

Business Operations Center

DOL Home > OASAM > Division of Cost Determination - Office of Acquisition Management Services

Print This Page Text Size Email This Page

- [BOC Main Page](#)
- [Organizational Chart](#)
- [Mission and Functions](#)
- [Services and Contacts](#)
- [Indirect Cost Determination Guidance](#)

Division of Cost Determination - Office of Acquisition Management Services

Contact Us

The Division of Cost Determination (DCD) has been in existence since 1972 to negotiate and issue indirect cost rates and cost allocation plans on behalf of the Federal Government. These negotiations are based on guidance issued by the Office of Management and Budget (OMB) and the Federal Acquisition Regulation (FAR) for organizations receiving a preponderance of direct Federal funds from the U.S. Department of Labor (DOL). The rates are established in a Negotiated Indirect Cost Rate Agreement (NICRA) for cost reimbursable grants and contracts.

DCD performs four main functions:

1. Negotiate, issue, and maintain a file of indirect cost rates and cost allocation plans (based on OMB Circular A-87 for State/Local organizations, A-122 for non-profit organizations, and FAR 31.2 for commercial organizations).
2. Provide cost analysis through Field Pricing Reports (based on FAR 15.404-2) to Contracting Offices in DOL.
3. Conduct the Audit Resolution process (based on OMB Circular A-50) for indirect costs and cost allocation findings resulting from audit reports issued by DOL's Office of the Inspector General.
4. Provide liaison, coordination, and technical assistance to federal agencies, DOL personnel, grantees, and contractors on indirect cost issues through formal and informal communication.

For any questions, see our detailed office directory listing below (Appendix III). You may also contact the DCD National Office in Washington, D.C. at (202) 693-4100.

[Back to Top](#)

Find It!

- [Indirect Cost Proposal Guidelines](#)
- For Non-Profits and Commercial Organizations
 - [Checklist \(PDF\)](#)
 - [Section III - Sample Exhibits for ICPs \(PDF\)](#)
- For State/Local Governments
- [Frequently Asked Questions](#)
- [ARRA - Frequently Asked Questions for State/Local Organizations \(PDF\)](#)

External Related Links

- [OMB Circular A-122, Cost Principles for Non-profit Organizations](#)
- [OMB Circular A-87, Cost Principles for State/Local Governments](#)
- [HHS - Implementation Guide - Circular A-87 \(PDF\)](#)
- [GSA - Federal Acquisition Regulations Part 31 - Contract Cost Principles](#)

Table of Contents — Guidelines updated in January 2010

Guidelines for Indirect Cost Rate Determination — Entire Guide (PDF; 1,486K)

SECTION I: General Information (PDF; 54KB)

SECTION II: Guidelines for Preparing Indirect Cost Proposal (PDF; 100KB)

SECTION III: Sample Exhibits for Indirect Cost Proposal (PDF; 281KB)

Includes samples for "Certificate of Indirect Costs" and "Cost Policy Statement."

SECTION IV: Common Indirect Cost Problems (PDF; 43KB)

SECTION V: Questions and Answers (PDF; 50KB)

APPENDIX I: Sample Indirect Cost Rate Agreement — Commercial (PDF; 39KB)

APPENDIX II: Sample Indirect Cost Rate Agreement — Non-profit (PDF; 39KB)

APPENDIX III: DOD Address Listing (PDF; 42KB)



Guidance for State/Local Governments

Based on the cost principles established in OMB Circular A-87, State and local organizations may support the indirect costs that they incurred by submitting an Indirect Cost Rate (ICR) proposal or a Cost Allocation Plan (CAP) to their Federal cognizant agency. The proposals should be submitted no later than six months after the end of the entities fiscal year. If DOL provides the preponderance of funds to the organization, DOL would normally be cognizant. The Division of Cost Determination is responsible for the review and approval of the proposals submitted to DOL.

The proposals must be supported using the documentation cited below (as appropriate). Sample exhibits, for requested workpapers, Cost Policy Statement, and Certificate of Indirect Costs (CAP uses the same format) are available for the ICR. Also available are sample documents for the Cost Policy Statement and the Certificate of Indirect Costs. In addition, there is a link for the HHS ASMB C-10 — implementation guide for OMB Circular A-87, as well as a link for A-87 cost principles.

- Compensation limitations established by DOL's:
- ETA — TEGL 5-06
- Job Corps (PDF)

(An Example)
INDIRECT COST NEGOTIATION AGREEMENT
NONPROFIT ORGANIZATION

ORGANIZATION:
XYZ Nonprofit Housing, Inc.
New York, NY 99999-9999

DATE: January 11, 2010
FILE REF: This replaces the
negotiation agreement
DATED: December 13, 1997

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 Housing, Inc. and the U. S. Department of Labor in accordance with the authority contained in Attachment A, Section E(a), of the Circular.

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>			
<u>INDIRECT COSTS:</u>					
Final	7/1/06	6/30/07	14.42%	All	All Programs
Final	7/1/07	6/30/08	13.87%	All	All Programs
Provisional	7/1/08	6/30/09	15.39%	All	All Programs
Provisional	7/1/09	6/30/10	15.16%	All	All Programs

(See Special Remarks)

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.

SECTION II: GENERAL

- 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 Office of Cost Determination (OCD). 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 rates(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.

3. Fringe benefits other than paid absences consist of:

Worker's Compensation	FICA
Health Insurance	Pension Plan
Unemployment Compensation	

4. XYZ Nonprofit Housing, Inc. staff maintain 100% time distribution records. The indirect cost pool consists of:

- a) Salaries and fringe benefits of the following positions:

Executive Director	Dir of Fiscal Svcs
Account Tech II	Admin Secretary

- b) Support costs of the above positions as follows:

Professional Services	Travel
Space	Supplies
Equipment Leases	Insurance & Bonding
Publications & Dues	Repairs & Maintenance
Communications	Postage
Miscellaneous	

ACCEPTANCE

BY THE COGNIZANT AGENCY

BY THE ORGANIZATION:

ON BEHALF OF THE FEDERAL GOVERNMENT:

XYZ Nonprofit Housing, Inc.
(Organization)

U. S. Department of Labor
(Agency)

(Signature)

(Signature)

Jane Doe
(Name)

Victor M. Lopez
(Name)

Executive Director
(Title)

Director, Division of Cost Determination
(Title)

(Date)

January 11, 2010
(Date)

U. S. DOL Negotiator: Steve Cosminski
Telephone No.: (215) 257-8712

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 described 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

The distinction between direct and indirect is primarily based on functions performed. For example, when the positions shown are performing functions that are necessary and beneficial to all programs they are indirect. When functions are specific to one or more programs they are direct because they do not benefit all programs.

Auditable labor distribution records which reflect the actual activities of employees are maintained to support the mix of direct/indirect charges. The time records are certified by the Executive Director or designee.

B. Fringe Benefits

ABC contributes to the following fringe benefits for its employees:

- 1. unemployment insurance,
- 2. worker's compensation,
- 3. F.I.C.A., health insurance and
- 4. 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:

1. Direct Costs - The cost of space occupied by staff whose salaries are directly charged is charged directly.
2. Indirect Costs - The cost of space occupied by staff whose salaries are indirectly charged is charged indirectly. The cost of space for staff whose salaries are charged on a mixed basis will be allocated on a mixed basis in the same ratio as their salaries are allocated.

The cost of space required for common areas (hallways, restrooms, and ABC's conference room) will be accounted for as an indirect cost.

ABC has developed a floor plan which identifies what areas are designated as direct and indirect charge space (based on square footage).

G. Utilities

ABC's lease includes the cost of all utilities except electricity. The cost of electricity is charged directly and indirectly in the same ratio as its space costs are charged.

H. Communications

1. A log is maintained of all fax transmissions. The cost of fax services is charged either directly or indirectly based upon whether a direct or indirect activity benefits from the transmission.
2. Long distance telephone calls are charged either directly or indirectly based upon whether a direct or indirect activity benefits from the transmission.
3. Local telephone service costs are prorated to direct and indirect charges

based upon the number of telephone instruments assigned to ABC. Each telephone instrument is identified to either an indirect or a direct activity. For example:

ABC has 50 telephone instruments assigned to it:

(1) Nine (9) of the 50 instruments are assigned to the program funded by HHS. Therefore, 9/50ths of the monthly local service telephone charges are direct charged to the HHS grant.

(2) Five (5) of the instruments are assigned to indirect staff. Therefore, 5/50ths of the monthly local service charges are charged indirectly.

No telephone instruments are charged on a mixed basis since the costs incurred on that basis are immaterial in amount.

4. ABC uses a meter system for postage charges. The postage meter has been programmed to identify the specific program or activity to charge costs against. Express mail costs are also specifically identified to the program or activity incurring the cost.

I. Photocopying and Printing

ABC maintains a photocopy activity log. From this log, ABC is able to prorate its photocopy expenses to each program based on the specific volume of copies made for each program.

Administrative personnel will record copies made to the benefiting program to the maximum extent practical. In situations where the photocopies being made by administrative personnel cannot be identified to a specific program and the matter being copied relates to the activities of ABC in general, the cost of such copies will be charged to the "Indirect Cost-Expense" account.

Printing expenses are charged to the benefiting activity.

J. Outside Services

ABC incurs outside services costs for its annual audit, legal fees, and for staff development specialists.

1. The cost of the annual audit is charged indirectly.

2. In general, legal fees are charged directly to the benefiting program or activity.

3. Legal fees that are not identifiable to specific direct programs are charged indirectly.

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 unallowable costs, as defined in OMB Circular A-122 (2 CFR Part 230) or the FAR, cannot be charged to Federal awards and has internal controls in place to insure that this is followed. Examples of unallowable costs are:

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

Signature

Date

Title
ABC Organization
1111 Main Street
City, USA 12345