

Guidance on Using an Administrative Allocation, Indirect Cost Rate, or De Minimis Rate

Administrative Allocations

- Administrative allocations must be applied consistently across all programs, both federal and non-federal.
 - A **Cost Allocation Plan** is recommended to ensure that federal and non-federal funding sources are charged their fair share of administrative costs, up to the administrative limit of each grant. Any amount exceeding the grant's administrative limit must be covered by unrestricted or corporate funds.
 - Administrative costs directly linked to a specific funding source may be charged directly. If they are not identifiable to a specific source, they must be charged using an Indirect Cost Rate (ICR), De Minimis Rate, or a Cost Allocation Plan.
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Indirect Cost Rate (ICR)

- Must be approved by a **Federal Cognizant Agency** (e.g., U.S. Department of Health and Human Services or Department of Labor).
 - Once approved, the ICR must be applied agency-wide to all eligible costs and budget line items, including match, across both federal and non-federal sources.
 - If administrative costs were included in the ICR calculation (e.g., specific positions like an accountant), those costs **cannot** be charged directly.
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De Minimis Rate (15%)

- Must be approved by **HUD via CSB**.
 - Once approved, the 15% De Minimis Rate must be used consistently agency-wide on all eligible costs and budget line items, including match, across both federal and non-federal sources.
 - The **basis for allocation** must be **Modified Total Direct Costs (MTDC)**.
 - The rate applies to **all costs and budget lines**, including administrative costs.
 - The agency **must not have had a previously approved ICR** in order to use the De Minimis Rate.
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Note: Both the Indirect Cost Rate and De Minimis Rate require certain cost exclusions from the MTDC base.

Exclusions from MTDC (for ICR and De Minimis)

Generally excluded costs include contracts, client-related expenses, and contracted services such as:

- Payroll software, third-party benefit administration
- Insurance
- Rent (client or office)
- Work equity for client rent
- Application fees, security deposits
- Utility and property damage assistance
- Moving costs
- Mental health services
- Food (except for Emergency Shelter programs)
- Client transportation (e.g., bus passes, taxis, ride shares)
- HMIS-related costs
- Equipment/furnishings (e.g., desks, chairs)
- Recurring license fees (e.g., Microsoft, LinkedIn, Indeed)
- Service contracts (e.g., copier, postage machine, payroll)
- Routine service expenses requiring prior approval (e.g., phone, insurance)

Note: Excludes credit card or buy now/pay later purchases.

Items Potentially Included in MTDC (Non-Exhaustive List)

May include items other than salary and fringe benefits, such as:

- Background checks (if consistently charged to relevant positions)
- Job postings (one-time cost for program staff)
- Staff travel for grant-related activities (excluding client transport)

For clarity, CSB recommends distinct GL codes for staff vs. client travel.

- Staff-completed maintenance and related travel
- Food for emergency shelter operations
- Consumable supplies:
 - Computers, printers, and similar items (under \$5,000 each)
 - Office supplies (e.g., pens, paper, keyboards, headphones)
 - Cleaning and first-aid supplies

If any of the above costs are incurred by administrative staff, they must be classified as administrative expenses.

CSB Recommendation

To ensure eligibility, CSB recommends applying the ICR or De Minimis Rate only to clearly MTDC-eligible items such as **staff time and fringe benefits**. While other items may be included, the cost must be **unquestionably program-related**.

For example:

- **Eligible:** Staff mileage for program-related travel
- **Ineligible:** Mileage for transporting clients

Use of ICR or De Minimis Rates must remain consistent across **all programs**.