

MASSACHUSETTS WORKFORCE DEVELOPMENT SYSTEM

MassWorkforce Issuance

100 DCS 01.106

☒ Policy ☐ Information

To: Chief Elected Officials
Workforce Development Board Chairs
Workforce Development Board Directors
Title I Administrators
Career Center Directors
Title I Fiscal Officers
DCS Operations Managers

cc: WIOA State Partners

From: Alice Sweeney, Director
Department of Career Services

Date: February 3, 2017

Subject: Indirect Cost Rate Proposal and Cost Allocation Plan Guidance

Purpose: To notify Local Workforce Development Boards, One-Stop Career Center Operators and local workforce partners of guidance and documentation requirements for Indirect Cost Rate Proposals and (for a municipality) Cost Allocation Plans.

Background: The Office of Inspector General randomly audits Indirect Cost Rate Proposals. The results of their audits have indicated a need for better controls and procedures on charging indirect costs to federal awards. The US Department of Labor (USDOL) Division of Cost Determination has delegated authority to pass-through entities like DCS to negotiate and issue Indirect Cost Rates and Cost Allocation Plans on behalf of the Federal Government for organizations receiving the preponderance of direct Federal funds from the US Department of Labor. To assist in this effort, the USDOL Division of Cost Determination issued a November, 2015 update to their Guide for Indirect Cost Rate Determination based on 2 CFR Part 200. This policy aligns with that Guide.

Policy: §2 CFR 200.331(4) requires these pass-through entities (DCS) to negotiate an Indirect Cost Rate or a De Minimis Indirect Cost Rate when no such rate separately exists between the sub-recipient and the federal government and indirect costs must be charged.

Action

Required: If a subrecipient has an approved federally recognized Indirect Cost Rate, or if a municipality has a federally approved Cost Allocation Plan, a copy of the agreement document must be submitted to the Department of Career Services (DCS). Subrecipients without an approved federally recognized Indirect Cost Rate must apply for a rate with DCS if indirect costs are to be charged to federal awards. Municipalities that are only using a Cost Allocation Plan (CAP) must submit their CAP for approval to the cognizant agency which provides the most direct federal funding. Subrecipients have the option of utilizing the De Minimis Rate, Cost Allocation Plan if no Indirect Cost Rate is sought or if a municipality, or an Indirect Rate with the submission of the appropriate documentation. Regardless of the method chosen to recover indirect costs, organizations must have, at a minimum:

- a Cost Policy Statement (Signed by authorized official),
- a Certification of Indirect Costs (Signed & dated), and
- a documented methodology for the Treatment of Costs.

In keeping with the guide, DCS will require the following additional documents:

- Organizational Chart
- Employee time sheet sample (Direct/Indirect distribution)
- Personnel Cost Worksheet
- Allocation of Personnel Costs Worksheet
- Statement of Total Costs (By line item, by Federal agency, etc.)
- Statement of Indirect Costs (Line items, Base and Proposed Rate)
- Financial Statements (Audited, if available)
- Listing of grants and contracts by Federal agency source, dollar amount, performance period, IC limitations/restrictions, supported by the Federal award)
- Schedule listing any fund sources excluded from the indirect cost allocations and the reason for the exclusions
- Copy of HHS approved SWCAP (if such costs are allocated)

Effective: Immediately

Inquiries: Please email all questions to PolicyQA@MassMail.State.MA.US. Also, indicate Issuance number and description.

REFERENCES:

§2 CFR 200.331(4) The extent and results of federal awarding agency monitoring. http://www.ecfr.gov/cgi-bin/retrieveECFR?n=se2.1.200_1331

2 CFR Part 200, Subpart E – Cost Principles <http://www.ecfr.gov/cgi-bin/text-idx?SID=21cb732fbc280a1b9439181aeb58fdc8&node=sp2.1.200.e&rgn=div6>

Appendix IV for non-profits: <http://www.gpo.gov/fdsys/granule/CFR-2014-title2-vol1/CFR-2014-title2-vol1-part200-appIV>

Federal Acquisition Regulation (Part 31) for commercial organizations:
<http://farsite.hill.af.mil/reghtml/regs/far2afmcfars/fardfars/far/31.htm>

DCD's A Guide for Indirect Cost Determination:
<http://www.dol.gov/oasam/boc/dcd/np-comm-guide.htm>

Factors Affecting Allowability of Costs: 200.403
<http://www.gpo.gov/fdsys/granule/CFR-2014-title2-vol1/CFR-2014-title2-vol1-sec200-403>

Modified Total Direct Cost (MTDC): (200.68)
<http://www.gpo.gov/fdsys/granule/CFR-2014-title2-vol1/CFR-2014-title2-vol1-sec200-403>

Allocable Cost <http://www.gpo.gov/fdsys/granule/CFR-2014-title2-vol1/CFR-2014-title2-vol1-sec200-405>

INDIRECT RATE PROPOSAL GUIDANCE

Section I - Cost Pools

Cost pools shall only contain costs that are consistently treated as indirect (or are shared) costs and which jointly benefit two or more of the same programs or other cost objectives to the same degree.

A cost pool can be used in the allocation of indirect and/or shared costs. Only actual costs may be allocated for purposes of expenditure reporting (budgeted costs may only be used for purposes of developing the budget). The costs accumulated in a cost pool must benefit the same programs to the same degree so that the distribution base used to allocate the pool will result in an equitable distribution of costs relative to the benefits received.

For administrative and indirect cost pools, in some cases, laws may limit the amount of administrative or indirect cost allowed. Amounts not recoverable as indirect or administrative costs under one federal or state award may not be shifted to another federal or state award unless specifically authorized by federal or state legislation or regulation.

Allocation (Distribution) Base An acceptable base meets these criteria:

- Minimal Distortion —this requires that the base be as causally related as possible to the types of costs being allocated so that benefit can be measured as accurately as possible.
- General Acceptability — for example, it should be consistently applied over time. The base should also be drawn from the same period during which the costs to be allocated have been incurred.
- Represents Actual Cost or Effort Expended — the base should be a measure of actual cost or actual effort expended.
- Timely Management Control — the base should be within management's ability to control on a timely basis.
- Consistency with Variations in Funding — the base must be able to accommodate and withstand changes in funding during the year and from year to year.
- Materiality of Costs Involved — the time and expense spent in developing the base should not be greater than justified by the materiality of the costs to be allocated.
- Practicality and Cost of Using the Base — the base should be as efficient as possible, thus, wherever possible, a database that already exists in the financial or participant record keeping and reporting systems should be used rather than create a separate database to be used only for allocating costs.

Unacceptable bases are those that:

- Distort the final results;
- Do not represent actual effort or cost expended;
- Are not used consistently over time and with variations in funding; and
- Do not have an integral relationship to the types of costs being allocated.

Section II - Cost Allocation Plans

The Cost Allocation Plan must be adequately documented and must include all costs that will be claimed as allocated costs under federal or state awards. Costs that are omitted from the Cost Allocation Plan will not be reimbursed.

Documentation: All costs and other data used to distribute the costs in the plan should be supported by formal accounting and by other records that will support the propriety of the costs assigned to federal or state awards. Thus, the Cost Allocation Plan must be adequately documented.

General: The following types of information must accompany all Cost Allocation Plans:

Cost Allocation Plan - Checklist

- Submit once, unless changes are observed:
 - _____ Organizational chart;
 - _____ Employee time sheet sample, providing for distribution of hours to direct/indirect functions; and
 - _____ Cost Policy Statement, describing all accounting policies and narrating in detail the proposed Cost Allocation Plan. This Plan must describe the procedures used to identify measure and allocate all costs to each benefiting activity. This Plan must be signed by a duly authorized official.
- A Cost Allocation Plan providing the following schedules:
 - _____ Personnel Costs Worksheet, including fringe benefits breakdown;
 - _____ Allocation of Personnel Worksheet, providing indirect/direct time charges;
 - _____ Fringe Benefits Worksheet, if fringes are not directly and indirectly identified; and
 - _____ Statement of Total Costs, segregated between the indirect and direct costs incurred by line item of expense (salaries, fringes, rent, etc.), identified by federal agency, specific government grant, contract, and other non-federal activities
 - _____ Financial statements (audited if available) for the applicable fiscal year;
 - _____ Signed and dated Certificate of Cost Allocation Plan (***ATTACHMENT I***).
 - _____ A listing of grants and contracts by federal agency, subagency, program office funding source, total dollar amount, period of performance, and the indirect cost limitations (if any) applicable to each, such as amounts restricted by administrative or statutory regulations, applicable to the period(s) of the proposal(s); and
 - _____ A schedule listing any funding sources excluded from indirect cost allocations and the reasons for the exclusions.

Note: *The allocation base and the amount of indirect costs allocated to each funding source should be identified.*

The Statement of Total Costs (above) must reconciled to Financial Statements. If not, please provide a reconciliation statement.

Types of Rates

Section III - Indirect Cost Rate

An Indirect Cost Rate is simply a device for determining fairly and conveniently within the boundaries of sound administrative principles, what proportion of indirect cost each program should bear. An Indirect Cost Rate is the ratio between the total indirect expenses and some direct cost base.

DCS will initially negotiate a Provisional rate in FY16 and a Final Indirect Cost Rate in FY17. It is the responsibility of the entity whose rate is approved to ensure that it is applied properly outside the DCS system.

If the entity receives direct funding from a Federal entity, approval of their indirect cost rate should be negotiated with that entity. If that rate does not support career center costs and the career center seeks an additional rate applicable to the career center activities, the additional rate should be negotiated with DCS.

Provisional rate or billing rate means a temporary Indirect Cost Rate applicable to a specified period which is used for funding, interim reimbursement, and reporting indirect costs on awards pending the establishment of a final rate for the period.

Final rate means an Indirect Cost Rate applicable to a specified past period which is based on the actual costs of the period. A final rate is not subject to adjustment.

Note: *A final Indirect Cost Rate is established after an organization's actual costs are known, typically a fiscal year. Once established, a final Indirect Cost Rate is used to adjust the indirect costs claimed.*

The use of provisional and final rates will likely result in final audited expenditures being higher or lower than those reported for awards, which are terminated during the organization's fiscal year. A final rate may be issued as a provisional rate in the ensuing year, adjusted for anticipated changes in funding levels or costs.

Indirect Cost Proposal - Checklist

1. Submit once unless changes are observed:
 - _____ Organizational chart; and
 - _____ Nonprofits-Narrative explaining compliance with 2 CFR §200.430(a)(1)(2) & (3) and the standards for documentation of personnel expenses. Commercial-Narrative explaining the standards for documentation of personnel expenses in compliance with FAR 9.106-4 and SF-1408. For both entities, an example of an employee time record for a pay period, providing for distribution of hours to direct/indirect functions.
 - _____ Signed Cost Policy Statement.
2. An Indirect Cost Rate Proposal(s) providing the following:
 - _____ Personnel Costs Worksheet, including fringe benefits breakdown; (Exhibit A)
 - _____ Allocation of Personnel Worksheet, providing indirect/direct time charges;

- _____ Fringe Benefits Worksheet;
 - _____ Statement of Total Costs, supporting the indirect and direct costs incurred by expense category, identified by federal agency, specific government grant, contract, and other non-government activities; and
 - _____ Statement of Indirect Costs, including indirect cost pool(s), allocation base(s), and indirect cost rate(s) proposed.
3. _____ Audited financial statements, if available. If audited financial statements are not available, IRS forms 990 (non-profits) or compilation/review financial statements (for profits) for the final rate proposal. Approved budget for provisional proposal, if needed. **Note:** *The Statement of Total Costs (above) must reconcile to the Financial Statements. If not, please provide a reconciliation statement.*
 4. _____ Certification that the Indirect Cost Rate Proposal was prepared in a manner consistent with the applicable cost principles set forth in 2 CFR Part 200, Subpart E & Appendix IV for non-profits, or the Federal Acquisition Regulation (Part 31) for commercial organizations. The certifications should be signed by the President/Executive Director, or Comptroller/CFO (**ATTACHMENT 2**).
 5. _____ A listing of grants and contracts by federal agency, subagency, program office 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, applicable to the period(s) of the proposal(s).

Note: *Please ensure that the proposed individual compensation (salary and bonus) complies with the salary limitations established in ETA's TEGL 5-06. This document can be accessed in ETA's website: <http://wdr.doleta.gov/directives/attach/TEGL/TEGL05-06.pdf>.*

Section IV 10% - De Minimis Rate

Any non-Federal entity that has never received a negotiated indirect cost rate may elect to charge a De Minimis Rate of 10% of Modified Total Direct Costs (MTDC) which may be used indefinitely. Costs must be consistently charged as either indirect or direct costs, but may not be double charged or inconsistently charged as both. If chosen, this methodology once elected must be used consistently for all federal awards until such time as a non-federal entity chooses to negotiate for a rate, which the non-federal entity may apply to do at any time.

MTDC is composed of:

- All direct salaries and wages;
- Applicable fringe benefits;
- Materials and supplies;
- Services;
- Travel; and
- Sub-awards and subcontracts up to the first \$25,000 of each subaward or subcontract (regardless of the period of performance of the sub-awards and subcontracts under the award)

MTDC excludes:

- Equipment;
- Capital expenditures;
- Charges for patient care;
- Rental costs;
- Tuition remission;
- Scholarships and fellowships;
- Participant support costs;
- The portion of each subaward and subcontract in excess of \$25,000; and
- Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs

De Minimis Proposal

• Submit **once** unless changes are observed:

- Organizational chart;
- Employee time sheet sample, providing for distribution of hours to direct/indirect functions; and
- Signed Cost Policy Statement.
- Financial statement documentation to support the methodology (200.403) used to determine the MTDC (200.68) broken out by funding source. Financial statements (audited if available) for the applicable fiscal year.
- Ten percent (10%) federal De Minimis Indirect Cost Rate Certification of Indirect Costs (**ATTACHMENT 3**).

Submit all necessary documentation within ninety (90) days of award, and then annually within six (6) months of fiscal year-end;

- Federally approved negotiated Indirect Cost Rate or Cost Allocation Plan, if applicable; or
- Cost Allocation Plan Proposal and supporting documentation as noted in Section II; or
- Indirect Cost rate Proposal and supporting documentation as noted in Section III; or
- DeMinimis Rate with supporting documentation. Within six (6) months of fiscal year-end, submit audited financial statements indicating direct and indirect costs by line item with the Modified Total Direct Costs (MTDC) calculation by funding source.

Sample Cost Allocation Certification

This is to certify that I have reviewed the Cost Allocation Plan submitted herewith and to the best of my knowledge and belief:

- All costs included in this proposal ____ [identify date] to establish cost allocations or billings for ____ [identify period covered by plan] are allowable costs in accordance with the requirements of OMB Subpart E – Cost Principles 200.405, and the federal and state awards to which they apply. Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.
- All costs included in this proposal are properly allocable to federal or state awards on the basis of a beneficial or causal relationship between the expenses incurred and the awards 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.

| | |
|---|-------|
| I declare that the foregoing is true and correct: Organization: | _____ |
| Signature: | _____ |
| Name of Official: | _____ |
| Title: | _____ |
| Date of Execution: | _____ |

SAMPLE COST POLICY STATEMENT

The following model Cost Policy Statement is intended to be used as guidance for nonprofit organizations that seek reimbursement for indirect costs under Federal awards. The model assumes that the Career Center Organization (CCO) uses the direct allocation basis of charging costs. That is, in addition to direct costs, CCO has in place accounting procedures which enable it to direct charge some costs that would otherwise be considered indirect costs (see, for example, the description below as to how photocopy costs are charged).

COST POLICY STATEMENT **CAREER CENTER ORGANIZATION**

- I. General Accounting Policies
 - A. Basis of Accounting – Accrual Basis
 - B. Fiscal Period – July 1 through June 30
 - C. Allocation Basis – Direct Allocation Basis
 - D. Indirect Cost Rate Allocation Base – Salaries and Wages including Applicable Fringe Benefits
 - E. (If the CCO needed a fringe benefit rate, it would describe its fringe benefit allocation base at this point)
 - F. The CCO maintains adequate internal controls to insure that no costs are charged both directly and indirectly to Federal contracts or grants.
 - G. The CCO accumulates all indirect costs and revenues in accounts titled, “Indirect Cost-Expense” and “Indirect Cost-Revenue” respectively.
- II. Description of Cost Allocation Methodology
 - A. Salaries and Wages
 - 1. **Direct Costs** – The majority of the CCO’s employee’s direct charge their salary costs since their work is specifically identifiable to specific grants, contracts or other activities of the organization such as lobbying, fund raising or providing services to members. The charges are supported by auditable time records which reflect the actual activities of employees.
 - 2. **Indirect Costs** – The following staff charge 100% of their salary costs indirectly:
 - Executive Director
 - Chief Financial Officer
 - Personnel Officer

Secretary to the Executive Director
Receptionist

3. **Mixed Charges** – The following employees may charge their salary costs to both direct and indirect activities:

Project Officer
Director of Operations
Data Entry Clerk

The distinction between direct and indirect is primarily on functions. 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 more program they are direct because they do not benefit all.

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

Release time costs (vacation leave earned, sick leave used, and holiday pay) are considered part of salary costs. Consequently, separate claims for release time costs are not made. The CCO's accounting system records release time as a direct or indirect cost in the same manner that salary costs are recorded. Vacation leave earned but not used during each fiscal period is recorded as a cost in the period earned.

B. Fringe Benefits

CCO contributes to the following fringe benefits for its employees: unemployment insurance, workers' compensation, F.I.C.A., health insurance, and matching contributions to a defined benefit pension plan.

Since the CCO's accounting systems tracks fringe benefit costs by individual employee and charges those costs directly or indirectly in same manner as salary and wage costs are recorded, the CCO does not need to have a fringe benefit rate established.

C. Travel

Travel costs are charged either as a direct charge or an indirect charge depending upon the predominant purpose of the trip. Costs incurred for travel are supported by auditable travel vouchers and costs are limited to those allowable under the Federal Travel Regulations, unless expressly allowed by a contract or grant.

D. Board Expenses

Board expenses charged on an indirect basis are for travel to/from Board meetings (limited to expenses allowed under the Federal Travel Regulations) and an annual fee of \$250 paid to each Board member. Other Board expenses are absorbed by

the CCO and are not charged either directly or indirectly to Federal contracts or grants.

E. Supplies and Material

To the maximum extent possible, office supplies and materials are direct charged to the contract/grant which uses the supplies or materials. Supplies and materials used by staffs who are engaged in indirect activities will be charged on an indirect basis.

F. Occupancy Expenses

Rent – CCO occupies space it leases from Lessor Corporation. The lease provides for equal monthly payments during the term of the lease. Monthly lease costs are allocated, based on square footage, directly and indirectly as follows:

- (a) Direct Costs – The cost of space occupied by staff whose salaries are direct charged to costs directly.
- (b) Indirect Costs – The cost of space occupied by staff whose salaries are indirectly charged is charged indirectly. The cost of space for staff whose salaries are charged on a mixed basis will be allocated on a mixed basis in the same ratio as their salaries are allocated.

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

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

G. Utilities

The CCO's lease includes the costs 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

A log is maintained of all fax transmissions. The cost of fax services is charged either directly or indirectly based upon whether a direct or indirect activity benefits from the transmission.

Long distance telephone calls are charged either directly or indirectly based upon whether a direct or indirect activity benefits from the transmission.

Local telephone service costs are prorated to direct and indirect charged based upon the number of telephone instruments assigned to the CCO. Each telephone instrument is identified to either an indirect or direct activity. For example, the CCO has 50 telephone instruments assigned to it. Nine of the 50 instruments are assigned to the Employment and Training program. Therefore, 9/50ths of the monthly local service charges are direct charged to the E&T grant. Five of the

instruments are assigned to indirect staff; therefore, 5/50's of the monthly local service charges are charged indirectly. No telephone instruments are charged on a mixed basis since the costs incurred on that basis are immaterial in amount.

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

I. Photocopying and Printing

The CCO maintains a photocopy activity log. From this log, the CCO is able to prorate its photocopy expenses to each program based on the specific volume of copies made for each program. Administrative personnel will record copies made to the benefiting program to the maximum extent practical. In situations where the photocopies being made by administrative personnel cannot be identified to a specific program and the matter being copied relates to the activities of the CCO in general, the cost of such copies will be charged to the "Indirect Cost-Expense" account.

Printing expenses are charged to the benefiting activity.

J. Outside Services

The CCO incurs outside service costs for its annual audit, legal fees, and for staff development specialists.

The cost of the annual audit is charged indirectly.

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

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

K. Capital Items

Capital expenditures are charged directly to programs only in cases where a contract or grant specifically authorizes such charges. No capital item is charged indirectly. The cost of capital items purchased with non-Federal funds are recovered through depreciation charges.

L. Depreciation Charges

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 CCO recovered the cost of capital items using straight line depreciation methods in accordance with generally accepted accounting principles. Depreciation charges are charged indirectly.

M. Service to Members

The cost of activities performed primarily as a service to member, clients, or the general public are classified as direct costs and bear their fair share of indirect costs. These activities include: maintenance of membership rolls, subscriptions, publications, and related functions, providing services and information to members, legislative or administrative bodies, or the public; promotion, lobbying and other forms of public relations; meetings and conferences except those held to conduct the general administration of The CCO; maintenance, protection, and investment of special funds not used in operation of the CCO; and administration of group benefits on behalf of members or clients including life and hospital insurance, annuity or retirement plans, financial aid, etc.

N. Unallowable Costs

The CCO recognizes that the following costs are unallowable charges to Federal awards and has internal controls in place to insure that such costs are not charged to Federal awards:

Fund Raising, Entertainment/Alcoholic Beverages, Lobbying, Capital Expenditures unless expressly authorized by a Federal award, Advertising Costs (other than for recruitment of staff or for the disposal of property) Bad Debts, Fines and Penalties and Contributions.

The cost of unallowable activities that benefit from the indirect cost pool will be included in the distribution base used to calculate the indirect cost rate.

(Signature)

(Date)

(Title)

Career Center Organization
11 Main Street
Anywhere, MA 00000

Sample - Indirect Cost Rate Proposals

TABLE OF CONTENTS

| Description | Exhibit |
|---|----------------|
| Personnel Cost Worksheet | A |
| Notes to Enclosure | A-1 |
| Allocation of Personnel Worksheet | B |
| Employee Time Distribution Report | B-1 |
| Statement of Employee Fringe Benefit | C |

Exhibit A
Example-Personnel Cost Worksheet
Fill in: Final or Provisional & Organization's Fiscal Year

| Position | Annual Salary (A) | FICA (B) | State UI (C) | Worker's Comp (D) | Health Insurance (E) | Retirement (F) | Total Benefits | Total Personnel Costs |
|------------------------------|----------------------|-------------------|------------------|-------------------------|----------------------------|-------------------|-------------------|-----------------------------|
| | a | | | | | | b | a+b |
| Executive Director | \$ 60,000 | \$ 4,311 | \$ 240 | \$ 600 | \$ 2,400 | \$ 4,800 | \$ 12,351 | \$ 72,351 |
| Administrative Assistant | 22,000 | 1,683 | 240 | 220 | 2,400 | 1,760 | 6,303 | 28,303 |
| Controller | 45,000 | 3,443 | 240 | 450 | 2,400 | 3,600 | 10,133 | 55,133 |
| Accountant (3) | 90,000 | 6,885 | 720 | 900 | 7,200 | 7,200 | 22,905 | 112,905 |
| Program Planner (4) | 120,000 | 9,180 | 960 | 1,200 | 9,600 | 9,600 | 30,540 | 150,540 |
| Field Operations Director | 35,000 | 2,678 | 240 | 350 | 2,400 | 2,800 | 8,468 | 43,468 |
| Area Coordinator * | 15,000 | 1,148 | 240 | 150 | 1,400 | 1,200 | 4,138 | 19,138 |
| Program Specialist (2) | 25,000 | 1,913 | 480 | 250 | 4,800 | 2,000 | 9,443 | 34,443 |
| Personnel Director | 40,000 | 3,060 | 240 | 400 | 2,400 | 3,200 | 9,300 | 49,300 |
| Personnel Clerk (3) | 60,000 | 4,590 | 720 | 600 | 7,200 | 4,800 | 17,910 | 77,910 |
| MIS Director | 45,000 | 3,443 | 240 | 450 | 2,400 | 3,600 | 10,133 | 55,133 |
| Head Start Director | 45,000 | 3,443 | 240 | 450 | 2,400 | 3,600 | 10,133 | 55,133 |
| Data Entry Clerk * | 12,000 | 918 | 240 | 120 | 1,200 | 960 | 3,438 | 15,438 |
| All Other Positions** | 700,000 | 53,550 | 12,000 | 7,000 | 120,000 | 56,000 | 248,550 | 948,550 |
| TOTAL | \$ 1,314,000 | \$ 100,245 | \$ 17,040 | \$ 13,140 | \$ 168,200 | \$ 105,120 | \$ 403,745 | \$1,717,745 |

(A) In this example, vacation, holiday, sick leave, and other paid absences were included in salaries and claimed on other grants, contracts, or agreements, as part of salary

(B) FICA taxable wages were computed at 6.2% of \$55,500 per employee, and 1.45% based on \$130,200 per employee.

(C) State unemployment compensation taxable wages were computed on the 1st \$8,000 for 71 employees at 3% (\$8,000 x 71 x 3% = \$17,040)

(D) Worker's compensation was estimated at 1% of salaries (1% x \$1,214,000 = \$13,140).

(E) Health insurance was computed at \$200 per month per employee.

(F) Retirement was computed at 8% of an employee's annual salary.

Example: Executive Director's annual salary: \$60,000 x 8% = \$4,800.

* This represents employees who will work less than a twelve month period due to a period due to a grant/contract not being reviewed.

** These positions have been consolidated for illustrative purposes only; all personnel positions that require charging time to more than one cost objective must be identified separately on this exhibit.

Note: Salaries and fringes included in this exhibit are for illustrative purposes only.

Exhibit A-1
Notes to Enclosure

| <u>Heading from Exhibit A</u> | <u>Explanation</u> |
|--|--|
| Position | All staff salaries. |
| Annual Salary | Actual or estimated salary amount for the year depending on type of proposal (final or provisional). |
| FICA | Actual or estimated amount for the year depending on type of proposal. (final or provisional). Should be computed in accordance with the applicable rates This is the organization's share. |
| State Unemployment Compensation | Actual or estimated amount for the year depending on type of proposal. (final or provisional). Should be computed in accordance with the applicable rates This is the organization's share. |
| Worker's Compensation | Actual or estimated amount for the year depending on type of proposal. (final or provisional). Cost should be obtainable from the insurance policy or agent. |
| Health Insurance | Actual or estimated amount for the year depending on type of proposal. (final or provisional). Cost should be obtainable from the insurance policy or agent. |
| Retirement | Actual or estimated amount for the year depending on type of proposal. (final or provisional). Cost should be based on the organization's retirement plan. |

Exhibit B
Example-Allocation of Personnel Worksheet
Fill in: Final or Provisional & Organization's Fiscal Year

| Position | Annual Salary | Indirect Costs | Direct Costs (a+b) | Federal Programs | | | Non-Federal Programs | | |
|---------------------------|---------------|----------------|--------------------|---------------------|-------------------|-------------------------|-------------------------------|-------------|-------------------------------|
| | | | | a | | | b | | |
| | | | | U.S. Dept. of Labor | U.S. Dept. of HHS | U.S. Dept. of Education | State Service Delivery Agency | Fundraising | Private Foundation Commercial |
| Executive Director | \$60,000 | \$54,000 | \$6,000 | | | | | \$6,000 | |
| Administrative Assistant | 22,000 | 22,000 | | | | | | | |
| Controller | 45,000 | 45,000 | | | | | | | |
| Accountant | 90,000 | 90,000 | | | | | | | |
| Program Planner (4) | 120,000 | 12,000 | 108,000 | 72,000 | 12,000 | 18,000 | 6,000 | | |
| % of Distribution | 100% | 10% | 90% | 60% | 10% | 15% | 5% | | |
| Field Operations Director | 35,000 | 5,250 | 29,750 | 8,750 | 5,250 | 8,750 | 5,250 | | 1,750 |
| % of Distribution | 100% | 15% | 85% | 25% | 15% | 25% | 15% | | |
| Area Coordinator* | 15,000 | | 15,000 | | | | 15,000 | | |
| Program Specialist | 25,000 | | 25,000 | 20,000 | 5,000 | | | | |
| % of Distribution | 100% | | 100% | 80% | 20% | | | | |
| Personnel Director | 40,000 | 40,000 | | | | | | | |
| Personnel Clerk (3) | 60,000 | 60,000 | | | | | | | |
| MIS Director | 45,000 | 45,000 | | | | | | | |
| Head Start Director | 45,000 | | 45,000 | 9,000 | 36,000 | | | | |
| % of Distribution | 100% | | 100% | 20% | 80% | | | | |
| Data Entry Clerk* | 12,000 | | 12,000 | 9,000 | | 3,000 | | | |
| All Other Positions** | 700,000 | | 700,000 | 280,000 | 105,000 | 175,000 | 105,000 | | 35,000 |
| TOTAL | \$1,314,004 | \$373,250 | \$940,750 | \$398,750 | \$163,250 | \$204,750 | \$131,250 | \$6,000 | \$36,750 |

* This represents an employee who will work less than a twelve month period.

** These positions have been consolidated for illustrative purposes only. All Personnel positions that require time to be charged to more than one cost objective must be identified separately in this worksheet.

Note: The salaries included in this exhibit are for illustrative purposes only.

Example - Employee Time Distribution Report for Work/Non-Work Hours

Employee Name: _____

USA Company
1776 Democracy Boulevard
Washington, D.C. 20099

1st
Week

2nd
Week

Sunday Monday Tuesday Wednesday Thursday Friday Saturday Sunday Monday Tuesday Wednesday Thursday Friday Saturday

Total

Summary of Work HoursDirect Program/Grant/Contract Activities*

| | | | | | | | | | | | | | | | | |
|------------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|---|
| Project #1 | | | | | | | | | | | | | | | | 0 |
| Project #2 | | | | | | | | | | | | | | | | 0 |
| Project #3 | | | | | | | | | | | | | | | | 0 |
| Project #4 | | | | | | | | | | | | | | | | 0 |

Indirect Activities**

Subtotal 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0

Summary of Non-Work Hours - Release Time

| | | | | | | | | | | | | | | | | |
|--------------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|---|
| Annual Leave | | | | | | | | | | | | | | | | 0 |
| Sick Leave | | | | | | | | | | | | | | | | 0 |
| Holiday | | | | | | | | | | | | | | | | 0 |
| Other *** | | | | | | | | | | | | | | | | 0 |

Subtotal 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0

Total 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0

Employee Signature _____ Date: _____ Supervisor Signature _____ Date: _____

General Note on this Exhibit: This time distribution report example is intended to show the minimum requirements that organizations need to capture to comply with applicable regulations to support the distribution and claims of salaries and wages.

Notes:

* "Projects" must be specifically identified to the actual program worked with name/title/code, etc. Note that "fundraising" is considered a direct activity.

** Indirect-can be changed, or a row can be added showing G&A Overhead Onsite/Offsite, if applicable.

*** "other" could include other types of leave. If so, they must be identified here or detailed in the organizations' code policy statement.

Exhibit C
Example – Statement of Employee Fringe Benefits
Fill In: Final or Provisional & Organization's Fiscal year

| | <u>Method A</u> | <u>Method B</u> | |
|--------------------------------------|-----------------|-----------------|---------|
| Annual Leave Earned | | \$ 50,384 | |
| Sick Leave Taken | | 25,269 | |
| Holiday | | <u>50,384</u> | |
| Subtotal-Release Time | | \$126,037 | a |
| FICA | \$100,245 | \$100,245 | |
| State Unemployment Compensation | 17,040 | 17,040 | |
| Worker's Compensation Insurance | 13,140 | 13,140 | |
| Medical Insurance | 168,200 | 168,200 | |
| Pension | <u>105,120</u> | <u>105,120</u> | |
| Sub-total | \$ 403,745 | \$403,745 | b |
| Total Employee Fringe Benefits | \$ 403,745 | \$529,782 | (a + b) |
| Allocation Base: | | | |
| Total Salaries | \$1,314,000 | \$1,314,000 | |
| Less: Release Time | | <u>126,037</u> | |
| Chargeable Salaries | | \$1,187,963 | |
| <u>Employee Fringe Benefits Rate</u> | | | |
| Fringe Benefits | \$ 403,745 | \$ 529,782 | |
| Allocation Base | \$ 1,314,000 | \$1,187,963 | |
| Fringe Rate | 30.73% | 44.60% | |

NOTE:

Method A – For estimating purposes on budgets, grantees/contractors include Release time as personnel salary costs; i.e. total salary.

Method B – The fringe benefit pool includes time for vacation, holiday, and sick leave and is distributed through a fringe benefit rate.

The decision to use either method will depend on the grantee/contractor's accounting system and time distribution system.

Exhibit D
Statement of total costs

APPENDIX:
Certificate of Indirect Costs