

THE NAVAJO NATION



MEMORANDUM

To: Recipients of CARES Act Funding

From: Office of the Controller

Date: September 17, 2020

Subject: Claiming Indirect Costs under the Coronavirus Relief Fund (CRF)

Below we outline the definition and methodology utilized in determining allowability of indirect costs using Coronavirus Relief Fund (CRF) funding.

Defining indirect costs

The Code of Federal Regulations (CFR) §200.56 defines indirect costs as costs that:

- Have been incurred for common or joint purposes,
- Benefit more than one cost objective, and
- Cannot be readily identified with a particular final cost objective without effort disproportionate to the results achieved.

Additionally, CFR guidance states a cost may not be allocated to a Federal award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to a Federal award as a direct cost.

Indirect costs are commonly charged to a Federal award using a negotiated indirect cost rate (i.e., percentage). This rate should be consistently applied across all Federal awards, unless specifically prohibited by the award or grant agreement (*see the "Treatment of indirect costs" section below for additional detail*).

Determining allowability

The U.S. Department of Treasury (Treasury) has published specific guidance regarding the treatment and allowability of indirect costs under the CRF. Treasury Guidance was updated on September 2, 2020 to prohibit IDC recovery under the section "Supplemental Guidance on Use of Funds to Cover Administrative Costs." Specifically, the guidance states "Payments from the Fund are not administered as part of a traditional grant program and the provisions of the Uniform Guidance, 2 C.F.R. Part 200, that are applicable to indirect costs do not apply. Recipients may not apply their indirect costs rates to payments received from the Fund.

Recipients may, if they meet the conditions specified in the guidance for tracking time consistently across a department, use payments from the Fund to cover the portion of payroll and benefits of employees corresponding to time spent on administrative work necessary due to the COVID-19 public health emergency. (In other words, such costs would be eligible direct costs of the recipient). This includes, but is not limited to, costs related to disbursing payments from the Fund and managing new grant programs established using payments from the Fund."

Treatment of indirect costs

Under the current guidance that has been issued by Treasury, it is determined that the use of a negotiated indirect cost rate on CRF funds would not be considered allowable.