



# (Re)Covering the Cost of Doing Business

## Cost Allocation Plans and Indirect Cost Rates under the Uniform Guidance

CSBG Conference  
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# Presented by:



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# Outline

- Overview of grants management
- Introducing the Uniform Grant Guidance
- Overview of Federal Cost Principles
- Direct vs. Indirect Costs
- Preparing an IDC Proposal
- Questions & Answers

# Overview of Grants Management

## Federal

- Makes federal awards (grants/contracts)
- Catalog of Federal Domestic Assistance (CFDA)

## State

- Makes state grants (non-federal)
- Pass-through grants (federal)

## Local

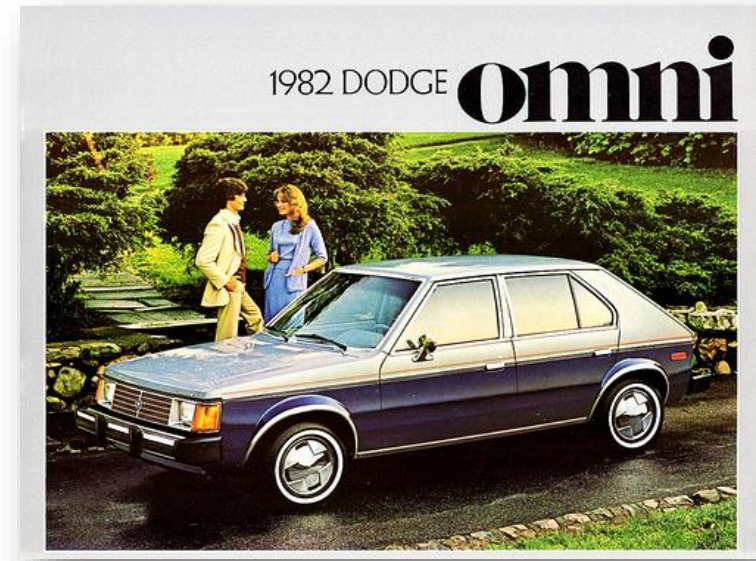
- Recipient (direct) or subrecipient (pass-through)
- Contractor (no grant compliance requirements)

## 2 CFR 200

- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

# 2 CFR 200

- The “Super Circular”
- The “Omni Circular”



## 2 CFR 200

- The “Uniform Guidance”
  - Not technically a circular (Federal regulations carry more weight of law)
  - That’s what the COFAR is calling it

# The COFAR

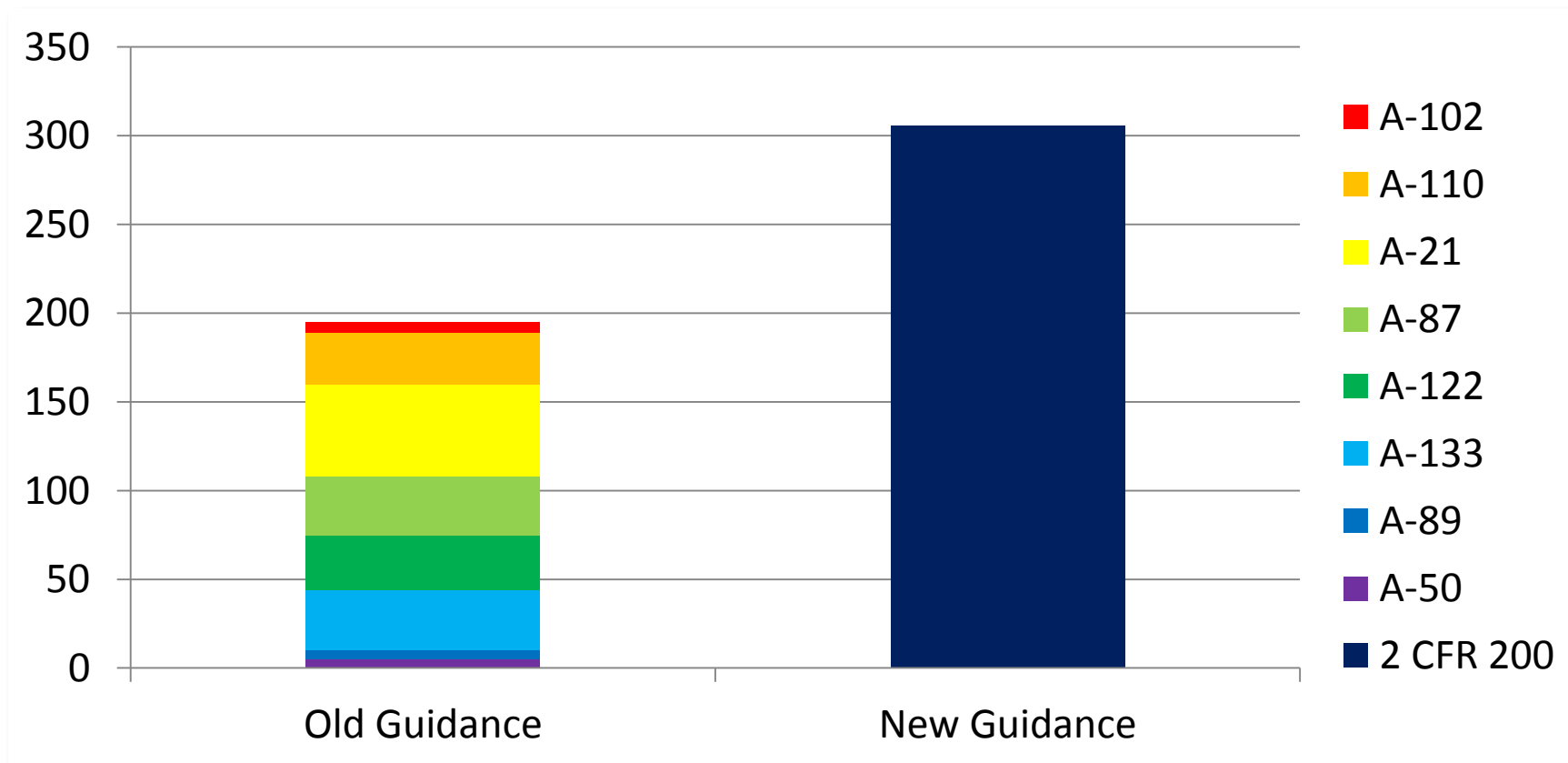
- Council on Financial Assistance Reform
  - Created in 2011 to improve delivery, management, coordination, and accountability of Federal grants
  - Led by OMB and 8 largest federal grant-making agencies
  - Responsible for the new Uniform Grant Guidance and FAQ documents
  - <https://cfo.gov/cofar/>



# Significant Changes

- Combined all related OMB guidance into one location (2 CFR 200)
  - Administrative requirements (A-102, A-110)
  - Federal cost principles (A-21, A-87, A-122)
  - Single audit (A-133, A-89, parts of A-50)
- According to the COFAR, this eliminated about 80 pages “of overlapping, duplicative, and conflicting provisions”

# “Eliminating” 80 Pages



# “Eliminating” 80 Pages



## FEDERAL REGISTER

Vol. 78 Thursday,  
No. 248 December 26, 2013

Part III

### Office of Management and Budget

2 CFR Chapter I, Chapter II, Part 200, et al.  
Uniform Administrative Requirements, Cost Principles, and Audit  
Requirements for Federal Awards; Final Rule

78590 Federal Register / Vol. 78, No. 248 / Thursday, December 26, 2013 / Rules and Regulations

#### OFFICE OF MANAGEMENT AND BUDGET 2 CFR Chapter I, and Chapter II, Parts 200, 215, 220, 225, and 230

#### Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

**AGENCY:** Executive Office of the  
President, Office of Management and  
Budget (OMB).

**ACTION:** Final guidance.

**SUMMARY:** To deliver on the promise of  
a 21st-Century government that is more  
efficient, effective and transparent, the  
Office of Management and Budget  
(OMB) is streamlining the Federal  
government's guidance on  
Administrative Requirements, Cost  
Principles, and Audit Requirements for  
Federal awards. These modifications are  
a key component of a larger Federal  
effort to more effectively focus Federal  
resources on improving performance  
and outcomes while ensuring the  
financial integrity of taxpayer dollars in  
partnership with non-Federal  
stakeholders. This guidance provides a  
governmentwide framework for grants  
management which will be  
complemented by additional efforts to  
strengthen program outcomes through  
innovative and effective use of grant-  
making models, performance metrics,  
and evaluation. This reform of OMB  
guidance will reduce administrative  
burden for non-Federal entities  
receiving Federal awards while  
reducing the risk of waste, fraud and  
abuse.

This final guidance supersedes and  
streamlines requirements from OMB  
Circulars A-21, A-87, A-116, and A-  
122 (which have been placed in OMB  
guidance), Circulars A-49, A-102, and  
A-133; and the guidance in Circular A-  
50 on Single Audit Act follow-up.  
Future reform efforts may eventually  
seek to incorporate the Cost Principles  
for Hospitals in Department of Health  
and Human Services regulations. Copies  
of the OMB Circulars that are  
superseded by this guidance are  
available on OMB's Web site at [http://  
www.whitehouse.gov/omb/circulars\\_  
definit/](http://www.whitehouse.gov/omb/circulars_definit/). The final guidance  
consolidates the guidance previously  
contained in the aforementioned  
citations into a streamlined format that  
aims to improve both the clarity and  
accessibility. This final guidance is  
located in Title 2 of the Code of Federal  
Regulations.

This final guidance does not broaden  
the scope of applicability from existing  
government-wide requirements,

affecting Federal awards to non-Federal  
entities including state and local  
governments, Indian tribes, institutions  
of higher education, and nonprofit  
organizations. Parts of it may also apply  
to for-profit entities in limited  
circumstances and to foreign entities as  
described in this guidance and the  
Federal Acquisition Regulation. This  
guidance does not change or modify any  
existing statute or guidance otherwise  
based on any existing statute. This  
guidance does not supersede any  
existing or future authority under law or  
by executive order or the Federal  
Acquisition Regulation.

**DATES:** Effective Date: This guidance is  
effective December 26, 2013.

**Applicability Date:** This guidance is  
applicable for Federal agencies  
December 26, 2013 and applicable for  
non-Federal entities as described in this  
guidance.

**FOR FURTHER INFORMATION CONTACT:**  
OMB will host an informational webcast  
with the Council on Financial  
Assistance Reform and key  
stakeholders. Please visit [www.cfo.gov/  
cofar](http://www.cfo.gov/cofar) for further information on the time  
and date of the webcast and on the  
Council on Financial Assistance  
Reform. For general information, please  
contact Victoria Collin or Gil Tran at the  
OMB Office of Federal Financial  
Management at (202) 395-3993.

#### SUPPLEMENTARY INFORMATION:

##### I. Objectives and Background

###### A. Objectives

The goal of this reform is to deliver  
on the President's directives to (1)  
streamline our guidance for Federal  
awards to ease administrative burden  
and (2) strengthen oversight over  
Federal funds to reduce risks of waste,  
fraud, and abuse. Streamlining existing  
OMB guidance will increase the  
efficiency and effectiveness of Federal  
awards to ensure best use of the more  
than \$500 billion expended annually.  
This reform builds on two years of  
work by the Federal government and its  
non-Federal partners: state, and local  
governments; Indian tribes, institutions  
of higher education, nonprofit  
organizations, and the audit community  
to reform the rules that govern our  
stewardship of Federal  
dollars. The revised rules set standard  
requirements for financial management  
of Federal awards across the entire  
Federal government.

These reforms complement targeted  
efforts by OMB and a number of Federal  
agencies to reform overall approaches to  
grant-making by implementing  
innovative, outcome-focused grant-  
making designs and processes in

collaboration with their non-Federal  
partners, in accordance with OMB  
guidance in M-13-17 "Next Steps in the  
Evidence and Innovation Agenda". This  
new guidance plays an important role in  
fostering those and other innovative  
models and cost-effective approaches by  
including many provisions that  
strengthen requirements for internal  
controls while providing administrative  
flexibility for non-Federal entities.  
These provisions include mechanisms  
such as "fixed amount awards" which  
rely more on performance than  
compliance requirements to ensure  
accountability, and allow Federal  
agencies some additional flexibility to  
waive some requirements (in addition to  
the longstanding option to apply to  
OMB to waive requirements) that  
impede their capacity to achieve better  
outcomes through Federal awards. This  
guidance will provide a backbone for  
sound financial management as Federal  
agencies and their partners continue to  
develop and advance innovative and  
effective practices.

This reform of OMB guidance will  
improve the integrity of the financial  
management and operation of Federal  
programs and strengthen accountability  
for Federal dollars by improving  
policies that protect against waste,  
fraud, and abuse. At the same time, this  
reform will increase the impact and  
accessibility of programs by minimizing  
time spent complying with  
unnecessarily burdensome  
administrative requirements, and so re-  
orients recipients toward achieving  
program objectives. Through close and  
sustained collaboration with Federal  
and non-Federal partners, OMB has  
developed ideas that will ensure that  
discretionary grants and cooperative  
agreements are awarded based on merit,  
that management increases focus on  
performance outcomes; that rules  
governing the allocation of Federal  
funds are streamlined, and that the  
Single Audit oversight tool is better  
focused to reduce waste, fraud, and  
abuse.

As set forth in Executive Order 13563  
of January 18, 2011, on Improving  
Regulation and Regulatory Review (76  
FR 3821; January 21, 2011; [http://  
www.gov.gov/docs/pkgFR/2011-01-21/  
pdf/2011-1385.pdf](http://www.gov.gov/docs/pkgFR/2011-01-21/pdf/2011-1385.pdf)), each Federal  
agency must "tailor its regulations to  
impose the least burden on society,  
consistent with regulatory objectives,  
taking into account, among other things,  
and to the extent practicable, the costs  
of cumulative regulations." To that end,  
it is important that Federal agencies  
identify those "rules that may be  
outmoded, ineffective, insufficient, or  
excessively burdensome," and "modify,

# Significant Changes

- Changes in organization/terminology
- Internal control requirements
- New procurement standards
- Subrecipient monitoring/management
- Minor changes to cost principles
- Numerous threshold changes to single audit

# Organization by Subpart

- A. Acronyms and Definitions
- B. General Provisions
- C. Pre-Award Requirements and Contents of Federal Awards
- D. Post-Award Requirements
- E. Cost Principles**
- F. Audit Requirements

# Appendices

- I. Notice of funding opportunity
- II. Contract provisions
- III. Indirect costs – Higher Ed
- IV. Indirect costs – Nonprofits**
- V. SLG-wide central service cost allocation plans
- VI. Public assistance cost allocation plans
- VII. SLG indirect cost proposals
- VIII. Nonprofits exempted from federal cost principles
- IX. Hospital cost principles
- X. Data Collection Form (SF-SAC)
- XI. Compliance Supplement

## Subpart A

# Acronyms and Definitions

- 98 terms defined
- Includes references to related guidance
- Many terms were previously only defined in context

## Applicability

- Federal agencies that make Federal awards to non-Federal entities
- Non-Federal entities that administer Federal awards
- Limited exceptions are noted at §200.102



# Contents of Federal Awards

- Federal agencies:
  - Select appropriate instrument (grant, cooperative agreement, or contract)
  - Required public notice for competitive grants and cooperative agreements
  - Evaluate merit of proposals
  - Review risk posed by applicants

# Contents of Federal Awards

- Specific conditions
  - Based on the risk assessment, federal agencies may impose specific requirements
  - Must notify the applicant of the special conditions, the reason they were imposed, and the action required to remove them
  - Must “promptly remove” special conditions once the underlying issue is corrected

# Contents of Federal Awards

- Required information in award documents:
  - General information:
    - Recipient name/DUNS number
    - Federal Award Identification Number (FAIN)
    - Award date/period of performance
    - CFDA number/name
    - Total award amount/budget
    - Indirect cost rate
  - Terms and conditions (general/specific)
  - Performance goals

# Standards for Financial Management

- Recipients:
  - Comply with all requirements of award
  - Performance measurement systems
  - Financial management systems
    - Separate identification of federal awards
    - Complete/accurate financial results
    - Support for federal draws
    - Effective control/accountability
    - Written procedures

# Standards for Financial Management

- Written procedures:
  - Recommended for all compliance areas
  - Required for implementing:
    - §200.305 Payments
    - §200.318 Procurement (including conflict of interest)
    - Allowability of costs (Subpart E, Cost Principles)
    - §200.430-431 Compensation (personnel & benefits)
    - §200.474 Travel costs

# Standards for Financial Management

- Internal controls:
  - Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award
  - “Should” be consistent with COSO

# Cost Principles

- Application:
  - Used in determining the allowable costs of work performed by the non-Federal entity under Federal awards.
  - Used by the non-Federal entity as a guide in the pricing of fixed-price contracts and subcontracts where costs are used in determining the appropriate price.

# Cost Principles

- Fundamental premises:
  - The non-Federal entity is responsible for effective/efficient administration of the federal award
  - The non-Federal entity must comply with agreements, objective, terms, and conditions of the federal award
  - The non-Federal entity has primary managerial responsibility



# Cost Principles

- Fundamental premises:
  - Applying these cost principles should require no significant changes to sound internal accounting policies/procedures
  - Indirect costs should be allocated consistently with the negotiated basis
  - The non-Federal entity may not earn or keep profit resulting from Federal awards

## Subpart E

# Cost Principles

- Composition of costs:
  - The “total cost” of a Federal award is the sum of the **allowable** direct and **allocable** indirect costs less any **applicable credits**

# Cost Principles

- “Allowable” costs:
  - Necessary and reasonable for the performance of the Federal award
  - Conform to any limitations or exclusions set forth in these principles
  - Consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity

# Cost Principles

- “Allowable” costs:
  - Accorded consistent treatment (**direct** vs. **indirect**)
  - Determined in accordance with generally accepted accounting principles
  - Not included as a cost or used to meet cost sharing or matching requirements of any other federally financed program
  - Adequately documented

# Cost Principles

- “Reasonable” costs:
  - A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost

## Subpart E

# Cost Principles

- “Reasonable” costs:
  - Ordinary and necessary for operations
  - Sound business practices/arm’s-length bargaining
  - Market prices for comparable goods/services for the geographic area
  - Individuals act with prudence
  - No significant deviation from established practices/policies to increase costs

## Subpart E

# Cost Principles

- “Allocable” costs:
  - Based on the relative benefits received:
    - Incurred specifically for federal award
    - Benefits both federal awards and other work (distribute proportionately)
    - Necessary for overall operation of the non-Federal entity
  - Allocable costs may not be charged to other Federal awards to overcome funding deficiencies

## Subpart E

# Cost Principles

- “Allocable” costs:
  - Use direct allocation if feasible without undue effort or cost
  - Otherwise, allocate on any reasonable documented basis



# Cost Principles

- “Applicable credits”:
  - Receipts or reduction-of-expenditure-type transactions that reduce expense items allocable to a Federal award as direct or indirect costs
  - Examples: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments

# Cost Principles

- Prior written approval:
  - Reasonableness and allocability can be difficult to determine
  - To avoid later disallowances or disputes, non-Federal entities may request prior written approval

# Cost Principles

- Direct and indirect costs:

§ 200.412 Classification of costs

*There is no universal rule for classifying certain costs as either direct or indirect (F&A) under every accounting system. A cost may be direct with respect to some specific service or function, but indirect with respect to the Federal award or other final cost objective.*

# Cost Principles

- Direct costs:
  - Can be identified specifically with a particular final cost objective
  - Minor items may be treated as indirect for reasons of practicality, if consistently applied
  - Unallowable costs may still be direct

# Cost Principles

- Indirect (F&A) costs:
  - Classified as “facilities” (space costs) or “administration” (overhead costs)
  - Cannot be identified specifically with a particular final cost objective

## Subpart E

# Cost Principles

- Indirect (F&A) costs:
  - If there is a federally “negotiated rate”, it must be accepted by all federal agencies
  - Otherwise, use a 10% **MTDC** *de minimus* rate
  - Pass-through entities may, but are not required to, negotiate a rate with a proposed subrecipient who asks to do so (FAQ .331-6)

## Subpart E

# Cost Principles

- Modified Total Direct Costs (MTDC):
  - Includes:
    - Direct salaries and wages
    - Fringe benefits
    - Materials and supplies
    - Services
    - Travel
    - The first \$25,000 of each subaward or subcontract

## Subpart E

# Cost Principles

- Modified Total Direct Costs (MTDC):
  - Excludes:
    - Equipment and capital expenditures
    - Rental costs
    - Charges for patient care
    - Tuition remission, scholarships, and fellowships
    - Participant support costs
    - Portion of each subaward and subcontract in excess of \$25,000



## Subpart E

# Cost Principles

- Indirect (F&A) costs:

§200.100(c)

*The principles are designed to provide that Federal awards bear their fair share of cost recognized under these principles except where restricted or prohibited by statute.*

# Cost Principles

- Selected items of cost:
  - 55 specific items are included
  - Apply to both direct and indirect costs
  - Failure to mention a particular item of cost does not imply that it is either allowable or unallowable (apply general principles of allowability)
  - The provisions of a specific award always govern in the case of a discrepancy

# Indirect Cost Rates

- Ways of allocating indirect costs:
  - Nonprofits:
    - Indirect cost rate (Appendix IV)
  - Governments:
    - Cost allocation plan (Appendix V/VI)
    - Indirect cost rate (Appendix VII)
    - Possible to use a combination of both

## Allocation of IDC / IDC Rates

- Indirect cost pools and bases
- Simplified allocation is permitted when all functions benefit to the same degree
- Group IDC and allocate separately when functions benefit unequally

# Allocation of IDC / IDC Rates

- Permitted allocation methods:
  - Simplified allocation method
  - Multiple allocation base method
  - Direct allocation method
  - Special indirect cost rates
- Negotiation and approval of rates

## Preparing an IDC Proposal

# Frequently Asked Questions

- US Department of the Interior
  - Interior Business Center, Indirect Cost Services
  - Negotiates indirect costs for many federal agencies

[http://www.doi.gov/ibc/services/  
Indirect\\_Cost\\_Services](http://www.doi.gov/ibc/services/Indirect_Cost_Services)

# Frequently Asked Questions

- What is an indirect cost rate?
  - An indirect cost rate is a device for determining in a reasonable manner the proportion of indirect costs each program should bear. It is the ratio (expressed as a percentage) of the indirect costs to a direct cost base.

## Preparing an IDC Proposal

# Frequently Asked Questions

- What is an indirect cost pool?
  - The indirect cost pool is the accumulated costs that jointly benefit two or more programs or other cost objectives, and typically includes:
    - Administrative salaries and fringe benefits associated with overall financial and organizational administration
    - Operation and maintenance costs for facilities and equipment
    - Payroll and procurement services



## Preparing an IDC Proposal

# Frequently Asked Questions

- What is an indirect cost rate proposal?
  - An indirect cost rate proposal is the documentation prepared by an organization to substantiate its request for the establishment of an indirect cost rate.

# Frequently Asked Questions

- What is a cost allocation plan?
  - A cost allocation plan (CAP) is a document that explains an organization's methodology in identifying, accumulating, and allocating allowable costs to its all departments and agencies. Some federal agencies still require an approved indirect cost rate even though a CAP has already been approved.

## Frequently Asked Questions

- What is a base or direct cost base?
  - Base means the accumulated direct costs (normally either total direct salaries and wages or total direct costs exclusive of any extraordinary or distorting expenditures) used to distribute indirect costs to individual federal awards.

continued...

## Frequently Asked Questions

- What is a base or direct cost base?
  - The direct cost base selected should result in each award bearing a fair share of the indirect costs in reasonable relation to the benefits received from the costs.

## Preparing an IDC Proposal

# Frequently Asked Questions

- What is an indirect cost negotiation agreement?
  - An indirect cost negotiation agreement is a document that formalizes the indirect cost rate negotiation process.
  - The indirect cost negotiation agreement must be signed by both the organization's authorized representative and cognizant agency or authorized representative.

continued...

## Preparing an IDC Proposal

# Frequently Asked Questions

- What is an indirect cost negotiation agreement?
  - Contains:
    - type of rate negotiated
    - effective period of the rate
    - the locations/programs to which the rate is applicable
    - information on the base(s) used and the treatment of fringe benefits and paid absences

## Preparing an IDC Proposal

# Frequently Asked Questions

- Is there a standard format that should be followed to compile an indirect cost proposal (ICP) or cost allocation plan (CAP)?
  - Indirect Cost Services (ICS) has created sample proposal formats, checklists, and templates to assist you in completing the proposal package.

## Preparing an IDC Proposal

# Frequently Asked Questions

- Is there a standard format that should be followed to compile an indirect cost proposal (ICP) or cost allocation plan (CAP)?
  - Although it is not required that you follow the ICS proposal format, doing so will expedite the review process because this format contains the information needed to process the proposal.



## Preparing an IDC Proposal

# Frequently Asked Questions

- What are the different types of rates that can be negotiated?
  - There are four types of rates that can be requested in your proposal:
    - Provisional
    - Final
    - Predetermined
    - Fixed (fixed carryforward)

## Preparing an IDC Proposal

# Frequently Asked Questions

- Provisional Rate
  - A temporary indirect cost rate applicable to a specified period which is used pending the establishment of a “final” rate for that period. Provisional rates must be finalized by submitting an Indirect Cost Rate Proposal for a Final Rate for the same period once actual costs are known and verifiable through audited financial statements.

# Frequently Asked Questions

- Final Rate
  - An indirect cost rate applicable to a specified past period which is based on actual allowable costs of the period. A final audited rate is not subject to adjustment.

## Preparing an IDC Proposal

# Frequently Asked Questions

- Predetermined Rate
  - An indirect cost rate applicable to a specified current or future period, usually the organization's fiscal year. Except under very unusual circumstances, a predetermined rate is not subject to adjustment. Predetermined rates may be used with cooperative agreements and grants only.

# Frequently Asked Questions

- Fixed (Fixed Carryforward) Rate
  - An indirect cost rate applicable to a specific or future period (e.g., fiscal year), initially based on estimated costs for a future period. The rate includes a “carryforward” adjustment, determined when actual costs for the period are known.

## Preparing an IDC Proposal

# Frequently Asked Questions

- Fixed (Fixed Carryforward) Rate
  - The carryforward adjustment computation increases or decreases the future indirect cost pool and rate calculation in order to reflect the under-recovery or over-recovery of indirect costs from the prior period.

## Preparing an IDC Proposal

# Frequently Asked Questions

- What typical types of distribution base are available to calculate the indirect cost rate?
  - There are basically three types of distribution bases:
    - Modified Total Direct Costs (MTDC)
    - Total Direct Salaries and Wages including Fringe Benefits (SWF)
    - Total Direct Salaries and Wages excluding Fringe Benefits (S&W)

# Frequently Asked Questions

- What type of distribution (direct cost) base should my organization select?
  - The distribution base that is chosen should result in each award bearing a fair share of the indirect costs in reasonable relationship to the benefits received from the costs.
  - Please consult the ICS office if you need more guidance.



## Preparing an IDC Proposal

# Frequently Asked Questions

- Can we use the negotiated indirect cost rate for all of our federal programs?
  - Yes, the agreed upon rate(s) shall be accepted and made available to all federal agencies for their use unless prohibited or limited by statute. It is our understanding that state and local agencies will also accept the federally approved rate(s).

## Preparing an IDC Proposal

# Frequently Asked Questions

- Some programs do not pay indirect costs or have a limitation on the amount of indirect costs collected; can these programs be excluded from the direct cost base?
  - No. All programs regardless of funding (or lack of funding) for indirect cost recoveries must be considered in the base for purposes of determining IDC rates.

## Preparing an IDC Proposal

# Unallowable Indirect Costs

- Advertising and public relations
- Alcoholic beverages
- Bad debts
- Donations and contributions
- Donated services
- General government expenses (chief executive, legislature, judiciary, and public safety)

## Preparing an IDC Proposal

# Unallowable Indirect Costs

- Entertainment
- Capital equipment (should be depreciated instead)
- Lobbying
- Legal costs (defense/prosecution of criminal/civil proceedings)
- Fines and penalties

## Preparing an IDC Proposal

# Unallowable Indirect Costs

- Fundraising and investment management costs
- News media (other than what is required by federal programs)
- Selling and marketing

(Refer to 2 CFR 200 Subpart E)

# Preparing an IDC Proposal

## Sample Proposal Template

- US Department of Health and Human Services
  - Office of the Assistant Secretary for Administration and Management
  - Program Support Center
  - See handouts

Sample Indirect Cost Proposal Form for Nonprofit Organizations  
Total Expenditures for the year ended June 30, 2004

Schedule C

ELEMENTS OF COSTS	FRANCHISE STATEMENTS	ADJUSTMENTS	DIRECT PROGRAMS AND ACTIVITIES					TOTAL DIRECT COSTS	TOTAL COSTS
			COMMUNITY SERVICE	HEAD START	WEATHERIZATION	FURNISHING & P	MEMBERSHIP &		
Salaries and wages	\$1,237,038	\$0	\$148,831	\$882,615	\$12,385	\$1,962	\$1,111,943	\$216,295	
Fringe benefits	\$245,424	\$0	\$28,138	\$170,927	\$3,687	\$317	\$302,219	\$43,215	
Subtotal labor	\$1,482,462	\$0	\$176,969	\$1,053,542	\$16,072	\$1,999	\$1,375,962	\$259,510	
Contractual Services	\$345,420	\$0	\$3,493	\$207,770	\$34,157	\$0	\$245,420	\$0	
Communicable diseases	\$14,002	\$0	\$0	\$0	\$0	\$0	\$0	\$41,802	
Emergency and payments	\$7,289	\$0	\$52,899	\$0	\$20,000	\$0	\$72,899	\$0	
Equipment rental and maint.	\$14,440	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Equipment / Capital	\$95,210	(\$58,210)	\$0	\$0	\$0	\$0	\$0	\$0	
Equipment / labor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Fuel costs	\$1,476	\$0	\$0	\$1,476	\$0	\$0	\$1,476	\$0	
Insurance	\$12,554	\$0	\$0	\$8,209	\$0	\$171	\$8,380	\$3,786	
Childcare	\$12,214	\$0	\$34,527	\$10,000	\$493	\$22	\$45,252	\$3,529	
Office supplies	\$32,340	\$0	\$1,794	\$13,317	\$3,049	\$42	\$18,402	\$12,308	
Other expenses	\$24	(\$20)	\$0	\$0	\$0	\$0	\$0	\$0	
Printing	\$3,921	\$0	\$476	\$30	\$120	\$2,407	\$3,399	\$617	
Professional fees	\$34,211	\$0	\$0	\$0	\$0	\$0	\$0	\$4,211	
Program expenses	\$10,161	\$0	\$2,023	\$19,245	\$40,880	\$9,162	\$79,311	\$0	
Printing	\$69,897	\$0	\$6,145	\$7,222	\$1,345	\$44,819	\$69,345	\$7,362	
Renovations and improv.	\$14,470	(\$14,470)	\$0	\$0	\$0	\$0	\$0	\$0	
Telephone	\$29,211	\$0	\$0,789	\$13,321	\$349	\$603	\$23,462	\$6,945	
Travel	\$7,282	\$0	\$7,282	\$0	\$0	\$0	\$7,282	\$4,228	
Subtotal non-labor	\$1,056,377	(\$74,721)	\$109,722	\$942,513	\$103,837	\$59,794	\$986,866	\$122,890	
<b>TOTAL</b>	<b>\$2,538,839</b>	<b>(\$74,721)</b>	<b>\$286,691</b>	<b>\$1,996,055</b>	<b>\$216,914</b>	<b>\$261,793</b>	<b>\$2,474,454</b>	<b>\$382,400</b>	

<p><b>Calculation of the Base</b></p> <p>(1) If the nonprofit organization uses Direct Salaries &amp; Wages including fringe benefits as their Base their rate would calculate as follows:</p> <p>Indirect costs = \$259,510                  Base (Direct SAL) = \$1,375,962 = 18.9%</p> <p>(2) If the nonprofit organization uses Direct Salaries &amp; Wages including fringe benefits as their Base their rate would calculate as follows:</p> <p>Indirect costs = \$259,510                  Base (Direct SAL + FB) = \$1,375,962 = 18.9%</p> <p>(3) If the nonprofit organization uses Modified Total Direct Costs (MTDC) as their Base their rate would calculate as follows:</p> <p>Indirect costs = \$259,510                  Base (MTDC) = \$1,475,328 = 17.6%</p>	<p><b>Explanation of Adjustments</b></p> <p>(a) Includes salaries and wages of \$50,200 for volunteers of the Head Start program.                  (b) Excludes capital equipment purchases.                  (c) Removes unallowable costs - \$22 Interest - \$14 Bond Debt - \$36.                  (d) Excludes capital renovations and improvements.</p> <p><b>General Notes</b></p> <p>This is a sample proposal only. It is not intended to prescribe a particular method for allocating costs. An organization should choose the Base that they feel will most accurately reflect the true allocation of their indirect costs to each program.</p> <p>An organization can use any ONE of the three bases shown. Whichever of the three bases (1, 2 or 3) is chosen the total indirect costs (259,510) is not change. The only thing that changes is the distribution base.</p>
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## Final Thoughts...

# Which Rate to Use?

- 10% MTDC de minimus?
- Negotiated IDC rate?
  - Salaries only
  - Salaries and fringes
  - Modified total direct costs
- Maximize reimbursement or streamline recordkeeping?

# Questions?





# For more information...



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