



# THE NATIONAL SCIENCE FOUNDATION

## Indirect Cost Rate Proposal Submission Procedures

*Division of Institution and Award Support*

### **Applicability**

These procedures govern the submission of a formal indirect cost rate proposal to the National Science Foundation (NSF).

NSF only negotiates indirect cost rates with those entities who receive the preponderance of their direct funding from the agency. Organizations who function solely as subrecipients (and who do not receive their funding direct from NSF) should negotiate an indirect cost rate with the prime awardee, in accordance with 2 CFR §200.332.

### **Awardees that are new to the National Science Foundation**

Potential NSF awardees who do not hold a formally negotiated indirect cost rate agreement (NICRA) with a federal agency and who wish to request indirect costs in excess of the 10% *de minimis* rate (as authorized by 2 CFR §200.414(f)) should be prepared to submit an indirect cost rate proposal as part of the Prospective New Awardee Guide. This proposal should be submitted to the Division of Grants and Agreements (DGA) along with the rest of the New Awardee Package.

### **Existing NSF awardees that do not hold a formally negotiated indirect cost rate agreement (NICRA)**

Existing NSF awardees who do not hold a formally negotiated indirect cost rate agreement (NICRA) with a federal agency and who have requested indirect costs in excess of the 10% *de minimis* rate (as authorized by 2 CFR §200.414(f)) should be prepared to support the rate requested through the calculations and documentation contained in these indirect cost rate proposal submission procedures. This documentation only needs to be submitted to NSF upon NSF's request.

### **Awardees that negotiate a NICRA with NSF as the cognizant agency for indirect costs**

Organizations that have previously established a NICRA with NSF must submit a new rate proposal to the Cost Analysis and Pre-Award Branch (CAP) within six months after the close of the organization's fiscal year.<sup>1</sup>

Submissions should be mailed to:

#### **The National Science Foundation**

Division of Institution and Award Support  
ATTN: Cost Analysis and Pre-Award Branch (CAP) – Indirect Costs  
2415 Eisenhower Avenue  
Alexandria, VA 22314

Electronic submissions are encouraged and may be sent to: [bfacapdc@nsf.gov](mailto:bfacapdc@nsf.gov).

**November 2020**

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<sup>1</sup> Awardees that have not previously negotiated an ICR with NSF must submit their proposals no later than three months after the effective date of an award.



## Checklist of Required Documents

The following documentation is required to be submitted as part of the organization's indirect cost rate proposal:

- \_\_\_\_\_ **1) Cover Letter** indicating the organization's requested period(s) covered by the rate(s), the type of rate(s), and the allocation base(s).
- \_\_\_\_\_ **2) Organizational Information.** The documents listed below must be submitted as part of an organization's first rate negotiation with NSF. Only revisions need to be submitted with subsequent proposals.
- A. \_\_\_\_\_ **Organizational Profile** – the organizational profile provides the basic structure of the organization and should include, at a minimum, the following components:
- A statement of major activities performed at the organization, including a description of the organization's mission, services performed for the general public, member services, fundraising, lobbying, research grants and contracts, etc. (should be 1-2 pages in length).
  - Organizational chart(s) and any information or material explaining the various services and functions of each unit
  - Based on the information provided in the statement of major activities, describe which services are allowable and allocable to federal grants and contracts, under 2 CFR §200 Subpart E, or FAR Part 31, as applicable
  - Based on the organizational charts, indicate which units are indirect (administrative) functions of the organization
- B. \_\_\_\_\_ **Signed Cost Policy Statement (CPS)**<sup>6</sup>. The purpose of the CPS is to establish a clear understanding between the organization and the federal government regarding what costs will be charged directly and what costs will be charged indirectly. The CPS also provides awardee personnel with a record of the awardee's practices in the event of personnel changes. The CPS should include the following information:
- i. *Statement on general accounting policies*, including, but not limited to:
    - a. Basis of accounting (accrual or cash basis)
    - b. Fiscal year end
    - c. Method of allocating indirect costs
    - d. Statement of allocation base for the indirect cost rate
    - e. Statement of allocation base for the fringe benefits (if using a fringe benefit rate)
    - f. Accounting system software description
  - ii. *Statements for each general ledger expense account* (or cost element). Indicate whether each account is used to record direct or indirect expenses. For those accounts related to activities that are sometimes charged as both direct and indirect costs, indicate the circumstances under which the determination is made. Example accounts include, but are not limited to:
    - a. Salaries and wages
    - b. Fringe benefits, including a statement of how fringe benefits are charged (e.g., actual basis by employee, via a fringe benefit rate, etc.) and a statement of the treatment of compensated leave costs (e.g., vacation, holiday, sick leave, etc.)

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<sup>6</sup> For additional guidance on preparing a CPS, you may refer to one of the applicable guides listed below. These guides provide similar but different components to the above CPS requirements:

Non-profit organizations - Refer to one of the following ICR guides:  
DOL: <http://www.dol.gov/oasam/boc/dcd/np-comm-guide.htm>  
HHS: <https://rates.psc.gov/fms/dca/np1.html>

For-profit organizations - Refer to one of the following ICR guides:  
DCAA's ICR guide at <http://www.dcaa.mil/ice.htm>  
DOL: <http://www.dol.gov/oasam/boc/dcd/np-comm-guide.htm>

[Larger non-profit organizations may also find the DCAA ICR guidance helpful]

- c. Travel
  - d. Board expenses
  - e. Supplies and materials
  - f. Occupancy expenses
  - g. Utilities
  - h. Communications
  - i. Photocopying and printing
  - j. Outside services
  - k. Capital items
  - l. Depreciation
  - m. Services to members
- iii. *Allocation methodology.* For each of the above general ledger accounts in which costs are allocated to more than activity, describe the method used to allocate the costs (e.g., actual usage, square feet, cost of space, volume, etc.)
- C. \_\_\_\_\_ **Statement on Unallowable Costs.** The statement will include the following:
- A description regarding the accounting treatment of unallowable costs
  - Methods and controls in place to segregate unallowable costs
  - List of expense accounts to which the unallowable costs are charged
- D. \_\_\_\_\_ **Employee Time Sheet Sample.** The sample should provide for the distribution of hours to direct and indirect functions.
- E. \_\_\_\_\_ **ICR Preparation Policies and Procedures.** Provide the organization's written policies and procedures describing how the organization prepares its annual ICR proposal.

\_\_\_\_\_ **3) Finalized financial reports for the year under review, including:**

- A complete copy of the audited financial statements.
- A copy of the Single Audit Report (previously OMB A-133 audit). If the audit report is not available (or if the organization is not subject to annual single audits), then the organization's federal tax return for the year should be submitted.

\_\_\_\_\_ **4) Indirect cost rate (ICR) calculation (see samples in Attachment III).<sup>7</sup>** The calculation should:

- Detail indirect expenses by function and cost category
- Detail fund distribution of the direct cost base by function and cost category
- Reconcile to the financial statements for the applicable fiscal year. *All differences must be thoroughly explained.* In the case of large differences, a cross-walk that shows how the calculation reconciles to the financial statements should be included.

\_\_\_\_\_ **5) Allocation of Salaries and Wages (see sample in Attachment I).** This schedule shows the positions, functions, and annual salaries for the people who charge a portion of their time to the indirect cost pool (include employees who charge 100 percent of their effort to indirect tasks as well as employees who split time between direct and indirect tasks)

\_\_\_\_\_ **6) Statement of Employee Benefits (see sample in Attachment II).** This schedule shows the actual costs of applicable employee fringe benefit expenses (such as vacation, sick leave or holiday pay, payroll taxes, employee health insurance, retirement contributions, etc.). Fringe benefits are taken into consideration in determining the reasonableness of personnel compensation. *Note:* The CPS should provide a description of the treatment of fringe benefits, whereas this statement shows actual costs included in the employee fringe benefit pool.

\_\_\_\_\_ **7) Identification and Description of any Unusual Factors Which Affect the Proposed Rates** (such as anticipated increase or decrease on business, non-recurring costs, extenuating factors, or any memoranda

<sup>7</sup> For a sample ICR proposal, please refer to the following HHS guide: [https://rates.psc.gov/fms/dca/np\\_exall2.html](https://rates.psc.gov/fms/dca/np_exall2.html)











**Sample Indirect Cost Rate Calculation (for-profit organizations)**

Note: The amounts, cost categories and allocations reflected in this sample are for illustrative purposes only.

**Indirect Cost Rate Calculation**

**Total Expenditures for fiscal year ended December 31, 20XX**

COST CATEGORY	TOTAL COSTS	ADJUSTMENTS	INDIRECT COSTS	MODIFIED TOTAL	-----DIRECT PROGRAMS AND ACTIVITIES-----			
	(1)	(2)		DIRECT COSTS	PROJECT A	PROJECT B	PROJECT C	IR&D
				(MTDC)	(NSF)	(DOE)	(NASA)	(4)
Salaries and Wages	\$1,131,382	\$0	\$168,141	\$963,241	\$433,708	\$142,236	\$299,472	\$87,825
Subtotal Labor:	\$1,131,382	\$0	\$168,141 (3)	\$963,241 (B)	\$433,708	\$142,236	\$299,472	\$87,825
Payroll Taxes (FICA, etc.)	\$86,551		\$86,551	\$0	\$0	\$0	\$0	\$0
Health Insurance and Other Benefits	\$179,433		\$179,433	\$0	\$0	\$0	\$0	\$0
Consultant Fees	\$68,625		\$0	\$68,625	\$27,886	\$12,862	\$22,642	\$5,235
Depreciation	\$1,511		\$1,511	\$0	\$0	\$0	\$0	\$0
Staff Development	\$1,897	(\$639)	\$1,258	\$0	\$0	\$0	\$0	\$0
Equipment	\$25,677	(\$25,677)	\$0	\$0	\$0	\$0	\$0	\$0
Legal & Accounting	\$18,624		\$18,624	\$0	\$0	\$0	\$0	\$0
Materials and Supplies	\$63,625		\$18,671	\$44,954	\$21,479	\$3,345	\$18,484	\$1,646
Computer Services	\$79,370		\$23,529	\$55,841	\$34,063	\$0	\$21,778	\$0
Postage and Telephone	\$5,931		\$5,931	\$0	\$0	\$0	\$0	\$0
Printing and Publication	\$2,270		\$540	\$1,730	\$932	\$364	\$434	\$0
Rent	\$110,520		\$110,520	\$0	\$0	\$0	\$0	\$0
Utilities	\$9,383		\$9,383	\$0	\$0	\$0	\$0	\$0
Travel	\$23,672		\$6,740	\$16,932	\$7,249	\$3,318	\$5,631	\$734
Subawards	\$48,646	(\$22,734)	\$0	\$25,912	\$16,330	\$0	\$9,582	\$0
Subtotal non-labor:	\$725,735	(\$49,050)	\$462,691	\$213,994	\$107,939	\$19,889	\$78,551	\$7,615
<b>TOTAL</b>	<b>\$1,857,117</b>	<b>(\$49,050)</b>	<b>\$630,832 (A)</b>	<b>\$1,177,235 (C)</b>	<b>\$541,647</b>	<b>\$162,125</b>	<b>\$378,023</b>	<b>\$95,440</b>

**Calculation of the Rate:**

*Direct Salaries and Wages Distribution Base*

Indirect Costs	\$630,832 (A)		
Salaries and Wages	\$963,241 (B)	=	<b>65.49%</b>

**OR**

*Modified Total Direct Costs (MTDC) Base*

Indirect Costs	\$630,832 (A)		
Base (MTDC)	\$1,177,235 (C)	=	<b>53.59%</b>

→ An organization can choose ONE of the two bases shown. Regardless of what base is chosen, the total indirect costs in this example (\$630,832) did not change. The only thing that changes is the distribution base.

**Notes:**

- The indirect cost proposal should be based on actual cost data for the most current ended accounting year and should be submitted with the financial statements (F/S) for that year. The total amount of expenses per the indirect cost proposal should be reconciled to the total expenses reported in the F/S. A second "budgeted" indirect cost proposal(s) should be provided if it is expected that the indirect cost rate will change significantly during the actual period of the award (if covering more than one accounting year, a proposal should be provided for each year). Where projected costs in any particular cost category have significantly increased, an explanation for the increase should be provided.
- Both direct costs and indirect costs shall exclude capital expenditures. Unallowable costs are also excluded, unless they 1) include the salaries of personnel, 2) occupy space, and (3) benefit from the organization's indirect costs; in which case they are included as a direct cost (see applicable cost principles which identify other unallowable costs). Distorting items such as subawards in excess of \$25,000 (per subaward) and participant support costs should be excluded from the distribution base.
- Fringe benefits, including FICA, non-work time, health, etc., in this example are included in the indirect cost pool and therefore would not be proposed as a separate direct cost element. (Although not separately itemized, vacation, holiday and sick are included in the indirect salaries and wages amounts in this example.) It can be appropriate, however, to segregate fringe type costs and allocate these costs to direct and indirect salary and wage categories in determining total indirect and direct amounts. It would then be appropriate to propose fringe benefits as a separate rate applied to direct salaries and wages.
- NSF does not fund Independent Research and Development (IR&D) costs either directly or indirectly. Therefore, while IR&D should not be proposed as direct costs, these costs must be treated as a direct cost in indirect cost rate calculations.

## LOBBYING COST CERTIFICATE

I hereby certify that the \_\_\_\_\_  
(Name of organization)

has complied with the requirements and standards on lobbying costs in 2 CFR §200 for the following  
period: \_\_\_\_\_  
(fiscal year covered by indirect cost proposal)

Organization: \_\_\_\_\_

Signature: \_\_\_\_\_

Name of Official (printed): \_\_\_\_\_

Title: \_\_\_\_\_

Date of Execution: \_\_\_\_\_

CERTIFICATE OF INDIRECT COSTS

This is to certify that to the best of my knowledge and belief:

- (1) I have reviewed the indirect (F&A) cost proposal submitted herewith
(2) All costs included in this proposal dated... to establish billing or final indirect (F&A) costs rates for fiscal year(s) ended... are allowable in accordance with the requirements of the federal awards to which they apply and with the federal cost principles; i.e., (please check those applicable costs principles):

2 CFR §200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

Federal Acquisition Regulation (FAR), Subpart 31.2, Contracts with Commercial Organizations

- (3) This proposal does not include any costs which are unallowable under applicable federal cost principles. For example:

Advertising, contributions and donations, bad debts, entertainment costs, fine and penalties, general government expenses, and defense of fraud proceeding;

- (4) The requirements standards on lobbying costs for non-profit (2 CFR §200) and commercial (FAR) organizations have been compiled with for the fiscal year ended..., and

- (5) All costs included in this proposal are properly allocable to federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the federal awards to which they are allocated in accordance with applicable Federal cost principles.

Subject to the provisions of the Program Fraud Civil Remedies Act of 1986, (31 USC 3801 et seq.), and the Department of Labor's implementing regulations, (29 CFR Part 22), the False Claims Act (18 USC 287 and 31 USC 3729); and the False Statement Act (18 USC 1001), I declare to the best of my knowledge that the foregoing is true and correct.

Organization Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Name of Authorized Official (printed): \_\_\_\_\_

Title: \_\_\_\_\_

Date of Execution: \_\_\_\_\_