

Oregon Watershed Enhancement Board (OWEB)
Indirect Costs and Negotiated Indirect Cost Rate Agreements
Frequently Asked Questions

Effective Dates for Indirect Cost Changes	
Application Type	Application Due Date
Open Solicitation Grants	October 2015
Weed Grants	December 2015
Small Grants	July 1, 2015
Council & District Capacity (Applications already received)	July 1, 2015
SIP Transitional Funding	July 1, 2015
CREP Cost Share	N/A

Definitions

De minimis: Webster's defines *de minimis* as: "lacking significance or importance: so minor as to merit disregard". In the OMB Uniform Guidelines it is used to mean a minimal and insignificant rate.

Direct costs: Direct costs are those costs that can be identified specifically with a particular final cost objective or that can be directly assigned to such activities relatively easily with a high degree of accuracy. See also 2 CFR 200.413.

Indirect costs: Indirect costs refer to those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted without effort disproportionate to the results achieved. See also 2 CFR 200.414.

Organization Type: Federal Regulations and the Oregon Department of Justice require that recipients and sub-recipients are one of the following entities (see subpart 200.69):

- State or local government (SWCD's will fall under this category);
- Non-profit organization. This includes watershed councils, land trusts, corporations, cooperatives, associations, and other non-profits that are legally formed and have a federal tax identification number;
- Institution for Higher Education; or
- Individual (not eligible for Grant Administration costs).

Modified Total Direct Cost (MTDC): The modified total direct cost (MTDC) is the sub-total of all costs on the application, less administration costs. On the OWEB grant application, applicants sub-total the following categories:

- Salaries, Wages, and Benefits;
- Contracted Services;
- Materials and Supplies;
- Travel;
- Equipment and Software; or
- Other.

This sub-total provides the MTDC on which indirect costs will be calculated.

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Allowable Grant Administration Rates by Grant Type				
	NO Grant Administration Allowed	Federally Negotiated Indirect Cost Rate	10% <i>de minimis</i> Indirect Cost Rate	OWEB Negotiated Indirect Cost Rate (up to 15%)
Restoration		X	X	X
Technical Assistance		X	X	X
Monitoring (all types)		X	X	X
Outreach		X	X	X
Acquisition *		X	X	X
Weed			X	
Small Grants			X	
Council & District Capacity	X			
CREP Cost Share	X			

*Indirect costs are calculated on the modified total direct costs (MTDC) less capital assets costs such as land and water rights.

FAQS

1. Why doesn't OWEB just pick one rate? Why are there different rates?

The provision of 2 CFR 200.414 (the new federal Uniform Guideline Requirements) requires programs to accept federally-negotiated indirect costs rates or a 10% *de minimis* rate. We have added the option of an OWEB-negotiated rate in an attempt to help our grantees.

2. Why do some programs have more options than others? Why do some programs not receive any indirect?

OWEB administers Oregon funds as well as Federal funds. With Oregon funds (such as lottery funds), we are not obligated to follow OMB guidance, unless we are using those funds to match federal dollars.

While most of our grant programs are used as match for Federal dollars, a few have been removed from this consideration for one reason or another. With WEED and small grants, we have decided not to use these funds as match for federal awards, so we have allowed only one kind of indirect charge.

Individuals are excluded from getting indirect because they are not considered to have administration costs.

3. What does it mean that Capacity grants are not allowed administration costs?

The purpose of Soil and Water District and Watershed Council Capacity Grants is to cover basic administration costs. These grants are awarded to high-functioning councils to allow them to increase their effectiveness and further develop their mission.

When OWEB looks at these grants, there are not "costs which can be identified and assigned to a specific project or grant activity" (such as to remove a dam or restore a riparian area); the entire grant is administration. Therefore we cannot allow indirect to be calculated against this award.

For example, the bookkeeping costs may be charged directly in the capacity grant as "Contracted Services" rather than into the "Administration" category.

4. Must OWEB honor a grantee's federally-negotiated indirect cost rate?

Yes. The provision of 2 CFR 200.414 requires programs to accept federally-negotiated indirect costs rates (Note: grantee acceptance of the 10% *de minimis* rate is considered a federally-negotiated rate.

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The only exceptions would be if the grantee voluntarily charges less than the full amount of indirect costs allowed under the award. The election must be voluntary; OWEB employees or reviewers must not require or otherwise solicit such a reduction. To document the voluntary nature of the lower rate, the applicant must submit to OWEB a written statement, signed by the official having the authority to negotiate indirect costs rates for the organization, notifying OWEB that they will assess a reduced indirect cost rate. In this case, the difference between the federally negotiated rate and the rate charged can be used as match.

5. What if a grantee submitted their indirect cost rate proposal within the required timeframe but the Federal Cognizant Agency delays approval of their proposal?

Prior to the grant being released for signature, the grantee must provide a copy of their submitted proposal, the name of their cognizant agency, and written evidence of the proposal submission date (either a copy of an emailed submission or written confirmation of the proposal receipt date from the cognizant agency). OWEB will attach a special condition to the grant that will not allow the grantee to charge for Grant Administration until their negotiated rate is approved.

6. What if a grantee that has had a previously approved federal indirect cost rate and has let their rate expire, has not submitted their indirect cost rate proposal?

The grantee cannot charge indirect costs to OWEB until the grantee receives an approved federally negotiated indirect cost rate. Federal rules state that once you have received a federally approved indirect cost rate you must continue to negotiate annually with the federal government. The regulations allow for a one-time four year extension (see 2 CFR 200.414 (g)).

7. We've decided to negotiate an indirect rate with OWEB. What should we do?

Fill out the required Grant Administration and Indirect Cost Selection Form in the application with your requested rate and the allocation method you expect to use.

8. How do we know what allocation methods OWEB will accept?

In general, OWEB will approve any GAAP (Generally Accepted Accounting Procedure) method. The most common OWEB-approved methods are:

- A. If the rate is below 10%, OWEB will allow the billing to follow the *de minimis* rules (no receipts.)
- B. Receipt Billing: Grantees can select this billing method when their grant administration costs are charged to projects on an item-by-item basis. These Grantees must submit receipts for items \$250 and over. All receipts must be kept and provided to OWEB on request.
- C. Cost Allocation: Grantees that select this billing method must have accounting practices in place that support charging costs to a cost allocation pool and must submit cost allocation supporting documentation for allocations \$250 and over. Most agencies divide administration costs either on FTE , time worked, or as a percentage of their MDTC.

If one of these methods does not cover your situation, contact Tara Choate (tara.choate@state.or.us) at the OWEB Salem office to discuss the method you are hoping to use.

9. What about Post-Grant costs?

Because post-grant activities occur after the official grant close, OWEB will not include this in MTDC.

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10. What do I do if I do not want any Grant Administration?

Some grantees may decide not to bill indirect charges. For these grantees, we suggest they check the OWEB “negotiated rate” box and simply put “0%” in the requested rate.

11. What if an applicant does not budget for, or a grantee does not charge to the award, some or all of their allowable indirect costs?

Applicants are responsible for submitting a complete proposed project budget. Applicants that inadvertently fail to include some or all of their allowable indirect costs on their proposed budget run the risk that OWEB will not allow the additional costs. Grantees are responsible for requesting funds for allowable costs and submitting to the program a final financial report summarizing their expenditures under the award. OWEB is not obligated to ensure that a grantee charges to the award all of their allowable indirect costs.

12. What if we spend less indirect than expected? Can we move the amount to another category?

No. Grant administration funds are granted based on an expected indirect cost rate. If the grantee cannot or does not use all the funds, the unspent funds will be recaptured by OWEB at the conclusion of the grant. Grantees may move additional funds into the Grant Administration budget category, up to 15% of the grant subtotal.

13. Is Grant Administration an allowable cost for Land Acquisition and Water Right grants?

Yes; however, indirect costs are not calculated on capital type costs such as property or water right values being purchased.

14. What does it mean that our organization must be a “legal entity”? How do we become a “legal entity”?

OWEB clarified with NOAA and the Oregon Department of Justice that sub-recipients (grantees) must be legal entities with a tax ID number. Applicants will be required to identify their organizational type as one of the following:

- State or local government (this could be a local government or SWCD)
- Non-profit organization. This includes watershed councils, land trusts, corporations, cooperatives, associations, and other non-profits that are legally formed and have a federal tax identification number
- Institution for Higher Education
- Individual (not eligible for Grant Administration costs)

For more information about becoming a legal entity in Oregon, please visit the Oregon Secretary of State’s website at: <http://sos.oregon.gov/Pages/index.aspx>