



FACT SHEET

Indirect Costs



As a pass-through entity for Federal Education funds, the Nebraska Department of Education (NDE) is providing this **Indirect Cost Fact Sheet** to assist Federal program subrecipients in the management and implementation of policies and/or procedures required for indirect costs using Federal dollars.

This information is being provided by the NDE as general compliance guidance only. Subrecipients of Federal funds should refer to the full text of the regulations which can be found at [Electronic Code of Federal Regulations \(eCFR\)](#) when developing their own indirect costs policies and procedures.

Subrecipients of Federal funds are solely responsible for meeting all applicable Federal regulations.

Grant Reimbursement

Non-Federal entities of grants awarded by the NDE are paid on allowable expenditures incurred by the non-Federal entity and submitted for reimbursement through the Grants Management System (GMS). The GMS reimbursement method is the only method used and reduces the risk associated with advancing funds which relies solely on the subrecipient's written procedures and financial management systems for fund control and accountability.

Key Financial Management Requirements

This section highlights major administrative requirements of 2 CFR Part 200 for administering the Nebraska CARES Act ESSER subgrant award.

Indirect Costs [2 CFR Part 200.332](#) (4)(d)

(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 in 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 on a prior negotiated rate between a different PTE and the same subrecipient. If basing the rate on a previously negotiated rate, the pass-through entity is not required to collect information justifying this rate, but may elect to do so;

Approvals

- The Nebraska Department of Education is authorized by the US Department of Education to approve the indirect rates for LEAs in NE



What Factors Affect The Allowability of Costs?

2 CFR 200.403 Factors affecting allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also § 200.306(b).
- (g) Be adequately documented. See also §§ 200.300 through 200.309 of this part.
- (h) Cost must be incurred during the approved budget period. The Federal awarding agency is authorized, at its discretion, to waive prior written approvals to carry forward unobligated balances to subsequent budget periods pursuant to § 200.308(e)(3).

Examples of Unallowable Costs?

The items listed below are generally deemed unallowable under 2 CFR Part 200. This list is not intended to be a comprehensive list of all unallowable costs. Further, some of the items listed may have exceptions, so the specific sections have been provided for further review.

- Certain types of advertising and public relation costs (§200.421)
- Alcoholic beverages (§200.423) • Bad debt expense (§200.426)
- Contingency provisions (§200.433)
- Contributions or donations (§200.434)
- Entertainment Costs (§200.438) • Fines and penalties (§200.441)
- Fundraising and investment management costs (§200.442)
- General Costs of Government (salaries of the chief executive, salaries of the board, etc.) (§200.444)
- Goods or services for personal use (§200.445)
- Lobbying (§200.450)
- Selling and marketing (§200.467)
- Capital Projects

Link to 2 CFR Part 200

- <http://ecfr.io/Title-2/Part-200>
- Go to Subpart E
- Sections §200.420 through §200.475 discuss unallowable costs in detail.

Definitions (2 CFR 200.1)



Indirect (facilities & administrative (F&A)) costs means those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

Indirect cost rate proposal means the documentation prepared by a non-Federal entity to substantiate its request for the establishment of an indirect cost rate as described in appendices III through VII and appendix IX to this part.

Federal Compliance Monitoring

As part of the NDE's annual Federal Compliance Monitoring program, staff from the NDE Office of Budget & Grants Management may review records and the subrecipient's policies and/or procedures used for indirect costs using Federal dollars. The Grant Compliance Auditors will use the requirements of 2 CFR 200 and other applicable Federal Codes and requirements when completing such reviews.

Technical Assistance

Please feel free to contact the Grants Compliance staff should you have any questions relative to the contents of this document.

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This document is not a substitute for the advice of your own attorney and/or law firm licensed to practice law in the state of Nebraska. In reading and applying Federal law, the NDE recommends LEAs seek and obtain the advice of counsel with questions of application, interpretation, and/or to ensure that use of this information is appropriate to your situation.

