



POLICY AND PROCEDURE NOTICE: FPPN-017

INDIRECT COSTS FOR FOR RYAN WHITE SUBRECIPIENTS

Summary and Purpose of PPN: To guide the administration of the Ryan White Program to provide for acceptance of approved Indirect Cost Rates and for ensuring subrecipient administrative expenditures do not exceed 10%. For a non-federal entity that has never received a Federal negotiated indirect cost rate may charge a *de minimis* rate of 10% of modified total direct costs.

Background:

Cost Principles of Allowable, Allocable, Reasonable, and Direct and indirect costs can be found in 45 CFR 75 subpart E.

Indirect Cost is an alternative to reporting certain administrative costs. Indirect costs are: “Those costs that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. Depending on the structure of each particular program, these costs may include items that are not project specific such as certain supplies, salaries for administrative or support staff, rent, utilities, etc.”

(<https://www.hrsa.gov/grants/manage/awardmanagement/glossary.html>).

For the RWHAP, aggregate administrative costs of service providers may not exceed 10% in the aggregate including indirect costs. To receive indirect costs under a federal award, a recipient organization must have a Federally-negotiated indirect cost rate agreement. Such an agreement is generally not negotiated until an organization is the direct recipient of an award. <https://www.hrsa.gov/grants/manage/award-management/faqs.html>. Per 45 CFR 75.414(f), any non-federal entity that has never received a Federal negotiated indirect cost rate may charge a *de minimis* rate of 10% of modified total direct costs. Governmental departments or agency units receiving more than \$35M in federal funds MUST have a negotiated rate and may NOT charge the flat 10%.

As described in §75.403, costs must be consistently charged as either indirect or direct costs, but may NOT be double-charged or inconsistently charged as both. If chosen, this methodology, once elected, must be used consistently for ALL federal awards until such time as a non-federal entity chooses to negotiate for a rate, which the non-federal entity may do at any time.

When allocating costs, please refer to the definitions of Direct Costs, Indirect Costs, and Indirect Cost Rates. To charge to items like rent or utilities to the Direct Services category, you must have a methodology in place to show how the cost is allocated appropriately.

- Direct Cost: A cost that can be accurately traced to a program/service activity with little effort
- Indirect (F & A Cost): Cost that is not directly traceable to a program service/activity
- Indirect Cost Rate: Device/methodology for determining fairly and conveniently how much of the common (hard to trace) cost each program should bear

Authority:

- HRSA PCN#15-01
- Frequently Asked Questions for Policy Clarification Notice 15-02
- 2 CFR 225, Appendix A, section F
- 45 CFR §§ 75.412 – 414, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards for information regarding the classification of costs as direct or indirect.
- §§ 2604(h)(4)(A), 2618(b)(3)(D)(i), and 2671(h)(1) of the PHS Act.
- §§ 2604(h)(5)(B)(ii), 2618(b)(3)(E)(ii)(II), and 2664(g)(3) of the PHS Act
- §2604(h)(3)(B) of the PHS Act. 5 See §2671(h)(1) of the PHS Act. 6
- §§ 2604(h)(2) and 2618(b)(3)(B) of the PHS Act. 7
- §§ 2604(h)(4) and 2618(b)(3)(D) of the PHS Act.
- Information regarding the basic allowability of costs, as well as “reasonableness” and “allocability” can be found in 45 CFR 75 Subpart E – Cost Principles.
- Fulton County Ryan White Part A Contract/Agreement

Policy and Procedures:

1. For the Fulton County Ryan White Part A program, aggregate administrative costs of individual service providers may not exceed 10% including indirect costs which must be supported by a federally approved HHS-negotiated Certificate of Cost Allocation Plan or Certificate of Indirect Cost.
2. The Ryan White Part A RFP requires information on Indirect Costs, if requested. The request must be tied to a SMAART outcome objective. Applicants must, for each priority category, describe how indirect is applied (e.g., approved ##% times salary and fringe), and the actual calculation showing how the requested amount was determined. Applicants must insert a copy of the HRSA approved indirect cost rate information - this must show the rate and what is covered.
3. Subrecipients must submit documentation of the indirect rate approval with their Ryan White Part A/MAI budgets. During the contracting process, Project Officers will work with their first-line entities (subrecipients) to negotiate a final budget that appropriately classifies funded activities, personnel, supplies, material, etc., as administrative costs or service costs. Administrative costs count against the 10 percent aggregate cost cap; service costs do not.

4. Indirect charges are billed to the County using the approved budget and expenditure report. It is important to remember that when recovering/charging indirect costs, the indirect cost rate is applied to the amount actually expended, not the total amount budgeted.
5. The recipient will maintain file documentation on all subrecipients including their current operating budgets and expense/allocation reports, with sufficient detail to identify and calculate administrative expenses. The subrecipient will prepare a project budget and track expenses with sufficient detail to allow identification of administrative expenses. The recipient shall review subrecipient budgets to ensure proper designation and categorization of administrative costs, calculate the administrative costs for each subrecipient, and calculate the total amount of administrative expenses across all subrecipients to ensure that the aggregate administrative costs do not exceed ten (10) percent.
6. Subrecipients are expected to maintain documentation of the following which shall be made available to the recipient and HRSA upon request and during Ryan White Part A site visits:
 - If using indirect cost as part or all of its 10% administration costs, obtain and keep on file a federally approved HHS-negotiated Certificate of Cost Allocation Plan, Certificate of Indirect Costs, or government authorized cost allocation plan.
 - An allocation journal which contains the methodology that the entity uses to allocate costs. For example, the journal would document that salaries are allocated based on a time study, billable hours, or some other methodology; facilities expenses are based on square footage or percent of full time equivalents (FTE); etc. The allocation journal should contain written procedures that are easy to follow and can be “re-performed” by an auditor.

Verification:

1. Review subrecipient budgets and expense reports to determine the use of the indirect cost rate and adherence to the 10% administration cap.
2. Review subrecipient budgets and expense reports to determine administrative charges and adherence to the 10% administration cap.
3. Review subrecipient budget revision requests to determine administrative charges and adherence to the 10% administration cap.
4. Review subrecipient budgets to ensure no duplication of cost covered in indirect rate and other line item expenses.
5. Review of allocation journal.

Approved June 2016

Last Reviewed: April 2021