



Local Government Indirect Cost Rate Plans - Frequently Asked Questions

What is an indirect cost rate proposal (ICAP)?

The documentation prepared by a non-Federal entity to substantiate its request for the establishment of an indirect cost rate. See 2 CFR 200.1, 200.416, and Appendix V for local gov, and IV for non-profits.

What is a negotiated indirect cost rate?

An indirect cost rate is used for determining the appropriate amount of indirect costs each program should bear. It is the ratio (expressed as a percentage) of an indirect cost pool and a particular direct cost base. *Indirect Cost Pool / Direct Cost Base = Indirect Cost Rate %*.

Why does my organization need an indirect cost rate?

To be reimbursed for indirect expenses associated with a project or program a local government must have a state or federally negotiated indirect cost rate from the cognizant agency, or if eligible they may elect to use the 15% de minimis rate of modified total direct costs (MTDC). No indirect costs will be reimbursed without an approved rate. If an ICAP rate cannot be approved, or if the local government chooses not to provide the required ICAP documentation, then invoices to ODOT will be paid on direct costs only.

What is a cognizant agency? The Federal agency designated to carry out the responsibilities. See 2 CFR 200.1. If your organization is not able to get a cognizant agency review, you may elect to have ODOT review a rate for ODOT use.

What are Direct Costs? Costs that can be specifically identified with a particular final cost objective (ie, a particular award, service or direct activity. Examples: (Not Limited to the Following):
•Employee Compensation Directly Related to the Cost Objective •Cost of Materials Directly Related to the Cost Objective •Equipment Costs Directly Related to the Cost Objective •Travel Expenses Directly Related to the Cost Objective – See 2 CFR 200.413

What are Indirect costs? Costs that are incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. Examples: (Not Limited to the Following): •Office Supplies •Rent •General Training •Executive Management Costs •Information Technology •Human Resources •Accounting Costs. See 2 CFR 200.414

What is a cost objective? means a program, function, activity, award, organizational subdivision, contract, or work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, jobs, capital projects, etc. See 2 CFR Subpart A, 200.1 Definitions. Examples: (Not Limited to the Following): •Construction Projects •Individual Grant Programs with a specific outcome

What are unallowable costs? See 2 CFR 200.403 and 2 CFR 200.421 through 200.476 for more information on unallowable or factors affecting allowability of costs.

How do I submit an ICAP to ODOT for Review?

Per 2 CFR 200, Appendix VII, section D1d the ICAP must be submitted annually, within 6 months after the close of each fiscal year. For example ODOT uses costs data from fiscal year 2022 to develop rates for fiscal year 2024.

If you already have an approved ICAP from your cognizant agency, please provide a copy of the letter to the email address below for our records.

Approved rates should match the Intergovernmental Agreement (IGA). Indirect cost rate plans (ICAP) will be reviewed according to 2 CFR 200, Appendix VII. And the Guide for Indirect Cost Rate Determination.

If you require ODOT review and approval of your ICAP per 2 CFR 200, submit required documents electronically: Attention Debra Burger at email address: ODOT_LOCAL_GOV_ICAPS@oregon.gov

- A transmittal letter requesting review of your indirect cost rate plan with organization charts
- A certification that the costs and calculations are true and correct.
- Narratives to substantiate the ICAP, with reference to current project and your ODOT contact
- Narratives for changes from your last submittal including rates or costs that have increased over 15% from your previous submittal. Narrative should include explanation of direct, indirect and unallowable costs.
- Final ICAP calculations with supporting worksheets by department, classified by direct, subtracting any unallowable costs, with appropriate carry forward adjustment if applicable.
- A summary reconciliation of costs to organizational financial statements. 2 CFR 200.510

Tips to expedite the review.

- Clearly state the name and title for who will sign the ICAP agreement for your organization.
- Send a sample invoice to demonstrate how the ICAP rate will be applied to the cost base.

What is a De Minimis Rate? Some local governments may qualify to apply for a 15% de minimis rate. If the de minimis rate applies send a letter to ODOT certifying the use of a 15% De Minimis rate. If qualified ODOT will issue a letter asking for certification of the following information: If approved the rate should be consistently used. The rate must be referenced in the Intergovernmental Agreement IGA. The local government may apply for an ICAP rate any time. 200.414 (f), 200.403.

After 10/1/2024, local governments may qualify to apply for a 15% de minimis rate if:

- The local government has never received more than 35 million in direct federal funding
- The local government has never received a negotiated indirect cost rate
- The local government certifies that the de minimis rate will only be applied to modified direct costs as defined below, and the consistent application of direct and indirect costs, and that the rate will not be applied to otherwise unallowable costs.

What are Modified Total Direct Costs (MTDC)? 2 CFR 200.68. MTDC means 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 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 \$50,000.
- Other items may be excluded. For example, ODOT interprets MTDC to exclude contractor payments.
- The de minimis rate prior to October 1, 2024, was 10% up to the first \$25,000 of modified total direct costs. Rates are subject to the appropriate application for the correct billing period.

What are Unallowable Costs?

See the following 2 CFR 200 references for further explanation of unallowable or limited costs regarding the following topics

- 200.421 – advertising for public relations
- 200.422 – Advisory council costs
- 200.423 – alcoholic beverages
- 200.424 – alumni/activities
- 200.425 – audit services
- 200.426 – bad debts
- 200.427 – bonding costs
- 200.428 – costs incurred for collection of improper payments
- 200.429 – commencement and convocation costs
- 200.430 – some personal services compensation
- 200.431 – some fringe benefit costs
- 200.432 – conferences
- 200.433 – contingency provisions
- 200.434 – contributions / donations
- 200.435 – defense/prosecution of criminal or civil proceedings
- 200.436 – depreciation except with prior approval by cognizant agency
- 200.437 - some health/welfare costs
- 200.438 – entertainment costs
- 200.439 – equipment capital expenditures
- 200.440 - exchange rates
- 200.441 – fines, penalties, damages and other settlements
- 200.442 – fund raising/investment management costs
- 200.443 – gains/losses on disposition of depreciable assets
- 200.444 – general cost of government
- 200.445 – goods/services for personal use
- 200.446 – idle facilities and idle capacity
- 200.447 – insurance and indemnification
- 200.448 – intellectual property
- 200.449 – interest
- 200.450 – lobbying
- 200.451 – losses on other awards or contracts
- 200.452 – maintenance and repair costs paid through rental agreements
- 200.453 – materials and supplies for computing devices
- 200.454 – memberships, subscriptions, and professional activity costs
- 200.455 – organization costs, such as incorporation fees, brokers fees, etc
- 200.456 – participant support costs unless prior approval of federal awarding agency
- 200.457 – some costs for plant and security costs
- 200.458 – pre award costs
- 200.459 – some professional services costs
- 200.460 – some proposal costs
- 200.461 – limits to some publication and printing costs
- 200.462 – rearrangement and reconversion costs
- 200.463 – recruiting costs
- 200.464 – relocation costs for employees

200.465 – limitations for rental costs of real property and equipment
200.466 – limitations for scholarships and student aid costs
200.467 – selling and marketing costs
200.468 – limitations for specialized service facilities
200.469 – student activity costs
200.470 – limitations for taxes
200.471 – limitations for some telecommunication costs and video surveillance
200.472 – termination costs
200.473 – general employee development training and education costs
200.474 – limitation for some transportation costs
200.475 – limitations for travel costs
200.476 – limitations for trustee fees

How do I find out more information?

Questions can be sent to Debra Burger at email address: ODOT_LOCAL_GOV_ICAPS@odot.oregon.gov
or call 503-986-3916.