COST ALLOCATION (DIRECT CHARGING)

COST ALLOCATION PLAN

- A **Cost Allocation Plan** is the documented process of allocating **Indirect Costs** to the benefiting Cost Objectives
- The Purposes of a Cost Allocation Plans:
  - Allow the determination of the total cost of a service or program
  - The means for an organization to recover all allowable costs incurred in providing a service or program
  - Provide valuable management information regarding time and effort spent on activities

© Kevin C. Myren, C.P.A.

COST ALLOCATION

Cost	Possible Base
Fringe Benefits	Direct Labor Charges
Human Resource Department	Number of Employees per program
Telephone Expense	Number of Employees per program
Finance Department	Number of Transactions / Number of checks written
Information Technology	Number of Computer per program
Facilities	Square Footage per program
Planning and Evaluation	Direct Labor Charges

APPENDIX IV – INDIRECT (F&A) COSTS IDENTIFICATION AND ASSIGNMENT, AND RATE DETERMINATION FOR NONPROFIT ORGANIZATIONS

- ***A. General***
  - Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective
  - After direct costs are assigned, indirect costs are what is left
  - Diverse characteristics and accounting practices make it impossible to specify which costs are direct or indirect
  - Typical examples of indirect costs:
    - Depreciation on buildings and equipment
    - Costs of operating and maintaining facilities
    - Salaries and expenses of executives, HR and accounting

© Kevin C. Myren CPA

APPENDIX IV – INDIRECT (F&A) COSTS IDENTIFICATION AND ASSIGNMENT, AND RATE DETERMINATION FOR NONPROFIT ORGANIZATIONS

- ***A. General,*** continued
  - For Major Nonprofit Organizations ($10 million or more in direct Federal funding in a fiscal year)
    - At least two cost pools: Facilities and Administration
- ***B. Allocation of Indirect Costs and Determination of Indirect Cost Rates***
  - **1. General**
    - When NPO has only 1 major function OR all major functions benefit from indirects to the same degree, may allocate indirect costs through simplified allocation
    - When NPO has several major functions which benefit in varying degrees, accumulate costs in groups and allocate to benefitting functions by means of a base, which measures the degree of benefit

© Kevin C. Myren CPA

APPENDIX IV – INDIRECT (F&A) COSTS IDENTIFICATION AND ASSIGNMENT, AND RATE DETERMINATION FOR NONPROFIT ORGANIZATIONS

- ***B. Allocation of Indirect Costs and Determination of Indirect Cost Rates***
  - **1. General,** continued
    - What constitutes major functions depend on: types of services rendered, clients served, members, etc.
  - **2. Simplified allocation method**
    - Separate costs into direct and indirect costs
    - Divide total indirect costs by an equitable distribution base
      - Produces an indirect cost rate
    - Multiple indirect cost rate times base and add to direct costs
    - Exclude unallowable costs from indirects
    - Distribution base excludes: capital, subawards > $25,000 and participant support costs

© Kevin C. Myren CPA

APPENDIX IV – INDIRECT (F&A) COSTS IDENTIFICATION AND ASSIGNMENT, AND RATE DETERMINATION FOR NONPROFIT ORGANIZATIONS

- ***B. Allocation of Indirect Costs and Determination of Indirect Cost Rates,*** continued
  - **3. Multiple allocation base method**
    - Identification of similar expenses, constituting pools
      - Depreciation on buildings and equipment
      - Interest on debt for certain buildings and equipment
      - Operation and maintenance expense
      - Administration and general expenses – Director's office, finance office, HR, planning, safety, risk management, IT, etc.
    - Determine allocation base
      - Must be cause and effect relationship

© Kevin C. Myren CPA

APPENDIX IV – INDIRECT (F&A) COSTS IDENTIFICATION AND ASSIGNMENT, AND RATE DETERMINATION FOR NONPROFIT ORGANIZATIONS

- ***B. Allocation of Indirect Costs and Determination of Indirect Cost Rates***
  - **3. Multiple allocation base method,** continued
    - Building depreciation allocated on basis of usable square feet by program
    - Space used by multiple programs based on FTE by program
    - Interest and maintenance allocated the same as depreciation
    - Admin and general allocated to benefitting functions based on Modified Total Direct Costs (MTDC)
  - **4. Direct allocation method**
    - Treat all costs as direct costs
    - Allocate each charge to benefitted programs

© Kevin C. Myren CPA

APPENDIX IV – INDIRECT (F&A) COSTS IDENTIFICATION AND ASSIGNMENT, AND RATE DETERMINATION FOR NONPROFIT ORGANIZATIONS

- ***B. Allocation of Indirect Costs and Determination of Indirect Cost Rates***
  - **5. Special indirect cost rates**
    - Special factors may include a segment of work at a different location, different levels of administrative work, etc.
- ***C. Negotiation and Approval of Indirect Cost Rates***
  - **1. Definitions**
    - Predetermined rate is applicable for a period, based on an estimate of costs incurred. Rate is NOT subject to adjustment
    - Fixed rate is similar to predetermined, except the difference between actual and estimated is carried forward to the future
    - Final rate is a rate for a past period based on actual costs
    - Provisional rate is a billing rate of a temporary indirect rate
    - Indirect cost proposal is the documentation to substantiate a claim for reimbursement of indirect costs

© Kevin C. Myren CPA

APPENDIX IV – INDIRECT (F&A) COSTS IDENTIFICATION AND ASSIGNMENT, AND RATE DETERMINATION FOR NONPROFIT ORGANIZATIONS

- *C. Negotiation and Approval of Indirect Cost Rates*
  - 2. Negotiation and approval of rates
    - Cognizant is Federal agency with the largest value of Federal awards
      - Rate is negotiated
- *D. Certification of Indirect (F&A) Costs*
  - Certification must be signed to be considered
    - Verifies she has reviewed indirect cost proposal
    - Verifies all costs are allowable
    - Verifies all allocations are appropriate
  - Certifier must be no lower than Vice President or CFO

© Kevin C. Myren CPA

Cost Allocation

EXAMPLE COMMUNITY ACTION AGENCY

	PROGRAMS				INDIRECT POOLS	
	A	B	C	Corporate	Facilities	Admin.
Salaries and Wages	$ 400,000	$ 200,000	$ 100,000	$ 50,000	$ 25,000	$ 750,000
Fringe Benefits	120,000	60,000	30,000	15,000	7,500	225,000
Supplies	10,000	8,000	5,000	20,000	2,500	15,000
Communications	5,000	12,000	5,000	15,000	-	10,000
Direct Client Services	65,000	20,000	10,000	-	-	-
Sub-Total	$ 600,000	$ 300,000	$ 150,000	$ 100,000	$ 35,000	$ 1,000,000

© Kevin C. Myren, C.P.A.

Cost Allocation

EXAMPLE COMMUNITY ACTION AGENCY

	PROGRAMS				INDIRECT POOLS	
	A	B	C	Corporate	Facilities	Admin.
Salaries and Wages	$ 400,000	$ 200,000	$ 100,000	$ 50,000	$ 25,000	$ 750,000
Fringe Benefits	120,000	60,000	30,000	15,000	7,500	225,000
Supplies	10,000	8,000	5,000	20,000	2,500	15,000
Communications	5,000	12,000	5,000	15,000	-	10,000
Direct Client Services	65,000	20,000	10,000	-	-	-
Sub-Total	$ 600,000	$ 300,000	$ 150,000	$ 100,000	$ 35,000	$ 1,000,000
Allocate Facilites Pool	9,767	4,884	2,442	1,628	(35,000)	16,279
					$ -	

© Kevin C. Myren, C.P.A.

Total Facilites cost = $35,000 / Base Total of $2,150,000 = 1.628%

Cost Allocation

EXAMPLE COMMUNITY ACTION AGENCY

	PROGRAMS				INDIRECT POOLS	
	A	B	C	Corporate	Facilities	Admin.
Salaries and Wages	$ 400,000	$ 200,000	$ 100,000	$ 50,000	$ 25,000	$ 750,000
Fringe Benefits	120,000	60,000	30,000	15,000	7,500	225,000
Supplies	10,000	8,000	5,000	20,000	2,500	15,000
Communications	5,000	12,000	5,000	15,000	-	10,000
Direct Client Services	65,000	20,000	10,000	-	-	-
Sub-Total	$ 600,000	$ 300,000	$ 150,000	$ 100,000	$ 35,000	$ 1,000,000
Allocate Facilites Pool	9,767	4,884	2,442	1,628	(35,000)	16,279
Sub-Total	$ 609,767	$ 304,884	$ 152,442	$ 101,628	$ -	$ 1,016,279
Allocate Admin Pool	530,233	265,116	132,558	88,372		(1,016,279)
FINAL PROGRAM COST	$ 1,140,000	$ 570,000	$ 285,000	$ 190,000		$ (0)

© Kevin C. Myren, C.P.A.

Total Administrative cost = $1,016,279 / Base Total of $1,168,721 = 86.957%

FEDERALLY NEGOTIATED INDIRECT COST RATE

- **Indirect Cost Rate Proposal (ICRP)** is the document prepared by an organization to request an **indirect cost rate** agreement
  - This is a ***negotiated*** process

INDIRECT COST RATE PROPOSAL

- **Required Information:**
  - Organization Chart
  - Chart of Accounts
  - Expenditure Detail
  - Payroll Data
  - Direct Charges
  - Interviews with Staffs
  - Statistical Data/Metrics
  - Grants Inventory (Schedule of Expenditure of Federal Awards)

INDIRECT COST RATE PROPOSAL - 2018

DESCRIPTION	TOTAL COSTS	UNALLOWABLE and EXCLUDED	TOTAL COSTS	TOTAL DIRECT COSTS	TOTAL INDIRECT COSTS
Salaries	$ 14,815,564	$ -	$ 14,815,564	$ 13,818,652	$ 996,912
Payroll Taxes and Fringes	3,134,224	-	$ 3,134,224	$ 2,915,263	$ 218,961
Consulting Services	658,439	-	$ 658,439	$ 613,668	$ 44,771
Office Supplies and Printing	462,598	-	$ 462,598	$ 452,871	$ 9,727
Telephone	132,056	-	$ 132,056	$ 130,336	$ 1,720
Occupancy	228,000	-	$ 228,000	$ 48,746	$ 179,254
Travel	274,447	14,233	$ 260,214	$ 243,950	$ 16,264
Education and Training	167,160	-	$ 167,160	$ 157,218	$ 9,942
Program Expense	101,110	-	$ 101,110	$ 101,110	$ -
Housing Development Expense	64,782	-	$ 64,782	$ 64,782	$ -
Bad Debt	90,883	90,883	$ -	$ -	$ -
Fundraising Expense	264,209	-	$ 264,209	$ 264,209	$ -
Miscellaneous	73,497	5,125	$ 68,372	$ 64,345	$ 4,027
Utilities	78,288	-	$ 78,288	$ 78,288	$ -
Insurance	44,006	-	$ 44,006	$ 2,788	$ 41,218
Real Estate Taxes	16,965	-	$ 16,965	$ 10,078	$ 6,887
Depreciation and Amortization	149,123	-	$ 149,123	$ 121,437	$ 27,686
Interest and Other Finance Charges	458,239	458,239	$ -	$ -	$ -
TOTAL COSTS.....	**$ 21,213,591**	**$ 568,480**	**$20,645,110**	**$19,087,741**	**$ 1,557,369**
		Entertainment			CEO, HR, IT,
		Bad Debts			Accounting, Risk
		Fines/Penalties			Management
		Interest			

INDIRECT COST RATE CALCULATION:

TOTAL INDIRECT COSTS $ 1,557,369 = **8.16%**

TOTAL DIRECT COSTS $19,087,741

The rates approved in this agreement are for use on grants, contracts and other agreements with the Federal Government, subject to the conditions in Section III.

SECTION I: INDIRECT COST RATES

RATE TYPES: FIXED FINAL PROV. (PROVISIONAL) PRED. (PREDETERMINED)

EFFECTIVE PERIOD

TYPE	FROM	TO	RATE(%)	LOCATION	APPLICABLE TO
FINAL	01/01/2016	12/31/2016	14.74	All	All Programs
PROV.	01/01/2017	12/31/2020	14.74	All	All Programs

*BASE

Total direct costs excluding capital expenditures (buildings, individual items of equipment; alterations and renovations), that portion of each subaward in excess of $25,000 and flow-through funds.

SECTION II: SPECIAL REMARKS

TREATMENT OF FRINGE BENEFITS:

The fringe benefits are specifically identified to each employee and are charged individually as direct costs. The directly claimed fringe benefits are listed below.

TREATMENT OF PAID ABSENCES

Vacation, holiday, sick leave pay 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 are not made for the cost of these paid absences.

Fringe Benefits include: FICA, Workers' Compensation, Unemployment Insurance, Health/Dental Insurance, Life Insurance, Short-term & Long-term Disability Insurance, Accidental Death Benefits, and Retirement.

Equipment means article of non expendable, tangible personal property having a useful life of more than one year and an acquisition costs of $1,000 or more per unit.

The next indirect cost rate proposal based on actual costs for the fiscal year ending 12/31/2017, is due by 6/30/2018.

INDIRECT COST RATE

- Types of Federally Negotiated Indirect Cost Rates:
  - Predetermined
    - not subject to adjustment
  - Fixed Rate
    - a predetermined rate, but the difference between actual and estimate carries forward as an adjustment
  - Provisional
    - temporary indirect rate used during the year until a final rate is established at year end

© Kevin C. Myren, C.P.A.

EXAMPLE

	Head Start	CSBG	Wx		Indirect
Salaries	100,000	25,000	10,000		15,000
Fringes	20,000	5,000	2,000		3,000
Travel	5,000	2,000	1,000		500
Contract Services	75,000	3,000	2,000		500
Sub-Total	200,000	35,000	15,000		19,000
Indirect Costs					
TOTAL					

PREDETERMINED RATE – 10%

	Head Start	CSBG	Wx		Indirect
Salaries	100,000	25,000	10,000		20,000
Fringes	20,000	5,000	2,000		4,000
Travel	5,000	2,000	1,000		2,000
Contract Services	75,000	3,000	2,000		4,000
Sub-Total	200,000	35,000	15,000		30,000
Indirect Costs	20,000	3,500	1,500		-25,000
TOTAL	220,000	38,500	16,500		**5,000**

FIXED RATE – 10%

	Head Start	CSBG	Wx		Indirect
Salaries	100,000	25,000	10,000		20,000
Fringes	20,000	5,000	2,000		4,000
Travel	5,000	2,000	1,000		2,000
Contract Services	75,000	3,000	2,000		4,000
Sub-Total	200,000	35,000	15,000		30,000
Indirect Costs	20,000	3,500	1,500		-25,000
TOTAL	220,000	38,500	16,500		**5,000**

Carries forward to next year

PROVISIONAL RATE – 10%

	Head Start	CSBG	Wx		Indirect
Salaries	100,000	25,000	10,000		20,000
Fringes	20,000	5,000	2,000		4,000
Travel	5,000	2,000	1,000		2,000
Contract Services	75,000	3,000	2,000		4,000
Sub-Total	200,000	35,000	15,000		30,000
Indirect Costs	20,000	3,500	1,500		-25,000
TOTAL	220,000	38,500	16,500		**5,000**
Adjustment	4,000	700	300		**-5,000**
FINAL TOTAL	224,000	39,200	16,800		**-0-**

WHEN CHOOSING AN OPTION

- Analyze the impact
  - More than just the previous year
  - Any significant upcoming funding changes?
- Ability to handle administratively
  - Rate negotiation
  - Indirect pools

A. COST ALLOCATION

Advantages	Disadvantages
• Allows full recapture of all costs • Requires less planning up front • Most flexible to respond to increases/decreases in actual indirect costs • In many cases, it is the status quo *"Don't fix what ain't broken!"*	➢ Less able to differentiate between programmatic and administrative expenses ➢ May require multiple allocation pools and complication of month end close-out ➢ Requires continual collection of various metrics

B. DE MINIMUS

Advantages

- Potentially less administratively burdensome
- Do not need to negotiate a rate annually
- Makes planning/budgeting easier – always 10%
- You know whether to take grants or not
- May be able to generate a few dollars

Disadvantages

- Generally not adequate to cover costs
  - Many non-profits <$5 million in revenue, have indirects 12 – 15% +
- Not a good option if you have rent, capital or sub-contracts
- Difficult to undo, once it is in place

C. NEGOTIATED RATE

Advantages

- You know your rate early
- Gives a target to budget for
- Funders all must accept
- Makes month end closeouts easier

Disadvantages

- Negotiation process can be a challenge
- Initial year is time consuming
- What happens when grants close-out and indirect rate changes?
- Have to track indirect from year to year

COST ALLOCATION PLAN

BASIC CONCEPT

All costs can be classified as direct, indirect or unallowed. Most costs can be easily charged to the program activity that they support. These costs are called direct costs. Other costs cannot be easily charged to the program activity and take far too much time and energy to track record and calculate. These costs are accumulated in a pool and are charged to grants through the indirect allocation. Unallowed costs cannot be charged to a grant either directly or indirectly and must be paid from agency unrestricted funds.

BASIC RULES

Only costs which are necessary, allowable and reasonable will be charged either directly or indirectly to grants. Directors and Managers are responsible for determining necessity, allowability and reasonableness of charges.

All costs incurred for the same purposes in like circumstances are either direct costs only or indirect costs only. A cost cannot be charged to a program as direct costs and at the same time have similar costs under similar circumstances be charged as indirect costs. When this is done, the portion of the cost charged directly will be removed from the pool and the base to calculate the applied rate.

METHODS OF ALLOCATING DIRECT COSTS

DIRECT COSTS: ONE PROGRAM

The direct costs for a program can include program and administrative costs. The definitions of these costs are dependent on the individual funding sources and so may vary grant to grant.

Programs are charged directly for goods and services that are purchased solely and specifically for a particular program and which are not shared with any other program.

Cost items usually included in this category are:

- salaries and wages for personnel specific to a program;
- contractual/consultant/professional services provided for a specific program;
- accident insurance for individuals served by a specific program (such as student insurance);
- auto insurance for vehicle(s) used for a specific program;
- property insurance for a facility used for a specific program;
- liability insurance for an activity associated with a specific program;
- travel/per diem/mileage costs for a specific program;
- building rental and related costs for buildings used solely by a specific program;

- office and program supplies purchased for a specific program;
- program specific computer equipment including staff desktops, monitors, laptops and printers
- equipment (including maintenance and repairs) purchased for a specific program
- purchase and related insurance and maintenance costs for vehicles used by a specific program
- reproduction costs for publications specific to a program
- subscriptions specific to a program
- training costs, conference fees etc. specific to a program
- advertisement costs for participation or employment in a specific program

DIRECT COSTS: MULTIPLE FUNDING SOURCES FOR ONE PROGRAM

One program may be supported by multiple funding sources. Costs are assigned according to costs that each source is willing to support. For instance, one source may only wish to support travel or supplies.

If multiple sources are available for the same costs, costs will be assigned at the discretion of the program manager. In no case will the sum of the costs charged to all sources exceed the actual total costs.

If an employee is being paid by multiple sources to do the same activity, the sources may be charged according to an agreed upon percentage or in rotation.

DIRECT COSTS: BENEFITING TWO OR MORE PROGRAMS

Goods and services that are purchased specifically for more than one program are charged directly to those programs based upon their actual or estimated usage of the goods and services.

Estimated usage is expressed in a percentage allocation and is used when there is considerable assurance that the percentage allocation is based upon previous data in a specific or similar circumstance or when the percentage of benefit received by each program is agreed upon by both programs as being both representative and reasonable.

Actual Usage is determined as follows:

Personnel

The employee is responsible to keep track of hours worked for each program. Special timesheets have been created to assist the process of tracking time to each program.

Travel

Charges are based on projected and then actual travel schedule. Per diem is charged to the program for the days in which the traveler is traveling on behalf of the specific program. Travel is charged to the program based on the portion of the travel that was applicable or, the same percentage arrived at in calculating the actual per diem.

Contract/Consultant/Professional Services

Charges are based upon the actual services/time provided to each program. The contractor is responsible to keep track of the hours worked/tasks completed for each program.

DIRECT COSTS: BENEFITING ALL PROGRAMS

Fringe Benefits

A fringe pool is used to collect actual costs of employee benefits (FICA, ESC, worker's compensation insurance, the employee assistance program (EAP), life/disability/health/ and dental insurance, wellness activities and retirement contributions) related administrative fees and costs for any required benefit plan audits.

Any portions of these costs which relates to non-employees is charged directly to the appropriate departmental cost centers and removed from the fringe pool.

[redacted] has negotiated fixed fringe rates which are revised yearly through a negotiated rate agreement with Region X. These rates are applied to the wage expense (gross pay and annual leave accrual) for each employee.

The respective rates for regular full time employees and temporary or part time (less than 30 hours per week) employees are 35% and 17.4% for FY 2017 and expected rates of 35% and 13.2% for FY 2018.

Central Office Space

All facility related expenses are collected in a cost pool which is allocated based on the proration of the square feet occupied to the total square feet less designated common areas such as hallways, conference rooms, tea rooms and restrooms.

Facility expenses in the pool include depreciation, utilities, janitorial and maintenance, insurance, and general office costs such as broadband connections, shared printers and supplies, and loan interest as allowed.

Phone-local

Local phone charges including equipment leases are charged to each program based on the ratio of the number of phones in the program over the total number of phones.

Phone-outgoing long distance

[redacted] has a forced-code accounting system for long distance calls. Employees enter an identification number (ID) when they make long distance calls. Each employee is associated with a cost center and the cost center is directly charged to specific grants or the indirect cost pool.

Phone- incoming 800 calls

The ratio of program charges to total long distance charges is used to charge out the costs of the incoming 800 calls.

Phone-system

Any special instruments, wiring or programming which is not needed by the general system and is specific to the program, will be charged directly to the program.

Copier

The copier cost pool includes the lease costs of the copiers, paper supplies, toner, and maintenance and repair costs.

Copier usage is measured in number of copies made by each employee and program cost area through the use of assigned code numbers. Programs are charged monthly five cents per copy for black and white and twelve cents for color copies.

Periodically the inventory of copier supplies is reconciled to copier usage and charges. The page rate is adjusted as necessary.

Postage-regular

The postage meter usage is recorded by department. Programs are charged these costs at the end of each month.

The related costs (lease, monthly amortization of the purchase, maintenance agreement, and repair of the postage scales and machines) are charged proportionately to program cost centers based on actual postage usage for the month.

Insurance-property/liability

Premiums associated with a facility shared by more than one program are shared among the programs based on their usage of the facility. This is on the same basis used for sharing other facility costs, such as rent and utilities.

Premiums associated with program activities or number of people (staff and/or service recipients) will be charged proportionately to programs on the relevant basis.

Information Technology (IT) costs

The IT costs include:

- Staff (IT Manager, IT Coordinators, Specialists and Technicians) costs including wages and benefits, travel, space, office supplies, equipment, phone, postage, subscriptions and fees and tuition.
- Computer Network system hardware and software installation, maintenance, repair and upgrades
- Computer supplies for agency shared resources

The IT costs are shared on a user basis. The costs are pooled and allocated monthly.

Program items that are charged directly (not allocated through IT charges) include:

- Program specific computer equipment such as CPUs, monitors, laptops and printers
- Toner or ink cartridges for non-shared printers
- Shipping charges for rural site freight when sending equipment in for repair or return
- Travel costs for IT staff going to sites for computer upgrades or repair

- Travel costs for IT staff going to program specific events

INDIRECT COSTS

INDIRECT COSTS: SHARED BY ALL PROGRAMS

Included in the indirect cost pool are those items which are not charged directly to the programs but which are a benefit to all the programs. The main components of the indirect cost pool are core administrative positions and activities, general administrative expenses, miscellaneous administrative expenses and depreciation.

Core administrative positions and activities:

This includes the administrative activities of Executive, Board of Directors, Human Resources, Accounting, Information Technology and Purchasing components.

Costs include the wages and benefits for the positions in the pool as well as support costs such as travel, space, office and copier supplies, equipment, phone, postage, subscriptions, and fees and tuitions.

Executive

Chief Executive Officer, Deputy Director, and Finance Director.

Human Resources

HR Director, HR Manager, Coordinator, Specialists and Assistants.

Accounting

Accounting Manager, Budget Coordinators, Payroll and Accounting Technicians.

Purchasing

Procurement and Asset Manager, Facility Coordinator, and Procurement Coordinator.

Board of Directors

No paid staff. Support costs include travel expenses; office supplies, copier expense and postage for board meeting packets; legal and management consulting, phone and miscellaneous costs for the 24 member Board.

In cases where general costs are determined on a shared cost basis (see "direct costs: shared costs" above) then such allocations are charged to the indirect pool as appropriate.

General Administrative Costs

There are specific general administrative costs included in the indirect cost pool which include:

- audit services
- unallocated auto and liability insurance
- bonding insurance
- legal service fees

Miscellaneous Administrative Costs

Miscellaneous items are included in the indirect cost pool such as unlogged long distance phone calls, general phone system maintenance and repair, extra minor building maintenance and repair and bank fees. It is not considered cost effective to attempt any further allocation of these costs.

UNALLOCATED COSTS

Any costs which are unallowed expenses for [redacted] funding sources will not be charged to the grants either directly or indirectly. Such costs will be removed from any calculations for grant recovery and be charged to unrestricted funds. (Example: Unallowed interest charges or executive salaries that exceed allowable caps.)

TYPE OF RATE

We have a predetermined rate with our cognizant agency, the Department of Health and Human Services, and our rates are negotiated with the Grants, Finance and Administration Services Program Support Center in San Francisco.

Under the predetermined indirect system, the indirect rate is set for specific years. The actual cost rate is the indirect cost pool relative to selected direct costs. This is the primary basis for setting the predetermined rate for future years. The current negotiated rate is 10.8%

ALLOCATION METHOD USED

We use the simplified allocation method. This method assumes that all programs benefit equally from the administrative activities.

We limit the indirect recovery to the first $50,000 for large subcontracts which we pass through and do not administer directly.

SAMPLE