

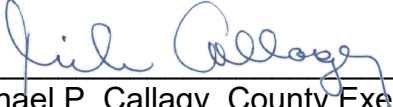


## ADMINISTRATIVE MEMORANDUM COUNTY OF SAN MATEO

**NUMBER: B-36**

**SUBJECT:** Indirect Cost Rates/Contracts

**RESPONSIBLE DEPARTMENT:** County Executive's Office

**APPROVED:**   
Michael P. Callagy, County Executive

**DATE:** August 5, 2024

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On April 22, 2024, the United States Office of Management and Budget published revised Guidance for Federal Financial Assistance (Guidance) which modifies certain cost principles for federal assistance, including aspects of the determination of indirect cost rates (ICR). (2 CFR Parts 1, 25, 170, 175, 180, 182, 183, 184, 200). In view of the Guidance, the County Executive (in consultation with County fiscal and legal staff) provides the following updated direction regarding the determination of ICRs for County-funded contracts, including federal/state funded County contracts, which applies unless otherwise provided in existing agreement or applicable law, as set forth herein.

- 1) If a contractor has a federally approved negotiated ICR in effect, the County will accept such rate in accordance with its terms and applicable federal regulations for all federally funded agreements. Departments should request documentation from the contractor to show that a federally approved ICR is in effect and with respect to any subsequent true-up required by a cognizant federal agency.
- 2) In the absence of a federally approved negotiated ICR, the County's policy is to require utilization of the De minimis ICR. The De minimis ICR is calculated as up to 15% of Modified Total Direct Costs (MTDC). MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$50,000 of each subaward (regardless of the period of performance of the subawards under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs, and the portion of each subaward in excess of \$50,000.

Under this policy, the ICR (federally approved or De minimis) and calculation must be stated in the contract. The contractor will not be required to submit documentation supporting their indirect costs with their invoices; however, contractors are required to maintain such documentation for audit purposes.

In addition, for certain agreements it may be appropriate to negotiate a fixed fee amount for a specific level of support without regard to actual costs incurred for administering the program.

For example, the fees under a contract to distribute X\$ of financial assistance to qualifying beneficiaries could be charged as a set percentage of the total amount of financial assistance or another fixed amount. The fixed fee must be stated in the contract and the contractor must be required to certify in writing to the County that the project or activity was completed or the level of effort was expended and provide such reporting as may be required. In such instance, the contractor will not be required to submit documentation supporting their fee (e.g. timecards) with their invoices; however, contractors are required to maintain documentation for audit purposes. Note that federally funded contracts are subject to additional requirements and approvals for fixed amount agreements, as provided in 2 CFR § 200.201 *et. seq.*