

Updating a Negotiated Indirect Cost Rate (NICRA) during the Grant Award Period

Question: If a recipient receives a new NICRA during the grant award period how is the change in indirect costs reflected in the award? Is a formal modification to the grant required? Is a budget modification required?

Answer: Addressing the change in an indirect rate received during the grant period depends on whether the indirect rate has increased or decreased.

Decreased Rate: If the rate in the new NICRA is less than the rate in effect for the award, then the recipient must implement the lower rate from the effective date of the NICRA forward. If the recipient continues to charge the higher rate, the recipient may have to pay back excess indirect cost reimbursements. If the difference creates a material budget change, generally 10% or more, then it may be appropriate to revise the budget and approve it through a modification to the award. If the budget change is minor, then formal budget modification is not necessary.

Increased Rate: If the rate in the new NICRA is greater than the rate in effect in the award, then the recipient has two options available. The recipient may elect to use the new rate or continue to apply the original rate to costs incurred. Regardless of the option selected, the same level of performance as agreed to in the award, is required. The Federal share of the budget will not be increased to reflect the increased indirect costs; however, approved indirect costs in excess of the rate charged may be used as match.

If the increase creates a material budget change, generally 10% or more, then it may be appropriate to revise the budget and approve it through a formal modification to the award.

Regardless, all costs must be recorded following the standards in the OMB Circulars. A formal modification is not required to incorporate a new NICRA, during the grant award period. However, a formal modification may be prudent when a material budget change has occurred.