

SCSEP Business Roundtable

Philadelphia, PA

July 14, 2005

Financial Management
Requirements



Discussion Topics

- Allowable Costs
- Administrative vs. Program Costs
- Cost Allocation & Indirect Costs
- Cost Classification & Limitations
- SCSEP Fund Availability

Allowable Costs



Allowable Costs

- Defined in Circulars
 - Attachment B – Selected items of costs
 - A-87 & A-122
 - 48 CFR 31.205
 - A-21, Section J
- Program regulations
 - Allowable/prohibited activities
 - 20 CFR 641.850

Selected Items of Cost

- 3 types of Costs
 - Allowable
 - Unallowable
 - Allowable with Conditions
- If Cost not Treated-
 - Principles of necessary and reasonable apply

Approval Conditions

- If prior approval requirement exists
 - BEFORE incurring cost
 - Must be requested in writing
 - Must be approved
 - May exist in grant agreement
- Approval requests to Grant Officer

Examples

- Advertising/Public Relations
 - Outreach now treated
- Meetings
 - Including cost of meals
- Memberships
 - Depends on type of membership

Unallowable

- Entertainment
 - Be careful with employee morale costs
- Losses
- Fines & Penalties
- Contingency Reserves

SCSEP Allowable Costs

20 CFR 641.850

- In addition to the OMB cost circulars
- Participant fringe benefit costs
 - Worker's Compensation
 - Annual physical
 - 20 CFR 641.565

SCSEP One-Stop Costs

20 CFR 641.850

- Allowable
 - Refs: 20 CFR 641.200 & 850
- One-stop MOU:
 - Shows costs charged to SCSEP
 - Shows allocation methodology
 - Must be consistent with cost circulars
- Participant assignments
 - May satisfy MOU cost sharing

Unallowable SCSEP Costs

20 CFR 641.850

- Claims against US Government
- Lobbying costs
- Construction, operation of sectarian facilities
 - Refs: OAA §502(b)(1)(C)
 - 20 CFR 641.140 – “Host agency” def.
- Purchase, construction, renovation of bldgs.
 - Exceptions for certain minor renovations or repairs
- UI unless required by law
- Pension unless likely it will be received

Administrative vs. Program Costs



Administrative Cost Limitation

- Statutory 13.5%
 - Up to 15% if justified
 - Major admin cost increases
 - Slots or minority participation will decline
 - Small project size
- Expressed as percent of grant award
 - Contained in the grant document
 - Measured at conclusion of grant period
 - Refs. OAA 502(c)(3)(b); 20 CFR 641.870

Administrative Costs

- Reportable as administrative costs
 - Only if for specified administrative functions and activities
- Applies to only:
 - Grantees
 - First-tier subrecipients
 - Defined at 20 CFR 641.856(c)

Administrative Costs #2

- SCSEP Admin Cost Definition
 - OAA Title V, Section 502(c)(4)
 - 20 CFR 641.856 & 859
 - First-tier subrecipients
- Grantees must provide admin costs funding for subrecipients
 - Refs. OAA §502(b)(1)(R); 20 CFR 641.861

Administrative Functions

- Overall general administrative functions
 - Accounting
 - Financial & cash management
 - Procurement
 - Property management
 - Personnel management
 - Payroll
 - Coordinating resolution of findings
 - Audit, monitoring, investigations

Administrative Functions

- General administrative functions
 - Audit functions
 - General legal services
 - Developing systems and procedures
 - Includes information systems
 - Required for administrative functions
- Monitoring of administrative functions

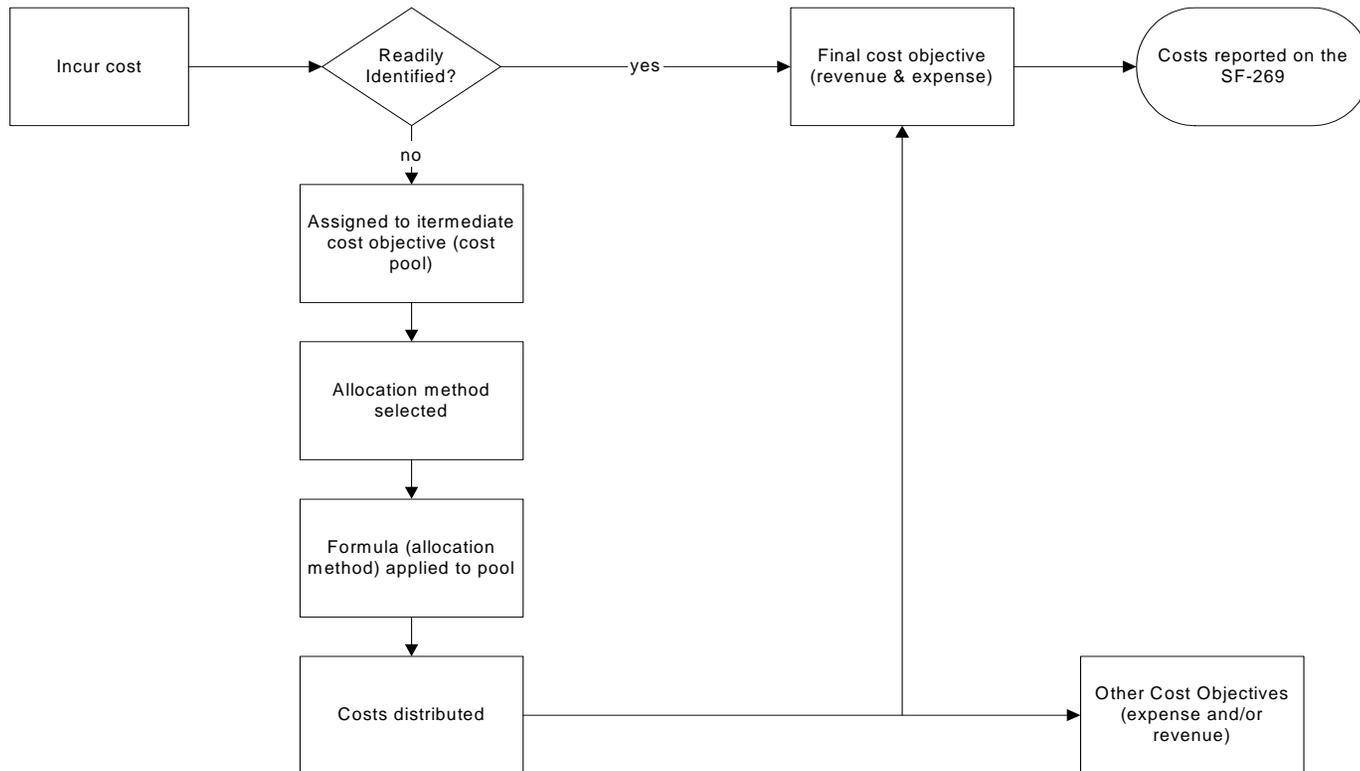
Other Guidance

- Job Title vs. Job Function
 - Costs follow job function, NOT title
 - Multiple functions must be allocated
- Subrecipient level classification
 - Use of contract proposals or invoicing
 - Function of the award

Cost Allocation & Indirect Costs



Cost Allocation Process



Types of CAP's

- Indirect Cost Plan
 - Addressed in Circulars
 - Federal Agency approval
- Cost Allocation Plan of the Organization
 - Shared costs
 - Awarding agency approval

Cost Allocation Bases

Select the base which results in allocation of indirect costs according to “benefits received”, the golden rule of Federal cost principles.

Indirect Costs

What are they?

- The organization's overhead costs
- Costs that benefit all activities/programs
- Examples:
 - Personnel, payroll, accounting, procurement units
 - Executive offices
 - Receptionist function
 - Facilities costs – rent, depreciation, maintenance and janitorial services, security, etc.

How are they Distributed?

- Cost Allocation Plan
- Indirect Cost Rate

What is a Cost Allocation Plan (CAP)?

..., and distributes allowable direct and indirect costs and declares the allocation methods used for distribution.



What is an Indirect Cost Rate (ICR)?

The ratio, expressed as a percentage, of an indirect cost pool and some direct cost base.

PBR (Pabst Blue Ribbon)



Pool/Base=Rate

Who needs an approved indirect cost rate?

- \$Single Funding Source
 - Indirect cost rate not needed
- \$\$\$Multiple Funding Sources
 - Indirect cost rate needed

Grantees Subject to: OMB CIRCULAR A-87

- At least one source of direct Federal funding
- More than one source of revenue (Federal and Non-Federal)
 - Cost Allocation Plan (CAP), OR
 - Indirect Cost Rate (ICR)

SUBJECT TO COGNIZANT AGENCY REVIEW

AND APPROVAL

Grantees Subject to : OMB CIRCULAR A-122

- At least one source of direct Federal funding
- More than one source of revenue
(Federal and Non-Federal)

APPROVED INDIRECT COST RATE

NO APPROVED ICR??

- Must seek approval within 90 days of grant approval
- Where?
 - Cognizant Agency
 - based on Fed. Agency providing largest amount of Federal funds
 - If grant is only Federal award, DOL is cognizant

Questions ?

- Department of Labor
- Office of Cost Determination
- Telephone: 202-693-4100
- “A Guide for Indirect Cost Rate Determination”

EXAMPLE:

- Grantee—approved indirect cost rate 20%
- Grantee (org.-wide) direct salaries & wages are \$300,000
- Total Indirect Costs to be spread to all fund sources are \$60,000
- Grant is \$100,000
 - Total direct salary & wages are \$50,000
 - Indirect costs charged to Grant-\$10,000

EXAMPLE:

- Grant is \$100,000
- Admin. Limit is 15% (\$15,000)
- Indirect costs to be charged to grant are \$10,000:

20% (ICR) X \$50,000 (total direct salaries & wages)

- Direct admin costs are \$6,000

DOES THIS MEAN I WILL EXCEED MY ADMINISTRATIVE COST LIMIT??

...NO

- Review costs of your organization that comprise indirect cost pool (component of indirect cost rate calculation)
- Break out all of those costs between program and administration
 - Using the SCSEP definition of Administrative Costs

Pool of Indirect Costs

- Accounting System A
 - Procurement System A
 - Director P&A
 - Receptionist P&A
 - Facilities P&A
-
- Assume this calculates to 80% admin.
 - and 20% program

Then,

- Apply the 80% - 20% ratio to the total indirect costs of \$10,000 for the grant, as calculated in example.
- Indirect Admin costs = \$8,000 8%
- Indirect Program costs = \$2,000 2%
- Direct Admin costs = \$6,000 6%
- Direct Program costs = \$84,000 84%

Cost Classification & Limitations



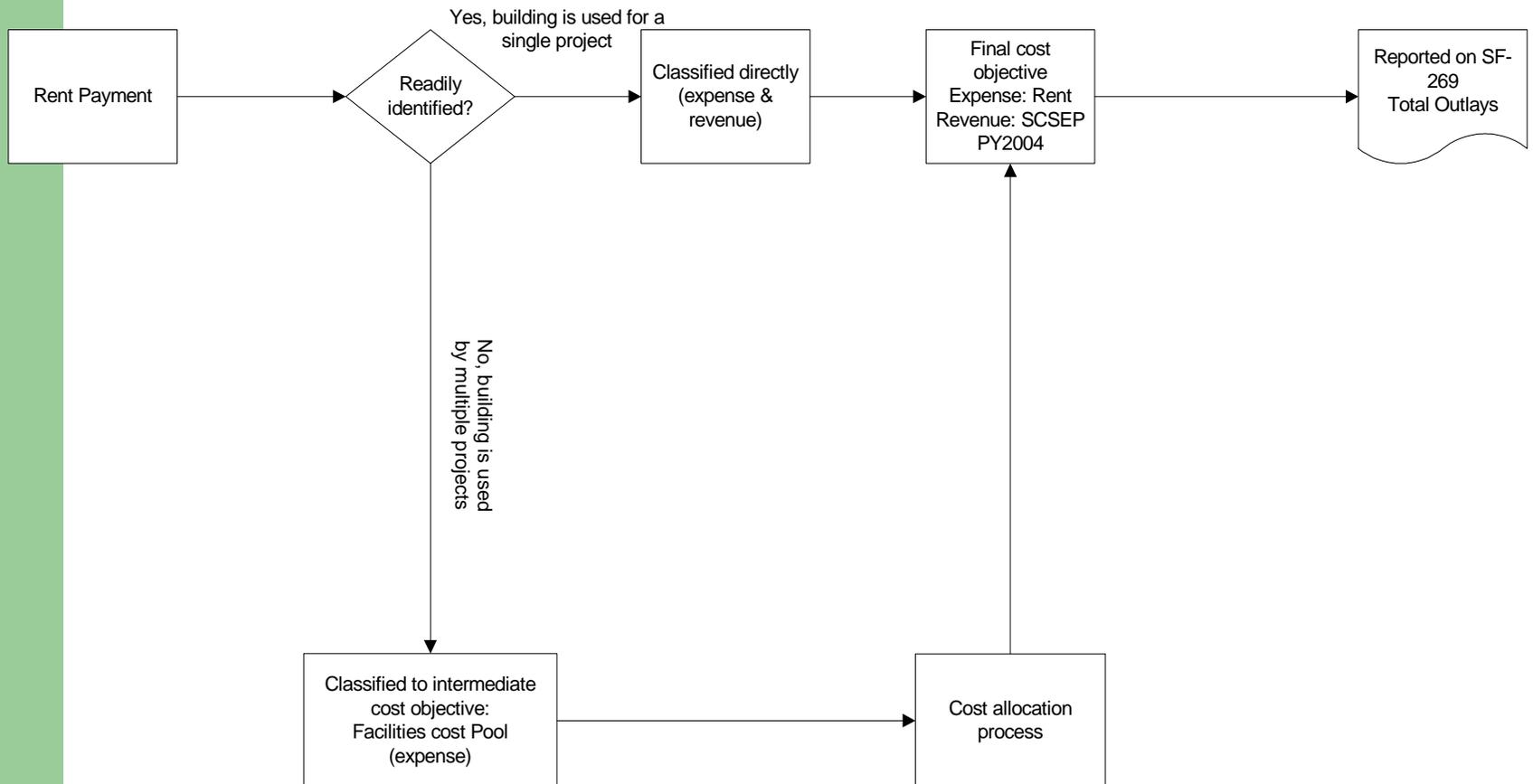
Cost Classification

- Assign allowable costs to cost objectives
- Costs Assigned
 - Direct Charge
 - Allocation
- General ledger or books of account

Classification System

- Required by GAAP
- Trace Costs from Federally required reports
 - To books of account &
 - To source documentation

Cost Classification Process



Other Participant Costs

20 CFR 641.864

- Participant assessment
- Development /placement into community service opportunities
- IEP preparation
- Outreach & recruitment
- Training
 - Community service opportunities
 - Unsubsidized employment
- Job placement assistance
- Participant support services

Cost Categories

- Administrative
 - Headquarters administration
 - Local administration
- Program Activities
 - Participant wages & fringe benefits
 - Other Participant Costs
- Program activities list (20 CFR 641.864)

Other Reporting Categories

- Reporting categories
 - Classify within books of account
 - Classify through linking spreadsheets
- Program Income
- Non-federal costs (stand-in)
- Unliquidated obligations

Cost Limitations

- Participant wages & fringe benefits
 - Minimum 75%
- Administrative costs
 - 13.5% by statute
 - May negotiate up to 15%

Participant Wages & Fringe Benefits

- A minimum of 75% of Federal funds
- Includes funds spent on §502(e) projects & activities

On-the-Job Training

- Cost classification
 - Reimbursement of employer-paid wages (50%)
 - Charged to the Participant Wages & Fringe Benefits category
- Leveraged funds
 - Remaining employer-paid wages (50%)
 - Reported as non-Federal share

SCSEP Fund Availability



SCSEP Fund Availability

- 1 year grants
- No extensions
- Unexpended funds recaptured
- **EFFECTIVELY MANAGE YOUR \$\$\$**

Questions???

