



U.S. Department
of Transportation

Federal Highway
Administration

Memorandum

Subject: INFORMATION: Allocating Indirect Costs
to Projects

Date: September 4, 2015

From: 
Brian R. Bezio
Acting Chief Financial Officer

In Reply Refer To:
HCFB-31

To: Division Administrators
Division Directors
Director, Innovative Program Delivery
Director, Technical Services

The Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (2 CFR 200 Subpart E and Appendix VII) established the requirements for indirect cost proposals for States, Local Governments and Indian Tribes. Grant recipients and subrecipients are authorized to use one of the following three methods described in 2 CFR 200 to charge indirect costs to Federal projects and activities:

- Indirect cost rate and indirect cost allocation plan,
- Indirect cost allocations not using rates (Narrative Cost Allocation Methodology), or
- De Minimis rate of 10 percent of modified total direct costs.

To ensure compliance with 2 CFR 200, the following tools are available:

- FHWA Cost Allocation and Indirect Cost Rate Review Guide ([click here](#)). This guide assists units in reviewing and negotiating cost allocation plans and indirect cost rates. Divisions responsible for the review and approval of a state highway department's or local agency's indirect cost allocation plan, in which FHWA has cognizant authority, may use the guide to complete the reviews.
- Indirect Cost Rate Negotiation Agreement template ([click here](#)). FHWA divisions responsible for the review and approval of indirect cost allocation plans must prepare and execute an indirect cost rate negotiation agreement.
- Indirect Cost Rate Negotiation Approval Letter template ([click here](#)). This letter documents the divisions' review and approval of the proposed indirect cost method.

This memo cancels two memorandums: (1) Indirect Costs Eligibility and Other TEA-21 Revisions to Title 23 U.S.C. Section 302, dated September 24, 1998 ([click here](#)); and (2) Clarification of Policy on Indirect Costs of State and Local Governments, dated May 5, 2004 ([click here](#)).

Please direct questions for:

- The memorandum purpose to Danial Parker at 720-963-3216; or
- Assistance in developing an ICAP or NCAM to the Resource Center Finance Team at RC-TST-Finance@dot.gov.

cc: Mr. Walter Waidelich, Jr., Associate Administrator for Infrastructure
Mr. Thomas Echikson, Chief Counsel
Directors of Field Services