

## APPENDIX E PROCEDURES FOR ESTABLISHING AND MANAGING INDIRECT COST RATES WHEN THE COGNIZANT AGENCY IS NOT IDENTIFIED

In the absence of current and accurate OMB information on indirect cost cognizance assignments, each Federal agency is responsible for determine specific cognizance responsibilities for individual Grantees. The cognizance determinations are generally based on which Federal agency provides the most direct Federal funding to the organization. The funding information should be identified by the CDFA program number and is usually available in the organization's finance office, audited financial statements, or schedule of Federal expenditures that is part of the organization's OMB Circular A-133 audit, if applicable. In some cases, the Grantee may be a lower tier agency within a Department, such as a Division of State Police within the State Department of Public Safety. In this organizational alignment, the cognizance determination is made at the higher tier or Departmental level.

Indirect cost rates for Universities and institutions of higher education are determined by either the Department of Health and Human Services (HHS) or the Office of Naval Research (ONR). The ONR is the cognizant agency for the organizations listed at [www.onr.navy.mil](http://www.onr.navy.mil).

The Department of Justice and the Federal Highway Administration within the Department of Transportation serve as cognizant agency for the majority of FMCSA Grantees. If the Grantee believes that FMCSA is the cognizant agency, the Grantee must send in financial documentation (e.g., Schedule of Federal award expenditures by CDFA number and funding provider) to FMCSA Headquarters proving that FMCSA provides the majority of Federal funding. Without this documentation, FMCSA cannot accept cognizant agency status.

For those organizations for which FMCSA is the cognizant agency for indirect costs, contact the Office of the Chief Financial Officer to negotiate an approved rate. Indirect cost rate and cost allocation methodology reviews are subject to future audits. The Grantee should be advised to provide a copy of its proposal for a negotiated rate when FMCSA is the cognizant agency. For non-profit organization guidance on developing indirect cost rate proposals, visit <http://www.dol.gov/oasam/programs/boc/costdeterminationguide/main.htm>. For State and local Grantee guidance on developing indirect cost rate proposals, visit <http://www.aqd.nbc.gov/Services/ICS.aspx>.

Within 90 days of the award start date, the Grantee shall submit to the Office of the Chief Financial Officer documentation (indirect cost proposal, cost allocation plan, etc.) necessary to perform the indirect cost review. The Grantee shall provide the Program Office with a copy of the transmittal letter.

FMCSA may approve an interim indirect cost rate as a budget place holder until an indirect cost rate has been approved by the cognizant agency. However, indirect costs cannot be reimbursed pending establishment of the indirect cost rate by the cognizant agency for the grant period.

## **SINGLE AUDIT**

The cognizant agency is not only responsible for reviewing, negotiating and establishing the indirect cost rate, but is also responsible for monitoring that rate as well and overseeing the single audit. The management/audit responsibilities include the following:

- Provide technical audit advice and serve as liaison between Grantees and auditors.
- Consider Grantee's request for extensions for audit report submissions. The cognizant agency may grant extensions for good cause.
- Obtain or conduct quality control reviews of selected audits made by non-Federal auditors, and provide the results to other interested organizations.
- Advise the auditor and, where appropriate, the Grantee of any deficiencies found. When advised of deficiencies, the Grantee should work with the auditor to take corrective action. If corrective action is not taken, the cognizant agency should notify the auditor, Grantee, and applicable Federal awarding agencies of the facts and make recommendations for follow-up actions.

Additional responsibilities are stated in OMB Circular A-133. The Federal awarding agency's responsibilities are the following:

- Advise Grantees of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or Grant Agreements.
- Ensure that audits are completed and reports are received in a timely manner and in accordance with the requirements of this part.
- Provide technical advice and counsel to auditees and auditors as requested.
- Issue a management decision on audit findings within six months after receipt of the audit report and ensure that the Grantee takes appropriate and timely corrective action.
- Provide annual updates of the compliance supplement to OMB.