



UNDERSTANDING COST ALLOCATION AND INDIRECT COST RATES

Presentation for:

GPD National Program Office

Presented by: Office of Business Oversight



Purpose and Topics

- The purpose of this training is to become familiar with basic application of cost allocation methodologies and indirect cost rate for Federal Grantees who receive federal funds from the Grant Per Diem (GPD) Program.
 - Basic Cost Concepts
 - Examples of Direct Cost and Indirect Cost
 - Cost Allocation Best Practices
 - Direct Cost Allocation Method
 - Direct vs. Indirect Cost Case Example
 - Indirect Cost Rate
 - Most Common Indirect Cost Rate Mistakes
 - 10% De Minimis Rate Case Example
 - Indirect Cost Rate Proposal Documentation
 - Point of Contacts





Basic Cost Concepts

- Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (F&A) costs.
- **Direct costs** – Costs identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or directly assigned to activities relatively easily with a high degree of accuracy.
- **Indirect costs** – Costs incurred for a common or joint purpose benefitting more than one cost objective, and **not readily assignable** to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs.
- **Direct “shared” cost**– Goods and services used by multiple projects (and for which a vendor cannot invoice each project separately) that are charged to each benefiting project based on a reasonable and consistent manner.





Examples of Direct Cost

Project
Staff salaries

Material
and Supplies

Utilities

Travel

Food

Other
direct cost



Examples of Indirect Cost

CEO, CFO and
HR director
salaries

General
office
expenses

General
admin utilities

Professional
services

Audit and
Legal

Other
overhead cost



Direct Cost vs Indirect Cost Case Example

You are the executive director of a small nonprofit organization that recently received funding from VA-GPD and HUD programs to provide shelter and clinical service for people experiencing homelessness who are Veterans and non-Veterans. You hire two case managers to work with Veterans and non-Veterans individually. Both programs share the same housing, utilities, maintenance staff, and security. Let's look at how to categorize the costs related to these new programs.

Line Item	Direct Cost – 100%	Shared Direct Cost	Indirect Cost
Salary - GPD Staff	X		
Salary - HUD Staff	X		
Salary - CEO, HR Director, CFO			X
Fringe Benefit - GPD Staff	X		
Fringe benefit - HUD Staff	X		
Fringe Benefit - CEO, HR Director, CFO			X
Food for Vets	X		
Cleaning Supplies	X	X	X
Accountant/Intenal Audit			X
Job Training for Vets	X		
Housing Utilities - VA and HUD		X	
Corporate Insurance			X
Cell Phones(all staff)		X	X
Depreciation - Vehicle		X	X
External Audit		X	X
Admin office utilities		X	X
Maintenance		X	X
Travel		X	X
Other Corporate fees			X



Cost Allocation Best Practices

- **Be consistent.** However, you choose to classify direct vs. indirect costs, follow that method consistently across the organization.
- **Document your policies.** To provide clarity to stakeholders and an audit trail, be sure to document your cost allocation policies and procedures.
- **Keep your plan updated.** Put a regular review of your cost allocation plan on your calendar, so you can adjust as needed as your operations and funding change.
 - What specific costs and resources are considered “shared?”
 - How will your organization divide shared costs among different projects?
 - How will your organization recognize direct and indirect costs?
- **Involve others.** For better financial stewardship, educate your board, leadership team, staff, and volunteers about indirect costs and how and why they are allocated as they are.



Direct Cost Allocation Methods

- Cost allocation method by square footage;
 - Facilities Expense Amount = \$10,000

Grant	Footage	%	Calculation	Amount Allocated
A	300	30%	10,000 X 30%	\$ 3,000
B	100	10%	10,000 X 10%	\$ 1,000
C	200	20%	10,000 X 20%	\$ 2,000
D	200	20%	10,000 X 20%	\$ 2,000
E	100	10%	10,000 X 10%	\$ 1,000
G & A	100	10%	10,000 X 10%	\$ 1,000
Total	1,000	100%		\$ 10,000

- Cost allocation method by personnel (**actual hours worked not estimated**)
 - Expense Amount = \$5,000

Grant	Personnel Cost	%	Expense Amount	Calculation	Amount Allocated
A	\$ 20,000	20%	\$ 5,000	5,000 X 20%	\$ 1,000
B	\$ 30,000	30%	\$ 5,000	5,000 X 30%	\$ 1,500
C	\$ 50,000	50%	\$ 5,000	5,000 X 50%	\$ 2,500
Total	\$ 100,000	100%			\$ 5,000



Direct Cost Allocation Methods (Cont.)

- Cost allocation method by personnel
- Example: An employee keeps a daily time sheet to keep track of their time in quarter-hour (15-minute) or tenth-of-an-hour (6-minute) increments. One day, they work a total of eight hours:
 - They spend four of those hours, or 50% of their day, working on Project A.
 - They spend another two hours, or 25%, on Project B.
 - They spend one hour each on Project C (12.5%) and administrative tasks (12.5%).
 - Their weekly salary is \$1,000, or \$200 per day.
- The initial cost allocation for that day's \$200 payroll expense would therefore be:
 - **Project A:** \$100
 - **Project B:** \$50
 - **Project C:** \$25
 - **Indirect costs:** \$25



Direct Cost Allocation Methods (Cont.)

- Cost allocation method by total beds:
 - Facility maintained 57 beds, 47 ($47/57=82.5\%$) were GPD and 10 ($10/57=17.5\%$) were for another Federal program.

Distribution Code	Location	Program	Amount	Percentage	Expense
					114.98
All Res 10 2019	400	1543	20.12	17.50%	
	400	1547	94.86	82.50%	
Total All Res 10 2019			<u>114.98</u>	<u>100%</u>	
Report Total			<u>114.98</u>	<u>100%</u>	



Indirect Cost Rate

- **What is an indirect cost rate?**
 - It determines a fair and quick proportion of general (non-direct) expenses that each project will bear. It is the ratio between the total indirect costs of an applicant and some equitable direct cost base.
- **What type of indirect cost rate exists in the Federal award agencies?**
 - 10%* de minimis rate based on Modified Total Direct Cost (MTDC)
 - Negotiated Indirect Cost Rate Agreement (NICRA)
- **What is included in the Modified Total Direct Cost?**
 - **Includes**: all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000** of each subaward.
 - **Excludes**: equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs, and the portion of each subaward in excess of \$25,000.**

*New uniform guidance proposed 15% de minimis rate effective on October 1, 2024.

**New uniform guidance proposed subaward up to \$50,000 effective on October 1, 2024.



Indirect Cost Rate (Cont.)

- **How do I request an indirect cost rate?**
 - Grantees are responsible for contacting their cognizant agency (highest Federal direct award agency) to request any required indirect cost rate agreement certification or supporting documentation to prepare an indirect cost rate proposal.
- **How many days do we have to submit an indirect cost rate proposal?**
 - All organizations must submit their initial indirect cost rate proposal to their cognizant agency within 90 days of receiving a cost reimbursable grant/contract award.
 - All organizations with **previously established** indirect cost rates must submit their final indirect cost rate proposals within 180 days (6 months) of the end of the organization's fiscal year.
- **For how long do we need to submit annual indirect cost rate proposals based on incurred costs?**
 - For the life of the cost reimbursable contract/grant period. Your organization would need to submit final incurred cost proposals at the end of each fiscal year.



Most Common Indirect Cost Rate Mistakes

- **Do not:**
 - Apply the indirect cost rate to the indirect cost pool.
 - Apply the indirect cost rate to grant revenues.
 - Apply the incorrect approved indirect cost rate.
 - Use the incorrect approved indirect cost allocation base.
 - Let the approved negotiated rate expire.
 - Forget to submit a final rate within 180 days of year end closing date.





10% De Minimis Rate Case Example

The nonprofit organization, Veterans Help, Inc., contacted the VA GPD Program Office for help on how to apply the 10% de minimis rate for their indirect cost. The VA GPD financial staff identified that Veterans Help, Inc. received a VA GPD grant revenue that totaled \$500,000 during the FY 2023 award period and had the following direct expense categories during the same fiscal year award period:

Grant Revenue	\$ 500,000
Personnel	
Program Manager	\$ 60,000
Health Educator	\$ 50,000
Outreach Workers	\$ 80,000
Total Personnel	\$190,000
Fringe Benefit @20%	\$ 38,000
Travel	\$ 10,000
Supplies	\$ 15,000
Participant Cost(stipends, travel allowances, registration fees to clients)	\$ 75,000
Subawards	
State College	\$ 55,000
ABC Corporation	\$ 100,000
Youth Help Foundation	\$ 35,000
Total Subawards	\$190,000
Equipment	\$ 125,000
Other	\$ 1,000
Total Cost	\$ 644,000



10% De Minimis Rate Case Example (Cont.)

During the review process, the VA GPD financial staff received from the grantee two supporting documents for calculating the indirect cost rate based on the 10% de minimis rate. Which of the two calculations supporting table is the correct one?

Table 1					
Veterans Help, Inc. P&L Statement	Expenses	Excluding Items	MTDC	Revenue	Amount for Indirect (10%)
Grant Revenue				\$ 500,000	\$ 50,000
Personnel		\$ -			
Program Manager	\$ 60,000		\$ 60,000		
Health Educator	\$ 50,000		\$ 50,000		
Outreach Workers	\$ 80,000	\$ -	\$ 80,000		
Total Personnel	\$ 190,000		\$ 190,000		
Fringe Benefit @20%	\$ 38,000		\$ 38,000		
Travel	\$ 10,000	\$ (6,000)	\$ 4,000		
Supplies	\$ 15,000		\$ 15,000		
Participant Cost (stipends, travel allowances, registration fees to clients)	\$ 75,000	\$ (75,000)	\$ -		
Subawards					
State College	\$ 55,000	\$ 30,000	\$ 25,000		
ABC Corporation	\$ 100,000	\$ 75,000	\$ 25,000		
Youth Help Foundation	\$ 35,000	\$ 10,000	\$ 25,000		
Total Subawards	\$ 190,000	\$ 115,000	\$ 75,000		
Equipment	\$ 125,000	(\$125,000)	\$ -		
		\$ -			
Other	\$ 1,000		\$ 1,000		
Total Modified Total Direct (MTDC)	\$ 323,000				
Indirect (10%)	\$ 50,000				
Total Cost	\$ 373,000				



10% De Minimis Rate Case Example (Cont.)

Table 2					
Veterans Help, Inc. P&L Statement	Expenses	Excluding Items	MTDC	Revenue	Amount for Indirect (10%)
Grant Revenue				\$ 500,000	
Personnel					
Program Manager	\$ 60,000		\$ 60,000		
Health Educator	\$ 50,000		\$ 50,000		
Outreach Workers	\$ 80,000	\$-	\$ 80,000		
Total Personnel	\$ 190,000		\$ 190,000		\$ 19,000
Fringe Benefit @20%	\$ 38,000		\$ 38,000		\$ 3,800
Travel	\$ 10,000		\$ 10,000		\$ 1,000
Supplies	\$ 15,000		\$ 15,000		\$ 1,500
Participant Cost (stipends, travel allowances, registration fees to clients)	\$75,000	\$ (75,000)	\$ -		
Subawards					\$ -
State College	\$ 55,000	\$ 30,000	\$ 25,000		
ABC Corporation	\$ 100,000	\$ 75,000	\$ 25,000		
Youth Help Foundation	\$ 35,000	\$ 10,000	\$ 25,000		
Total Subawards	\$ 190,000	\$ 115,000	\$ 75,000		\$ 7,500
Equipment	\$ 125,000	\$ (125,000)	\$ -		
Other	\$ 1,000		\$ 1,000		\$ 100
Modified Total Direct Cost (MTDC)	\$ 329,000				\$ -
Indirect (10%)	\$ 32,900				\$ -
Total Cost	\$ 361,900				



10% De Minimum Rate Case Example Result

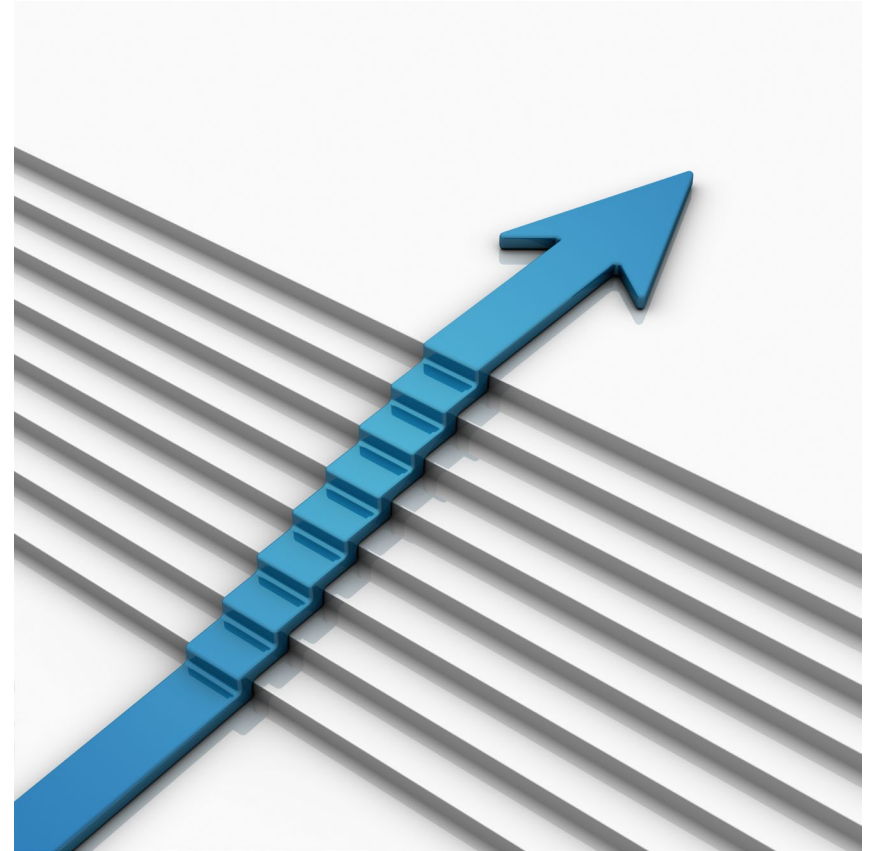
Table 2 is correct





How to Prepare an Indirect Cost Rate Proposal

- Contact your cognizant agency.
- Basic procedures and guidelines are in the Indirect Cost Rate Proposal Guide.
- The next set of slides will show the basic documents which must be submitted in the indirect cost rate proposal.





Indirect Cost Proposal Documentation

C. Indirect Cost Rate Proposal Checklist – non-profit and commercial organizations¹

Indirect Cost Proposal Checklist¹ Non-Profits

1. Submit once unless changes are observed:
 - ___ 1a. Organizational chart,
 - ___ 1b. Nonprofits - Narrative explaining compliance with 2 CFR §200.430(a)(1)(2) & (3) and the standards for documentation of personnel expenses.
 - ___ 1c. Signed Cost Policy Statement.

2. An indirect cost rate proposal(s) providing the following:
 - ___ 2a. Personnel Costs Worksheet, including fringe benefits breakdown.
 - ___ 2b. Allocation of Personnel Worksheet, providing indirect/direct time charges.
 - ___ 2c. Fringe Benefits Worksheet,
 - ___ 2d. Statement of Total Costs, supporting the indirect and direct costs incurred by expense category, identified by Federal agency, specific government grant, contract, and other non-government activities.
 - ___ 2e. Statement of Indirect Costs, including indirect cost pool(s), allocation base(s), and indirect cost rate(s) proposed.

3. ___ Audited financial statements, if available. If audited financial statements are not available, IRS Form 990 (non-profits) or compilation/review financial statements (for-profits) for the final rate proposal. Approved budget for provisional proposal, if needed. Note: The Statement of Total Costs (2d. above) must reconcile to Financial Statements. If not, please provide a reconciliation statement.

4. ___ Certification that the indirect cost rate proposal was prepared in a manner consistent with the applicable cost principles set forth in 2 CFR Part 200, Subpart E & Appendix IV for non-profits, or the Federal Acquisition Regulation (Part 31) for commercial organizations. The certifications should be signed by the President/Executive Director, or Comptroller/ CFO.

5. ___ A listing of grants and contracts by Federal agency, subagency, program office funding source, award amount, period of performance, and the indirect cost (overhead) limitations (if any) applicable to each, such as, ceiling rates or amounts restricted by administrative or statutory regulations, applicable to the period(s) of the proposal(s). This listing must be supported with copies of the approved federal grants or contracts notification awards (1st page).



Indirect Cost Proposal Documentation

Exhibit A
Example - Personnel Cost Worksheet
 Fill in: Final or Provisional & Organization's Fiscal year

Position	Annual Salary (A)	FICA (B)	State UI (C)	Worker's Comp. (D)	Health Insurance (E)	Retirement (F)	Total Benefits	Total Personnel Costs
	a						b	(a+b)
Executive Director	\$ 60,000	\$ 4,311	\$ 240	\$ 600	\$ 2,400	\$ 4,800	\$ 12,351	\$ 72,351
Administrative Assistant	22,000	1,683	240	220	2,400	1,760	6,303	28,303
Controller	45,000	3,443	240	450	2,400	3,600	10,133	55,133
Accountant (3)	90,000	6,885	720	900	7,200	7,200	22,905	112,905
Program Planner (4)	120,000	9,180	960	1,200	9,600	9,600	30,540	150,540
Field Operations Director	35,000	2,678	240	350	2,400	2,800	8,468	43,468
Area Coordinator *	15,000	1,148	240	150	1,400	1,200	4,138	19,138
Program Specialist (2)	25,000	1,913	480	250	4,800	2,000	9,443	34,443
Personnel Director	40,000	3,060	240	400	2,400	3,200	9,300	49,300
Personnel Clerk (3)	60,000	4,590	720	600	7,200	4,800	17,910	77,910
MIS Director	45,000	3,443	240	450	2,400	3,600	10,133	55,133
Head Start Director	45,000	3,443	240	450	2,400	3,600	10,133	55,133
Data Entry Clerk *	12,000	918	240	120	1,200	960	3,438	15,438
All Other Positions **	700,000	53,550	12,000	7,000	120,000	56,000	248,550	948,550
TOTAL	\$ 1,314,000	\$ 100,245	\$ 17,040	\$ 13,140	\$ 168,200	\$ 105,120	\$ 403,745	\$ 1,717,745

(A) In this example, vacation, holiday, sick leave, and other paid absences were included in salaries and claimed on other grants, contracts, or agreements, as part of salary costs. Separate claims for these absences are not made. Refer to Exhibit C.

(B) FICA taxable wages were computed at 6.2% of \$55,500 per employee, and 1.45% based on \$130,200 per employee.

(C) State unemployment compensation taxable wages were computed on the 1st \$8,000 for 71 employees at 3% (\$8,000 x 71 x 3% = \$17,040)

(D) Worker's compensation was estimated at 1% of salaries (1% x \$1,314,000 = \$13,140).

(E) Health insurance was computed at \$200 per month per employee.

(F) Retirement was computed at 8% of an employee's annual salary.
 Example: Executive Director's annual salary: \$60,000 x 8% = \$4,800.

* This represents employees who will work less than a twelve month period due to a grant/contract not being reviewed.



Indirect Cost Proposal Documentation

Exhibit B

Example - Allocation of Personnel Worksheet

Fill in: Final or Provisional & Organization's Fiscal year

Position	Annual Salary	Indirect Costs	Direct Costs (a+b)	Federal Programs			Non-Federal Programs		
				a			b		
				U.S. Dept. of Labor	U.S. Dept. of HHS	U.S. Dept. of Education	State Service Delivery Agency	Fundraising	Private Foundation Commercial
Executive Director	\$60,000	\$54,000	\$6,000					\$6,000	
Administrative Assistant	22,000	22,000							
Controller	45,000	45,000							
Accountant	90,000	90,000							
Program Planner (4)	120,000	12,000	108,000	\$72,000	\$12,000	\$18,000	\$6,000		
<i>% of Distribution</i>	<i>100%</i>	<i>10%</i>	<i>90%</i>	<i>60%</i>	<i>10%</i>	<i>15%</i>	<i>5%</i>		
Field Operations Director	35,000	5,250	29,750	8,750	5,250	8,750	5,250		\$1,750
<i>% of Distribution</i>	<i>100%</i>	<i>15%</i>	<i>85%</i>	<i>25%</i>	<i>15%</i>	<i>25%</i>	<i>15%</i>		
Area Coordinator *	15,000		15,000				15,000		
Program Specialist	25,000		25,000	20,000	5,000				
<i>% of Distribution</i>	<i>100%</i>		<i>100%</i>	<i>80%</i>	<i>20%</i>				
Personnel Director	40,000	40,000							
Personnel Clerk (3)	60,000	60,000							
MIS Director	45,000	45,000							
Head Start Director	45,000		45,000	9,000	36,000				
<i>% of Distribution</i>	<i>100%</i>		<i>100%</i>	<i>20%</i>	<i>80%</i>				
Data Entry Clerk *	12,000		12,000	9,000		3,000			
All Other Positions **	700,000		700,000	280,000	105,000	175,000	105,000		35,000
TOTAL	\$1,314,000	\$373,250	\$940,750	\$398,750	\$163,250	\$204,750	\$131,250	\$6,000	\$36,750

* This represents an employee who will work less than a twelve month period.

** These positions have been consolidated for illustrative purposes only. All personnel positions that require time to be charged to more than one cost objective must be identified separately in this worksheet.

Note: The salaries included in this exhibit are for illustrative purposes only.



Indirect Cost Proposal Documentation

Exhibit C

Example - Statement of Employee Benefits

Fill in: Final or Provisional & Organization's Fiscal year

	<u>Method A</u>	<u>Method B</u>
Annual Leave Earned		\$50,384
Sick Leave Taken		25,269
Holidays		50,384
Subtotal - Release Time		\$126,037 a
FICA	\$100,245	\$100,245
State Unemployment Compensation	17,040	17,040
Worker's Compensation Insurance	13,140	13,140
Medical Insurance	168,200	168,200
Pension	105,120	105,120
SubTotal	\$403,745	\$403,745 b
Total Employee Fringe Benefits	\$403,745	\$529,782 (a+b)
Allocation Base:		
Total Salaries	\$1,314,000	\$1,314,000
Less: Release Time		126,037
Chargeable Salaries		\$1,187,963
<u>Employee Fringe Benefit Rate</u>		
Fringe Benefits	\$403,745	\$529,782
Allocation Base	\$1,314,000	\$1,187,963
Fringe Rate	30.73%	44.60%

NOTE:

Method A - For estimating purposes on budgets, grantees/contractors include release time as personnel salary costs; i.e. total salary.

Method B - The fringe benefit pool includes time for vacation, holiday, and sick leave and is distributed through a fringe benefit rate.

The decision to use either method will depend on the grantee/contractor's accounting system and time distribution system.



Indirect Cost Proposal Documentation

EXHIBIT E - Example - Statement of Total Costs - All Funds - and
Distribution of Indirect Costs to the Cost Centers using two Sample Methods of Allocation ⁽⁶⁾ (3 STEPS)
Direct Allocation Method

Fill in: Final or Provisional & Organization's Fiscal year

STEP 1 - Do Statement....				Federal Programs									Non-Federal Programs		
Budget Category	Total Costs	Less: Indirect Unallowables Costs	Indirect Costs (3)	Total Direct Costs	Total Federal Programs	Dept. of Labor	Dept. of HHS	Dept. of Education	Total Non-Federal Programs	Private Foundation	Fund-raising				
	A = B+C+D	B	C	D = E+F	E				F						
Salaries	\$1,314,000		\$373,250	\$940,750	\$766,750	\$398,750	\$163,250	\$204,750	\$174,000	\$168,000	\$6,000				
Fringe Benefits (30.73%)	403,746		114,686	289,060	235,596	122,522	50,161	62,913	53,464	51,620	1,844				
Total Personnel Costs	1,717,746		487,936	1,229,810	1,002,346	521,272	213,411	267,663	227,464	219,620	7,844				
Consultant Services	26,000		14,000	12,000	10,300	7,000		3,300	1,700	1,700					
Staff Travel	94,000		20,000	74,000	67,300	28,100	12,600	26,600	6,700	6,700					
Bad Debts	10,000	10,000 ^F (1)													
Office Rent	170,000		32,000	138,000	113,200	46,900	27,600	38,700	24,800	22,000	2,800				
Consumable Supplies	161,000		11,000	150,000	132,000	36,000	43,500	52,500	18,000	18,000					
Subawards/Subcontracts	175,000			175,000	157,000			157,000	18,000	18,000					
Purchase, Lease of Equipment	82,000		10,700	71,300	62,000	38,800	8,400	14,800	9,300	9,300					
Telephone	109,400		18,600	90,800	73,600	30,900	15,400	27,300	17,200	13,600	3,600				
Entertainment	1,800	1,800 ^F (1)													
Printing and Reproduction	45,800		11,000	34,800	32,100	11,800	4,800	15,500	2,700	1,900	800				
Insurance and Bonding	41,800		8,400	33,400	29,200	9,100	8,700	11,400	4,200	4,200					
Postage and Delivery	35,500		5,100	30,400	24,500	12,100	4,900	7,500	5,900	2,400	3,500				
Depreciation	8,800		8,800												
Emergency Assistance	54,000			54,000	54,000		54,000								
Training Materials	82,000			82,000	76,300	36,100		40,200	5,700	5,700					
Participant Support Costs	184,000			184,000	184,000	184,000									
Total Non-Personnel Costs	1,281,100	11,800	139,600	1,129,700	1,015,500	440,800	179,900	394,800	114,200	103,500	10,700				
TOTAL	\$2,998,846 (4)	\$11,800	\$627,536	\$2,359,510	\$2,017,846	\$962,072	\$393,311	\$662,463	\$341,664	\$323,120	\$18,544				
MTDC Allocation Base: Direct Exclusions (2)															
Subawards/Subcontracts in excess of \$25,000				(107,000)	(107,000)			(107,000)							
Purchase, Lease of Equipment				(22,100)	(22,100)	(22,100)									
Emergency Assistance				(54,000)	(54,000)		(54,000)								
Participant Support Costs				(184,000)	(184,000)	(184,000)									
Total Direct Exclusions				(367,100)	(367,100)	(206,100)	(54,000)	(107,000)							
Total - MTDC Allocation Base				\$1,992,410	\$1,650,746	\$755,972	\$339,311	\$555,463	\$341,664	\$323,120	\$18,544				
STEP 2 - Rate Calculation....(7)				STEP 3 - Distribution to the Cost Centers											
Indirect Cost Rate Calculation				Distribution of Indirect Costs (ICs) - (5)											
Indirect Costs	\$627,536	Method A (6) Allocation Base		a	1,002,346	521,272	213,411	267,663	b	227,464	219,620	7,844	Total a+b	1,229,810	
Method A - Total Direct Salaries & Benefits	1,229,810	Times Indirect Rate			51.03%	51.03%	51.03%	51.03%		51.03%	51.03%	51.03%			
Indirect Rate	51.03%	Equals Allocable Share of ICs			\$511,468	\$265,990	\$108,897	\$136,581		\$116,068	\$112,066	\$4,003		627,536	
Indirect Costs	\$627,536	Method B (6) Allocation Base			1,650,746	\$755,972	\$339,311	\$555,463		341,664	\$323,120	\$18,544		1,992,410	
Method B - MTDCs	\$1,992,410	Times Indirect Rate			31.50%	31.50%	31.50%	31.50%		31.50%	31.50%	31.50%			
Indirect Rate	31.50%	Equals Allocable Share of ICs			\$519,924	\$238,103	\$106,871	\$174,950		\$107,612	\$101,771	\$5,841		627,536	
		Difference between A & B (A-B)**			(\$6,457)	\$27,886	\$2,027	(\$38,370)		\$8,457	\$10,295	(\$1,838)			

(1) and (2) - Refer to notes of Exhibit E for explanations.
 (3) This column must be split to show multiple rate structures (G&A, onsite, offsite, if applicable).
 (4) Must reconcile to the Financial Statements.
 (5) Is the result of multiplying the indirect rate times the allocation base for each cost center.
 (6) For example purposes only. Other allocation methods may be proposed as long as it provides and equitable and rational distribution of indirect costs. Contact CPDD for more details.
 (7) Present two methods only for 1st year of negotiations. Propose selected method for consideration. After approval, subsequent proposals should only present approved method. See page II-8 for details.





Indirect Cost Proposal Documentation

- Indirect Cost Rate Approval Letter
 - Must be signed and dated by the CEO of the organization and cognizant agency.
 - See example in the Indirect Cost Rate Proposal guide.

**APPENDIX I
NEGOTIATED INDIRECT COST RATE AGREEMENT
COMMERCIAL ORGANIZATION**

EIN#: xxxxxx

ORGANIZATION:
ABC Organization
1201 12th Street, N.W.,
Washington, D. C. 20210

DATE: August 23, 2018
FILE REFERENCE: This
replaces the agreement dated
April 15, 2017

The indirect cost rate(s) contained herein are for use on cost reimbursable contracts with the Department of Labor to which Federal Acquisition Regulations, Part 31.2 applies, subject to the limitations contained in Section II, A, below. The rate(s) were negotiated by the (*name of the organization*) and the U.S. Department of Labor in accordance with the authority contained in **Federal Acquisition Regulation (FAR) Part 42.703-1**. Indirect rates included in proposals for time and material, labor hour, and fixed price contracts are subject to negotiation by the Contracting Officer during pre-award in accordance with FAR Part 15.404-1(c).

SECTION I: RATES

<u>TYPE</u>	<u>EFFECTIVE PERIOD</u>		<u>RATE*</u>	<u>LOCATION</u>	<u>APPLICABLE TO</u>
	<u>FROM</u>	<u>TO</u>			
Overhead - Offsite Office					
Final	7-1-2017	6-30-2018	16.05%(a)	ALL	ALL
Provisional	7-1-2018	6-30-2020	15.75%(a)	ALL	ALL
G&A					
Final	7-1-2017	6-30-2018	17.25%(b)	ALL	ALL
Provisional	7-1-2018	6-30-2020	17.50%(b)	ALL	ALL

(SEE SPECIAL REMARKS)

***BASE:**

- (a) Total direct salaries and wages including applicable fringe benefits
- (b) Total costs less G&A expenses

TREATMENT OF FRINGE BENEFITS:

Fringe benefits are specifically identified to each employee and are charged individually as direct or indirect costs (as applicable).

TREATMENT OF PAID ABSENCES:

Vacation, holiday, sick leave and other paid absences are included in salaries and wages and are claimed on grants, contracts and other agreements as part of the normal cost for salaries and wages. Separate claims for these absences are not made.



Point of Contacts

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- GPD Program Office
 - Yvette Green, GPD Program Office Auditor - Yvette.Green@va.gov
- GPD Indirect Cost Rate Proposal Submission and Questions
 - GPDICRP@va.gov