

City of Cleveland
Department of Community Development
Policy and Procedures for

INDIRECT COSTS

Grantees seeking reimbursement for indirect costs are required, per 2 CFR 200.332, to have a federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government. Grantees who receive more than \$1 million in federal funding must have a federally approved plan. If no such rate exists, grantees may use a de minimis rate of 10% or a rate approved by the Department of Community Development.

To establish an Indirect Cost Plan (ICP) with the Department of Community Development, the grantee must use the Department's Indirect Cost Plan Worksheet to provide the allocation basis for establishing its ICP. The allocation basis must include a detailed description of all cost elements in the indirect cost proposal. Costs must be based on an audit that is less than two years old. CD will review based on the reasonableness and equity, as outlined in 2 CFR 200.400 (e).

The Department of Community Development will no longer contract for Fringe Benefits and Overhead as direct reimbursement items. Agency benefits may be included as part of the ICP as allowed under 2 CFR Part 200.1, which reads:

Indirect facilities and administrative costs (F&A costs) means those costs incurred for a common or joint purpose benefiting 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 basis that will produce an equitable result in consideration of relative benefits derived.

Organizations may opt to contract the de minimis percentage of 10% under 2 CFR 200.414(f) , or apply to set an ICP at a rate not to exceed 25% using the standards established below.

The following categories will be considered in the ICP:

- A. Salaries and Wages
 - a. Indirect costs can be defined as employees who perform necessary services benefitting the organization as a whole.
- B. Fringe Benefits
 - a. Charges must be broken out by type, i.e. health insurance, dental, vision, pension, etc.
- C. Supplies and Equipment
 - a. To the maximum extent possible, office costs such as supplies and computers should be direct charged to the program using the item. Supplies and laptop computers used by FTE staff engaged in indirect activities are charged on an indirect basis.
- D. Utilities and Rent

These costs must be allocated proportionally to the ICP.

Internal controls have been established to ensure unallowable costs, (including, but not limited to mortgage interest, conference & conventions, capital items and fundraising fees) are not charged to grant awards.