**UNIFORM GUIDANCE (2 CFR 200) AND INDIRECT (F&A) COSTS**

2 CFR 200.414 details the Uniform Guidance’s requirements for the treatment of indirect (F&A) costs. Key aspects of this section include:

1. Facilities and Administration (F&A) Classification: Establishes that there are two (2) broad categories of indirect costs for institutions of higher education (IHE) and major nonprofit organizations: *Facilities* and *Administration*. The expense types commonly associated with each category are defined.
2. Diversity of Nonprofit Organizations: Recognizes that nonprofits may have “diverse characteristics and accounting practices.” Stresses that identification of a cost with a Federal award is the determining factor in distinguishing direct costs from indirect costs.
3. Federal Agency Acceptance of Negotiated Indirect Cost Rates: Stipulates that Federal agencies must accept federally negotiated indirect cost rates. Allows for deviations, but only if required by Federal statute or regulation, or if approved by agency head or delegate based on a formal written justification.
4. Pass Through Entity (PTE) Requirements: Underscores that PTEs issuing subawards must comply with 2 CFR 200.331(a)(4), which requires that subrecipient agreements must use the subrecipient’s Federally negotiated rate; or if a negotiated rate does not exist, either (1) a rate negotiated specifically between the PTE and the subrecipient, or (2) a 10% de minimis indirect cost rate.

***The VPR and SVPBF Offices have determined that ISU will not negotiate indirect cost rates with subrecipients. Therefore, ISU subrecipients must have a federally negotiated indirect cost rate, or the subrecipient must accept the 10% de minimis indirect cost rate.***

1. Requirements for Development and Submission of Indirect Cost Rate Proposals: Guidance for indirect cost rate proposals and cost allocation plans are outlined in Appendices III-VII and Appendix IX.
2. De Minimis Rate of 10%: Allows a non-Federal entity to use a de minimis indirect rate of 10% indefinitely if it has never received a Federally negotiated indirect cost rate. If this methodology is used, it must be applied consistently and will remain in effect until the entity establishes a negotiated indirect cost rate with the Federal government.
3. Extensions of Federally Negotiated Indirect Cost Rates: A non-Federal entity may apply for a one-time extension of its negotiated rate for a period of up to four (4) years. Subject to review and approval of cognizant Federal agency. Entity must apply to negotiate a new rate at the end of the four year period.

**SOME HELPFUL TIPS**

1. Remember that the Uniform Guidance applies to financial assistance agreements (grants or cooperative agreements) that are Federally-funded or are Federal flow-through funds. These requirements do not apply to agreements from non-Federal sponsors, unless those agreements are funded from a Federal pass through entity (flow-through funds).
2. ISU’s current F&A rate agreement was negotiated with the Federal government (Department of Health and Human Services) in 2012 and is valid through 6/30/2016. F&A rates from that agreement should be used in every proposal to, and agreement with the Federal government, unless a deviation exists. See (c) above.
3. Pay close attention to subrecipients during the proposal phase. Peer institutions of higher education will likely have a Federally negotiated rate. Subrecipients that are commercial entities or nonprofit organizations will require closer attention to confirm the use of the correct indirect cost rate.
4. If a subrecipient does not have a Federally negotiated indirect cost rate, the subrecipient must accept the 10% de minimis rate. Ideally, identification of the correct indirect rate would occur before submittal of the ISU proposal to the Federal agency. If not done at time of proposal, the subrecipient will be required to submit a revised budget to ISU before the subaward is executed.