INSTITUTE *for* GLOBAL ENGAGEMENT

How does IGE determine its indirect cost rate?

Indirect Costs are costs that a program shares with the rest of the organization, typically consisting of operational overhead (office rent, office supplies, management overhead, etc.). An indirect cost rate is a tool for determining the proportion of indirect costs each program should bear. It is the ratio (expressed as a percentage) of the indirect costs to a direct cost base. Since 2010, and on an annual basis, IGE—as an accepted government partner—has maintained a negotiated indirect cost rate (NICR) agreement with the U.S. Department of the Interior. The rate varies each year. For 2017 and 2018, we have a predetermined rate of 43.50%.

How does IGE determine its overhead cost rate?

Overhead Cost is an indirect cost that is related to the project. An example of overhead is the salary of an employee who is working on the project, but not as direct project labor (e.g., President or Operations Manager). The employee's salary would have been incurred even if the project did not exist; but since the employee is working on that particular project, it is considered overhead. Overhead is a subset of indirect costs. While indirect costs are associated with the organization as a whole, overhead is associated only with a specific project (while still not being a direct cost*). IGE's overhead rate is derived from its indirect cost rate, and therefore, varies each year. This rate is determined by dividing "Management & General" expenses by total expenses. Per IGE's most recent audited financial statements (FY2017), this rate is 12%.

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