



**Division of Finance and  
Administration**

**Administrative Procedure**

**AP F&A-02**

<b>Title:</b>	Indirect Cost Rate Instructions for DEO Subrecipients
<b>Responsible Office:</b>	Division of Finance and Administration, Bureau of Financial Management
<b>Adopted:</b>	June 1, 2017
<b>Revised:</b>	
<b>Effective:</b>	June 1, 2017

**I. PURPOSE AND SCOPE**

This administrative procedure provides guidance to Department of Economic Opportunity (DEO) federal award subrecipients in the preparation and submission of an indirect cost rate proposal.

**II. BACKGROUND**

The former federal cost circulars (A-87 and A-122 for DEO Subrecipients) required primary recipients of federal awards to have a federal indirect cost rate agreement in order to be reimbursed for indirect costs. The circulars were silent to requirements for subrecipients of those same federal funds. This led a number of pass-through entities, including DEO, to require subrecipients to implement a cost allocation plan for indirect cost recovery.

The federal Office of Management and Budget (OMB) published Title 2 Code of Federal Regulations (CFR) Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," effective December 26, 2014, giving specific duties to the pass-through entity for subrecipient monitoring and management (see 2 CFR §§ 200.330-.332 and 45 CFR §§ 75.351-.353). Specifically, Title 2 CFR § 200.331(a)(4) and title 45 CFR § 75.352(a)(4), require that every subaward of federal funds from the pass-through entity (i.e., DEO) to the subrecipient must include, among other elements, an indirect cost rate.

A subrecipient's cost allocation plan for direct costs must be maintained and submitted to DEO as part of the Indirect Cost Rate Proposal.

### III. AUTHORITY

1. Title 2 CFR Part 200, “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,” more commonly referred to as the Uniform Guidance, was adopted by almost all federal funding agencies. One exception is the U.S. Department of Health and Human Services (HHS). HHS adopted the Uniform Guidance in Title 45 CFR Part 75, “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards.” Section references in this document will be to the Uniform Guidance unless otherwise noted and will include notations for both the OMB version (“2 CFR § 200.xxx”) and the HHS version (“45 CFR § 75.xxx”).

2. *A Guide for Indirect Cost Determination*, U.S. Department of Labor (USDOL), Division of Cost Determination, current version dated February 2017, found at <https://www.dol.gov/oasam/boc/DCD-2-CFR-Guid.pdf> as may be updated by USDOL.

3. The Federal Acquisition Regulations (FAR), Part 31.2, “Contracts with Commercial Organizations,” establishes the requirements for the determination of allowable and unallowable direct and indirect costs. FAR Part 42.7 “Indirect Cost Rates” prescribes policies and procedures for establishing billing rates and final indirect cost rates. Both parts are available at the following website: <https://www.acquisition.gov/?q=browsefar>. A commercial entity that is a subrecipient must follow these regulations, which are similar to the discussion in this administrative procedure.

### IV. PROCEDURES

A subrecipient is required to submit an initial indirect cost rate proposal by the first day of the beginning of its fiscal year unless the subrecipient either has an existing negotiated indirect cost rate from the federal government or elects the de minimis rate. The indirect cost rate proposal must follow the guidelines established by this guidance paper.

Failure to comply with this policy can lead to disallowance of indirect costs, administrative costs or other remedies for noncompliance as specified in 2 CFR § 200.207 or 45 CFR § 75.207, as well as 2 CFR § 200.338 or 45 CFR § 75.371.

#### A. METHOD FOR CALCULATING INDIRECT COSTS

The Uniform Guidance discusses three methods for allocating and computing indirect cost rates: the simplified allocation method, the multiple base allocation method and the direct allocation method. DEO recommends that the direct allocation method be used because it most closely resembles the approach that many if not most subrecipients use in a shared cost environment (see 2 CFR § 200.405(d) or 45 CFR § 75.405(d)).

Using the direct allocation method, all costs are treated as direct costs except general administration and general expenses. Any cost that can be charged to a funding source without allocation should be so recorded. Joint or shared costs, such as depreciation, rental costs, operation and maintenance of facilities, telephone expenses, and the like

are prorated individually as direct costs to each category and to each federal award or other activity using an allocation base most appropriate to the particular cost being prorated as specified in the subrecipient's cost allocation plan.

The cost allocation plan would also be used to allocate other joint costs that have both direct and indirect components. The indirect component is allocated to a general and administrative cost pool. Any cost that is 100% indirect should be immediately assigned to the general and administrative pool. This pool represents the costs that will be divided by an applicable allocation basis to calculate the indirect cost rate.

## **B. INDIRECT COST RATE ALLOCATION BASES**

There are two types of acceptable allocation bases: direct salaries and wages (including all, some or no fringe benefits) and modified total direct cost (MTDC); however, an alternative allocation base may be considered depending on a subrecipient's unique circumstances.

In general, a correlation exists between the incurrence of administrative effort with the expenditures for direct labor. In many cases, a direct labor base will produce an equitable distribution of indirect costs. If the ratio of direct labor to total direct costs varies significantly from program to program, or labor costs are not the predominant portion of direct costs, a MTDC base should be used in allocating the indirect cost pool to benefiting programs.

The MTDC allocation base includes total direct costs less specified items. Some exclusions that do not apply to subrecipients were omitted from the definition listed in this procedure. Please note that the definition of participant support costs found in the Uniform Guidance does **not** apply to the supportive services expenditures funded by the Community Services Block Grant (CSBG) or the Low Income Home Energy Assistance Program (LIHEAP), therefore are to be included in a MTDC base.

## **C. INDIRECT COST RATES**

There are several types of rates that are allowable in an indirect cost rate proposal: predetermined, fixed with carryforward and provisional with final. Additionally, a subrecipient that has never had a negotiated indirect cost rate may elect a de minimis rate, currently set at 10% of modified total direct costs.

A subrecipient requesting an initial indirect cost rate will be required to use the provisional with final rate methodology. The provisional with final is best to use for entities that have little or no previous history with an indirect cost rate.

At the beginning of the subrecipient's fiscal year, a provisional rate will be approved by DEO that represents the subrecipient's best projection of that year's indirect cost rate. After fiscal year end, the subrecipient will submit a revised indirect cost rate proposal

containing actual costs and a final indirect cost rate. Indirect costs claimed under the provisional rate will then be adjusted to the approved final rate.

A fixed rate with carryforward may be approved in a future year if it can be shown that a substantial portion of the organization's federal awards are expected to continue into the next fiscal year; the mix of federal and non-federal work is relatively stable; and (most importantly) the organization's operations do not fluctuate significantly from year to year. At year end, the difference between the actual indirect costs and costs charged based on the fixed rate (whether positive or negative) are carried forward into the next fiscal year as an adjustment of that year's rate.

Should a subrecipient elect the de minimis rate, it must be used consistently for all federal awards until such time as a subrecipient chooses to negotiate a rate, which subrecipient may apply to do at any time. No indirect cost rate proposal would need to be prepared, but the subrecipient would be required to submit its cost policy statement to DEO for review and approval.

A predetermined rate may be approved only if there is reasonable assurance that the predetermined rate would not exceed the actual indirect cost rate.

#### **D. PREPARATION OF THE INDIRECT COST PROPOSAL**

Subrecipients should thoroughly review the cost principles at 2 CFR Part 200 or 45 CFR Part 75, Subpart E, and the applicable indirect cost rate proposal appendix (Appendix IV of either regulation for nonprofit organizations and Appendix VII of either regulation for governmental units) before performing the following steps:

1. Perform an organizational review. The purpose of the organizational review is to determine which units are indirect (administrative) functions of the organization, and which services are allowable and allocable to federal awards per the cost principles. The result of this review is the preparation of organizational chart(s) that clearly depict the various services and functions of each unit.
2. Review federal and non-federal funding. Prepare or update a list of all funded programs in detail as to the amount or percent of reimbursement of direct and indirect cost and any restrictions or references to statutes or regulations. Determine at what organizational level the various funded programs apply.
3. Review the accounting structure. Obtain an account listing in which the actual dollars expended can be related to various programs. Reconcile the accounting structure to the organizational chart.
4. Prepare a cost policy statement. Develop a written policy that outlines the costs considered as direct, the costs considered to be indirect, and the rationale to support

those costs. (Please note that this document may be combined with the cost allocation plan).

5. Review and, if necessary, update the cost allocation plan, ensuring it is consistent with the cost policy statement. All program costs should be directly allocated and all administrative costs should be assigned to the general and administrative pool.
6. List all positions for which at least a portion of salary and benefits are charged to the indirect cost pool. Total salary and benefits should be identified and depicted as either indirect or direct.

With this information in hand, the indirect cost rate proposal discussed in the next section can be prepared. The Allocation of Indirect Personnel Worksheet, Statement of Total Costs and Statement of Indirect Costs will be a guide through the steps needed to create the rate. The other schedules and statements provide evidence of the completeness and accuracy of the indirect cost rate as well as compliance with related legal provisions.

#### **E. SUBMISSION OF INDIRECT COST RATE PROPOSAL**

A final indirect cost rate proposal based on actual costs, together with supporting documentation, must be developed and submitted on an annual basis to the DEO Bureau of Financial Management as soon as possible after the fiscal year-end close, but no later than six months after the end of the fiscal year. The following items must be included in the submission of the Indirect Cost Rate Proposal:

1. Organizational chart.
2. Narrative explaining compliance with 2 CFR § 200.430(a)(1), (2) and (3) or 45 CFR § 75.430(a)(1), (2) and (3) (the general requirements for allowability of compensation – personal services) and the standards for documentation of personnel expenses. Include an employee time sheet or time record for a pay period, providing for distribution of hours to direct and indirect functions.
3. Cost Policy Statement. See Exhibit A for an example.
4. Cost Allocation Plan. Please note that the cost policy statement and the cost allocation plan may be incorporated into one document.
5. Allocation of Indirect Personnel Worksheet. Provides direct and indirect time charges for all personnel who charge at least part of their time to the indirect cost pool. Time and effort should be supported with records that show whether someone worked on more than one cost objective. Payroll documentation also supports this allocation of charging salaries and wages as appropriate. See Exhibit B for an example.

6. Statement of Total Costs. Segregates indirect and direct costs incurred by line item of expense, and is identified by funding source. Total costs include any discretionary (“unrestricted”) and other non-federal funds. Funding received from DEO must be broken out by source. See Exhibit C for an example. Please note that if a funding source is excluded from indirect cost allocations, it must be listed with the reasons for the exclusion.
7. Statement of Indirect Costs. This schedule includes indirect cost pool(s), allocation base(s) and indirect cost rate(s) proposed. See Exhibit D for an example. This statement could be included at the end of the statement of total costs, if desired.
8. Financial Statements. Submit financial statements for the fiscal year covered by the proposal, audited if available, however unaudited is acceptable. Note that the statement of total costs (item 6 above) must reconcile to the financial statements. If not, please provide a reconciliation schedule. If a final negotiated indirect cost rate based on a proposal is later found to have included costs that are unallowable, the federal share of the unallowable costs must be refunded. See 2 CFR § 200.411~~7~~ or 45 CFR § 75.411.
9. Listing of Non-DEO Grants and Contracts. This schedule should include any non-DEO funded awards. The schedule should include grantor, sub-agency, funding source, award 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), and applicable to the period(s) of the proposal(s). This listing must be supported with copies of the first page of approved federal grants or contracts notification awards. See Exhibit E for an example. The schedule of expenditures of federal awards, if attached to the indirect cost rate proposal, may be referenced in lieu of preparing this listing, but any indirect cost (overhead) limits still need to be disclosed.
10. A Statement of Projected Indirect Costs supporting a provisional or fixed indirect cost rate for the next fiscal year. Similar to the statement in number 7 above, but contains projected data for the next fiscal year taking into account anticipated changes to the workforce recipient’s expenditures and funding structure. If requesting a fixed rate, the schedule should clearly disclose any adjustments for the prior year’s carryforward amounts. If the final rate on the Statement of Indirect Costs will suffice as the rate for the next fiscal year, then no schedule is required, simply note that on the schedule.
11. Certificate of Indirect Costs. This certification must be signed by someone at the Chief Financial Officer level or higher. See Exhibit F for an example.

## F. APPROVAL OF INDIRECT COST RATE PROPOSAL

DEO Bureau of Financial Management will negotiate with a subrecipient and approve the indirect cost rate, unless the subrecipient is required to negotiate with the federal government or elects a de minimis rate. Indirect costs can only be charged to an award based on an approved indirect cost rate. However, the approval of an indirect cost rate by DEO is not intended to identify the circumstances or dictate the extent of federal participation in the financing of particular awards. The approval will be formalized by a rate agreement signed by DEO Chief Financial Officer (or designee) and the Chief Financial Officer or higher level official of the subrecipient. Each agreement will include:

- The approved rate and information directly related to the use of the rate, for example, type of rate, effective period and distribution base;
- General terms and conditions; and
- Special remarks, for example, composition of the indirect cost pool.

DEO will make every effort to reach an agreement on an acceptable indirect cost rate. If an agreement cannot be reached, DEO will make a unilateral determination of the rate and notify the subrecipient. The subrecipient may appeal the determination.

## G. RECOVERY AND FINAL RATE ADJUSTMENTS OF INDIRECT COSTS

Recovery of indirect cost is subject to the submission of an indirect cost rate proposal, availability of funds, statutory and administrative restrictions, and approval by DEO. Though the Uniform Guidance applies specifically to federal funds, the indirect cost rate proposal includes all operations of the organization. Accordingly, this policy should be applied to all awards and other funding sources received by the organization. It is intended that each funding source bear its share of indirect costs. Indirect costs are claimed by applying the approved indirect rate to the applicable direct cost base (e.g., modified total direct cost or salaries and wages). Direct costs in the base are determined after the cost allocation plan is applied to the intermediate cost pools to allocate costs to their final cost objectives, such as DEO awards or other funding sources. Indirect costs can contain both programmatic and administrative expenditures.

Subrecipients **must** monitor indirect costs and indirect cost recoveries closely. The indirect cost rate is the subrecipient's best projection to make the indirect cost recovery equal the indirect cost incurred on a fiscal year basis. Depending on the timing of both indirect costs incurred and direct base costs incurred, there will be over-recoveries in some months and under-recoveries in others. If the indirect cost recovery is not enough in a given year-to-date period to fund the indirect costs, a non-federal funding source will be needed to meet short term cash flow shortfalls. It is important to note that indirect costs (whether administrative or programmatic) cannot be drawn based on cash needs, but only based on the approved indirect rate applied to the applicable direct cost base. Any amounts drawn above those authorized by the indirect rate methodology are unallowable and can result in additional specific conditions as authorized by 2 CFR §

200.207 or 45 CFR § 75.207, which include requiring payments as reimbursements rather than advances, additional financial reporting, and additional monitoring, as applicable.

When the provisional with final rate methodology is used, there will be final rate adjustments, either up or down, that inevitably are required. The amounts of these adjustments will not be known until a couple of months into the next fiscal year. The final rate adjustments are made in the same Federal Award Identification Number (FAIN) that incurred the direct base costs. If the FAIN is closed before the final rate adjustment is known, contact DEO Bureau of Financial Management for guidance. Note: A large adjustment between the provisional rate and the final rate may indicate a high-risk subrecipient.

**Example of Indirect Cost Recovery:**

After the cost allocation plan is run for the period, typically the month, the intermediate cost pools are cleared resulting in all costs charged to indirect or directly charged to a funding source. A portion of these direct costs will make up the indirect cost base depending on whether salaries and benefits or modified total direct costs is chosen. The

XYZ Subrecipient														
Sample -- Application of Rate to Recover Indirect Costs														
Salaries and Benefits Base														
	Indirect	AXXX	BXXX	CXXX	DXXX	EXXX	FXXX	GXXX	HXXX	IXXX	JXXX	KXXX	LXXX	Totals
Monthly indirect costs	57,694													57,694
Base expenses:														
Salaries and benefits		34,963	17,253	17,490	8,678	22,734	17,162	8,542	8,603	3,255	8,722	17,448	8,435	173,285
Indirect cost rate (29.95%)		0.2995	0.2995	0.2995	0.2995	0.2995	0.2995	0.2995	0.2995	0.2995	0.2995	0.2995	0.2995	
Indirect cost recovery		10,473	5,168	5,239	2,599	6,810	5,141	2,559	2,577	975	2,613	5,226	2,527	51,906
Over/(Under) Recovery	(5,788)													

table below is hypothetical financial information for a month after the cost allocation plan is run. Total indirect costs and base costs (salaries and benefits in this example) from the ledger have been selected. Assuming a rate of 29.95%, the indirect cost recovery for the month would look like this:

Note that in this particular month, indirect recovery is less than indirect costs. In other months, recovery will be higher than costs. But on an annual basis, the recovery should (nearly) equal costs. If the subrecipient finds that the indirect cost rate results in consistently over-recovering or under-recovering indirect costs, it might need to submit a revised indirect cost rate proposal to amend the rate.

After year end, the subrecipient will perform a “true-up.” Any difference between actual and recovered indirect costs will be either:

1. Used to adjust the provisional rate to the final rate for the fiscal year just ended.

2. Or, carried forward to the fiscal year just begun as an adjustment to that year's rate, if the subrecipient has a fixed with carryforward rate.

## V. DEFINITIONS

Please note that all definitions in the HHS regulation are found in 45 CFR § 75.2.

Allocation: The process of assigning a cost, or a group of costs, to one or more cost objective(s), in reasonable proportion to the benefit provided or other equitable relationship. The process may entail assigning a cost(s) directly to a final cost objective or through one or more intermediate cost objectives (2 CFR § 200.4).

Cost Objective: A program, function, activity, award, organizational subdivision, contract, or work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, projects, etc. A cost objective may be a major function of the subrecipient, a particular service or project, a federal award, or an indirect cost activity (2 CFR § 200.28).

Direct Costs: Direct costs can be identified specifically with a federal award (or other funded activity), or can be assigned to such activities relatively easily with a high degree of accuracy. Generally, program costs are direct costs.

Indirect Costs: Those costs incurred for a common or joint purpose benefitting more than one cost objective and not readily assignable to the cost objectives specifically benefitted without effort disproportionate to the results achieved (2 CFR § 200.56). These typically include general expenses such as the salaries and expenses of executive officers, personnel administration and accounting (see 2 CFR § 200.414(a) and (b) or 45 CFR § 75.414(a) and (b)).

Indirect Cost Rate: A device for ensuring that indirect costs are allocated *uniformly* throughout the year to all federal programs regardless of the timing that both indirect costs and base costs were incurred.

Indirect Cost Rate Proposal: The documentation prepared by a subrecipient to substantiate its request for an indirect cost rate (2 CFR § 200.57).

Modified Total Direct Costs (MTDC): All direct salaries and wages, applicable fringe benefits, materials and supplies, services (including contractual services), travel, and up to the first \$25,000 of each subaward. MTDC excludes equipment, capital expenditures, rental/lease costs (of both equipment and real property) and the portion of each subaward in excess of \$25,000 (2 CFR § 200.68). **Note**: DEO has determined that supportive services funded by LIHEAP or CSBG are **not** participant support costs as contemplated by the Uniform Guidance. These costs should be included in the MTDC base.

Shared Costs: Costs that benefit multiple federal awards or other cost objectives. Shared costs are initially charged to an interim cost pool and subsequently allocated to final cost objectives.

**VI. ATTACHMENTS**

EXHIBIT A — Sample Cost Policy Statement for Indirect Cost Rate Proposal

EXHIBIT B — Allocation of Indirect Personnel Worksheet

EXHIBIT C — Statement of Total Costs

EXHIBIT D — Statement of Indirect Costs

EXHIBIT E — Listing of Non-DEO Grants and Contracts

EXHIBIT F — Certificate of Indirect Costs

**EXHIBIT A — Sample Cost Policy Statement for Indirect Cost Rate Proposal**

While Parts I and II may be used as a template, please tailor Part III as needed for the accounting structure at your organization.

**XYZ SUBRECIPIENT****COST POLICY STATEMENT****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 & benefits or modified total direct cost.
- E. XYZ Subrecipient maintains adequate internal controls to ensure that no cost is charged both directly and indirectly to federal contracts or grants.
- F. Describe any other accounting policies utilized.

**II. General Cost Practices**

- A. Accounting System — Briefly describe the accounting system and how it is used to track federal awards.
- B. Direct Costs — Costs that can be identified specifically with a particular program, award or final cost objective are treated as direct costs of that program. Typical direct costs include the salaries and benefits of employees for time devoted and identified specifically to a direct cost activity. Direct costs also include the cost of materials, supplies and travel incurred specifically for the benefit of a direct activity. XYZ Subrecipient captures these direct costs using the (indicate the accounting system data element).
- C. Directly Allocated Costs – Directly allocated costs are those costs that benefit more than one program, award, or activity and can be proportionately assigned to each such program, award or activity based on methodologies that reflect the relative benefits received without effort disproportionate to the results achieved. These methodologies are calculated on data from sources outside of the system for recording time and effort to work activities. These costs may be allocated based on client information obtained from XYZ Subrecipient’s various reporting systems, or by other applicable statistics.

Generally, these costs are initially captured in an interim cost center from which they are subsequently distributed to final direct and/or indirect cost centers.

- D. Indirect Costs – Costs incurred for common or joint purposes that benefit more than one cost objective and cannot be readily identified with a particular program or final cost objective without effort disproportionate to the results achieved are treated as indirect costs. XYZ Subrecipient uses the (indicate the accounting system data element) to identify indirect expenditures.

### III. Description of Cost Allocation Methodology

#### A. Salaries and Wages

1. Direct Costs — General statement describing the criteria in which employees direct charge their time, such as, “The majority of the employees direct charge their salary costs since their work is specifically identifiable to specific grants, contracts, or other activities of the organization. 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:

(List appropriate positions)

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. (Indicate the approval level of the labor distribution reports).

3. Leave – (Describe how leave time [vacation, sick, holiday, etc.] is treated. Include information on whether vacation time is accrued and charged to programs when earned or charged when taken; whether allocated the same as the related salary cost or some other methodology; and whether treated as a fringe benefit or same as normal salary charges.)

#### B. Fringe Benefits

Describe all fringe benefits and whether a fringe benefit is tracked by the agency’s accounting system or whether a fringe benefit rate needs to be established.

List each major object of expenditure and describe how treated. A subrecipient should include those items of expense that are charged either directly or indirectly to federal grants. Some examples follow:

### **C. Travel**

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

### **D. Board Expenses**

Board expenses charged on an indirect basis are for travel to and from board meetings and other related expenses.

### **E. Supplies and Materials**

To the maximum extent possible, office supplies and materials are direct charged to the grant which uses the supplies or materials. Supplies and materials used by staff who are engaged in indirect activities will be charged to indirect costs.

### **F. Occupancy Expenses**

Rent — XYZ Subrecipient 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 or other methodology, 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 required for common areas (hallways, restrooms, and conference room) will be charged proportionately to the occupied space.

### **G. Utilities**

XYZ Subrecipient 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**

Each telephone instrument is identified to either an indirect or a direct activity. For example, XYZ Subrecipient has 50 telephone instruments assigned to it. Forty-five instruments are assigned to the federally funded programs. Therefore, 45 of the 50

monthly telephone charges are direct charged to the several federal grants. The five remaining instruments are assigned to indirect staff. As a result, five of the 50 monthly charges are charged indirectly.

### **I. Photocopying and Printing**

XYZ Subrecipient maintains a photocopy activity log. From this log, each program is charged 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 XYZ Subrecipient in general, the cost of such copies will be charged to indirect costs.

Printing expenses are charged to the benefiting activity.

### **J. Outside Services**

XYZ Subrecipient 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 grant specifically authorizes such charges or prior approval is received from DEO. No capital item is charged indirectly. Equipment and other capital expenditures are unallowable as indirect costs. The cost of capital items purchased with non-federal funds are recovered through depreciation charges. XYZ Subrecipient capitalization threshold is \$1,000.

### **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 charges.

The cost of capital items purchased with direct federal funds cannot be depreciated for indirect cost recovery purposes.

XYZ Subrecipient recovers the cost of capital items using straight line depreciation methods in accordance with generally accepted accounting principles. Depreciation is charged (list direct and indirect criteria).

**M. Unallowable Costs**

XYZ Subrecipient recognizes that unallowable costs, as defined in 2 C.F.R. Part 200, Subpart E, cannot be charged to federal awards and has internal controls in place to insure 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, and
5. Lobbying and fund raising.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Title

XYZ Subrecipient

1111 Main Street

City, USA 12345

**EXHIBIT B – Allocation of Indirect Personnel Worksheet**

XYZ Subrecipient																	
Sample -- Allocation of Indirect Personnel Worksheet																	
Fill in: Final or Provisional and Organization's Fiscal Year																	
Position	Annual Salary & Benefits	Indirect Costs	Direct Costs	DEO Direct Funding								Other Direct Funding					
				AXXX	BXXX	CXXX	DXXX	EXXX	FXXX	GXXX	HXXX	IXXX	Private Foundation	Discretionary	(List each separately)		
Executive Director	120,800	120,800	0														
Administrative Assistant	52,300	52,300	0														
Chief Operating Officer	101,500	101,500	0														
Finance Director	87,300	87,300	0														
Finance Assistant	57,800	57,800	0														
Human Resources Director	73,200	73,200	0														
IT Manager	52,600	52,600	0														
IT Assistant	35,400	35,400	0														
Property Manager	42,300	42,300	0														
<b>Total Salaries and Benefits</b>	<b>623,200</b>	<b>623,200</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Notes:																	
1. List each position for which at least a portion of salary and benefits is charged to indirect.																	
2. Salaries and benefits should be together unless the organization wants a separate fringe benefits rate.																	
3. Total funding sources should add up to direct costs.																	
4. Use only the columns needed, but include all funding sources. Columns listed here are for illustrative purposes only.																	
5. The DEO funding column may be broken out by program, if desired. (May help in applying the indirect rate to the individual funding sources.)																	

**EXHIBIT C – Statement of Total Costs**

XYZ Subrecipient															
Sample -- Statement of Total Costs															
Direct Allocation Method															
Fill in: Final or Provisional and Organization's Fiscal Year															
Budget Category	Total Costs	Indirect Costs	DEO Direct Funding										Other Direct Funding		
			Direct Costs	AXXX	BXXX	CXXX	DXXX	EXXX	FXXX	GXXX	HXXX	IXXX	Private Foundation	Discretionary	(List each separately)
Salaries and Benefits	3,193,255	623,200	2,570,055	1,762,469	443,899	128,361	68,331	49,675	35,453	26,250	19,163	18,054	18,400		
Temp Services	10,000	10,000	0	0	0	0	0	0	0	0	0	0	0		
Consulting Services	4,000	0	4,000	2,763	696	201	107	78	56	41	30	28			
Audit Services	23,550	23,550	0	0	0	0	0	0	0	0	0	0	0		
Legal Services	3,600	3,600	0	0	0	0	0	0	0	0	0	0	0		
Leases	452,772	23,830	428,942	296,276	74,621	21,578	11,487	8,351	5,960	4,413	3,221	3,035			
Insurance	62,000	30,000	32,000	22,103	5,567	1,610	857	623	445	329	240	226			
Telephone	79,000	3,000	76,000	52,494	13,221	3,823	2,035	1,480	1,056	782	571	538			
Software & Internet	42,500	2,500	40,000	27,629	6,959	2,012	1,071	779	556	411	300	283			
Utilities	113,900	3,900	110,000	75,979	19,136	5,534	2,946	2,141	1,528	1,132	826	778			
Facilities Maintenance	51,250	1,250	50,000	34,536	8,698	2,515	1,339	973	695	514	376	354			
Supplies	51,600	1,600	50,000	34,536	8,698	2,515	1,339	973	695	514	376	354			
Equipment Maintenance	27,999	2,000	25,999	17,999	4,523	1,308	696	506	361	267	195	184			
Postage	2,501	500	2,001	1,381	348	101	54	39	28	21	15	14			
Record Maintenance	3,500	3,500	0	0	0	0	0	0	0	0	0	0			
Outreach	5,000	0	5,000	0	0	0	0	0	0	0	0	0		5,000	
Dues/Memberships	10,199	9,000	1,199	829	209	60	32	23	17	12	9	8			
Conferences & Seminars	7,000	3,000	4,000	2,763	696	201	107	78	56	41	30	28			
Professional Development	4,401	2,000	2,401	1,658	418	121	64	47	33	25	18	17			
Travel - Subrecipient	2,600	2,600	0	0	0	0	0	0	0	0	0	0			
Travel - Staff	87,700	12,300	75,400	52,080	13,117	3,793	2,019	1,468	1,048	776	566	533			
Travel - DEO	15,998	0	15,998	11,051	2,783	805	428	311	222	165	120	113			
Training materials	4,000	0	4,000	2,763	696	201	107	78	56	41	30	28			
Equipment Not Capitalized	2,000	2,000	0	0	0	0	0	0	0	0	0	0			
Equipment Capital Outlay	64,001	0	64,001	44,206	11,134	3,220	1,714	1,246	889	658	481	453			
Mobile Unit Costs	29,999	0	29,999	20,721	5,219	1,509	803	584	417	309	225	212			
Fees & Licensing	106,502	6,500	100,002	69,072	17,397	5,031	2,678	1,947	1,389	1,029	751	708			
Participant Training & Support	1,100,001	0	1,100,001	759,787	191,362	55,336	29,457	21,415	15,284	11,316	8,261	7,783			
<b>Total Costs</b>	<b>5,560,828</b>	<b>769,830</b>	<b>4,790,998</b>	<b>3,293,055</b>	<b>829,397</b>	<b>239,835</b>	<b>127,671</b>	<b>92,815</b>	<b>66,244</b>	<b>49,046</b>	<b>35,804</b>	<b>33,731</b>	<b>18,400</b>	<b>5,000</b>	<b>0</b>

1. Though not obvious in this presentation, shared costs have been allocated to the final cost objectives based on the cost allocation plan.
2. Only use the columns needed, but include all funding sources. Columns listed here are for illustrative purposes only.
3. The DEO funding column may be broken out by program, if desired. (May help in applying the indirect rate to the individual funding sources.)

**EXHIBIT D – Statement of Indirect Costs**

**XYZ Subrecipient**

**Sample -- Distribution of Indirect Costs to Direct Funding Sources  
Modified Total Direct Cost Base**

Fill in: Final or Provisional and Organization's Fiscal Year

	Total Costs	Indirect Costs	Direct Costs	DEO Direct Funding										Other Direct Funding		(List each separately)
				AXXX	BXXX	CXXX	DXXX	EXXX	FXXX	GXXX	HXXX	IXXX	Private Foundation	Discretionary		
Total Costs	5,560,828	769,830	4,790,998	3,293,055	829,397	239,835	127,671	92,815	66,244	49,046	35,804	33,731	18,400	5,000	0	
Less items not in MTDC:																
Leases			428,942	296,276	74,621	21,578	11,487	8,351	5,960	4,413	3,221	3,035				
Equipment Capital Outlay			64,001	44,206	11,134	3,220	1,714	1,246	889	658	481	453				
Total MTDC Exclusions			492,943	340,482	85,755	24,798	13,201	9,597	6,849	5,071	3,702	3,488	0	0	0	
Modified Total Direct Cost Allocation Base			4,298,055	2,952,573	743,642	215,037	114,470	83,218	59,395	43,975	32,102	30,243	18,400	5,000	0	
Indirect Cost Rate		17.91%														
Indirect Cost Applied			769,830	528,839	133,195	38,516	20,503	14,905	10,638	7,876	5,750	5,417	3,296	896	0	

**Alternatively:**

**XYZ Subrecipient**

**Sample -- Distribution of Indirect Costs to Direct Funding Sources  
Salaries and Benefits Base**

Fill in: Final or Provisional and Organization's Fiscal Year

	Total Costs	Indirect Costs	Direct Costs	DEO Direct Funding										Other Direct Funding		(List each separately)
				AXXX	BXXX	CXXX	DXXX	EXXX	FXXX	GXXX	HXXX	IXXX	Private Foundation	Discretionary		
Salaries and Benefits			2,570,055	1,762,469	443,899	128,361	68,331	49,675	35,453	26,250	19,163	18,054	18,400			
Total Costs			769,830													
Indirect Cost Rate		29.95%														
Indirect Cost Applied			769,830	527,927	132,965	38,449	20,468	14,880	10,620	7,863	5,740	5,408	5,512	0	0	
(Difference between MTDC and S&B Bases)			0	912	230	67	35	26	19	14	10	9	(2,216)	896	0	

1. This schedule could be combined with the Total Cost schedule.
2. Use only the columns needed, but include all funding sources. Columns listed here are for illustrative purposes only.
3. Breaking out DEO funding helps in seeing the effect of the indirect rate on individual funding sources.

**EXHIBIT E – Listing of Non-DEO Grants and Contracts**

XYZ Subrecipient									
Sample -- Listing of Non-DEO Grants and Contracts									
[Final or Provisional] Indirect Cost Proposal for [Organization's Fiscal Year]									
Grantor	Federal Subagency	Funding Source	Grant/Contract Amount	Period of Performance	Indirect Cost or CAP Limitations	Grant/Contract Notice Attached	Type of Contract Awarded*		
U.S. Dept. of Labor	ETA	AXXX	\$ 50,000	1/1/2015-12/31/2017	N/A	Yes			
U.S. Dept. of Labor	ILAB	BXXX	\$ 3,000	7/1/2015-12/31/2015	N/A	Yes			
U.S. Dept. of HHS	ACF	CXXX	\$ 100,000	7/1/2015-6/30/2016	5% of Total Award	Yes			
Bill and Melinda Gates Foundation		DXXX	\$ 23,000	7/1/2015/6/30/2016	N/A	Yes			
U.S. Dept. of Labor	ETA	EXXX	\$ 10,000	1/1/2015-12/31/2016	N/A	Yes	Cost Reimbursable		

\* For federal contracts only. For example: Cost Reimbursable, Time & Materials, Fixed Price, etc.

**EXHIBIT F — Certificate of Indirect Costs**

CERTIFICATE OF INDIRECT COSTS

This is to certify that to the best of my knowledge and belief:

(1) I have reviewed the indirect cost rate proposal submitted herewith;

~~(2)~~ (3) All costs included in this proposal [identify date] to establish [provisional or final] indirect costs rates for [identify period covered by rate] are allowable in accordance with the requirements of the federal award(s) to which they apply and the provisions of [identify applicable regulation: 2 CFR Part 200 or 45 CFR 75], Subpart E — Cost Principles.

~~(2)~~ (3) Unallowable costs have been adjusted for in allocating costs as indicated in the indirect cost rate proposal.

~~(3)~~ (4) All costs included in this proposal are properly allocable to federal awards 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 requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently and the Florida Department of Economic Opportunity will be notified of any accounting changes that would affect the negotiated rate.

I declare that the foregoing is true and correct.

DEO Subrecipient:

Signature:

Name of Official:

Title:

Date of Execution: