

## CHAPTER 3-110 INDIRECT COST RATES

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### **3-110-00 What does this chapter do?**

This chapter explains to you, the applicant or recipient, the basic principles of indirect costs for all assistance agreements awarded by us, the Office of Surface Mining Reclamation and Enforcement (OSM). These principles also apply to subgrants and cost-type contracts that you award under OSM assistance agreements.

### **3-110-10 Where do these principles come from?**

The Office of Management and Budget (OMB) has established principles for determining allowable costs for all OSM assistance agreements. These principles cover indirect as well as direct costs.

- A. *Cost Principles for State, Local, and Indian Tribal Governments*, 2 CFR Part 225 (formerly Circular A-87),
- B. *Cost Principles for Educational Institutions*, 2 CFR Part 220 (formerly A-21)
- C. *Cost Principles for Non-profit Organizations*, 2 CFR Part 230 (formerly A-122)

### **3-110-20 What are indirect costs?**

- A. Indirect costs are common or joint-purpose costs that benefit more than one office, agency, or program. Rather than incur excessive costs to trace these expenses to the specific program they benefit, you will normally charge indirect costs to Federal assistance agreements by prorating them based on an indirect cost rate. Some examples of functions which organizations may choose to treat as indirect costs are accounting, facility maintenance, and human services.
- B. You should provide for the full reimbursement of your organization's indirect costs under an approved indirect cost rate.

### **3-110-30 How do you establish an indirect cost rate?**

- A. Your indirect cost rate for all Federal assistance is reviewed, negotiated and approved by your cognizant Federal agency. Your cognizant agency as assigned by OMB is generally the Federal agency with the largest amount of funding for your organization.
- B. If you do not have an approved indirect cost rate, you must submit an initial indirect cost proposal to your Federal cognizant agency.

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- C. You should base your cost proposal on your organization's actual costs for your most recently completed fiscal year. However, if you are aware of factors that may result in a significant change during the agreement period, you should base your proposal on projected costs for that fiscal year.
- D. Requirements for development and submission of indirect cost rate proposals are contained in the applicable OMB cost principles listed above.

### **10-40 How will we document your approved indirect cost rate?**

- A. You must include a copy of your current indirect cost agreement approved by the cognizant Federal agency with your assistance application.
- B. If your cognizant Federal agency delays approval of your agreement, you may alternatively include in your application a copy of a timely indirect cost rate application you sent to your cognizant agency.
- C. You should be familiar with your organization's indirect cost agreement and what costs are included in it. You must ensure that you do not charge expenses as direct costs which are already being charged to the assistance agreement as indirect costs. We may review your actual costs to ensure that they are being charged appropriately in accordance with your indirect cost agreement.
- D. We will maintain a copy of your indirect cost agreement in our official assistance agreement file to support our award.