

INDIRECT COST GUIDE OVERVIEW FOR OPIOID RESTITUTION FUND GRANTEES

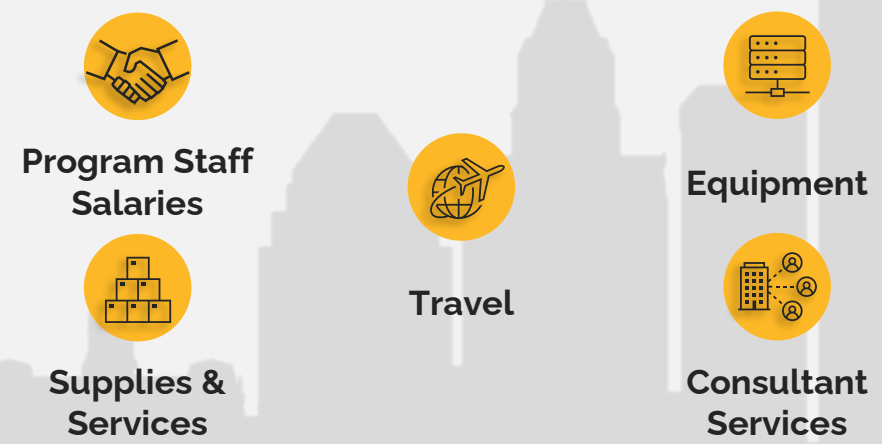
When funding recipients spend grant funds, they must ensure that they adhere to applicable rules and regulations governing the types of costs that are charged to the grant. It is important that funding recipients properly classify costs as direct or indirect and understand the different applicable methods for allocating indirect costs.



CLASSIFYING DIRECT & INDIRECT COSTS

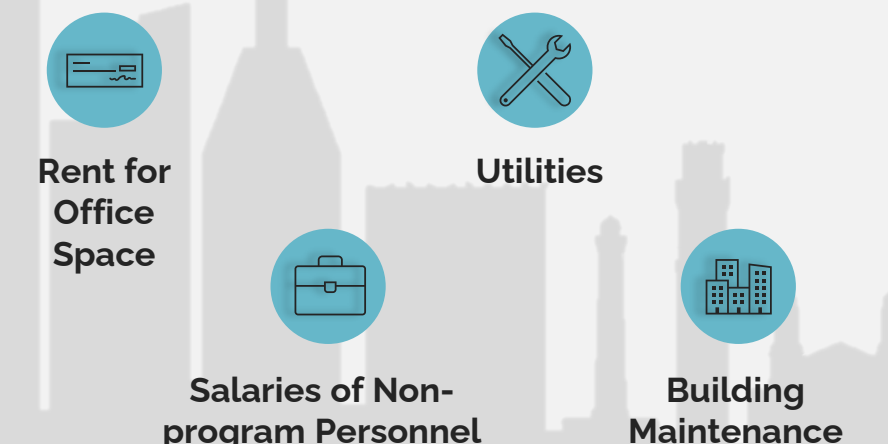
Direct Costs

Costs that can be specifically identified with a particular project, program, or activity. They can be directly attributed and easily traced to a specific grant program (ORF). Some examples include:



Indirect Costs

Costs that an organization incurs that cannot be readily isolated or identified with just one project or activity; they are often shared with more than one project. Some examples may* include:



Potentially Direct or Indirect Costs

There are some costs that are not clearly and exclusively either direct or indirect costs. Instead, these costs could be classified as direct or indirect depending on the circumstances. Some examples include administrative costs, salaries and benefits, and audit costs.

In these situations, funding recipients must use their judgement to determine the appropriate categorization. Funding recipients can consider the following questions to help determine if a cost should be categorized as direct or indirect:

- Does the cost clearly and directly support the purpose and circumstances of the grant-funded project?
- Will the product or service be used to support multiple activities of project personnel or only grant-specific activities?
- Does the expense clearly demonstrate a direct impact on the grant-funded project or program?

In some cases, it is reasonable to identify and classify a portion of an expense as direct and a portion as indirect. Thorough documentation should be maintained to document these decisions and justify the percentage of the cost allocated/charged to the grant as a direct cost. See the Indirect Cost Guide for more information.

*Depending on the circumstances, these types of costs (or an allocation of these costs) may be classified as a direct or indirect cost

ORF INDIRECT COST RATE

Opioid Restitution Fund (ORF) Grants have a 15% indirect cost rate limit as outlined in [Financial Policies for ORF Grantees](#). The total indirect costs that can be charged to a grant under the de minimis rate are calculated from a base known as the modified total direct costs (MTDC), *not from the total project budget*.

Funding recipients using the de minimis rate should ensure proper documentation of direct costs and calculations of indirect cost, but they are not required to “prove” indirect costs or document how they are used (see “Monitoring Indirect Costs, below”). The de minimis rate was designed to reduce the burden for small entities.

MONITORING INDIRECT COSTS

Grantees should include the total amount of Indirect Costs charged to their grant, calculated as a percentage of total modified direct costs in each expenditure report submitted for their ORF grant.

While funding recipients must ensure proper documentation of direct costs, recipients using the de minimis ICR will not be required to submit supporting documentation on a monthly basis to justify the indirect cost

However, organizations should be able to produce documentation in the event of an audit to show how the funds were spent.

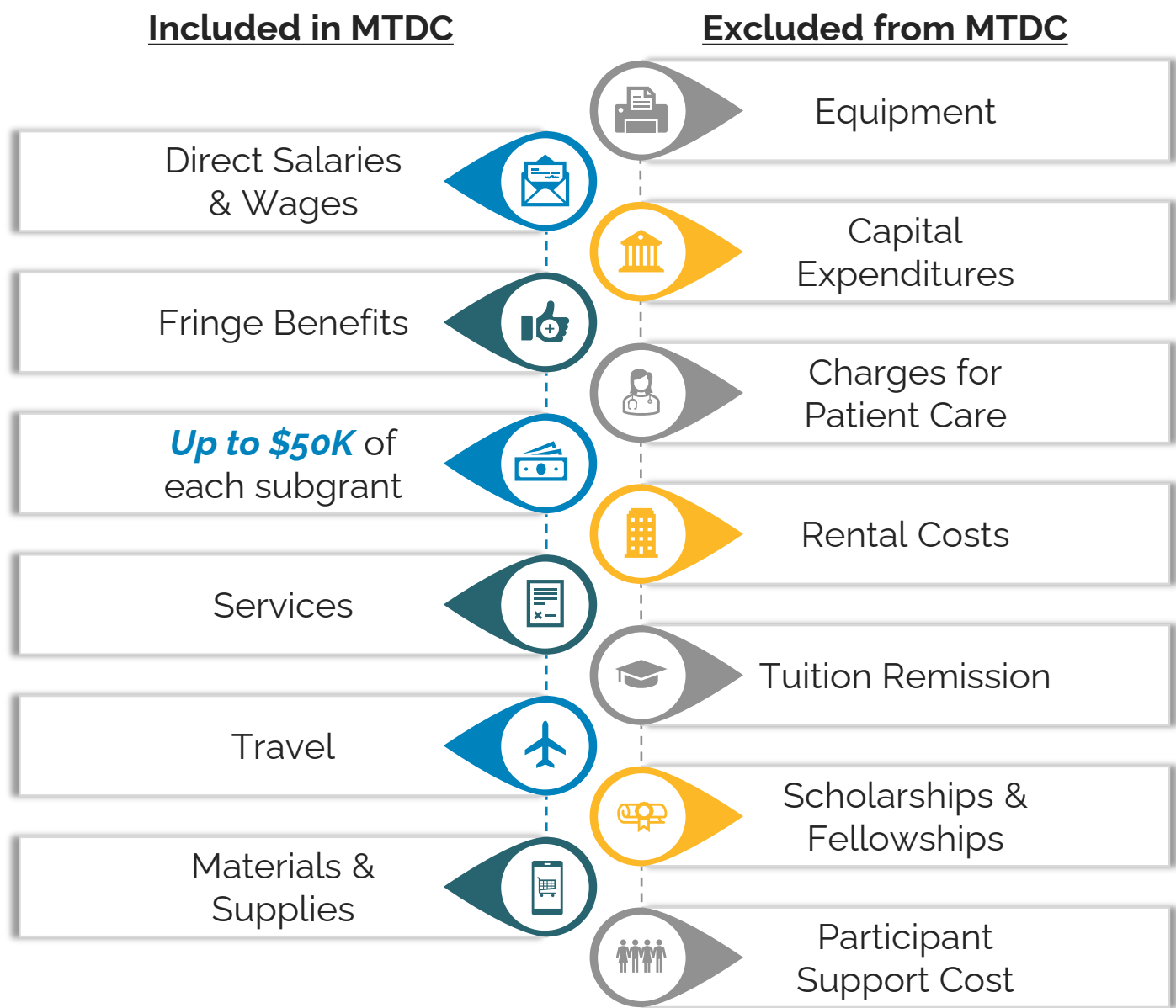
INDIRECT COST GUIDE OVERVIEW – CALCULATING INDIRECT COSTS

Once a funding recipient categorizes their direct and indirect costs and knows which allocation method applies, it is critical to have a strong understanding of how to calculate indirect costs. The below information reflects how to calculate indirect costs when using the de minimis rate, which is calculated off the modified total direct cost (MTDC).



MODIFIED TOTAL DIRECT COST (MTDC)

The 15% de minimis rate specifies the percentage of a grant that can be allocated to indirect costs. Rather than taking this percentage from the total project budget, the modified total direct costs (MTDC) specifies the sum of costs that can be used to calculate the total indirect costs. Federal guidance outlines specific types of direct costs that can be applied to this base:



CALCULATING INDIRECT COSTS

To calculate indirect costs at the de minimis rate, a funding recipient should take the total MTDC and multiply that total by 15%.

MTDC x 15% = Chargeable Indirect Costs

MTDC = (Direct Salaries & Wages + Fringe Benefits + Materials & Supplies+...etc.)

Example: A funding recipient receives an **\$888,000** ORF grant which they use to cover a variety of project costs including salaries, services, and equipment, and to pass along a total of \$190,000 in subgrants to four subrecipients of their own. The organization. The organization applies the standard ORF 15% IDC rate.

	Total Costs	MTDC
Salaries, fringe benefits, materials & supplies...etc.	\$525,000	\$525,000
Equipment	\$44,000	Excluded from MTDC
Capital Expenditures	\$30,000	Excluded from MTDC
Subaward 1	\$75,000	\$50,000
Subaward 2	\$80,000	\$50,000
Subaward 3	\$25,000	\$25,000
Subaward 4	\$10,000	\$10,000
Total Amount	\$789,000	\$660,000
Indirect Costs* (MTDC x 15%)	\$99,000	
Total Budget	\$888,000	

*To calculate their indirect costs, the organization would first determine their MTDC (\$660,000) then multiply it by the 15% indirect cost rate.

The initial budget calculation reflected above provides an *estimated indirect cost allocation* for the grant. All funding recipients charging indirect costs should periodically calculate their indirect costs based on budget actuals to ensure that they are not charging more than their actual allocated amounts.