



United States Department of the Interior

INTERIOR BUSINESS CENTER
Washington, DC 20240

February 25, 2026

Memorandum

To: All IBC Indirect Cost Services (ICS) Grant Recipients and Representatives

From: Craig A. Wills
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Subject: Indirect Cost Rate Negotiation Backlog Update and Expectations

Purpose

This memorandum provides a transparency update regarding current indirect cost rate negotiation start times due to a workload backlog and updated expectations to support timely and defensible negotiation of Negotiated Indirect Cost Rate Agreements (NICRAs).

Backlog Update and Acknowledgement

First, we want to acknowledge the most visible pain point: our office is experiencing a workload backlog, and the time to begin negotiations after initial receipt of your indirect cost rate proposal has increased to six months or longer. This is primarily due to recent workforce attrition and position vacancies, combined with current federal hiring constraints, which have reduced our negotiation capacity. We regret the impact this delay may have on your grants management planning, administration, and/or close-out activities. Please know we are taking active steps to rebuild capacity and reduce the backlog.

What Happens Once Your Proposal Is Assigned

Once your proposal is assigned to an indirect cost rate negotiator, your responsiveness and the quality of the proposal package supporting documentation are the single biggest controllable factors affecting how quickly we can finalize your NICRA. As we work through the backlog, we are also strengthening internal controls and applying Uniform Guidance requirements more consistently across all negotiations. This is not a change in regulation; rather, it is a change in our execution and consistency.

Expectations We Are Reinforcing

Responsiveness and Timeliness

When we request clarification or additional support, our negotiators will provide a due date in writing. If you need more time, request an extension before the due date and briefly explain what is pending and when it will be provided. Non-responsiveness or repeated incomplete responses will extend processing time and may delay completion of your negotiation.

Support and Documentation

Costs included in your indirect cost rate proposal must be allowable, reasonable, allocable, and adequately documented, and the documentation submitted must clearly support the amounts proposed and how those costs were determined. Grant recipients are solely responsible for determining what supporting documentation and narrative justifications are necessary to substantiate proposed costs; accordingly, ICS negotiators are not responsible for advising, coaching, or directing recipients on what support to provide. Submitting large volumes of unorganized cost details that are not tied to the proposal schedules is not a substitute for adequate support and typically increases follow-up requests and delays.

Use of estimates: Any estimated costs included in the proposal must be supported by reasonable, verifiable documentation demonstrating how the estimate was developed and why it is appropriate. Estimates that are not adequately supported may be adjusted to supported levels, replaced with actual costs where available, or excluded from the indirect cost rate calculation.

Allocability Methodology

“These are administrative, so they are indirect” is not, by itself, an allocability methodology. Indirect cost pools must be supported by a reasonable, documented allocation methodology demonstrating that costs are assigned based on relative benefit. If an item cannot be supported with a reasonable allocation basis, it may be adjusted, reclassified, or excluded from the indirect cost rate calculation.

Good-Faith Engagement

We expect negotiations to be conducted in good faith. Strategic stalling, drip-feeding information, or presenting costs in a way that obscures allowability/allocability does not help the negotiation process move faster. Clarity beats volume: the fastest negotiations are those with organized submissions, clear support, and timely responses.

Prior-Year Outcomes Are Not Precedent

We recognize that prior negotiations may have adopted certain practices, sometimes due to incomplete information or oversight on our part. Based on external oversight

recommendations, including strengthening internal controls related to cost review and questioned costs, we are applying Uniform Guidance requirements more consistently. Prior negotiated indirect cost rate agreements are not precedent where current proposal support documentation is insufficient; costs may be questioned, adjusted, or excluded until adequately supported.

Full Application of Uniform Guidance

The Uniform Guidance must be applied in its entirety. You may not selectively apply individual provisions while disregarding other requirements. All submissions and negotiations will be evaluated based on the full scope of federal regulations. Compliance with one section does not waive the requirement to comply with all other applicable parts of the Uniform Guidance.

Substantive Disagreements

Stating a disagreement with a negotiator's proposed adjustment, by itself, is not sufficient to change the outcome. If you disagree with an adjustment, you must provide written justification supported by documentation and clearly reference the applicable sections of the Uniform Guidance that support the allowability, reasonableness, necessity, and allocability of the cost.

What We Need From You to Keep Negotiations Moving

Be prepared to provide the following, as applicable:

- **When preparing your proposal package, we strongly recommend using our templates and instructions located on our customer central website at <https://ibc.doi.gov/ICS/indirect-cost>**
- A proposal that reconciles to audited financial statements and/or general ledger support
- Clear descriptions of significant cost categories and what they represent
- Documentation sufficient to support allowability, reasonableness, and allocability determinations
- A defensible allocation basis for pooled costs, including explanations for material changes year-to-year
- Timely responses to questions and requests by the stated due dates

If Information Is Not Provided

If requested information is not received by the due date (and no extension is requested/approved), we may:

- Pause processing until sufficient support is received, and/or

- Proceed using available information, which may result in adjustments or exclusions, and/or
- Determine the proposal submission is incomplete and require resubmission. Resubmitted proposals will be processed in the order based on the new resubmission date (First in-First Out).

Our Commitment

We will own our part: we are actively addressing our backlog and rebuilding capacity. In return, we need grant recipients and representatives to meet halfway: complete submissions, defensible allocation methods, and on-time responses. That is the fastest and cleanest path to getting agreements finalized and reducing cycle time for everyone.