



Federal Grantees Shouldn't Settle for the "De Minimis" Rate of 10%

Is your organization leaving money on the table that could be critical to your mission? One of the major benefits afforded by the implementation of Uniform Guidance is the ability for Federal grantees to negotiate rates for indirect cost recovery. Unfortunately, many organizations still have not taken advantage of this benefit.

Uniform Guidance introduced sweeping changes to administrative requirements, cost principles, and audit requirements for Federal awards to non-Federal entities. These changes brought new responsibilities and opportunities to non-Federal entities. Unfortunately, most publicly available guidance focuses primarily on helping non-Federal entities cope with the added responsibilities, leaving little consideration to the new opportunities that are now available. The most overlooked of these opportunities is the ability, but more importantly the right, to Indirect Cost Recovery.

Prior to Uniform Guidance the ability to apply for and be awarded a negotiate indirect cost rate agreement (NICRA) was heavily dependent on the Federal awarding agency. Since December of 2014, non-Federal entities have the option to submit an indirect cost rate proposal and negotiate a rate based on the prior years cost information. Additionally, a non-Federal entity that has never had a NICRA may elect to charge a "de minimis" rate of 10% of modified total direct costs (MTDC), but those organizations that elect to use the "de minimis" rate may be passing on the opportunity to recover significantly more indirect costs. Consider the meaning for the phrase "de minimis": lacking significance or importance or so minor as to merit disregard. Does this definition

characterize your organizations attitude toward recovering indirect costs?

Organizations owe it to their mission and to their stakeholders to take full advantage of and recover every dollar of funding that is available. By settling for the "de minimis" rate, an organization has accepted the Federal government's self-serving offer and has done a disservice to its stakeholders. As budgets become tighter and meetings become more difficult due to reductions in funding, organizations may find relief by recovering more indirect costs on their Federal grants. An organization that has \$1,000,000 in direct Federal grants costs would recover roughly \$100,000 in indirect costs using the "de minimis" rate. That same organization could recover \$300,000 in indirect costs with a negotiated indirect cost rate of 30%.

If your organization has never had a Federally negotiated indirect cost rate or if you have elected to use the "de minimis" rate, please provide us the opportunity to show you how much money you could be recovering for your organization. Capital Edge Consulting is actively working with Federal grantees all over the country to develop and negotiate Federal indirect cost rate agreements. Our industry experts will guide you through the calculation, proposal, and negotiation of indirect cost rates.



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