



THE CITY OF BOSTON FINANCE COMMISSION
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The Honorable Michelle Wu
Mayor of the City of Boston
Boston City Hall, 5th floor
Boston, MA 02201

May 22, 2025

While reviewing Federal grants distributed by the City of Boston, the Finance Commission discovered that percentages charged for fiduciary and/or administrative fees by third-party agents, often referred to as Negotiated Indirect Cost Rate Agreements or NICRA, lacked continuity. Although some fees charged were as low as 10% with one city vendor charging 50% of the total contract cost to administer funds. Using a fiduciary agent can allow service providers to focus on the goals of the grant but it is important to remember that every dollar that is spent on the administration lessens the funding available to achieve the goals of the grant. The Finance Commission reviewed Federal Guidelines on the matter and found the following:

- American Rescue Plan Act (ARPA) funds are administered through the United States Treasury Department which suggests using a 15% indirect cost rate for administrators.
- The United States Department of Housing and Urban Development imposes a 20% cap on administrative fees charge for Community Development Block Grants and a 10% cap on administrative fees for its HOME program.

The City of Boston needs to create a written policy that limits the amount fiduciary agents can charge to administer grants and creates multiple administrative checkpoints to ensure the policy is being adhered to. The majority of funding should be received by the service providers so that the grant can have the maximum impact. To achieve this, the City of Boston Finance Commission would recommend strict adherence to Federal guidelines and in the absence of any stated requirements, that a 10% cap on administrative fees be instituted with multiple approvers and a signed, written explanation be required for any deviation from the policy.

Matthew A. Cahill

Executive Director

CC: Scott Finn, City Auditor