

IDEA Part C Indirect Costs: Fiscal Responsibilities and Process Checklist

Introduction

Under Part C of the Individuals with Disabilities Education Act (IDEA), states implement a coordinated system to provide early intervention services to infants and toddlers with disabilities from birth through age 2 and their families. A state lead agency (LA) may have expenses that are not directly tied to Part C activities but are needed for the agency's overall operation. These expenses, known as indirect costs, typically benefit more than one program, grant, or project within the state LA and are not easily ascribed to those programs, grants, or projects individually. Indirect costs may include part of the costs for facilities and administration related to general agency functions like human resources, accounting, payroll, information technology, or procurement.

A state LA may charge, but is not required to charge, indirect costs to the federal IDEA Part C grant. Because IDEA Part C includes a requirement that IDEA funds be used to supplement and not supplant nonfederal funds, these indirect costs must be charged using a restricted indirect cost rate (RICR) or a cost allocation plan (CAP) that restricts certain costs. Some costs that are generally allowed in indirect rates for other grants are not allowed for IDEA grants. This ensures that most of the Part C grant money is spent on services and activities that help infants and toddlers with disabilities and their families.

Before charging indirect costs, the state LA must get approval from the federal agency that reviews, negotiates, and approves indirect cost proposals and CAPs, known as the cognizant agency. The cognizant federal agency for indirect costs is typically the federal agency that provides the predominant amount of funding to the state LA and may be different from the cognizant agency for auditing purposes. The Indirect Cost Division at the U.S. Department of Education may also need to review or approve indirect cost proposals and CAPs. For more information, see the **Resources** sidebar.

Purpose

This checklist helps Part C coordinators understand the requirements for indirect cost rates, how the state follows the requirements, and how to report this information. Even though a Part C coordinator might not make indirect cost decisions or negotiate approvals, it is important they know

- » whether the state charges indirect costs to its Part C grant,
- » which state office(s) handle negotiation, approval, and calculation of indirect costs,
- » how indirect costs are charged to the Part C grant, and
- » how to ensure compliance with IDEA requirements.

Coordinators may use the following sections to identify and record tasks to better understand indirect costs in their state.

Resources

- [Quick Reference Guide on Restricted Indirect Costs and Cost Allocation Plans for IDEA Part C Grants](#)
Learn the basics of RICR and CAP IDEA requirements.
- [IDEA Part C Fiscal Timeline](#)
Plan and monitor tasks to meet the IDEA fiscal requirements, including charging indirect costs.

For more **Part C** fiscal resources, visit cifr.wested.org/resources or email us at cifr_info@wested.org.

1. Identify Current Indirect Cost Arrangement

This section explains how to determine whether the state LA applies indirect costs to the Part C grant.

Actions	Notes	Check box when complete
Identify the state’s cognizant federal agency.		
<p>A cognizant agency for indirect costs is the federal agency that reviews, negotiates, and approves indirect cost proposals and cost allocation plans. The cognizant federal agency is typically the organization that contributes the most federal funding to your agency.</p>		
Does the state currently charge indirect costs to the Part C grant?	<p>Yes</p> <p>No</p>	
Look at the latest annual Part C grant application, as well as applications from the past 2 to 3 years.		
» Does Section III.F. indicate that indirect costs are charged to the Part C grant?	<p>Yes</p> <p>No. You may stop here if the state does not plan to charge indirect costs.</p>	
<p>If your state is not currently charging indirect costs to the Part C grant but plans to, state LA staff should coordinate with the required federal agencies to create a realistic timeline for the necessary steps and approvals. Be sure to allow enough time to negotiate a restricted rate or get approval for a cost allocation plan.</p>		
– If yes, what amount was documented?		
– If yes, what percentage of the grant does this represent?		

Actions	Notes	Check box when complete
<ul style="list-style-type: none"> » What response was provided in Section IV.B.? For example, does the state have a RICR or CAP? What are the expiration dates? 		
<ul style="list-style-type: none"> » Is the information on indirect costs generally consistent from one year to the next? 		
<ul style="list-style-type: none"> – If not, what are the differences? For example, was there a significant change in the amount charged from one year to the next? 		
<p>Identify the state office(s) and staff who negotiate, obtain approval of, or renew the RICR agreement or CAP and charge indirect costs to the Part C program.</p>	Office, staff name, contact information	
<p>Set up meetings with the people mentioned above to gather more information and complete Section 2 of this checklist.</p>		
<p>Obtain a copy of the current CAP, negotiated indirect cost rate agreement, provisional rate, or proposal if the rate is not yet final.</p> <p>For CAPs, identify the areas of the document that reference the Part C program.</p>		

Actions	Notes	Check box when complete
<p>Identify the starting and ending dates for the current approved RICR or CAP, and indicate whether this rate is provisional or final.</p> <p>Special note: Most CAPs are valid until amended. Therefore, they may be valid for several years.</p>	<p>Final</p> <p>Provisional</p> <p>Start date:</p> <p>End date:</p>	

A provisional indirect cost rate is a temporary rate until the actual indirect costs can be determined and a final rate is established for the applicable period; provisional rates are subject to adjustment.

2. Gather Information on the State Process

Calculating restricted indirect costs with a RICR or a CAP and getting approval usually involves staff from the state LA finance department. This section highlights important points for the Part C coordinator to discuss with these staff members to fully understand the state's process and how the restricted costs are monitored. Use the questions below to guide your conversations and take notes on what you learn.

Actions	Notes	Check box when complete
<p>What is the state LA's indirect cost rate renewal process and timeline?</p>		
<p>What positions and offices have a role in this process? What is each position and office responsible for?</p>		
<p>How and when does the Part C coordinator obtain the total amount or percentage that should be budgeted for restricted indirect costs in the annual Part C grant application?</p>		

Actions	Notes	Check box when complete
<p>What is the state LA fiscal process used to apply the indirect cost rate to the Part C grant?</p>		
<p>For example, the rate may be applied to individual invoices through manual data entry. Or a financial software system may automatically calculate the rate against expenditures. The rate might be applied as a lump sum quarterly or once per year.</p>		
<p>How does the state LA ensure that only a restricted indirect cost rate is charged to the Part C grant?</p> <p>» How does the state LA ensure that indirect costs are not charged for the expenditures detailed in 34 CFR §76.565(c)?</p>		
<p>How does the state LA make sure that the indirect costs charged to the Part C grant do not exceed the amount budgeted for indirect costs in the state's Part C grant application for IDEA funds?</p>		
<p>How does the state LA use the funds that were charged as indirect costs to the Part C grant?</p>		

3. Report Indirect Costs in the IDEA Part C Grant Application

If the state plans to charge indirect costs to the Part C grant, it must include the status of its RICR or CAP and the amount budgeted for indirect costs in the annual Part C grant application. The steps below help Part C coordinators through this process.

Actions	Notes	Check box when complete
<p>Review instructions for Sections III.F. and IV.B. in the Part C grant application instruction sheet.</p>		
<p>The U.S. Department of Education Office of Special Education Programs (OSEP) generally releases instructions for the grant application in the first quarter of the calendar year in the Grants section of OSEP’s Resources for Grantees.</p>		
<p>Read assurance 24(c) in Section II.B. of the grant application and indicate that the state provides this assurance by checking “yes.”</p>		
<p>Enter the total restricted indirect costs to be charged to the Part C grant award in Section III.F.</p>		
<p>Identify the status that is applicable to the Part C program in Section IV.B.</p>		

Actions	Notes	Check box when complete
<p>Attach the documentation detailed in Section IV.B. to the grant application.</p> <p>If the state has a final approved RICR or CAP, attach a copy of the approval letter from your cognizant federal agency and the most recently approved agreement, plan (with page numbers that reference the Part C program), or other applicable indirect cost documentation to the grant application.</p> <p>Or, if the state LA has a provisional rate or is in the process of negotiating a new RICR agreement, attach the proposal to the grant application.</p>		
<p>If the approved rate expires and a new one is set after the annual grant application is submitted, send the most recently approved agreement or CAP to OSEP.</p>		

Summary

To implement IDEA Part C, state LAs might have indirect costs that support multiple programs. Part C coordinators should know which state offices handle these tasks; how indirect costs, if any, are charged to the grant; and how to ensure compliance with IDEA requirements. If you have questions about this checklist or restricted indirect cost rates for Part C, please email CIFR at cifr_info@wested.org.

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