

State of Vermont
Agency of Natural Resources
Department of Environmental Conservation

Financial Process:	Determination of Indirect Cost Rates for Grant Recipients	Issue Date: June 2008 Number: 08 - 02
Topic:	Internal Control	Effective Date: 01/01/19
Applicable To:	Department of Environmental Conservation	Page: 1 of 4
Prepared / Revised by:	David Pasco	Revision Date: 12/27/18

Process Objective

Indirect costs are those costs that benefit common activities and, therefore, cannot be readily assigned to a specific direct cost objective or project. There needs to be a process whereby indirect costs can be identified and assigned to benefited activities on a reasonable and consistent basis. Whenever possible, the allocation of indirect costs in pass-thru grant agreements should be determined by a negotiated or fixed indirect cost rate.

Process Overview

If a grant recipient is receiving funding through the Department of Environmental Conservation (DEC) and wishes to be reimbursed for indirect costs, the grant recipient must provide DEC a federal approved negotiated indirect rate agreement (NICRA) or equivalent prior to entering into the agreement. DEC will accept Indirect Cost Rates negotiated by VTrans for the Regional Planning Commissions as equivalent to a NICRA that will be applicable to all DEC funded agreements.. DEC does not negotiate indirect cost rate agreements. If an entity does not have a federally approved NICRA, they may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) without submitting an indirect plan to DEC.

General Criteria

Allocable –A cost is allocable to a particular cost objective (e.g., a specific function, program, project, department, or the like) if the goods or services involved are charged or

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assigned to such cost objective in accordance with relative benefits received. Costs must be allocable to the award under the cost principles as applicable.

Conformity to Laws, Regulations and Sponsored Agreements – Costs must conform to any limitations or exclusions set forth in the circulars, Federal laws, State or local laws, sponsored agreements, or other governing regulations as to types or amounts of cost items.

Consistency – Costs must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances. A cost may not be assigned to an award as a direct cost if any other cost incurred for the same purpose in like circumstances was allocated to the award as an indirect cost.

Reasonable and Necessary – Costs must be reasonable and necessary for the performance and administration of awards.

Transactions that Reduce or Offset Direct or Indirect Costs – Costs must be net of all applicable credits that result from transactions that reduce or offset direct or indirect costs. Examples of such transactions include purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments for overpayments or erroneous charges.

Modified Total Direct Costs – All direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward (regardless of the period of performance of the subawards under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000

Related Processes /Procedures

Grant agreements, Accounts Payable as it relates to transactions for grant agreements.

Impacted Departments or Divisions

All Divisions within the Department of Environmental Conservation, to include, Commissioners Office, Administration and Innovation Division, Environmental Compliance Division, , Air Quality and Climate Division, Waste Management and

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Prevention Division, Watershed Management Division, Groundwater and Drinking Water Division, , and Facilities Engineering Division.

Time line

The grant recipient must submit an approved NICRA to DEC or their acceptance of the 10% de minimis for approval prior to entering into the agreement.

Procedure Objectives

Indirect costs can be identified and assigned to benefited activities on a reasonable and consistent basis.

Procedures

1. A federally approved negotiated indirect cost rate is established with the grantee and submitted to DEC Finance Office.
2. A State-approved negotiated indirect cost rate is established with the grantee and submitted to the DEC Finance Office.
2. If there is no negotiated rate, a de-minimus rate up to 10% may be assigned and must be approved by the DEC Finance Office.
4. A copy of negotiated indirect rate will be kept on file with DEC Finance Office.

Effective Date of Policy is 7/1/2008

Effective Date of Revised Policy is 1/1/2019

Approved by:

Commissioner, DEC

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Notices

- These procedures are intended to support the Agency of Natural Resources internal control environment.
- In consideration of these procedures, the objective should be on adherence and not on rationalizing ways and means for circumvention.
- Nothing in this document shall limit or supersede any applicable Federal or State laws, statutes, bulletins, or regulations.