



Cost Allocation and Applying for an Indirect Cost Rate

Presented by:
Division of Cost Determination
April/May 2010

- This is a **basic** course.

Topics We Will Cover



- What is an indirect rate?
- How do you prepare an indirect rate proposal?
- Where do you submit the proposal, and when is it due?

Federal vs. Upper-Tier

- DOL is responsible for negotiating indirect cost rates with organizations with direct federal funding
- Upper-tier grantees stand in-place of the federal government with respect to ensuring that the lower-tier grantees comply with A-122
 - Upper-tier grantees negotiate rates with lower-tier grantees
 - Most sub awards have a flow-down clause for recovery of questioned costs due to non compliance with federal requirements

(continued)

Federal vs. Upper-Tier

- Upper-tier (continued)
 - If a federal monitor questions costs at a sub grantee, the feds take it from the federal awardee
 - The upper-tier takes it from you

Types Of Costs



- Direct costs
- Indirect costs
- Administrative costs – separate workshop
- Program costs – separate workshop
- Allowable costs – separate workshop
- Unallowable costs – separate workshop

Direct costs...

- Those costs that can be specifically identified with a particular cost objective.
Examples: (program specific)
 - Salaries – program and admin **direct** staff
 - Space – sq. ft. occupied by **direct** staff
 - Materials and Supplies – used by **direct** staff
 - Communications – used by **direct** staff

Indirect Costs...

- Incurred for common or joint objectives
- Cannot be readily identified with a grant or project.
- The cost is necessary to the general operation of the organization. (cont...)



Levels of Indirect For Large Entities

- States, Counties, Other Organizations:
SWCAP or COWCAP or ORGCAP
 - Central Services cost
 - examples
- LOCAP/Umbrella entity
 - Entity that labor is usually cognizant agency for who operate multiple programs

Indirect Rates vs. Cost Allocation Plans

- Non-profits: negotiate a rate
- State or local government (as defined by OMB Circular A-87):
 - Either ICR or CAP
 - Note: submission requirements the same under either method

What are Indirect Costs?



Indirect Costs ...

- Allocated using an indirect cost rate
- Be aware: Allocable vs. allowable
- Be aware: Allocable Indirect vs. Allocable Direct

Indirect costs...



■ Examples

- Salaries – Executive Director, Finance Officer, Receptionist, etc (allocable portion)
- Space – sq. ft. occupied by **indirect** staff
- Supplies – used by **indirect** staff

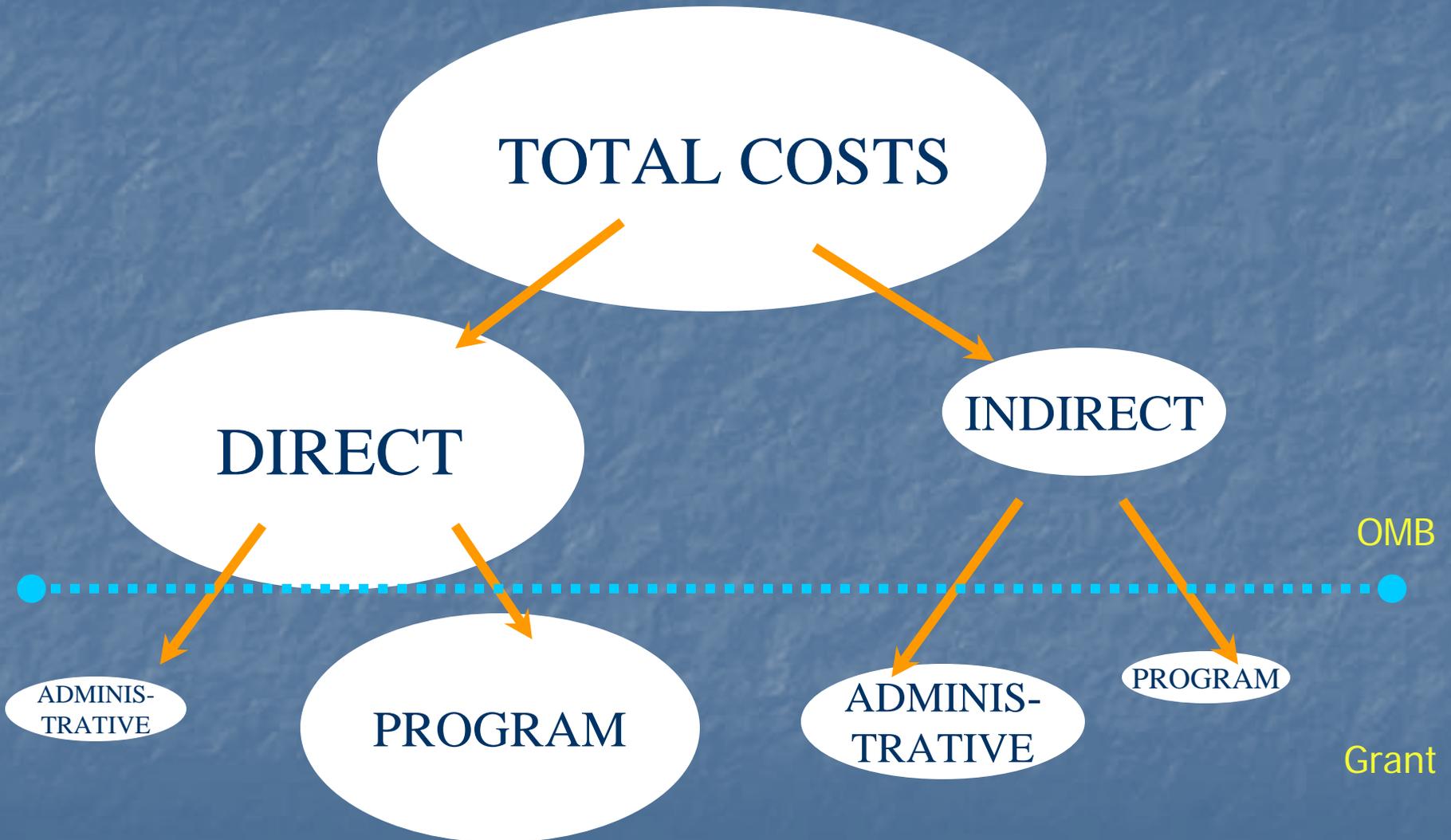
Briefly, Indirect Costs vs. Administrative Costs

- Admin costs are generally support-type costs
 - Are defined in the federal statute or grant
 - May be either direct or indirect

Are administrative costs
and indirect costs the
same?

No!

TYPES OF COSTS



ICR and “Admin”

- Div. of Cost Determination (DCD) negotiates an ICR based on the appropriate *cost principles* (e.g., A-122)
- DCD does *not* negotiate an admin rate by program (e.g., WIA admin)

ICR and “Admin” (cont.)

- ETA determines compliance with admin limits
- Grantees should work with their regional ETA fiscal officer to determine how to support compliance grant admin limits

INDIRECT RATE...

An indirect cost *rate* is simply a method used to determine what proportion of indirect *costs* each program (funding source) should pay.



HOW IS AN INDIRECT RATE CALCULATED?

Indirect Costs (POOL)

----- == **RATE**

Direct Costs (BASE)

Example: Indirect Cost Rate

- Simple Example:

Indirect Cost (Pool) = \$ 10,000

Direct Costs (Base) = \$100,000

(E.g., Direct Salaries & Benefits)

Indirect Cost Rate = 10%

Indirect Cost Rate Calculation/Distribution Using "Total Direct Salaries" as the Allocation Base

	Total Costs	Unallowable Costs	Indirect Costs	Total Direct	ETA	All Other Funding Sources
	A=(B+C+D)	B	C	D=E+F	E	F
Salaries	\$589,000		\$70,000	\$519,000	\$219,000	\$300,000
Benefits	\$176,700		\$21,000	\$155,700	\$65,700	\$90,000
Other Costs	\$171,000	\$10,000	\$59,000	\$102,000	\$40,000	\$62,000
Total	\$936,700 *	\$10,000	\$150,000	\$776,700	\$324,700 ^a	\$452,000

* Must reconcile to the Financial Statements.

Indirect Costs	\$150,000				\$63,295 ^b	\$86,705
Total Direct Salaries	\$519,000					
Indirect Rate	28.9%					

Total Costs per Cost Center					\$387,995 ^{a+b}	\$538,705
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Indirect Cost Rate Calculation/Distribution Using "Total Direct Costs" as the Allocation Base

	Total Costs	Unallowable Costs	Indirect Costs	Total Direct	ETA	All Other Funding Sources
	A=(B+C+D)	B	C	D=E+F	E	F
Salaries	\$589,000		\$70,000	\$519,000	\$219,000	\$300,000
Benefits	\$176,700		\$21,000	\$155,700	\$65,700	\$90,000
Other Costs	\$171,000	\$10,000	\$59,000	\$102,000	\$40,000	\$62,000
Total	\$936,700 *	\$10,000	\$150,000	\$776,700	\$324,700 a	\$452,000

* Must reconcile to the Financial Statements.

Indirect Costs	\$150,000	\$62,708 b	\$87,292
Total Direct Costs	\$776,700		
Indirect Rate	19.3%		

Total Costs per Cost Center	\$387,408 a+b	\$539,292
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Indirect Cost Rate

Most Common Allocation Bases

- Direct Salaries/Wages, including Fringes
- Direct S/W including release time, but excluding all other fringes
- Modified Total Direct Cost (various)
 - Total Direct Costs excluding capital expenditures and flow-through funding
 - Usually excluding contracts in excess of 25K

Do I Even Need a Rate?

- No rate is needed if an organization has only one project
- No rate is needed if all federal funding consists of fixed price awards
- A rate is required if the organization has more than projects

Multiple projects

Private Funding

DOL Funding

State Funding

Multiple Funding Sources

ICR Proposal Needed



Multiple projects

- Caution: Fundraising and lobbying are treated as funding sources
 - Included in the base to absorb its share of indirect costs
 - Even if not reimbursed

So, a rate is needed. Where do I submit it?

- If you have an award directly with the federal government
 - An indirect cost rate proposal should be submitted to the organization's cognizant Federal agency

Cognizant Agency Concept

- The Federal agency with the most funding **directly** with the grantee
 - Typically will not be changed for 3 years
- Cognizant agency negotiates a rate on behalf of all Federal agencies

To whom is the rate submitted?

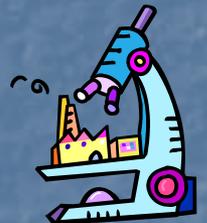
- If DOL is your cognizant agency, submit your proposal to office in [Appendix III](#) of the DOL's "Guide for Indirect Cost Rate Determination" booklet.
- To find the Guide on-line: Search (as in Google) "DOL Indirect"

So, a rate is needed. Where do I submit it?

- If you do NOT have an award directly with the federal government
 - Each upper-tier federal awardee

Why do you need an approved indirect cost rate?

- Compliance with Federal regulations; e.g., OMB Circulars A-122/A-87
- Management Information
- Documentation for monitors and auditors





Types of Rates

- 90-day Billing (initial grant award)
 - Approved by DOL Grant Officers
 - If rate proposal is submitted and not yet approved – may request extension of the billing rate
- Provisional/Final (most common)
- Fixed with carry forward (mainly gov't)
- Predetermined (rare)

Billing Rate

- Rate stated in the award
 - To allow recovery of indirect costs until an indirect cost proposal is completed and submitted.
- Typically valid for 90 days

Provisional Rate

- Budgetary rate based on projected information, historical information, or a combination of the two for the organization's current and future fiscal years
- Allows for recovery of indirect costs during the contract/grant period until the rate can be finalized

Final Rate

- Experienced indirect rate based on actual data for the organization's fiscal year (in other words, an **actual** rate)
- All provisional indirect cost rates must eventually be "finalized"

Proposal Submission



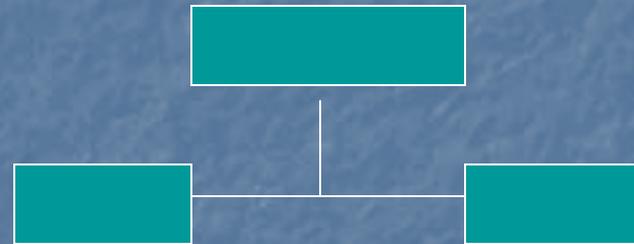
How do you prepare an indirect cost rate proposal?



- Use the checklist on page [II-4](#) of the DOL Guide for Indirect Rates.
- The next set of slides will show the basic documents which must be submitted in the indirect cost rate proposal.

ICR Proposal Documentation

- **Background information**
 - Organization chart (Checklist 1a)
 - Should reconcile with the accounting structure

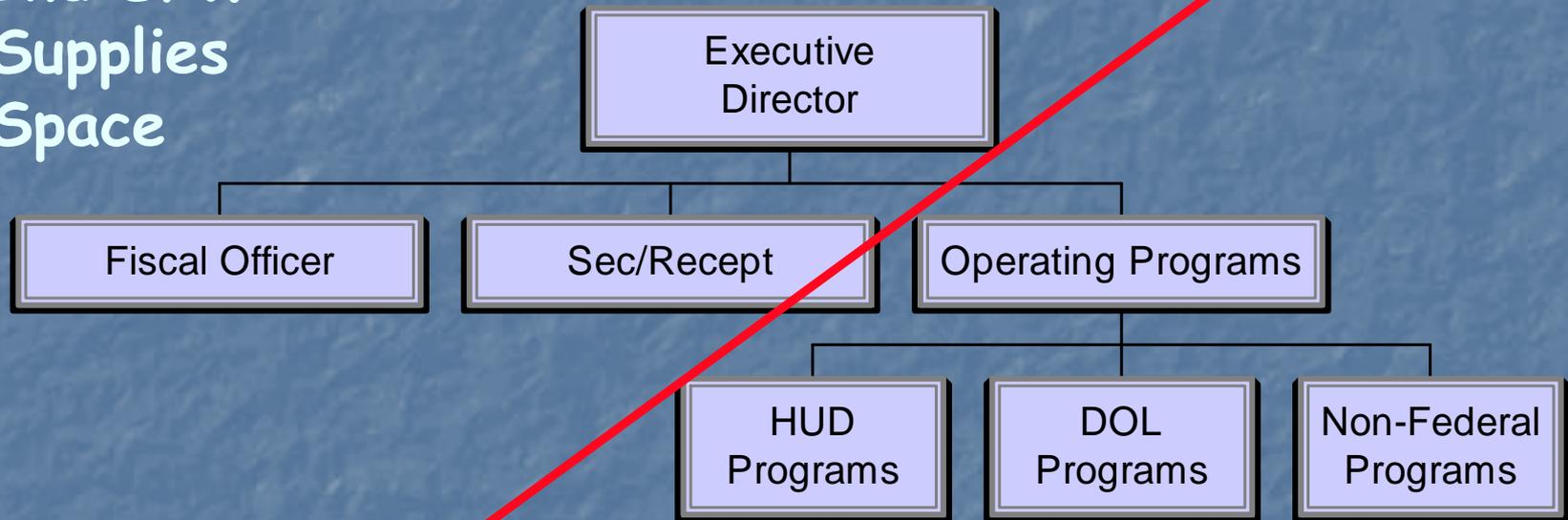


Direct vs. Indirect Costs



Typical Nonprofit Corporation, Inc.

Ind S/W
Supplies
Space



Program S/W
Supplies
Space

ICR Proposal Documentation

- **Background information**

- A listing of awarded grants and contacts by Federal agency, total dollar amount, period of performance, and cost limitations (if any)
(Checklist 5)

ICR Proposal Documentation

- **Cost Policy Statement**
 - See example at Page [III-14](#) (Checklist 1c)
- **Personnel Costs Worksheet**
 - See example at Page [III-2](#) (Checklist 2a)

ICR Proposal Documentation

- **Allocation of Personnel Worksheet**
 - See example at Page [III-4](#) (Checklist 2b)
- **Statement of Employee Benefits**
 - See example at Page [III-6](#) (Checklist 2c)

ICR Proposal Documentation

■ Statement of Total Costs

- See examples at Pages [III-7&9](#) (Checklist 2d)

■ Statement of Indirect Costs

- See left-hand corner of [III-7&9](#) (Checklist 2e)

ICR Proposal Documentation

- Audited financial statements (Checklist 3)
 - OMB A-133 and supplemental information
 - Or, IRS Form 990 (non-profits) if audited financial statements not required.

ICR Proposal Documentation

- Note: The Statement of Total Costs ([2d. above](#)) must reconcile to Financial Statements.

ICR Proposal Documentation

- **Certificate of Indirect Costs**
 - See Page [III-19](#) (Checklist 4a and 4b)
 - This must be signed and dated or the proposal will be rendered unacceptable

So when is this proposal due?

- For lower-tier grantees with no awards directly from the federal government -- TALK TO YOUR UPPER-TIER AWARDING AGENCY!
- For your first indirect cost rate
 - Proposal due three months after sub-grant award
- For all subsequent proposals
 - Proposal due six months after the close of the organization's fiscal year.

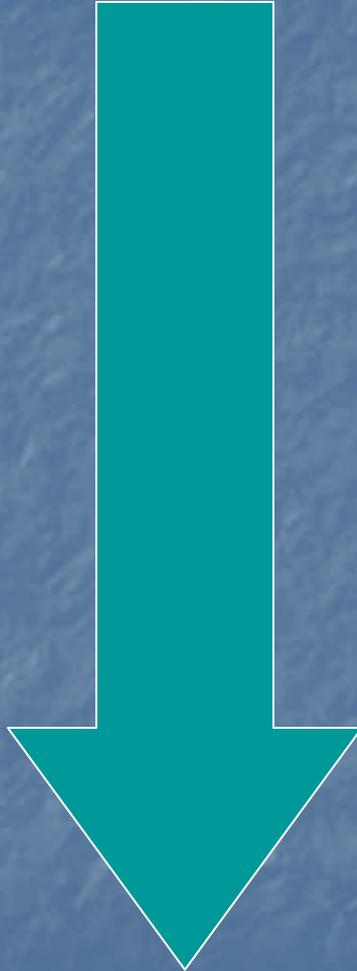
So when is this proposal due?

- For your first Federally-approved indirect cost rate
 - Proposal due three months after the effective date of the DOL award
- For all subsequent proposals
 - Proposal due six months after the close of the organization's fiscal year.
- Extensions of time may be granted

I don't have a federal grant. Can I get a federally-approved rate?

No

The IC Rate Negotiation Process



- If you have no awards directly with the federal government



- Talk to the appropriate upper-tier official to discuss the negotiation process



- If you have awards directly with the federal government



- DCD reviews proposal for unallowable, unallocable and/or unreasonable costs
- DCD negotiators may expand review and documentation submittal if necessary

- Trend analyses are typically prepared in on-going reviews/negotiations



- Unless there are extenuating circumstances, proposals are reviewed within 120 days from receipt of an adequately documented proposal
- Negotiations ensue. We will:
 - request additional documentation if needed
 - advise of unallowable, unallocable or unreasonable items





- DCD prepares rate agreement and sends to grantee for countersigning
 - DCD signs two originals for countersigning – one is returned
 - Any agreement which is not signed and returned is invalid

- Both parties keep an original; one is kept in D.C.



Example of an Indirect Cost Rate Agreement



(An Example -- See [Appendix II-1](#))

NEGOTIATED INDIRECT COST RATE AGREEMENT NONPROFIT ORGANIZATION

ORGANIZATION:

XYZ Nonprofit Agency, Inc.
Chico, CA 99999-9999

DATE: December 1, 2010

FILE REF: This replaces the
negotiation agreement dated
October 12, 2009

The indirect cost rate(s) contained herein are for use on grants and contracts with the **Federal Government** to which OMB Circular A-122 applies subject to the limitations contained in the Circular and Section II-A, below. The rate(s) were negotiated by XYZ Nonprofit Agency, Inc. and the U. S. Department of Labor in accordance with the authority contained in Attachment A, Section E, of the Circular.

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Effective Period

<u>Type</u>	<u>From</u>	<u>To</u>	<u>Rate*</u>	<u>Location</u>	<u>Applicable to</u>
Final	7/1/08	6/30/09	14.25%	All	All Programs
Final	7/1/09	6/30/10	15.25%	All	All Programs
Provisional	7/1/10	6/30/11	17.17%	All	All Programs
Provisional	7/1/11	6/30/11	16.43%	All	All Programs
<i>(See Special Remarks)</i>					

* **BASE:**

Total direct salaries and wages including vacation, holiday and sick pay but excluding all other fringe benefits.

TREATMENT OF FRINGE BENEFITS:

Fringe benefits are specifically identified to each employee and are charged individually as direct costs. The directly claimed fringe benefits are listed in the Special Remarks Section of this Agreement.

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.

A. LIMITATIONS: Use of the rate(s) contained in this Agreement is subject to any statutory or administrative limitations and is applicable to a given grant or contract only to the extent that funds are available.

Acceptance of the rate(s) agreed to herein is predicated upon the following conditions:

- (1) that no costs other than those incurred by the grantee/contractor or allocated to the grantee/contractor via an approved central service cost allocation plan were included in its indirect cost pool as finally accepted and that such incurred costs are legal obligations of the grantee/contractor and allowable under the governing cost principles,
- (2) that the same costs that have been treated as indirect costs have not been claimed as direct costs,
- (3) that similar types of costs have been accorded consistent treatment, and
- (4) that the information provided by the grantee/contractor which was used as a basis for acceptance of the rate(s) agreed to herein is not subsequently found to be materially inaccurate.

The elements of indirect cost and the type of distribution base(s) used in computing provisional rates are subject to revision when final rates are negotiated. **Also, the rates cited in this Agreement are subject to audit.**

B. CHANGES: The grantee/contractor is required to provide written notification to the indirect cost negotiator **prior to implementing any changes** which could affect the applicability of the approved rates. Changes in the indirect cost recovery plan, which may result from changes such as the method of accounting or organizational structure, require the prior written approval of the Division of Cost Determination (DCD). **Failure to obtain such approval may result in subsequent cost disallowance.**

C. NOTIFICATION TO FEDERAL AGENCIES: A copy of this document is to be provided by this organization to other Federal funding sources as a means of notifying them of the Agreement contained herein.

D. PROVISIONAL-FINAL RATES: The grantee/contractor must submit a proposal to establish a final rate within six months after their fiscal year end. Billings and charges to Federal awards must be adjusted if the final rate varies from the provisional rate. If the final rate is greater than the provisional rate and there are no funds available to cover the additional indirect costs, the organization may not recover all indirect costs. Conversely, if the final rate is less than the provisional rate, the organization will be required to pay back the difference to the funding agency.

Indirect costs allocable to a particular award or other cost objective **may not be shifted** to other Federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or by the terms of the award.

E. SPECIAL REMARKS:

1. Indirect costs charged to Federal grants/contracts by means other than the rate(s) cited in this Agreement should be adjusted to the applicable rate cited herein and applied to the appropriate base to identify the proper amount of indirect costs allocable to the program.

2. **Grants/contracts providing for ceilings as to the indirect cost rate(s) or amount(s) which are indicated in Section I above, will be subject to the ceilings** stipulated in the contract or grant agreements. The ceiling rate or the rate(s) cited in this Agreement, **whichever is lower**, will be used to determine the maximum allowable indirect cost on the grant or contract agreement.

OK, I finally have an agreement. I don't have to talk to you again, right?

- As long as you have an award directly with the federal government, you are required to submit a new proposal annually
 - No later than six months after the close of the organization's fiscal year
 - Even if grant costs only incurred during part of the year

Question: Do the Indirect Cost Rates Apply To Non-Federal Funding?

- Not necessarily
 - Indirect cost rates are used to **allocate** pooled expenses to **all activities**, including fundraising and other non-federal activities (i.e., the accounting for costs)
 - Once the costs are allocated to all activities, the **reimbursement** of indirect costs is between you and the non-federal funding source (i.e., the payment of costs)

Question: The negotiated rates are higher than what I proposed in the grant. I must bill using your rates, right?

- The rates represent the **maximum allowable** under OMB Circular A-122
 - Can bill all, some, or none
 - Subject to any grant ceilings and statutory limitations

Question: Why do I need an indirect rate?

My grant gave me 15% for admin.

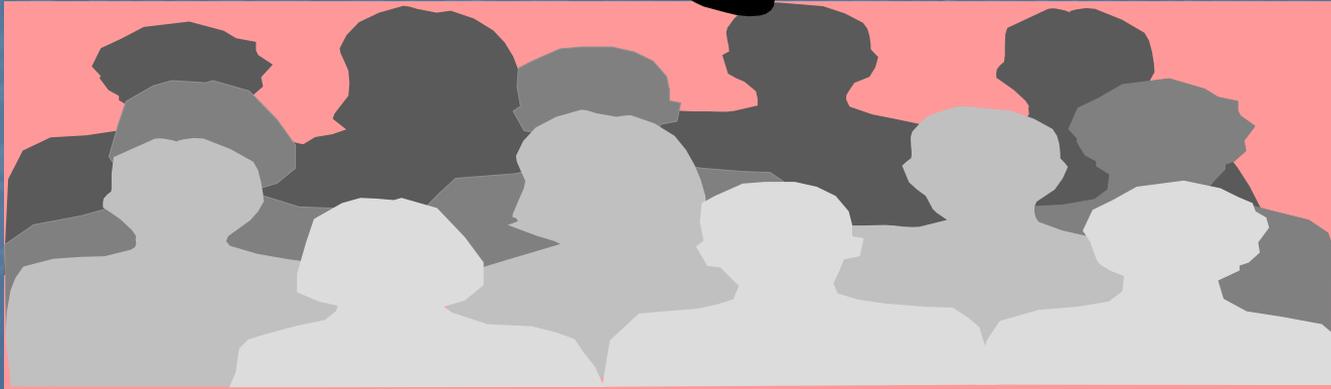
- WIA 15% admin limit is **NOT** a useable, billable rate. It is a **cap** based on total grant award!
- Billable costs include all allowable, allocable, and reasonable **direct** costs plus **indirect** costs.
 - Indirect costs are determined through the application of an indirect rate
 - Remember: All costs subject to grant ceilings
- Admin \neq Indirect

Recap

1. Indirect costs and rates,
2. Where (what agency) should the entity submit the proposal (i.e., cognizance),
3. Required components of a proposal, and
4. Frequency of submissions.



Questions?





[Printer-Friendly Version](#)

Non-Profits and Commercial Organizations



1. Submit once unless changes are observed:

___ 1a. Organizational chart,

___ 1b. Employee time sheet sample, providing for distribution of hours to direct/indirect functions.

___ 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. OMB A-133 supplemental information, if available. 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:

___ 4a. prepared in a manner consistent with the applicable cost principles set forth in OMB A-122 for non-profits, or the Federal Acquisition Regulations (Part 31) for commercial organizations.

___ 4b. that the non-profit grantee complied with the lobbying requirements of OMB Circular A-122, Attachment B, paragraph 25 (If applicable).

The certifications should be signed by the President/Executive Director, or Comptroller/CFO.

5. ___ A listing of grants and contracts by Federal agency, total dollar 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 should also be supported by the approved federal grant or contract notification award(s).

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Exhibit F
SAMPLE: Cost Policy Statement (CPS)
for Indirect Cost Proposal

III-14

The following CPS is intended to be used as guidance for organizations that seek reimbursement for indirect costs under Federal awards. This model assumes that ABC Organization uses

- A. the direct allocation basis to charge individual elements of costs. That is, in addition to direct costs, ABC has in place accounting procedures which enable it to direct charge some costs that would otherwise be considered indirect costs (see, for example, the description below on how the photocopy costs are charged).
- B. the direct salaries and wages including applicable fringe benefits, to allocate the indirect cost "pool".

IMPORTANT NOTE: The line items of costs in the CPS should reconcile with the line items of costs in the indirect cost proposal.

**COST POLICY STATEMENT
ABC ORGANIZATION**

I. General Accounting Policies

- a. Basis of Accounting - Accrual Basis
- b. Fiscal Period - July 1 through June 30
- c. Allocation Basis for Individual Cost Elements - Direct Allocation Basis
- d. Indirect Cost Rate Allocation Base-Direct Salaries and Wages including applicable Fringe Benefits.
- e. If ABC Organization needed a fringe benefit rate, it would describe its fringe benefit allocation base at this point.
- f. ABC maintains adequate internal controls to insure that no cost is charged both directly and indirectly to Federal contracts or grants. A description of the accounting system software would be describe at this point.
- g. ABC accumulates all indirect costs and revenues in accounts titled, "Indirect Cost-Expense" and "Indirect Cost-Revenue" respectively.

II. Description of Cost Allocation Methodology

A. Salaries and Wages

1. Direct Costs - The majority of ABC's employees direct charge their salary costs since their work is specifically identifiable to specific grants, contracts, or other activities of the organization such as lobbying, fund raising or providing services to members. The charges are supported by auditable labor distribution reports which reflect the actual activities of employees.
2. Indirect Costs - The following staff charge 100% of their salary costs indirectly:
 - Office Business Manager
 - Secretary/Receptionist
3. Mixed Charges - The following employees may charge their salary costs to both direct and indirect activities:
 - Executive Director
 - Administrative Assistant

ABC contributes to the following fringe benefits for its employees:

1. unemployment insurance,
2. worker's compensation,
3. F.I.C.A., health insurance,
4. and matching contributions to a defined benefit pension plan.

Treatment of Fringe Benefits: ABC's accounting system tracks fringe benefit costs by individual employee and charges those costs directly or indirectly in the same manner as salary and wage costs are recorded. ABC does not need to have a fringe benefit rate established.

Treatment of Paid Absences - Release time costs (vacation leave earned, sick leave used, and holiday pay) are considered part of salary costs. Consequently, separate claims for release time costs are not made. ABC's accounting system records release time as a direct or indirect cost in the same manner that salary costs are recorded. Vacation leave earned but not used during each fiscal period is recorded as a cost in the period earned.

C. Travel

Travel costs may be charged as either direct or indirect costs depending on the purpose of the trip.

For example:

The Executive Director of Company ABC travels to a regional office to give employees a quarterly update. This trip is indirect in nature and should be charged as an indirect cost. However, if the Executive Director of Company ABC travels to a regional office to perform a specific task for a contract, the trip would be considered a direct cost.

D. Board Expenses

Board expenses charged on an indirect basis are for travel to/from Board meetings (limited to expenses allowed under the Federal Travel Regulations) and an annual fee of \$250 paid to each Board member.

Other Board expenses are absorbed by ABC and are not charged either directly or indirectly to Federal contracts or grants.

E. Supplies and Material

To the maximum extent possible, office supplies and materials are direct charged to the contract/grant which uses the supplies or materials.

Supplies and materials used by staff who are engaged in indirect activities will be charged on an indirect basis.

F. Occupancy Expenses

Rent - ABC occupies space it leases from Lessor Corporation. The lease provides for equal monthly payments during the term of the lease. Monthly lease costs are allocated, based on: square footage, directly and indirectly as follows:

K. Capital Items

Capital expenditures are charged directly to programs only in cases where a contract or grant specifically authorizes such charges. No capital item is charged indirectly. The cost of capital items purchased with non-Federal funds are recovered through depreciation charges. ABC's capitalization threshold is \$500.

L. Depreciation

The cost of capital items purchased with non-Federal funds which are used in a manner which benefits Federal programs is recovered through depreciation charged. ABC recovers the cost of capital items using straight line depreciation methods in accordance with generally accepted accounting principles. Depreciation is charged indirectly.

M. Service to Members

The cost of activities performed primarily as a service to members, clients, or the general public are classified as direct costs and bear their fair share of indirect costs. These activities include:

1. maintenance of membership rolls,
2. subscriptions,
3. publications, and related functions, providing services and information to members, legislative or administrative bodies, or the public;
4. promotion, lobbying, and other forms of public relations;
5. meetings and conferences except those held to conduct the general administration of ABC Organization;
6. maintenance, protection, and investment of special funds not used in operation of ABC; and administration of group benefits on behalf of members or clients including life and hospital insurance, annuity or retirement plans, financial aid, etc.

N. Unallowable Costs

ABC recognizes that the following costs, as defined in A-122 or the FAR, are unallowable charges to Federal awards and has internal controls in place to insure that such costs are not charged to Federal awards:

1. advertising and public relations,
2. entertainment/alcoholic beverages,
3. capital expenditures,
4. defense claims by the Federal Government,
5. interest,
6. lobbying and fund raising.

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(Signature)

(Date)

(Title)

ABC Organization

Exhibit A
Sample - Personnel Cost Worksheet
July 1, 20XX to June 30, 20XX

Position	Annual Salary (A)	FICA (B)	State UI (C)	Worker's Compensation (D)	Health Insurance (E)	Retirement (F)	Total Benefits (G)	Total Personnel Costs (H)
	a						b	(a+b)
Executive Director	\$60,000	4,111	\$240	\$600	\$2,400	\$4,800	\$12,151	\$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	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	25,000	1,913	480	250	4,800	2,000	\$9,443	34,443
Personnel Director	40,000	3,260	240	400	2,400	3,200	\$9,500	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	7000	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% (71 x \$8,000 x 3% = \$17,040)

(D) Worker's compensation was estimated at 1% of salaries (1% x \$1,314,000 = \$13,040).

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

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(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.

** These positions have been consolidated for illustrative purposes only; all personnel positions that require charging time to more than one cost objective must be identified separately on this exhibit.

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Exhibit B
Sample - Allocation of Personnel Worksheet
July 1, 20XX to June 30, 20XX

Position	Annual Salary	Indirect Costs	Direct Costs (a+b)	Federal Programs a			Non-Federal Programs b		
				U.S. Dept. of Labor	U.S. Dept. of HHS	U.S. Dept. of Education	State		Private Foundation Commercial
							Service Delivery Agency	Fundraising	
Executive Director	\$60,000	\$54,000	\$6,000					\$6,000	
Administrative Assistant	\$22,000	22,000	\$0						
Controller	\$45,000	45,000	\$0						
Accountant	\$90,000	90,000	\$0						
Program Planner (4)	\$120,000	12,000	\$108,000	72,000	12,000	18,000	6,000		
	100%	10%	90%	60%	10%	15%	5%		
Field Operations Director	\$35,000	5,250	\$29,750	8,750	5,250	8,750	5,250		1,750
	100%	15%	85%	25%	15%	25%	15%		
Area Coordinator *	\$15,000		\$15,000				15,000		
Program Specialist	\$25,000		\$25,000	20,000	5,000				
	100%		100%	80%	20%				
Personnel Director	\$40,000	40,000	\$0						
Personnel Clerk (3)	\$60,000	60,000	\$0						
MIS Director	\$45,000	45,000	\$0						
Head Start Director	\$45,000		\$45,000	9,000	36,000				
	100%		100%	20%	80%				
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

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* 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.



Participant Support Costs	\$184,000	184,000 (2)		0				
Total Non-Personnel Costs	\$1,302,000	\$378,900	\$396,800	\$526,300	\$143,600	\$101,100	\$42,500	\$382,700
TOTAL	\$3,019,746 (4)	\$378,900	\$884,736	\$1,756,110	\$1,145,946	\$774,342	\$371,604	\$610,164

STEP 2 - Rate Calculation...

STEP 3 - Distribution to the Cost Centers

Indirect Cost Rate Calculation*

Distribution of Indirect Costs (ICs) - (5)

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				<u>a</u>		<u>b</u>	<u>Total a+b</u>
Indirect Costs	\$884,736	<u>Method A (6)</u>	Allocation Base	1,002,346	673,242	329,104	227,464 1,229,810
<u>Method A - Total Direct Salaries & Benefits</u>	<u>1,229,810</u>		Times Indirect Rate	<u>71.94%</u>	<u>71.94%</u>	<u>71.94%</u>	<u>71.94%</u>
Indirect Rate	71.94%		Equals Allocable Share of ICs	<u>\$721,096</u>	<u>\$484,336</u>	<u>\$236,760</u>	<u>\$163,640 \$884,736</u>
Indirect Costs	\$884,736	<u>Method B (6)</u>	Allocation Base	1,145,946	\$774,342	\$371,604	610,164 1,756,110
<u>Method B - MTDC</u>	<u>\$1,756,110</u>		Times Indirect Rate	<u>50.38%</u>	<u>50.38%</u>	<u>50.38%</u>	<u>50.38%</u>
Indirect Rate	50.38%		Equals Allocable Share of ICs	<u>\$577,333</u>	<u>\$390,117</u>	<u>\$187,216</u>	<u>\$307,403 \$884,736</u>
			Difference between A & B (A-B)	\$143,764	\$94,219	\$49,545 \$0	(\$143,764)

(1) AND (2) REFER TO EXHIBIT E FOR EXPLANATIONS.

(3) This column must be splitted 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 sample purposes only. Other allocation methods may be proposed as long as it provides and equitable and rational distribution of indirect costs. Contact DCD for more details.

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

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Exhibit C
Sample - Statement of Employee Benefits
June 1, 20xx to June 30, 20xx

	Method A	Method B
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.

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Exhibit D
SAMPLE - Indirect Cost Proposal
Simplified Allocation Method

Exhibit G
Certificate of Indirect Costs

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I have reviewed the indirect cost proposal dated _____ . This is to certify that:

1. All costs included in the proposal(s) submitted on _____ to establish provisional, final, or fixed indirect cost rate(s), for the period _____, through _____ are allowable in accordance with the requirements of grants/contracts to which they apply and with the Federal cost principles; i.e., (please check those applicable cost principles):

_____ OMB Circular A-87, Cost Principles for State, Local and Federally recognized Indian Tribal Governments.
_____ OMB Circular A-122, Cost Principles for Non-Profit Organizations
_____ Federal Acquisition Regulation (FAR), Subpart 31.2, Cost Principles for Commercial Organizations.

2. This proposal does not include any costs which are unallowable under applicable Federal cost principles. For example:

advertising, contributions and donations, bad debts, entertainment costs, fines and penalties, general government expenses, and defense of fraud proceedings;

3. The requirements standards on lobbying costs for non-profit (A-122) and commercial (FAR) organizations have been compiled with for the fiscal year ended _____, and
4. All costs included in this proposal are properly allocable to U.S. Department of Labor grants/contracts on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable Federal cost principles.

Subject to the provisions of the Program Fraud Civil Remedies Act of 1986, (31 USC 3801 et seq.), and the Department of Labor's implementing regulations, (29 CFR Part 22), the False Claims Act (18 USC 287 and 31 USC 3729); and the False Statements Act (18 USC 1001), I declare to the best of my knowledge the foregoing is true and correct.

Grantee/Contractor: _____

Signature: _____



CEO or VP Finance

Name of Authorized Official: _____

Title: _____

Date: _____

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Most Negotiators are primarily responsible for organizations located in their regions, as follows:

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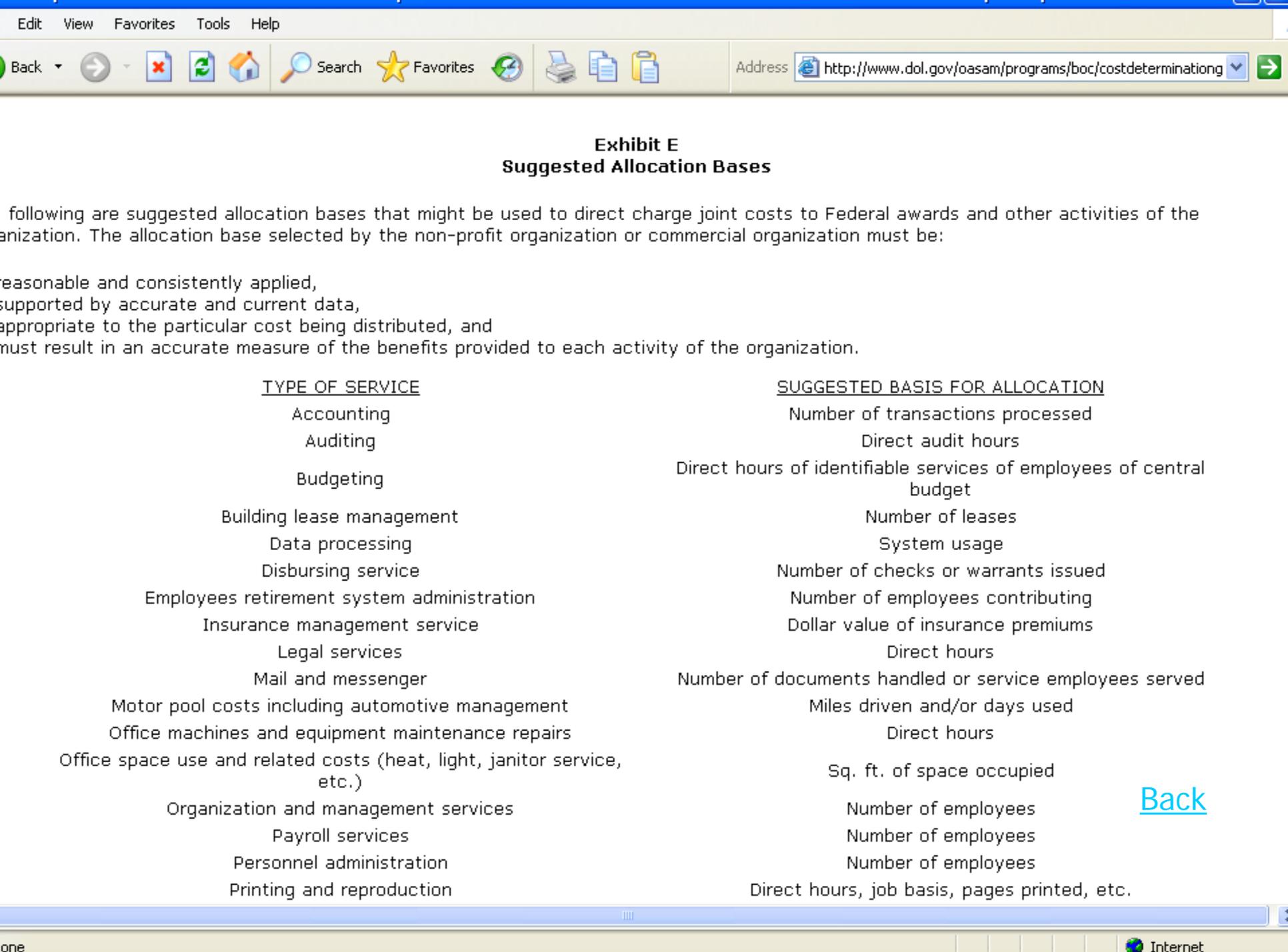


Exhibit E Suggested Allocation Bases

Following are suggested allocation bases that might be used to direct charge joint costs to Federal awards and other activities of the organization. The allocation base selected by the non-profit organization or commercial organization must be:

reasonable and consistently applied,
supported by accurate and current data,
appropriate to the particular cost being distributed, and
must result in an accurate measure of the benefits provided to each activity of the organization.

<u>TYPE OF SERVICE</u>	<u>SUGGESTED BASIS FOR ALLOCATION</u>
Accounting	Number of transactions processed
Auditing	Direct audit hours
Budgeting	Direct hours of identifiable services of employees of central budget
Building lease management	Number of leases
Data processing	System usage
Disbursing service	Number of checks or warrants issued
Employees retirement system administration	Number of employees contributing
Insurance management service	Dollar value of insurance premiums
Legal services	Direct hours
Mail and messenger	Number of documents handled or service employees served
Motor pool costs including automotive management	Miles driven and/or days used
Office machines and equipment maintenance repairs	Direct hours
Office space use and related costs (heat, light, janitor service, etc.)	Sq. ft. of space occupied
Organization and management services	Number of employees
Payroll services	Number of employees
Personnel administration	Number of employees
Printing and reproduction	Direct hours, job basis, pages printed, etc.

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