

Guidance for Federal Financial Assistance Question and Answer with Jordan Black-Deegan and Kimberly Baker

Overview

The questions and responses below were documented during the Grants and Contracts Community of Practice meeting on October 15, 2024. [Bulletin 5 Part 3](#) provides many definitions for terms used below. The term “State” refers to Vermont State Government.

Questions & Answers

1. **Question:** I’ve never been a part of computing an indirect cost rate. I thought that the subrecipient or entity had to have their accounting team submit paperwork to the feds and the feds do one of the following: Agree with the calculated rate and provide approval of the Negotiated Indirect Cost Rate (NICRA).; Deny the rate.; Or compute the rate their own way. I didn’t know that the State had a role.

Answer: The NICRA is an agreement between an entity and their federal cognizant agency. The indirect cost rate proposal is prepared by the entity and submitted to their federal cognizant agency. The federal agency reviews the rate, and the federal agency signs the NICRA to approve the rate.

The federal agency typically does not just disagree with a calculated NICRA. When reviewing a rate or rates during the negotiation process, the federal agency may question expenditures, or the federal agency may direct entities to change the mechanism for calculating their rate(s) leading to changes in the proposed rate or rates.

If a current NICRA exists, the State has no authority to make any changes or allow any other rate, this includes not allowing for the use of the de minimis rate when a current NICRA exists.

If a NICRA does not exist, the State has the authority to negotiate an indirect rate with the entity. In this situation, the state is the reviewer for the rate. The State’s review is based on Appendices III through V of 2 CFR 200 according to the entity type:

- [Appendix III to Part 200 – Indirect \(F&A\) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education](#)
- [Appendix IV to Part 200 – Indirect Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations](#)

- [Appendix V to Part 200 – State/Local Governmentwide Central Service Cost Allocation Plans](#)

As long as the State comes to agreement with the entity, all other agencies within the State can use the agreed upon rate for federal and state funded grant awards as long as that State negotiated indirect rate is current (rates should not be approved for a period longer than two years and should not be extended for a period that would result in the rate being used for a period of more than two years).

2. **Question:** When a NICRA does not exist and the State negotiates an indirect rate, who at the State reviews an entity's rate?

Answer: The rate is reviewed by the State agency or department who is giving the funds to the entity. There is no reviewer at the statewide level. The reviewer is typically the primary pass-through agency or department within the State. Several agency/departments have staff specifically trained and educated for this purpose, such as Education, the Department of Public Safety. In other departments grant personnel manage review, or they don't do this task. There is no requirement that the State has to review, but the State has the ability.

If a subrecipient indirect cost rate has already been reviewed and approved by a State agency or department, the entity's rate does not need to be reviewed and approved again by another State agency or department. A statewide filing system is in development to make the indirect cost rate review documents available to all of us within State government.

[Finance & Management Policy #11 – Indirect Cost Rate Review and Approval](#) was issued on July 1, 2024. This policy provides an overview, and points to sections in the Guidance for Federal Financial Assistance.

For Agency of Human Services (AHS) staff, a community member shared: I believe the AHS IAG (Internal Audit Group) would be involved for departments within the Agency of Human Services.

3. **Question:** Do you have a recommended training or training provider for this subject?

Answer: The State currently does not provide training. Federal resources, such as those available through FEMA, could be used. There is interest in developing a State training for the review process for state negotiated cost rate approval, but this is not currently developed.

4. **Question:** In the past there was a Microsoft (MS) Teams SharePoint site and channels used for grant related documents. Can that be used again to help employees be prepared for upcoming changes?

Answer: The Teams channels that were created a few years ago have not been in use. The channel was really active for a couple of months and then activity slowed. Rather than revive those channels, this Community of Practice MS Teams channel will serve as the communication hub from here forward. Updates are also posted on the AOA webpage, and are sent out via AOA memo from the Secretary of Administration.

5. **Question:** Under the Guidance for Federal Financial Assistance effective 10/1/2024 the de minimis rate increased from 10% to 15%. Are we using the 15% rate now?

Answer: The 15% de minimis can only be used for Federal awards received on or after 10/1/2024, or amendment to use the new Guidance for Federal Financial Assistance instead of the old Uniform Guidance. For subawards, the date in which the federal award was received or amended is what is important when determining which de minimis rate can be used. The date in which the subgrant is being given does not determine which de minimis rate can be used.

The sub-agreement should also reflect the guidance which has been attached to the federal award funding it regardless of the date you are sub-granting out those funds. This means we could have some subgrants going out with 15% de minimis as early as 10/1/2024 while also still having new subgrants going out in FY2025 with 10% due to the funding source of that subgrant being an older federal award.

6. **Question:** The federal regulation says up to 15%. 2 CFR 200.414(f) uses the phrase “up to”. Clarity is sought on how to administer a rate that is not a set amount, but “up to” an amount.

Answer: The “up to” language did not change when the rate increased from 10% to 15%. The de minimis rate is applied and there is no process, negotiation, or calculation. The de minimis rate is a standard rate that can be used by organizations that don’t have a negotiated, specific indirect rate. An entity that is using the de minimis rate can draw up to 15% of the expenditures allowable under a Modified Total Direct Cost (MTDC) basis.

There is a distinction between the effective rate versus the rate being applied. The entity can draw up to 15% but their effective rate may be less. For example, if the entity receives a \$1M award and wants to use \$900K on direct expenses, they can do that. In this example, they are drawing at a 15% rate on the \$900k

but will only draw an effective rate of 11.1% of their expenditures for indirect. Note that the rate does not change, it is still the 15% de minimis. The entity has chosen to use 10% of the grant funding for indirect costs.

Follow-up Question: When using a 15% de minimis rate, on [grant part 1 section #22](#) we enter 15% as the indirect rate and we pay up to that amount in indirect costs.

Answer: Yes.

7. **Question:** During the presentation, Jordan shared:

- The Office of Management and Budget (OMB) is encouraging agencies to amend their grant awards to follow the Guidance for Federal Financial Assistance as opposed to continuing with Uniform Guidance which was in effect prior to 10/1/24.
- If the Federal Agency asks the State to amend our agreement with the Federal Agency, the State is not required to agree to proceed with an amendment. The State can decline to amend the agreement.

What happens if the State declined to amend the agreement because it is too administratively burdensome for the State to manage all of the changes that would result. Then, at a later date the State would like to amend the agreement to incorporate a budget adjustment. When the State requests a budget adjustment amendment, can the federal agency say that the updated Guidance for Federal Financial Assistance needs to be incorporated in the amendment?

Answer: Yes. Even if the State declined an amendment to incorporate the Guidance for Federal Financial Assistance, once the State requests an amendment it's anticipated that the federal agency will include the new Guidance for Federal Financial Assistance in the amendment. This is documented a White House memo to the federal agencies which states that if the award is amended, the updated Guidance for Federal Financial Assistance should be incorporated in the amendment.

Some burdensome changes that would result to look out for are:

All open subgrants on that federal award now need amendments to update their requirements to match the federal award requirements. Ideally these are prepared ahead of the federal award amendment being signed to minimize time between the amendment of the federal award and related subawards.

Expenditures on all subawards as well as all state expenditures on the federal award would need to be separated and reviewed by payment date to ensure that the correct thresholds are being applied when considering things such as whether or not an expenditure is a capitol asset, etc.

8. **Question:** Guidance for Federal Financial Assistance dictates that a \$50k threshold can now be used when calculating an indirect cost rate proposal. If the NICRA was proposed to the federal agency on 10/1 or later, but I don't see when the entity's NICRA was proposed, I only see when it was approved. So how do I know?

Answer: This falls on the federal partners who know when they received the NICRA. This language was intended to be helpful and for people in the state who are calculating rates for their own agencies and departments. You need to be sure that if it's after 10/1 you are using the \$50K Modified Total Direct Cost (MTDC) subrecipient threshold.

For the purpose of indirect draws we unfortunately do not receive this information. You could ask the subrecipient for documentation of their proposal date such as the original email submitting an indirect cost rate proposal but ultimately, we may have to just handle it on a case-by-case basis putting our faith in the subrecipient to be honest about which threshold was used when the rate was calculated.

I reached out to the OMB to ask a question about this exact situation (how we as a passthrough entity are supposed to know when we review and indirect cost rate draw what the application date was) but have not received a response yet. For NICRA signed after 10/1/2024 you should still check to make sure that draws are capping subrecipient expenditures at either \$25k or \$50k when the rate is being calculated using an MTDC basis, but will not be able to accurately correct a subrecipient if they are capping at \$50k when their rate was calculated using the \$25k threshold. If I receive a response from U.S. OMB I will send a memo with the outcome of the response to all granting business units.

9. **Question:** Would you agree that if granting funds awarded before 10/1 you can amend the agreement to increase the de minimis indirect rate to 15% for costs incurred 10/1 or later?

Answer: For grantees who receive State funding, yes. For subrecipients who receive federal funding, no.

If the award is State funded, you can allow grantee to use the 15% rate if the amendment occurs after 10/1/24.

A subrecipient agreement needs to reflect the requirements of the federal award. With state funding there is no requirement to pass down federal requirements so those agreements can be increased to 15%. But the expenditures that occurred 9/30 and earlier still need to be drawn on at the 10% rate. The 15% applies to expenditure dates of 10/1 or later.

Follow-up Question: This sounds like an administrative nightmare. We don't have to do that and amend agreements?

Answer: Correct, you don't have to amend agreements, but it is encouraged that all new State agreements use the 15% unless the grantee has a NICRA in which case it is encouraged that State agreements include the grantee's NICRA.

During the last State legislative session grant recipients raised concerns about being prevented from applying an indirect rate to State awards. Grant recipients have indirect expenses. The State wants to improve our granting processes to respond to the concerns that were raised.

There was a bill proposed that would have required the State to create a system to calculate a rate for indirect expenditures. State Agencies would need to review and approve rates for state funded awards based on this "state funded indirect cost" system. Later versions of the bill had this section removed in lieu of departments being required to review and negotiate state negotiated indirect cost rates using the federal indirect cost rate calculation system. The increase to a 15% de minimis rate has likely fixed the problem, allowing not-for-profit entities to better capture their administrative cost without the administrative burden of calculating and negotiating an indirect cost rate with the state. Some larger non-profit entities likely will still acquire NICRA or negotiate rates with State of Vermont agencies if the administrative burden of calculation does not outweigh the value of a rate greater than 15% (assuming that their calculation would find that their rate is greater than 15%).

The bill did not pass during the last session, but the content is likely to be taken up during the next legislative session. The better we can do in terms of allowing subrecipients and grantees to receive a reasonable amount of indirect revenue, the better off we all will be. We want to avoid increasing administrative burden for our partners (subrecipients), and we want to avoid additional administrative burden for State agencies and departments. Allowing grantees to use the de minimis rate or apply their NICRA will help in that respect.

10. Question: Is this conversation relevant for ARPA awards?

Answer: The American Resue Plan parent award is from two years ago so it will continue to be on Uniform Guidance, the old federal requirements. As a caveat, a lot of departments have separate ARPA funding programs which are not part of the main ARPA award received by AOA. Funding that was received directly by

departments may have separate amendments or could be received after 10/1/2024 if a new year of funding were given.

Follow-up Question: My subrecipients will have changes relating to an audit?

Answer: The significant change relating to audits is that the single audit threshold increased from \$750K to \$1M in expenditures per that subrecipient's fiscal year.

The effective dates in are based off of the subrecipient's fiscal year. The new Guidance for Federal Financial Assistance is effective for entity fiscal years that start 10/1/24 or later. For example, if an entity's new fiscal year begins 1/1, the activity for 1/1/24 - 12/31/24 is subject to Uniform guidance. The activity for 1/1/25 - 12/31/25 is subject to the Guidance for Federal Financial Assistance.

The single audit threshold is based on expenditures. A subrecipient reaches the threshold when spending more than \$750K in the subrecipient's fiscal year under Uniform Guidance or over \$1M in the subrecipient's fiscal year under the Guidance for Federal Financial Assistance. A subrecipient can receive a \$1M grant award but not be required to complete a single audit because the \$1M was spent over the course of multiple fiscal years. In these instances, the subrecipient's spending in any single fiscal year does not reach the \$750K or \$1M threshold (depending on which threshold the fiscal year falls under based on the paragraph above).

Some other smaller changes are also included in Subpart F of the GFFA as well. Like the threshold for a single audit above, the changes to these other portions of Subpart F will only go into affect for fiscal years that have begun on or after 10/1/2024 and end 9/30/2025 or after.

Follow-up Question: My Agency is granting \$1M to the City of Montpelier and they are passing the full \$1M through to a private entity. That will trigger a single audit, correct?

Answer: Yes, that will trigger a single audit for the City of Montpelier and typically it would trigger a single audit for the City of Montpelier's subrecipient. In this example, the City of Montpelier is passing the federal funding through to a private company and the single audit requirement does not apply to private companies.

11. **Question:** I am confused about the de minimis rate and the Negotiated Indirect Cost Rate Agreement (NICRA). I manage ARPA grants. This funding is granted to a municipality who passes the funding through to a company. If the municipality wants to bill for administrative fees, do they use the de minimis indirect rate?

Answer: It depends. Is the municipality trying to bill the State for a direct administrative expense? If yes, that expense would need to be in the budget from the beginning of the award in a budget line item labeled direct administrative cost. Applying the indirect rate is different from directly charging administrative costs. The indirect rate is applied to allowable direct expenditures.

Follow-up Question: Would that information be in the grant agreement between the State and the municipality? Or between the municipality and the company? The town is billing the State for their own administrative cost.

Answer: That information would be in the subgrant agreement that the State issues to the town. It would be a line item for administrative cost. Or if using an indirect rate, the indirect cost rate percentage would be included on the grant agreement in the provided field for indirect rates (regardless of whether it is the de minimis or a NICRA).

Question: What if the agreement doesn't include any mention of administrative costs

Answer: In this case, hypothetically it would be unallowable, and the State wouldn't be able to pay for administrative costs.

12. **Question:** I am more of the program person. I work with a finance director. When discussing the de minimis indirect cost rate, you mentioned that someone doesn't need to do a calculation. We use a worksheet to help the grantees determine their rate. We would like guidance that can be provided to grantees: How to calculate the de minimis rate and this is what your indirect costs are.

Answer: The de minimis rate is not a calculation. The purpose of the de minimis rate is that there is no administrative work to arrive at the rate. There is no application or review process. It sounds like what you are talking about is a State approved rate.

The de minimis rate is easier to administer for the State and subrecipient. The State doesn't have to review the finances and subrecipient doesn't need to do the work of calculating a rate. Indirect rate calculation takes a lot of time because there are many complexities. The entity needs to review all of their costs and determine which costs are allowable, and which are unallowable under federal regulations. Then they need to categorize costs as direct versus indirect. Typically, this is a lot of data to review. The entity prepares documentation which is referred to as the indirect cost rate proposal. This proposal is submitted to the entity's cognizant federal agency and the federal agency reviews and asks

questions. The process takes months or longer. The de minimis rate is a time saver and reduces administrative burden. For some entities, the cost of calculating a rate isn't covered by the indirect revenue received, another situation where use of the de minimis rate is beneficial.

When using the de minimis rate, entities can charge up to 15% in indirect costs, assuming that the entity has enough allowable direct expenses to draw the full 15% rate.

13. Question: If one subgrantee has 5 federal grants, do they have to use the same de minimis rate on all grants?

Answer: No. They have to use whichever de minimis rate is applied to the federal award based on the date of the award. If it's a state award with a start date after 10/1/24 you apply the 15% rate (unless they have a NICRA). If the entity has a NICRA, the State has to use the rate from the entity's NICRA until the NICRA expires, even if use of the NICRA means that the entity has to draw at a rate less than the de minimis.

The entity could have two federal awards one issues after 10/1/2024 and one issues before 10/1/2024 where one must use the 15% and the other the 10% for their de minimis rates to match the version of guidance that their federal award was signed under.

If you amend one award to a subrecipient, you'd need to amend other open awards from the same federal grant. It gets complicated quickly. If the feds amend your award, you need to amend your subawards. It's not just the de minimis rate that would change, it's everything that changed when comparing Uniform Guidance with the Guidance for Federal Financial Assistance. For example, if you have equipment in the agreement, the threshold changed so there's a lot of detail to consider and review if amending existing agreements. You would need to determine when purchased on the subaward and if that expenditure date was before or after the amendment was signed to determine what the equipment threshold was at the time of expenditure.

14. Question: Can you speak to whether an award can use pieces of Uniform Guidance and pieces of the Guidance for Federal Financial Assistance?

Answer: OMB provided guidance to federal partners dictating that it's all or nothing. This means either Uniform Guidance applies, or Guidance for Federal Financial assistance applies.

In the past, federal agencies would use some components from the 2016 guidance and some from the 2020 guidance. Agencies were picking different things which was complicated. This time OMB requires all or nothing, the agreements either need to take all of the changes and adhere to the new Guidance for Federal Financial Assistance, or they need to adhere to Uniform Guidance.

15. Question: If we chose to do an amendment to allow the 15% de minimis, can't the amendment be backdated for expenditures incurred starting 10/1/24? This would mean that regardless of the date the amendment is signed 10/1 is the effective date of the agreement.

Answer: It is not advisable to set an award effective date earlier than the signature date. Grant terms and expenditure dates need to be clearly communicated in advance of spending to avoid issues. For example, if a grantee incurs costs prior to reading and signing the grant award those costs might be unallowable in accordance with the grant requirements and therefore not eligible to be reimbursed by the State.

It is recommended that amendments have an effective date in the future which gives the State and subrecipient time to adjust to the changes that are documented in the amendment. Otherwise, the situation can quickly become administratively burdensome. For example, if an agreement effective date predates the signature date and the grantee already invoiced and drew expenses, the billed costs would need to be reviewed for compliance with the terms of the amendment.

By setting a date in the future, you allow the subrecipient to line their billing up with the effective date to avoid having requests for reimbursements that are falling under two different federal regulations.

16. Question: Can agreements be amended to change the indirect rate documented in the agreement?

Answer: For state funded awards, yes. For federally funded awards, no. We received guidance stating that amendments should not adjust indirect cost amounts. That guidance predates the recent de minimis rate change. Whatever rate is in effect for the subrecipient at the beginning of the award is what is used for the duration of that federal award. The federal agencies don't want to administer amendments every time an entity has a new NICRA.

17. Question: When a subrecipient has a federally approved NICRA, I ask for a copy of the agreement. I then identify which positions are covered under their rate to verify

that the subrecipient isn't double dipping by direct charging for a position that is part of the indirect cost pool.

If the budget had 10% of indirect charged for administrative payroll and 5% for a director's staff costs but IT costs were not accounted for, the subrecipient cannot bill us for those IT costs, correct? If it's not in the budget we don't pay for it?

Answer: If the subrecipient is trying to bill for something that doesn't have a budget line item in the subrecipient agreement, they can't expend grant funds on that cost. The subrecipient should not incur IT costs that weren't built into the award.

If those IT costs were administrative cost in nature they cannot charge them to the award as a direct administrative cost if they are using the indirect rate. This would result in double dipping. They choose one or the other, either direct charge administrative costs, or use an indirect rate. The salary and wage budget line should be direct salary and wages. The salary and wage line should not be used for someone whose working at an administrative level and billing a little bit of cost to the award.

Follow-up Question: What about a director salary where 5% of the director's salary is charged directly to the award?

Answer: That's probably fine, they are probably saying this director is spending 5% of their time directly on this award as a direct program cost not an administrative cost. Administrative cost is overhead, hours that can't be broken out specifically. For example, a staff member working on payroll is a broad administrative cost. In this example, if the director has a direct programmatic expense for directly managing this grant program, that's a direct cost. You need to figure out if the cost is direct or indirect, and then you need to determine if the cost should be in its own line item or part of the indirect rate.

IT expenses are typically unallowable in the indirect rate application, so those typically need to be taken out of the request before you apply an indirect cost rate. If you are billing an IT expense it needs to be direct billed to the program and would have a budget line item. The full IT expense must be directly attributable to that program if it is a direct charge under the grant. For example, the Department of Public Safety makes an IT purchase for search and rescue drones. Those IT costs are allowable as a direct charge to the grant because they are 100% used for the search and rescue program and are they serve the purpose of the program. Providing a second example, if the IT cost is for software that a town uses and a portion of the software cost cannot be directly charged to a grant (for example payroll software), then that is an administrative

cost. It has to be a software or IT cost directly attributed to the program in order to be directly charged to the program.

Follow-up Question: What about the cost for website design to stand up a new program?

Answer: This sounds allowable, but the situation needs to be looked at on a case-by-case basis. Is this website 100% for the purpose of the federal award? There's nuance and complexity. If the website is 100% for the purpose of the subaward, then it would be allowable. If they are using funding to update their own website but the website has a link on it for something reward related, then the website is not being used fully for the intended purpose of the funding and the cost to design that new website would not be an allowable expenditure since it could not be fully attributable as a direct expenditure.

18. Question: The VISION accounting date for salaries and benefits reflects the pay date which is different from the dates worked. Which dates do we use when reporting grant expenses?

Answer: The VISION accounting date is typically used. There is nuance when considering the dates that work is performed, you need to look at the actual dates worked. Let's use the 10/17/24 pay date as an example:

- The 10/17/24 pay date spans dates worked from 9/22/24 through 10/5/24.
- If your federal grant ended on 9/30/24, you can charge the federal grant for costs incurred on the 10/17/24 pay date.
- Staff who are charging to this grant in VTHR can only charge for dates worked through 9/30/24. Staff cannot charge to that grant for time worked 10/1/24 and beyond.
- A VTHR report needs to be run to show time entered by date worked with the time reporting code to confirm that staff are charging to the grant for dates worked up to 9/30/24, but not beyond that date.

Follow up Question: For administrative cost, can we only charge the federal award for closeout cost that incurred during the period of performance?

There is information in Uniform Guidance speaking directly about administrative expenses that occur after the award date. [2 CFR 200.472\(b\)](#) allows recipient and subrecipient to incur administrative cost associated with the closeout of a federal award until the due date of the final reports.