

**STATE OF VERMONT
DEPARTMENT OF FINANCE & MANAGEMENT**

Policy Title:	Indirect Cost Rate Review and Approval	Policy #:	11.0
		Issued:	07/01/2024
Applicable to:	All State Agencies, Departments and Offices	Revision #:	N/A
		Revision Date:	
Issued by:	Adam Greshin, Commissioner, Department of Finance & Management	Page:	1 of 3

Policy Statement:

All State of Vermont agencies, departments and offices that grant state or federally funded awards to outside entities must follow this policy when reviewing and approving indirect cost rate proposals for grantees or subrecipients of the State of Vermont.

A. Background:

As allowed by [2 CFR Part 200, Appendices III through V](#), the State of Vermont is permitted, as a pass-through entity, to review and approve indirect cost rate proposals that meet the criteria set forth in this portion of the Federal Uniform Guidance. When a Federally negotiated indirect cost rate agreement, also known as a NICRA, is agreed to, it takes precedence over any existing, approved indirect cost rate proposals which have been agreed to by state agencies or departments. If an entity already has a current, approved indirect cost rate (NICRA), then the State of Vermont is not authorized to review or approve any indirect cost rate proposals from that entity.

B. Applicability:

All State of Vermont agencies, departments and offices that grant state or federally funded awards to outside entities must follow this policy when reviewing and approving indirect cost rate approvals for grantees or subrecipients of the State of Vermont. While review is required when an indirect cost rate proposal is received for federally funded awards per [2 CFR 200.332\(4\)\(i\)](#), review and approval is up to a department's discretion for state funded grants.

This policy provides a description of the process used to review and approve these proposals. The Department of Finance & Management will maintain a comprehensive file of entities which have had indirect cost rate proposals approved by agencies and departments within the State of Vermont. This file location will be made available to all departments that may want to use a current, indirect cost rate that has already been reviewed and approved by another State of Vermont agency or department.

Approved Indirect Cost Rate Proposals should be submitted to Fin.Subrecipient@vermont.gov once agreed to by the grantee or subrecipient and the awarding state agency or department.

C. Definitions:

Direct Cost – Cost which directly contributes to carrying out a program.

Federal Awards – Awards received by the State of Vermont (designated as the prime recipient) directly from the federal government.

Federal Agency – The federal agency which has awarded the most funds to any specific entity. The federal agency is ultimately responsible for review and approval of indirect cost rate proposals which seek to receive NICRA (federally approved rates).

Grantee – An entity that expends awards received from a grantor to carry out a program. This does not include an individual that is a beneficiary of such a program. When the grant is funded with federal funds, the grantee is referred to as a Subrecipient.

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Indirect Cost – Cost which cannot be easily assigned to a single program or project. These costs are usually overhead costs such as general administrative and account staff, utilities, rent, and other overhead expenditures.

Indirect Cost Rate – A rate which can be applied to allowable expenditures on a grant or subgrant to calculate a reasonably acceptable amount of indirect expense coverage for each program.

Indirect Cost Rate Proposal – A rate calculation which follows the requirements set forth in 2 CFR 200, Appendices III through V. This proposal can either be approved by a Federal Agency, or by a pass-through entity such as the State of Vermont and its various agencies and departments.

NICRA – (Federally) Negotiated Indirect Cost Rate Agreements. These are indirect cost rate approvals which have been reviewed by an entity’s Federal Agency. The State of Vermont must accept all currently approved NICRA rates when indirect costs are allowable and may not use any different rate for indirect cost on awards. The State of Vermont may not allow the use of the de minimis rate if there is a current NICRA for that entity.

Pass-through entity – Any entity which passes on federal funds via a subgrant to another entity. The State of Vermont is a pass-through entity when granting federal funds to an outside entity.

Subawards – An award provided by a pass-through entity to a subrecipient to contribute to the goals and objectives of the project by carrying out part of a federal program. It does not include payments to a contractor or to an individual that is a federal program beneficiary. A subaward may be provided through any legal agreement, including an agreement the pass-through entity considers a contract.

Subrecipient – An entity that receives a subaward from a pass-through entity to carry out part of a federal program. It does not include an individual that is a federal program beneficiary or participant. A subrecipient may also be a recipient of other federal awards directly from a federal agency.

Uniform Guidance – The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR Chapter II, Part 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

D. Indirect Cost Rate Proposal review process:

Agencies and departments should defer to 2 CFR 200 Appendices III through VII in the case of a conflict between Uniform Guidance and the guidance of this policy statement.

Any subrecipient or grantee submitting an indirect cost rate proposal must provide a business type to the reviewing agency/department, and, from the positions provided in the corresponding appendices for business types, which calculation method they have used to calculate their indirect cost rate proposal.

For entities in [Appendix IV](#) or Appendix VII (nonprofit organizations or local/state government, or Indian tribes) the entity must also explain whether its rate was calculated using a Salary

and Wage basis or a Modified Total Direct Cost (MTDC) basis. The State of Vermont will not review or approve Special Indirect Cost Rate Proposals for nonprofit organizations ([Appendix IV](#) (B)(5)).

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The results of each negotiation must be formalized in a written agreement between the agency or department which has reviewed the indirect cost rate proposal and the entity which has submitted the indirect cost rate proposal. A signed copy of this agreement must be provided to the Department of Finance and Management and be added to the indirect cost rate agreement file location.

Once an entity has entered into an indirect cost rate agreement with a State of Vermont agency or department, no other State of Vermont agency or department should review or approve indirect cost rate proposals received from that entity. The current agreement between the State of Vermont and that entity should be used on all grants and subgrants that entity receives until the indirect cost rate agreement expires.

Indirect cost rate agreements should be for no longer than two years. After this two-year period has ended, the entity must recalculate and submit a new indirect cost rate proposal for review using the same method and basis used in prior submissions.

Indirect cost rate proposals may not be considered if the entity has not applied for and been notified of an award for a state or federally funded grant.

Best Practices & Recommendations

Check the calculation of indirect/direct, ensure that all unallowable expenditures were correctly removed from the equation before the subrecipient/grantee calculated their proposed indirect cost rate(s).

E. Related Regulations:

[2 CFR 200 Appendix III](#) Higher Education (IHEs)

[2 CFR 200 Appendix IV](#) Nonprofit Organizations

[2 CFR 200 Appendix V](#) States and Local Government and Indian Tribe

[Bulletin 5](#) Policy for Grant Issuance and Monitoring

F. Monitoring:

The Department of Finance & Management will monitor compliance with this policy on an ongoing basis.

G. Waivers and Exceptions:

Waivers or exceptions must be requested, in writing, to the Commissioner of Finance & Management prior to approval of any indirect cost rate proposals. Requests are unlikely to be approved due to the regulations and timelines imposed upon the state under Federal Uniform Guidance 2 CFR 200.

H. Effective Date:

Effective: 7/1/2024