

Indirect Costs Instructions

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Defining Indirect Costs

Indirect costs are costs of an organization that are not readily assignable to a particular project, but are necessary to the operation of the organization and the performance of the project. Indirect costs are those that benefit more than one activity and are common or joint purpose costs. For example, costs of an office manager/receptionist position that answers general phone calls, greets clients, etc. are considered indirect costs.

According to §2 CFR Part 200.56, indirect costs are defined as:

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.

The salaries of administrative and clerical staff should generally be treated as indirect costs. Salaries of administrative/clerical staff may be appropriate to include **as direct costs ONLY if ALL** of the following conditions are met:

1. Administrative or clerical services are integral to a project or activity;
2. Individuals involved can be specifically identified with the project or activity;
3. Such costs are explicitly included in the budget or have the prior written approval of the awarding agency; and
4. The costs are not also recovered as indirect costs.

Requesting Indirect Costs

Requesting indirect costs is optional. You do not have to request indirect costs, but if you choose to, it is allowable.

To calculate indirect costs, **you must first determine the Modified Total Direct Costs (MTDC)** amount of your budget. Indirect costs that can be requested are **not based on the entire project budget**, but on the MTDC amount.

You have two options when requesting Indirect Costs: using a formal **Indirect Cost Rate Agreement (ICRA)** or using a **“De Minimis” rate**. These two options are outlined below.

- I. Indirect Cost Rate Agreement (ICRA)
 - This is a formal rate agreement that an organization has applied for and received from the federal cognizant agency (DCJS does not approve ICRA's)
 - Organizations will have a letter or other documentation that lists the federally-negotiated rate

- The rate in the ICRA must be accepted, unless otherwise specified by federal awarding agency
- Can request the percentage (as outlined in the ICRA) of the Modified Total Direct Costs (MTDC) of their budget for indirect costs

II. “De Minimis” Rate

- This can be used by organizations that have never had a federally-approved Indirect Cost Rate Agreement
- Can use a rate of up to 10% of the Modified Total Direct Costs (MTDC) of their budget for indirect costs

Use the “MTDC Worksheet” to calculate your MTDC amount. The Worksheet will also calculate the amount of indirect costs that you can request.

If Indirect Costs are requested, you must submit two additional documents with your grant application:

1. MTDC Worksheet (Excel document)

AND

2. Certification of De Minimis Indirect Cost Rate form

OR

A copy of your agency’s Indirect Cost Rate Agreement letter/documentation

You are not required to describe or itemize what is included in the indirect costs.

Additional Indirect Costs Reporting Requirements

For organizations that request and receive Indirect Costs, the **MTDC Worksheet must be completed each quarter, based on actual expenses.**

The actual MTDC amount will determine the amount of Indirect Costs to be reimbursed for that quarter. In other words, the amount of Indirect Costs reimbursed should/will vary from quarter to quarter. The amount of Indirect Costs requested for reimbursement each quarter cannot simply be the total for the year divided by four; the amount must be based on actual MTDC amounts.

The MTDC Worksheet should be emailed to grantsmgmt@dcjs.virginia.gov each quarter.