

Indirect Cost Proposal

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Federal Regulations/Audit

- The federal regulations addressing the indirect rates are 2 CFR Part 225.
- In addition, the Tribe must follow Generally Accepted Accounting Principles (GAAP).

Classification of Costs

- Treated consistently in like circumstances.
- Direct Costs – identified with a cost objective.
- Typical direct costs include:
 - Compensation
 - Materials
 - Equipment
 - Travel

Indirect Costs

- Incurred for a common purpose.
- Allocable to more than one cost objective:
 - Finance
 - Computer Information Services (CIS)
- Not assignable without effort disproportionate to results:
 - Copying
 - Long distance
 - Cell phone calls

Examples of Unallowable Costs

- Contributions and donations
- Fines and penalties
- Fund raising and investment management costs
- General government expenses except as provided under Self-Determination Act
- 50% of Tribal Council/Tribal Assembly expenses are unallowable as charges to the indirect cost pool
- Contingencies
- Lobbying
- Under-recovery of costs under federal agreements

Cost Allocation

	Direct	Indirect	Administrative	Unallowable
Personnel	X	X	X	X
Travel	X	X	X	X
Gifts				X
Tribal Council travel	50%	50%		X
Facilities		X	X	
Lobbying				X
Donations				X
Finance Department		X	X	
Information Technology		X	X	
TANF	X		X	
Head Start	X		X	
VPSO	X		X	

Reconciliation to Audit

- Prior to development of the *Indirect Cost Proposal*, the figures must be tied to the audited financial statements.
- All variations must be identified. The Interior Business Center typically will require a breakdown of meeting fees to make sure we are only charging 50% to the indirect cost pool.

Limitations

- Indirect Cap Examples:
 - Head Start
 - TANF
 - Community Service Block Grant (CSBG)
 - Village Public Safety Officer (VPSO) Program
 - Child Care
- Limits available contractors: those with available revenue to compensate shortfall
- Unrecoverable amounts may not be shifted from one Federal award to another.

Example: VPSO

- Shared Cap at 30%
 - Those with lower rates compensate for contractors with higher rates
 - Always under indirect cap as a group
- Active Efforts to minimize Indirect
 - Offsite Offices
 - Computer Network
 - Shifting Indirect burden to programming when possible

Tribe's Indirect Rates

- Administrative Pools are subtracted from the Indirect Cost Pool.
- Programs with Administrative Pools are subtracted from the Direct Base.
- One rate =
$$\frac{(\text{Indirect Cost Pool} - \text{Admin. Pool})}{(\text{Direct Cost Pool} - \text{Less Direct Program Funds with Admin. Pools})}$$

Interior Business Center

- The Interior Business Center (IBC) requires tribes to follow their template to derive carry-forwards.
- Tribe calculates carry-forward.
- Carry-forwards of indirect over/under recovery are applied two years in the future.
- Over-recoveries occur when the Tribe collects more indirect costs from a program than is apportioned to that program from the Indirect Cost Pool.
- The excess revenue is subtracted from the pool two (2) years in the future.

Carry-Forwards

- Under-recovery of revenue results in an increase in the next period's rate.
 - Actual indirect expenses exceed the calculated rate expenses and the collected amount.
- Over-recovery of revenue results in a decrease in the next period's rate.
 - Actual indirect expenses are less than the calculated rate expenses or collected amount.

Shortfalls vs. Carry-forward

- Shortfalls occur when there is a cap on a grant which is less than the approved indirect rate.
- Carry-forwards occur when the overall recovery from all funding sources deviates from the budgeted amount of recovery.
- Carry-forwards can be recovered in future years.
- Shortfalls will not be recovered. Shortfalls are not included in the calculation of carry-forwards.
- The deficit is both the shortfall and carry-forward if an under-recovery.

Certification

- The Tribe certifies the following in the proposal:
 - All costs are allowable in accordance with federal requirements.
 - Proposal does not include unallowable costs.
 - Any excluded costs pay for their own administrative costs.
 - All costs are properly allocable on the basis of a beneficial or casual relationship between expenses incurred and agreements to which allocated.
 - The same costs that have been treated as indirect costs have not been claimed as direct costs and similar types of costs have been accounted for consistently.

Interior Business Center

- Tribe submits the *Indirect Cost Proposal* to IBC for review.
- The IBC approves or disapproves of all costs in the pool.
- The Tribe must justify all expenses in the pool.
- The IBC issues an indirect cost agreement.