



Indirect Cost Rate Policy

I. PURPOSE

The Sonoma County Human Services Department enacts the following policy for Contractor’s/Subrecipient’s allowable Indirect Cost Rate (ICR), ensuring compliance with the requirements of Federal and State regulations and allowing for flexibility depending on funding source.

II. DEFINITION OF INDIRECT COSTS

Indirect costs are agency-wide, general administrative and overhead costs (i.e., activities for the direction and control of the agency as a whole). General administrative and overhead costs consist of activities and expenses necessary for the general operation of the agency, such as rent, utilities, accounting and budgeting, directors’ salaries, personnel services, professional services such as payroll preparation or audit fees, office supplies and centralized data processing. Administrative and overhead costs allocated as direct costs cannot also be charged as indirect costs.

Definitions for all budget line items can be found in HSD’s Budget Template [here](#).

III. COST ALLOCATION PLAN

A Cost Allocation Plan (CAP) can be submitted for programs that are *not federally funded*. The CAP documents, in writing, the methods and procedures the agency uses to allocate costs to various programs, grants, contracts, and agreements. The CAP should be supported by formal accounting records, signed by an authorized official, include a process for reconciliation and adjustment, and should be periodically validated and updated. Costs are subsequently allocated in accordance with the methodology contained in the CAP.

A CAP must be submitted to the County for approval if an agency does not have a current Negotiated Indirect Cost Rate Agreement (NICRA) from a [cognizant federal agency](#) and does not elect to use the 15% de minimis ICR. *The County of Sonoma is not considered a cognizant federal agency.*

If no CAP is submitted for approval *and* there is no approved NICRA from a cognizant federal agency on file, the 15% de minimis ICR based on the Modified Total Direct Costs (MTDC) as defined in [2 CFR 200.1](#) will be applied.

IV. ALLOWABLE INDIRECT COST RATE PLAN BY FUNDING SOURCE

FUNDING SOURCE	ALLOWABLE INDIRECT COST RATE PLAN
Federal	<ul style="list-style-type: none"> • Current Negotiated Indirect Cost Rate Agreement (NICRA) from a cognizant federal agency. A copy must be provided. <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> • 15% de minimis ICR.
State, Local, Realignment, Other	<ul style="list-style-type: none"> • Current Negotiated Indirect Cost Rate Agreement (NICRA) from a cognizant federal agency. A copy must be provided. <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> • Current, County-approved Cost Allocation Plan (CAP). <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> • 15% de minimis ICR.

V. CALCULATING INDIRECT COSTS

A. USING THE COUNTY-APPROVED COST ALLOCATION PLAN

The Contractor/Subrecipient will multiply the approved indirect cost rate by the cost base used to calculate the Cost Allocation Plan (CAP).

The examples below illustrate how the CAP may be calculated based on the cost base:

Example 1:

Agency Indirect Costs divided by Total Salaries and Benefits = Indirect Cost Rate

The Indirect Cost Rate can only be applied to Total Salaries and Benefits

Example 2:

Agency Direct Costs divided by Total Program Direct Costs = Indirect Cost Rate

The Indirect Cost Rate can only be applied to Total Program Direct Costs

B. USING THE NEGOTIATED INDIRECT COST RATE AGREEMENT (NICRA)

The Contractor/Subrecipient will multiply Direct Costs less Capital Expenditures and any other Specified Items included in the Base as outlined in the NICRA.

C. USING THE 15% DE MINIMIS RATE

[2 CFR 200.414\(f\)](#) states that organizations can charge a 15% de minimis rate of Modified Total Direct Costs (MTDC). MTDC includes all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$50,000 of each subaward (regardless of the period of performance of the subawards under the award). MTDC excludes costs for equipment (over \$5,000), capital expenditures, charges for patient care, rental and lease costs, tuition remission, scholarships and fellowships, direct participant support costs, and the portion of each subaward in excess of \$50,000. Definitions of subrecipient and contractor can be found under [2CFR 200.1](#).

The example below illustrates how the MTDC is calculated:

INCORRECT CALCULATION		CORRECT CALCULATION	
Total Award:	\$1,000,000	Total Direct Cost:	\$1,000,000
		Less Excluded Costs as listed above	\$25,000
		Less Subrecipient Awards (Two awards):	\$200,000
		Subtotal:	\$775,000
		(Add back in the first \$50,000 of each Subrecipient):	\$100,000
		Total MTDC:	\$875,000
Base:	\$1,000,000	MTDC Base:	\$875,000
Indirect Rate:	15%	Indirect Rate:	15%
Indirect Cost:	\$150,000	Indirect Cost:	\$131,250

VI. RESOURCES

[The Office of Justice Programs Territories Financial Support Center Indirect Costs Guide Sheet](#)

[A Guide for Indirect Cost Determination \(Dept of Labor\)](#)

[2 CFR § 200.412 – 200.415 Direct and Indirect Costs](#)