable time records which reflect the actual activities of employees.
 - 2. **Indirect Costs** – The following staff charge 100% of their salary costs indirectly:

- Executive Director
- Chief Financial Officer
- Personnel Officer
- Secretary to the Executive Director
- Receptionist

3. **Mixed Charges** – The following employees may charge their salary costs to both direct and indirect activities:

- Project Officer
- Director of Operations
- Data Entry Clerk

The distinction between direct and indirect is primarily on functions. For example, when the positions shown are performing functions that are necessary and beneficial to all programs they are indirect. When functions are specific to one program they are direct because they do not benefit all.

Auditable time records, which reflect the actual activities of employees, are maintained to support the mix of direct/indirect charges. These time records are certified by the Executive Director.

Release time costs (vacation leave earned, sick leave used, and holiday pay) are considered part of salary costs. Consequently, separate claims for release time costs are not made. ABC's accounting system records release time as a direct or indirect cost in the same manner that salary costs are recorded. Vacation leave earned but not used during each fiscal period is recorded as a cost in the period earned.

B. Fringe Benefits:

ABC contributes to the following fringe benefits for its employees: unemployment insurance, workers' compensation, F.I.C.A., health insurance, and matching contributions to a defined benefit pension plan.

Since ABC's accounting system tracks fringe benefit costs by individual employee and charges those costs directly or indirectly in the same manner as salary and wage costs are recorded, ABC does not need to have a fringe benefit rate established.

C. Travel:

Travel costs are charged either as a direct charge or an indirect charge depending upon the predominant purpose of the trip. Costs incurred for travel are supported by auditable travel vouchers and costs are limited to those allowable under the Federal Travel Regulations, unless expressly allowed by a contract or grant.

D. Board Expenses:

Board expenses charged on an indirect basis are for travel to/from Board meetings (limited to expenses allowed under the Federal Travel Regulations) and an annual fee of \$250 paid to each Board member. Other Board expenses are absorbed by ABC and are not charged either directly or indirectly to Federal contracts or grants.

E. Supplies and Material:

To the maximum extent possible, office supplies and materials are direct charged to the contract/grant which uses the supplies or materials. Supplies and materials used by staff who are engaged in indirect activities will be charged on an indirect basis.

F. Occupancy Expenses:

Rent – ABC occupies space it leases from Lessor Corporation. The lease provides for equal monthly payments during the term of the lease. Monthly lease costs are allocated, based on square footage, directly and indirectly as follows:

1. Direct Costs – The cost of space occupied by staff whose salaries are charged to costs directly.
2. Indirect Costs – The cost of space occupied by staff whose salaries are charged to costs indirectly.
3. Mixed Charges – The cost of space for staff whose salaries are charged on a mixed basis will be allocated on a mixed basis in the same ratio as their salaries are allocated.

The cost of space required for common rates (hallways, restrooms, and ABC's conference room) will be accounted for as an indirect cost.

ABC has developed a floor plan which identifies what areas are designated as direct and indirect charge space (based on square footage).

G. Utilities:

ABC's lease includes the costs of all utilities except electricity. The cost of electricity is charged directly and indirectly in the same ratio as its space costs are charged.

H. Communications:

A log is maintained of all fax transmissions. The cost of fax services is charged either directly or indirectly based upon whether a direct or indirect activity benefits from the transmission.

Long distance telephone calls are charged either directly or indirectly based upon whether a direct or indirect activity benefits from the transmission.

Local telephone service costs are prorated to direct and indirect charged based upon the number of telephone instruments assigned to ABC. Each telephone instrument is identified to either an indirect or direct activity. For example, ABC has 50 telephone instruments assigned to it; nine of the 50 instruments are assigned to the Employment and Training program. Therefore, 9/50ths of the monthly local service charges are direct charged to the E&T grant. Five of the instruments are assigned to indirect staff; therefore, 5/50's of the monthly local service charges are charged indirectly. No telephone instruments are charged on a mixed basis since the costs incurred on that basis are immaterial in amount.

ABC uses a meter system for postage charges. The postage meter has been programmed to identify the specific program or activity to charge costs against. Express mail costs are also specifically identified to the program or activity incurring the costs.

I. Photocopying and Printing:

ABC maintains a photocopy activity log. From this log, ABC is able to prorate its photocopy expenses to each program based on the specific volume of copies made for each program. Administrative personnel will record copies made to the benefiting program to the maximum extent practical. In situations where the photocopies being made by administrative personnel cannot be identified to a specific program and the matter being copied relates to the activities of ABC in general, the cost of such copies will be charged to the "Indirect Cost-Expense" account.

Printing expenses are charged to the benefiting activity.

J. Outside Services:

ABC incurs outside service costs for its annual audit, legal fees, and for staff development specialists.

The cost of the annual audit is charged indirectly.

In general, legal fees are charged directly to the benefiting program or activity.

Legal fees that are not identifiable to specific direct programs are charged indirectly.

K. Capital Items:

Capital expenditures are charged directly to programs only in cases where a contract or grant specifically authorizes such charges. No capital item is charged indirectly. The cost of capital items purchased with non-Federal funds are recovered through depreciation charges.

L. Depreciation Charges:

The cost of capital items purchased with non-Federal funds which are used in a manner which benefits Federal programs are recovered through depreciation charges. ABC recovered the cost of capital items using the straight line depreciation method in accordance with Generally Accepted Accounting Principles. Depreciation charges are charged indirectly.

M. Service to Members:

The cost of activities performed primarily as a service to members, clients, or the general public are classified as direct costs and bear their fair share of indirect costs. These activities include: maintenance of membership rolls, subscriptions, publications, and related functions providing services and information to members, legislative or administrative bodies, or the public; promotion, lobbying and other forms of public relations; meetings and conferences except those held to conduct the general administration of ABC Nonprofit Organization; maintenance, protection, and investment of special funds not used in operation of ABC; and administration of group benefits on behalf of members or clients including life and hospital insurance, annuity or retirement plans, financial aid, etc...

N. Unallowable Costs:

ABC recognizes that the following costs are unallowable charges to Federal awards and has internal controls in place to ensure that such costs are not charged to Federal awards:

Fund Raising, Entertainment/Alcoholic Beverages, Lobbying, Capital Expenditures unless expressly authorized by a Federal award, Advertising costs (other than for recruitment of staff or for the disposal of property), Bad Debts, Fines and Penalties, and Contributions.

The cost of unallowable activities that benefit from the indirect cost pool will be included in the distribution base used to calculate the indirect cost rate.

(Signature)

(Date)

(Title)

ABC Nonprofit Organization
1111 Elm Street
Mount Pleasant, PA 15666

**ABC NONPROFIT ORGANIZATION
PERSONNEL COST WORKSHEET
JULY 1, 20XX TO JUNE 30, 20XX**

POSITION	ANNUAL	FICA	STATE	WC	HEALTH	RETIREMENT	TOTAL
	SALARY		UI	INSURANCE	INSURANCE		COSTS
	(A)	(B)	(C)	(D)	(E)	(F)	
EXECUTIVE DIRECTOR	\$60,000	\$4,590	\$240	\$600	\$2,400	\$4,800	\$72,630
ADMINISTRATIVE ASSISTANT	22,000	1,683	240	220	2,400	1,760	28,303
CONTROLLER	45,000	3,443	240	450	2,400	3,600	55,133
ACCOUNTANT (3)	90,000	6,885	720	900	7,200	7,200	112,905
PROGRAM PLANNER (4)	120,000	8,566	960	1,200	9,600	9,600	149,926
FIELD OPER. DIRECTOR	35,000	2,678	240	350	2,400	2,800	43,468
AREA COORDINATOR*	15,000	1,148	240	150	1,400	1,200	19,138
PROGRAM SPECIALIST	25,000	1,913	480	250	4,800	2,000	34,443
PERSONNEL DIRECTOR	40,000	3,060	240	400	2,400	3,200	49,300
PERSONNEL CLERK (3)	60,000	4,590	720	600	7,200	4,800	77,910
MIS DIRECTOR	45,000	3,443	240	450	2,400	3,600	55,133
HEAD START DIRECTOR	45,000	3,443	240	450	2,400	3,600	55,133
DATA ENTRY CLERK *	12,000	918	240	120	1,200	960	15,438
ALL OTHER POSITIONS **	700,000	53,550	12,000	7,000	120,000	56,000	948,550
	\$1,314,000	\$100,245	\$17,040	\$13,140	\$168,200	\$105,120	\$1,717,410

(A) IN THIS EXAMPLE, VACATION, HOLIDAY, SICK LEAVE AND OTHER PAID ABSENCES ARE INCLUDED IN SALARIES AND ARE AND OTHER AGREEMENTS AS PART OF SALARY COSTS. SEPARATE CLAIMS FOR THE COSTS OF THESE ABSENCES ARE NOT
 (B) FICA TAXABLE WAGES WERE COMPUTED AT: 6.2% X BASE SALARY WITH \$110,100 AS MAX TAXABLE SALARY PER
 (C) STATE UNEMPLOYMENT COMPENSATION TAXABLE WAGES WERE COMPUTED ON THE FIRST \$8,000 FOR 71 EMPLOYEES AT
 (D) WORKERS' COMPENSATION WAS ESTIMATED AT 1% OF SALARIES (1%X\$1,314,000 =
 (E) HEALTH INSURANCE IS COMPUTED AT \$200 PER MONTH PER EMPLOYEE: PAYS 50% OF COST.
 (F) RETIREMENT IS COMPUTED AT 8% OF SALARIES.

* THIS REPRESENTS EMPLOYEES WHO WILL WORK LESS THAN A TWELVE MONTH PERIOD DUE TO A GRANT NOT

** THESE POSITIONS HAVE BEEN CONSOLIDATED FOR ILLUSTRATIVE PURPOSES ONLY; ALL PERSONNEL POSITIONS MUST BE
 NOTE: THE SALARIES AND FRINGE BENEFITS INCLUDED IN THIS SCHEDULE ARE FOR ILLUSTRATIVE PURPOSES

ABC NONPROFIT ORGANIZATION

PERSONNEL COST WORKSHEET EXHIBIT NOTES:

Heading

Explanation

Position:

Identify positions on the staff; includes all staff members, both professional and non-professional.

Annual Salary:

Reflects the actual amount to be paid for that position during the year. In some cases some positions stop and start with grants/contracts; the Organization's personnel may fill more than one position during a year, but not at any one time.

F.I.C.A.:

Should be computed in accordance with the rates and maximum appropriate earnings of Social Security in effect for the period covered. This is the organization's share.

State Unemployment Compensation:

Should be computed in accordance with the rates and maximum appropriate earning of Unemployment Compensation in effect for the period covered. This is the Organization's share.

Worker's Compensation:

Costs should be obtainable either from the insurance policy or its insurance agency.

Health Insurance:

Should be the actual cost to the employer for this coverage.

Retirement:

Should be the actual cost paid by the employer for the retirement plan.

**ABC NONPROFIT ORGANIZATION
ALLOCATION OF PERSONNEL WORKSHEET
JULY 1, 20XX TO JUNE 30, 20XX**

	CURRENT	INDIRECT	DOL	DEPT OF	DOT	DOA	IMMIGRATION	DELIVERY	STATE	
POSITION		COSTS	OSTP	HHS	FMCSA	FMHA	& NATURALIZATION	AGENCY	PRIVATE	FUNDRAISING
EXECUTIVE	\$60,000	\$54,000	-		-		-	-	-	\$6,000
		(90%)								(10%)
ADMIN. ASSISTANT	22,000	22,000	-	-	-	-	-	-	-	-
CONTROLLER	45,000	45,000	-	-	-	-	-	-	-	-
SALARY										
ACCOUNTANT (3)	90,000	90,000	-	-	-	-	-	-	-	-
YEAR										
PROGRAM PLANNER	120,000	12,000	72,000	12,000	12,000	6,000	-	6,000	-	-
		(10%)	(60%)	(10%)	(10%)	(5%)		(5%)		
FIELD OPER.	35,000	5,250	8,750	5,250	3,500	1,750	3,500	5,250	1,750	-
		(15%)	(25%)	(15%)	(10%)	(5%)	(10%)	(15%)	(5%)	
AREA	15,000	-	-	-	-	-	-	15,000	-	-
PROGRAM	25,000		20,000	5,000	-	-	-	-	-	-
			(80%)	(20%)						
PERSONNEL	40,000	40,000	-	-	-	-	-	-	-	-
PERSONNEL CLERK	60,000	60,000	-	-	-	-	-	-	-	-
MIS. DIRECTOR	45,000	45,000	-	-	-	-	-	-	-	-
HEAD START	45,000	-	-	45,000	-	-	-	-	-	-
DATA ENTRY CLERK*	12,000	-	9,000	-	3,000	-	-	-	-	-
			(75%)		(25%)					
ALL OTHER	700,000		280,000	105,000	70,000	35,000	70,000	105,000	35,000	-
			(40%)	(15%)	(15%)	(5%)	(10%)	(15%)	(5%)	
TOTALS	\$1,314,000	\$373,250	\$398,750	\$163,250	\$85,000	\$42,750	\$73,500	\$131,250	\$36,750	\$6,000

** THESE POSITIONS HAVE BEEN CONSOLIDATED FOR ILLUSTRATIVE PURPOSES ONLY; ALL PERSONNEL POSITIONS MUST BE IDENTIFIED

NOTE: THE SALARIES INCLUDED IN THIS SCHEDULE ARE FOR

ABC NONPROFIT ORGANIZATION

STATEMENT OF EMPLOYEE FRINGE BENEFITS

JULY 1, 20XX TO JUNE 30, 20XX

	<u>METHOD A</u>	<u>METHOD B</u>
ANNUAL LEAVE EARNED	-	\$ 50,384
SICK LEAVE TAKEN	-	25,269
HOLIDAYS	-	<u>50,384</u>
SUB-TOTAL RELEASE TIME		\$ 126,037
FICA	\$ 100,245	\$ 100,242
STATE UNEMPLOYMENT COMPENSATION	17,040	17,040
WORKER'S COMPENSATION INSURANCE	13,140	13,140
MEDICAL INSURANCE	168,200	168,200
PENSION	<u>105,120</u>	<u>105,120</u>
TOTAL EMPLOYEE BENEFITS	\$ 403,745	\$ 529,779
	=====	=====
ALLOCATION BASE:		
TOTAL SALARIES	\$ 1,314,000	\$ 1,314,000
LESS: RELEASE TIME	<u>-</u>	<u>126,037</u>
CHARGEABLE SALARIES	-	\$ 1,187,963
		=====
EMPLOYEE FRINGE BENEFIT RATE:		
	<u>\$ 403,745</u>	=
	\$ 1,314,000	<u>30.73%</u>
	<u>\$ 529,779</u>	=
	1,187,963	<u>44.60%</u>

UNDER METHOD A:

FOR ESTIMATING PURPOSES ON BUDGETS, GRANTEEES/CONTRACTORS INCLUDE RELEASE TIME AS PERSONNEL SALARY COSTS; I.E., TOTAL SALARY. ACCORDINGLY, THE FRINGE BENEFIT POOL SHOULD EXCLUDE RELEASE TIME FOR VACATION, HOLIDAY, AND SICK LEAVE THROUGH THE FRINGE BENEFIT RATE.

THE DECISION TO USE EITHER METHOD WILL DEPEND ON THE GRANTEEES/CONTRACTORS ACCOUNTING SYSTEM AND TIME DISTRIBUTION SYSTEM.

NOTE: THESE RATES ARE FOR ILLUSTRATION PURPOSES ONLY.

ABC NONPROFIT ORGANIZATION

CERTIFICATE OF INDIRECT COSTS

I have reviewed the indirect cost proposal dated _____.

This is to certify that:

1. All costs included in the proposal submitted on _____ to establish a provisional/final indirect cost rate for the period _____ to _____, are allowable in accordance with the requirements of grants/contracts to which they apply and with the following Federal cost principles:
 - 2 CFR Part 230, Cost Principles for Non-Profit Organizations (OMB Circular A-122).
2. 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, fines and penalties, lobbying costs, and defense of fraud proceedings.
3. The requirements and standards on lobbying costs for non-profit (Circular A-122) organizations have been complied with for fiscal year ended _____.
4. All costs included in this proposal are properly allocable to Department of Transportation, Federal Motor Carrier Safety Administration and other Federal agency grants/contracts on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable Federal cost principles.

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

Organization: _____

Signature of Authorized Official: _____

Name of Authorized Official: _____

Title of Authorized Official: _____

Date: _____