



# 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 subawards and subcontracts up to the first \$25,000\*\* of each subaward or subcontract.
  - **Excludes**: equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs, and the portion of each subaward and subcontract in excess of \$25,000.\*\*

\*New uniform guidance proposed 15% de minimis rate.

\*\*New uniform guidance proposed subcontracts up to \$50,000.



# 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:

|   |                   |
|---|-------------------|
| <b>Grant Revenue</b>  | <b>\$ 500,000</b> |
| <b>Personnel</b>  |                   |
| Program Manager   | \$ 60,000         |
| Health Educator   | \$ 50,000         |
| Outreach Workers  | \$ 80,000         |
| <b>Total Personnel</b>  | <b>\$190,000</b>  |
| <b>Fringe Benefit @20%</b>  | <b>\$ 38,000</b>  |
| <b>Travel</b>   | <b>\$ 10,000</b>  |
| <b>Supplies</b>   | <b>\$ 15,000</b>  |
| <b>Participant Cost</b> (stipends, travel allowances, registration fees to clients) | <b>\$ 75,000</b>  |
| <b>Contractual</b>  |                   |
| Project Evaluator   | \$ 55,000         |
| Website and database design   | \$ 100,000        |
| Communication materials   | \$ 35,000         |
| <b>Total Contactual</b>   | <b>\$190,000</b>  |
| <b>Equipment</b>  | <b>\$ 125,000</b> |
|   |                   |
| <b>Other</b>  | <b>\$ 1,000</b>   |
| <b>Total Cost</b>   | <b>\$ 644,000</b> |
|   |                   |



# 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%) |
| <b>Grant Revenue</b>  |            |                 |            | \$ 500,000 | \$ 50,000                 |
| <b>Personnel</b>  |            | \$ -            |            |            |                           |
| Program Manager   | \$ 60,000  |                 | \$ 60,000  |            |                           |
| Health Educator   | \$ 50,000  |                 | \$ 50,000  |            |                           |
| Outreach Workers  | \$ 80,000  | \$ -            | \$ 80,000  |            |                           |
| <b>Total Personnel</b>  | \$ 190,000 |                 | \$ 190,000 |            |                           |
| <b>Fringe Benefit @20%</b>  | \$ 38,000  |                 | \$ 38,000  |            |                           |
| <b>Travel</b>   | \$ 10,000  | \$ (6,000)      | \$ 4,000   |            |                           |
| <b>Supplies</b>   | \$ 15,000  |                 | \$ 15,000  |            |                           |
| <b>Participant Cost (stipends, travel allowances, registration fees to clients)</b> | \$ 75,000  | \$ (75,000)     | \$ -       |            |                           |
| <b>Contractual</b>  |            |                 |            |            |                           |
| Project Evaluator   | \$ 55,000  | \$ (25,000)     | \$ 30,000  |            |                           |
| Website and database design   | \$ 100,000 | \$ (25,000)     | \$ 75,000  |            |                           |
| Communication materials   | \$ 35,000  | \$ (25,000)     | \$ 10,000  |            |                           |
| <b>Total Contractual</b>  | \$ 190,000 | \$ (75,000)     | \$ 115,000 |            |                           |
| <b>Equipment</b>  | \$ 125,000 | \$ (\$125,000)  | \$ -       |            |                           |
|   |            | \$ -            |            |            |                           |
| <b>Other</b>  | \$ 1,000   |                 | \$ 1,000   |            |                           |
| <b>Total Modified Total Direct (MTDC)</b>   | \$ 363,000 |                 |            |            |                           |
| <b>Indirect (10%)</b>   | \$ 50,000  |                 |            |            |                           |
| <b>Total Cost</b>   | \$ 413,000 |                 |            |            |                           |



# 10% De Minimis Rate Case Example (Cont.)

| Table 2   |            |                 |            |            |                           |
|---|------------|-----------------|------------|------------|---------------------------|
| Veterans Help, Inc. P&L Statement   | Expenses   | Excluding Items | MTDC       | Revenue    | Amount for Indirect (10%) |
| <b>Grant Revenue</b>  |            |                 |            | \$ 500,000 |                           |
| <b>Personnel</b>  |            |                 |            |            |                           |
| Program Manager   | \$ 60,000  |                 | \$ 60,000  |            |                           |
| Health Educator   | \$ 50,000  |                 | \$ 50,000  |            |                           |
| Outreach Workers  | \$ 80,000  | \$-             | \$ 80,000  |            |                           |
| <b>Total Personnel</b>  | \$ 190,000 |                 | \$ 190,000 |            | \$ 19,000                 |
| <b>Fringe Benefit @20%</b>  | \$ 38,000  |                 | \$ 38,000  |            | \$ 3,800                  |
| <b>Travel</b>   | \$ 10,000  |                 | \$ 10,000  |            | \$ 1,000                  |
| <b>Supplies</b>   | \$ 15,000  |                 | \$ 15,000  |            | \$ 1,500                  |
| <b>Participant Cost</b> (stipends, travel allowances, registration fees to clients) | \$75,000   | \$ (75,000)     | \$ -       |            |                           |
| <b>Contractual</b>  |            |                 |            |            | \$ -                      |
| Project Evaluator   | \$ 55,000  | \$ (25,000)     | \$ 30,000  |            |                           |
| Website and database design   | \$ 100,000 | \$ (25,000)     | \$ 75,000  |            |                           |
| Communication materials   | \$ 35,000  | \$ (25,000)     | \$ 10,000  |            |                           |
| <b>Total Contractual</b>  | \$ 190,000 | \$ (75,000)     | \$ 115,000 |            | \$ 11,500                 |
| <b>Equipment</b>  | \$ 125,000 | \$ (125,000)    | \$ -       |            |                           |
| <b>Other</b>  | \$ 1,000   |                 | \$ 1,000   |            | \$ 100                    |
| <b>Modified Total Direct Cost (MTDC)</b>  | \$ 369,000 |                 |            |            | \$ -                      |
| <b>Indirect (10%)</b>   | \$ 36,900  |                 |            |            | \$ -                      |
| <b>Total Cost</b>   | \$ 405,900 |                 |            |            |                           |





# 10% De Minimum Rate Case Example Result

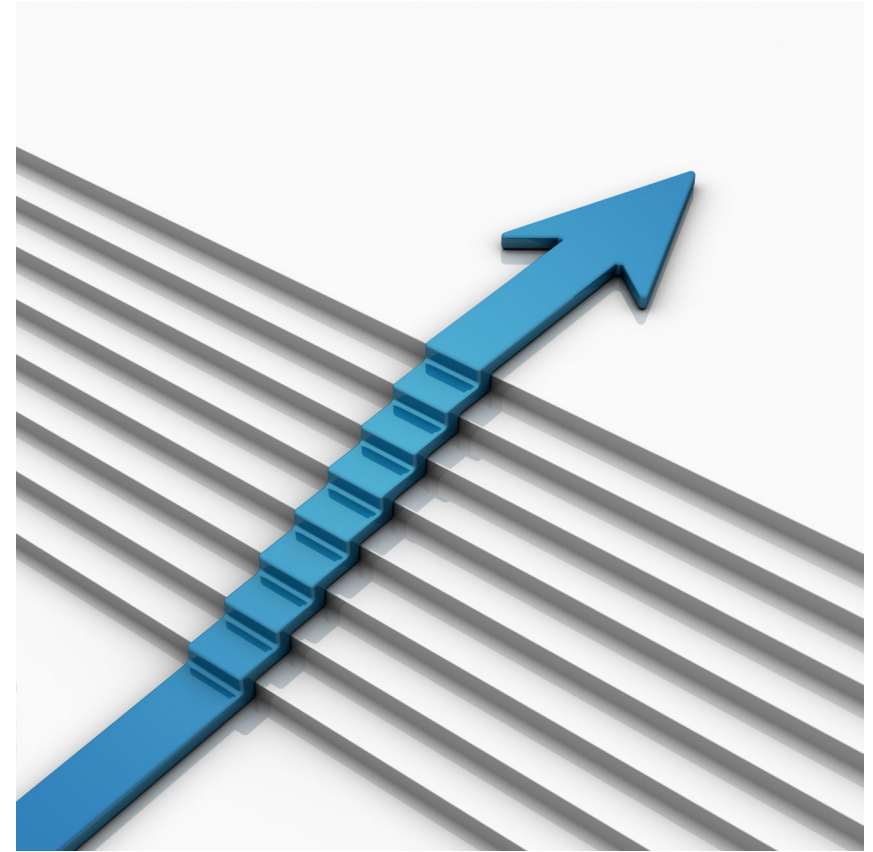
Table 2 is correct





# 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 organizations<sup>1</sup>

### Indirect Cost Proposal Checklist<sup>1</sup> 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 (1<sup>st</sup> page).



# Indirect Cost Proposal Documentation

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

| Position                  | Annual Salary<br>(A) | FICA<br>(B)       | State UI<br>(C)  | Worker's<br>Comp.<br>(D) | Health<br>Insurance<br>(E) | Retirement<br>(F) | Total<br>Benefits | Total<br>Personnel<br>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                     |
| <b>TOTAL</b>              | <b>\$ 1,314,000</b>  | <b>\$ 100,245</b> | <b>\$ 17,040</b> | <b>\$ 13,140</b>         | <b>\$ 168,200</b>          | <b>\$ 105,120</b> | <b>\$ 403,745</b> | <b>\$ 1,717,745</b>         |

(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                        |
| <b>TOTAL</b>              | <b>\$1,314,000</b> | <b>\$373,250</b> | <b>\$940,750</b>   | <b>\$398,750</b>    | <b>\$163,250</b>  | <b>\$204,750</b>        | <b>\$131,250</b>              | <b>\$6,000</b> | <b>\$36,750</b>               |

\* 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 <sup>(6)</sup> (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           |           |                      |  |                  |
| <b>Total Personnel Costs</b>                       | <b>1,717,746</b>       |                                     | <b>487,936</b>     | <b>1,229,810</b>                                  | <b>1,002,346</b>       | <b>521,272</b>   | <b>213,411</b>   | <b>267,663</b>     | <b>227,464</b>             | <b>219,620</b>     | <b>7,844</b>    |           |                      |  |                  |
| 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 <sup>F</sup> (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 <sup>F</sup> (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          |                  |                    |                            |                    |                 |           |                      |  |                  |
| <b>Total Non-Personnel Costs</b>                   | <b>1,281,100</b>       | <b>11,800</b>                       | <b>139,600</b>     | <b>1,129,700</b>                                  | <b>1,015,500</b>       | <b>440,800</b>   | <b>179,900</b>   | <b>394,800</b>     | <b>114,200</b>             | <b>103,500</b>     | <b>10,700</b>   |           |                      |  |                  |
| <b>TOTAL</b>                                       | <b>\$2,998,846</b> (4) | <b>\$11,800</b>                     | <b>\$627,536</b>   | <b>\$2,359,510</b>                                | <b>\$2,017,846</b>     | <b>\$962,072</b> | <b>\$393,311</b> | <b>\$662,463</b>   | <b>\$341,664</b>           | <b>\$323,120</b>   | <b>\$18,544</b> |           |                      |  |                  |
| <b>MTDC Allocation Base: Direct Exclusions (2)</b> |                        |                                     |                    |   |                        |                  |                  |                    |                            |                    |                 |           |                      |  |                  |
| 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)        |                  |                    |                            |                    |                 |           |                      |  |                  |
| <b>Total Direct Exclusions</b>                     |                        |                                     |                    | <b>(367,100)</b>                                  | <b>(367,100)</b>       | <b>(206,100)</b> | <b>(54,000)</b>  | <b>(107,000)</b>   |                            |                    |                 |           |                      |  |                  |
| <b>Total - MTDC Allocation Base</b>                |                        |                                     |                    | <b>\$1,992,410</b>                                | <b>\$1,650,746</b>     | <b>\$755,972</b> | <b>\$339,311</b> | <b>\$555,463</b>   | <b>\$341,664</b>           | <b>\$323,120</b>   | <b>\$18,544</b> |           |                      |  |                  |
| <b>STEP 2 - Rate Calculation....(7)</b>            |                        |                                     |                    | <b>STEP 3 - Distribution to the Cost Centers</b>  |                        |                  |                  |                    |                            |                    |                 |           |                      |  |                  |
| <b>Indirect Cost Rate Calculation</b>              |                        |                                     |                    | <b>Distribution of Indirect Costs (ICs) - (5)</b> |                        |                  |                  |                    |                            |                    |                 |           |                      |  |                  |
|  |                        |                                     |                    |   |                        |                  |                  |                    |                            |                    |                 |           |                      |  | <b>Total a+b</b> |
| Indirect Costs                                     | \$627,536              | <b>Method A (6)</b> Allocation Base |                    | a   | 1,002,346              | 521,272          | 213,411          | 267,663            | b                          | 227,464            | 219,620         | 7,844     | 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              | <b>Method B (6)</b> Allocation Base |                    | a   | 1,650,746              | \$755,972        | \$339,311        | \$555,463          | b                          | 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)**                  |                        |                  |                  |                    |                            |                    |                 |           |                      |  |                  |
|  |                        |                                     |                    |   | (\$8,457)              | \$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 12<sup>th</sup> 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> |              |                 |                      |
| <b>Overhead - Offsite Office</b> |                         |           |              |                 |                      |
| Final                            | 7-1-2017                | 6-30-2018 | 16.05%(a)    | ALL             | ALL                  |
| Provisional                      | 7-1-2018                | 6-30-2020 | 15.75%(a)    | ALL             | ALL                  |
| <b>G&amp;A</b>                   |                         |           |              |                 |                      |
| 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

- OBO GPD Audit Team
  - Omar Ochoa, Supervisory Auditor - [Omar.Ochoa@va.gov](mailto:Omar.Ochoa@va.gov)
  - Tony Huff, Senior Auditor - [Tony.Huff@va.gov](mailto:Tony.Huff@va.gov)
  - Nick Rayo, Senior Auditor - [Nicholas.Rayo@va.gov](mailto:Nicholas.Rayo@va.gov)
  - Christian Lopez-Gavilan, Senior Auditor - [Christian.LopezGavilan@va.gov](mailto:Christian.LopezGavilan@va.gov)
  - Jeff Brean, Director - [Jeffrey.Brean@va.gov](mailto:Jeffrey.Brean@va.gov)
- GPD Program Office
  - Yvette Green, GPD Program Office Auditor - [Yvette.Green@va.gov](mailto:Yvette.Green@va.gov)
- GPD Indirect Cost Rate Proposal Submission and Questions
  - [GPDICRP@va.gov](mailto:GPDICRP@va.gov)