

Haiku for Indirect

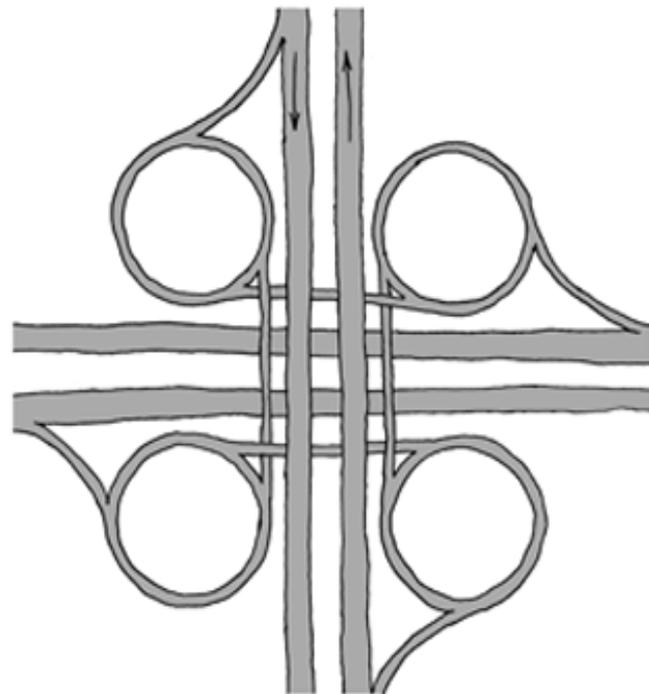
Tara Choate
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Oregon Watershed
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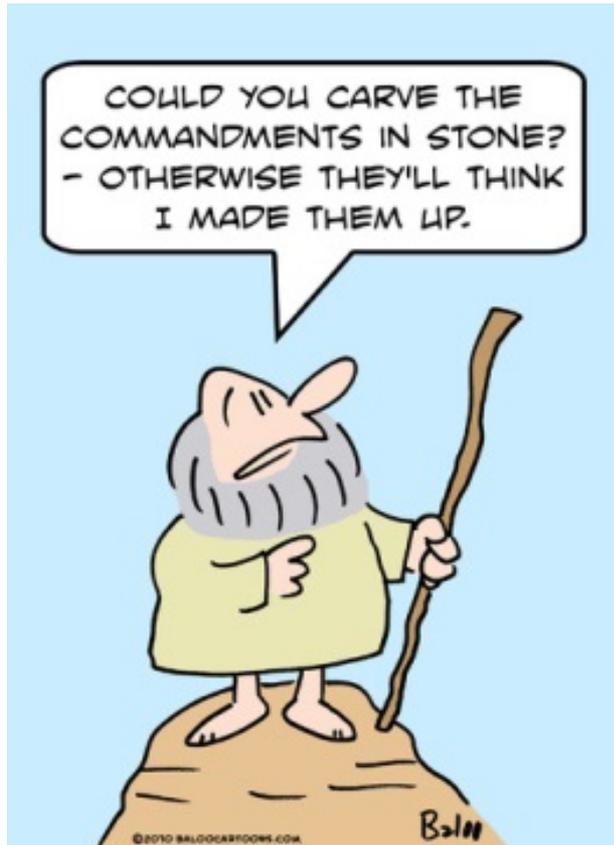
We live in exciting times!

- The Federal Government has admitted that administration exists!
- And that's it's inescapable!

HIGHWAY ENGINEER PRANKS:

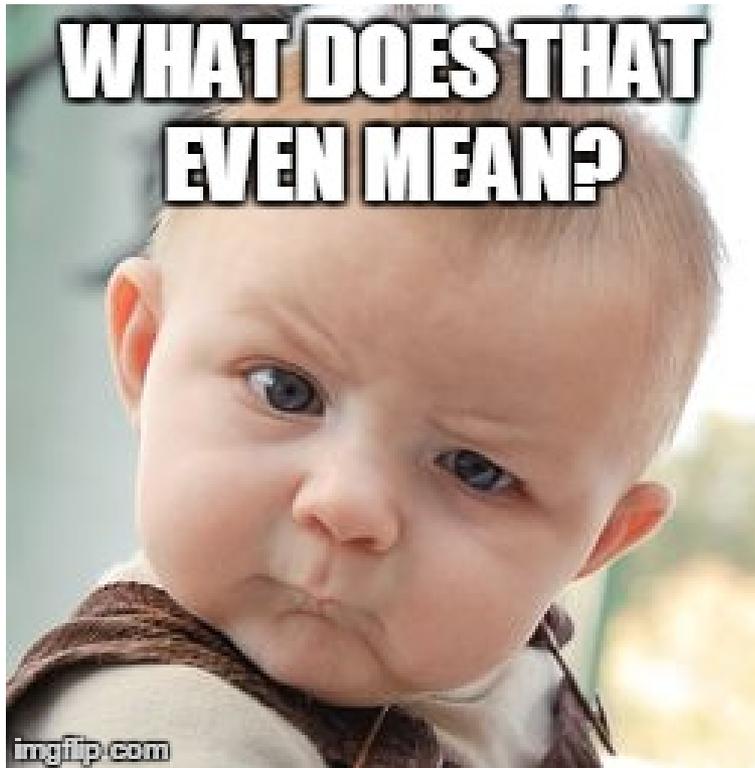
THE INESCAPABLE CLOVERLEAF:





A NEW Command

- The Feds have said (with 2 CFR, aka Uniform Administrative Requirements (a.k.a. the "Super Circular")) that funders **MUST** recognize a federally negotiated indirect cost rate!



WHAT?

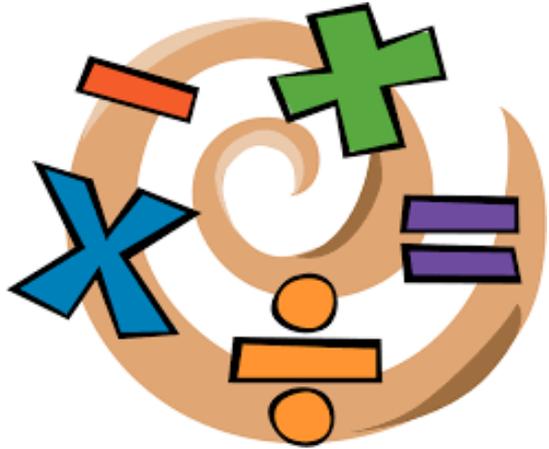
- You just said the Feds allowed administration...
- What's this about an indirect cost rate?



Satoshi Kambayashi

What is an indirect cost rate?

- "An indirect cost rate is a tool for determining the proportion of indirect costs each program should bear. It is the ratio (expressed as a percentage) of the indirect costs to a direct cost base."
-- US Department of the Interior



Break that down?

Administration

$$\frac{\text{Administration}}{\text{Project Costs}} = \text{Indirect Cost Rate}$$

Using this rate...

- You can charge each grant that percentage of the overall administration expenses!



If your rate is 10%...

- ... and you spend \$100 in program costs...



"I kept a small percentage of your allowance for administrative costs."

- you can charge an additional \$10 for indirect costs. This \$10 is used to cover things like rent, copier, paper, etc.

Okay, so we get indirect...
How much?

“It Depends”

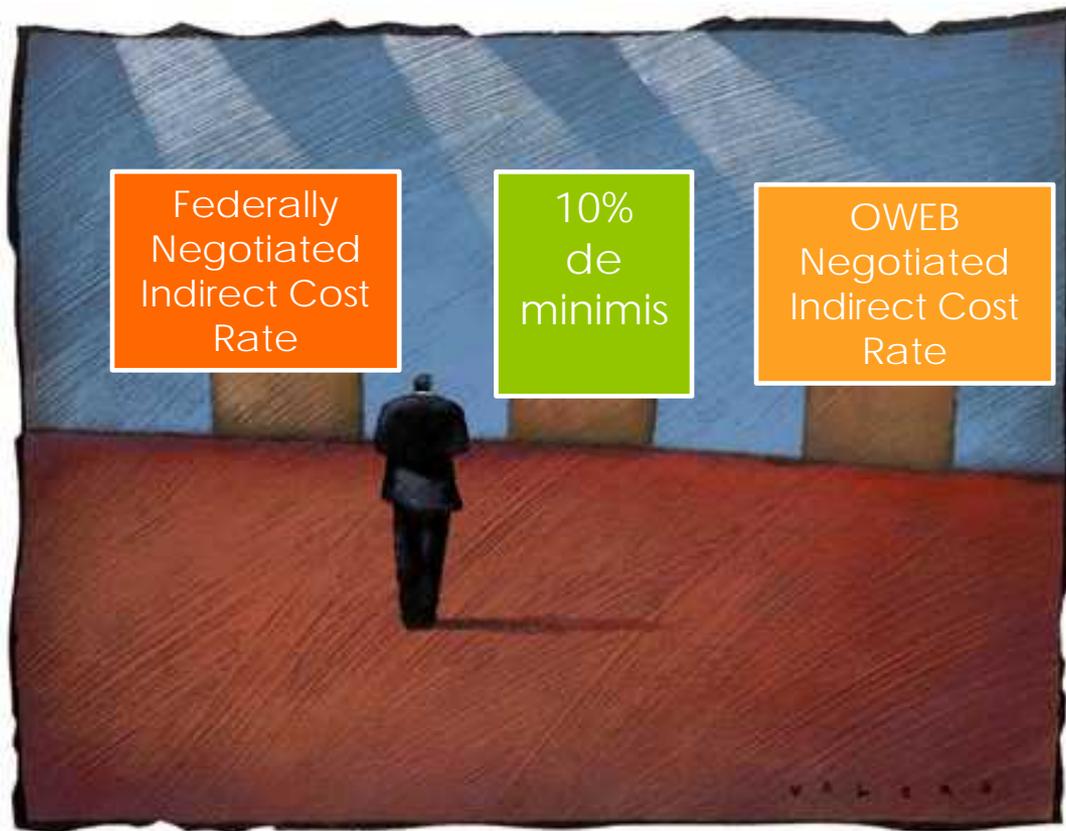
-Socrates

On grant type...

Allowable Grant Administration Rates by Grant Type

	NO Grant Admin Allowed	Federally Negotiated Indirect Cost Rate	10% or de minimis Indirect Cost Rate	Up to 15% - OWEB "Negotiated" Indirect
Restoration		X	X	X
Technical Assistance		X	X	X
Monitoring (all types)		X	X	X
Outreach		X	X	X
Acquisition*		X	X	X
Weed (administered by ODA)			X	
Small Grants			X	
Council & District Capacity	X			
CREP (Cost Sharing)	X			

... and what you choose.



Federally
Negotiated
Indirect Cost
Rate

10%
de
minimis

OWEB
Negotiated
Indirect Cost
Rate

Federally negotiated indirect cost rate

- This is a rate negotiated with the federal government that OWEB must accept.
- *For more information about negotiating an indirect cost rate with the federal government, contact your cognizant federal agency.*



Federally negotiated indirect cost rate

- Organizations that have previously negotiated or currently have an approved indirect cost rate with a Federal (cognizant) agency will be allowed to use it for their grants.



Federally negotiated indirect cost rate

- OWEB does not require receipts for this method, because the rate is negotiated outside the agency.
- OWEB has strict guidelines for having your rate in place before we will pay indirect costs.



Federally negotiated indirect cost rate

- Please be sure you understand your federally negotiated indirect cost rate.
 - Some rates are calculated only on salaries.
- OWEB expects its grantees to understand their FNICR and apply it correctly to their grants.



FNICR Budget Example

Budget Category	Unit Rate	Amount
Salaries, Wages & Benefits	1 FTE	\$50,000
Contracted Services	2 units	\$50,000
	Subtotal	\$100,000
Federally Negotiated Indirect Cost Rate	18.47%	\$18,470
	Total	\$118,470

FNICR Budget Example 2

Budget Category	Unit Rate	Amount
Salaries, Wages & Benefits	1 FTE	\$50,000
Contracted Services	2 units	\$50,000
	Subtotal	\$100,000
Federally Negotiated Indirect Cost Rate	42.26%	\$21,130
	Total	\$121,130

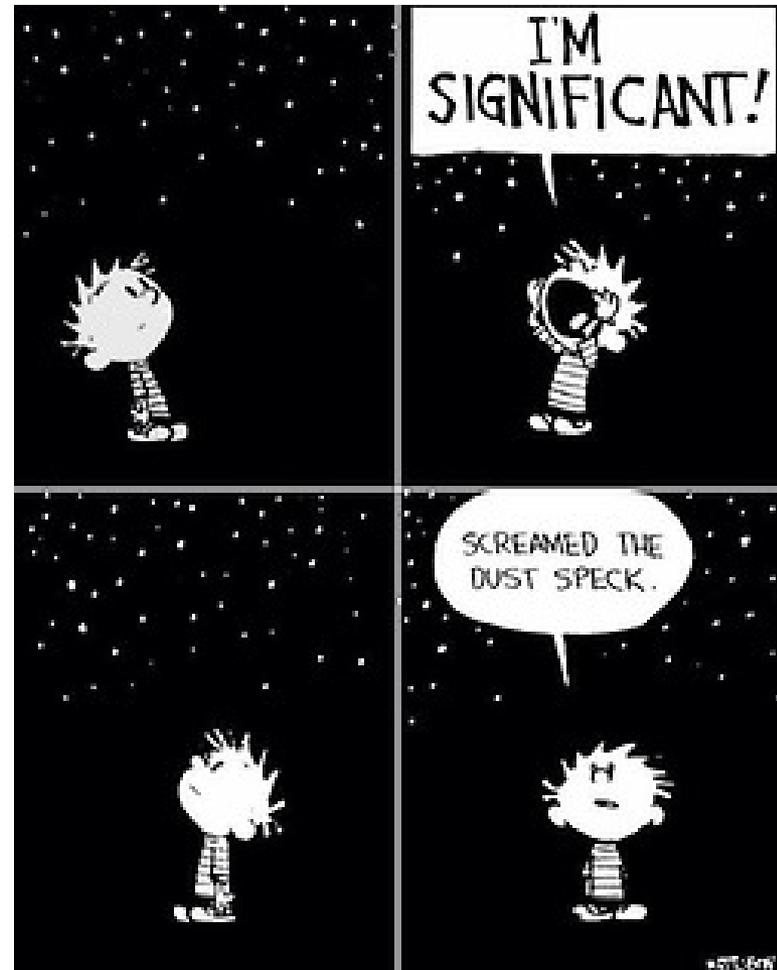
10% *de minimis* indirect cost rate



- Organizations that have never received a federally negotiated indirect cost rate can charge a flat *de minimis* indirect cost rate of 10% of Modified Total Direct Costs (MTDC).

What does *de minimis* mean?

- Webster's defines *de minimis* as: "lacking significance or importance: so minor as to merit disregard".
- In the OMB Uniform Guidelines it is used to mean a minimal and insignificant rate.



10% *de minimis* indirect cost rate

- OWEB does not require receipts for this method, because the rate is negotiated outside the agency.
- For small grants and weed grants, this is not the “federal *de minimis*” rate; it is a local rate on local monies.



de minimis Budget Example

Budget Category	Unit Rate	Amount
Salaries, Wages & Benefits	1 FTE	\$50,000
Contracted Services	2 units	\$50,000
Subtotal		\$100,000
10% <i>de minimis</i> indirect rate	10%	\$10,000
Total		\$110,000

OWEB Negotiated indirect cost rate

- If your organization has never had a FNICR, **AND...**
- Your organizations does not currently plan to obtain a federally negotiated indirect rate, **AND...**
- Your organization feels confident with its fiscal system...
- OWEB is offering a third option: **a negotiated rate.**

OWEB Negotiated indirect cost rate

- This rate will be between 0-15%.
 - If the rate is below 10%, OWEB will allow the billing to follow the *de minimis* rules (no receipts.)
 - For rates between 10-15%, OWEB will require receipts proving indirect costs.
- Please note: If you select exactly 10%, you should select the *de minimis* option.



OWEB Negotiated Budget Example

Budget Category	Unit Rate	Amount
Salaries, Wages & Benefits	1 FTE	\$50,000
Contracted Services	2 units	\$50,000
Subtotal		\$100,000
OWEB Negotiated indirect cost rate	13%	\$13,000
Total		\$113,000

So why doesn't everyone just get an FNICR if you get more money?

- Because of the requirements...





"We've discussed the PROS and CONS, but what about the gray area in the middle... the often overlooked PONS and the CROS?"

Pros & Cons of Indirect Cost Rates

	Indirect Cost Rate	Receipts Required (to OWEB)	Admin burden
Federally Negotiated ICR	TBD	No	High
<i>de minimis</i> ICR	10%	No	Low
OWEB Negotiated ICR	Up to 15%	Yes	Medium
	Less than 10%	No	Low

A FNICR may not be worth it

- If your organization is small.
- If your organization is not financially sophisticated.
- If you don't have dedicated admin staff.



Actual costs rule!

- Remember... your indirect cost is created with actual indirect costs!

Administration

$$\frac{\text{Administration}}{\text{Project Costs}} = \text{Indirect Cost Rate}$$

What are indirect costs?

- Indirect costs are overhead or administrative costs that cannot be readily identified to a specific project or function:
 - Facilities
 - Administration
 - Rent
 - Electricity
 - Telephone



Indirect Cost Rate Creation



Example: The Grants

- Grant A spends \$100,000 to remove a dam.
- Grant B spends \$65,000 to plant a riparian border.
- Grant C spends \$35,000 to thin a forest.
- Administration spent \$25,000 (these are costs that couldn't be directly attributed to any of those grants).



Indirect Cost Rate

Administration



Project Costs

= Indirect Cost Rate

Indirect Cost Rate

\$25,000 = indirect costs

= Indirect Cost Rate

\$100,000 +

\$65,000 + = direct costs

\$35,000

Indirect Cost Rate

\$25,000

12.5%

= Indirect
Cost Rate

\$100,000 +

\$65,000 +

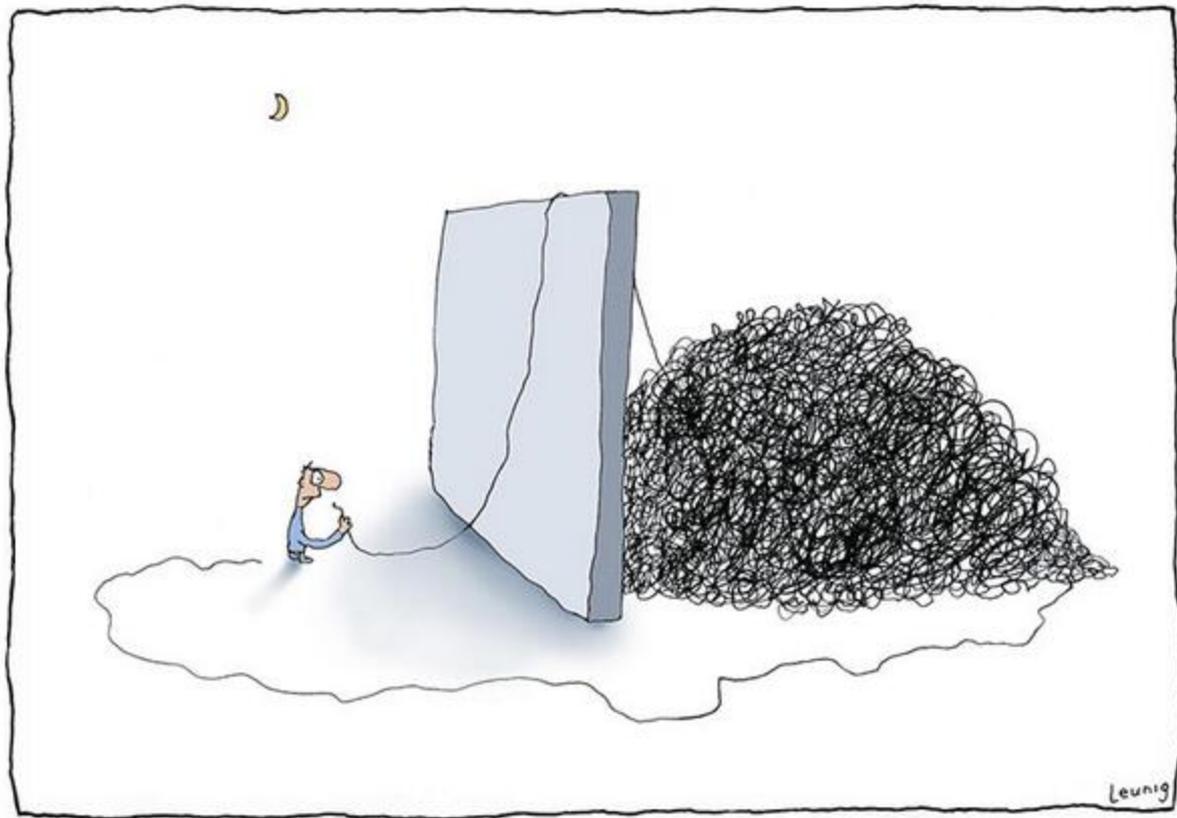
\$35,000



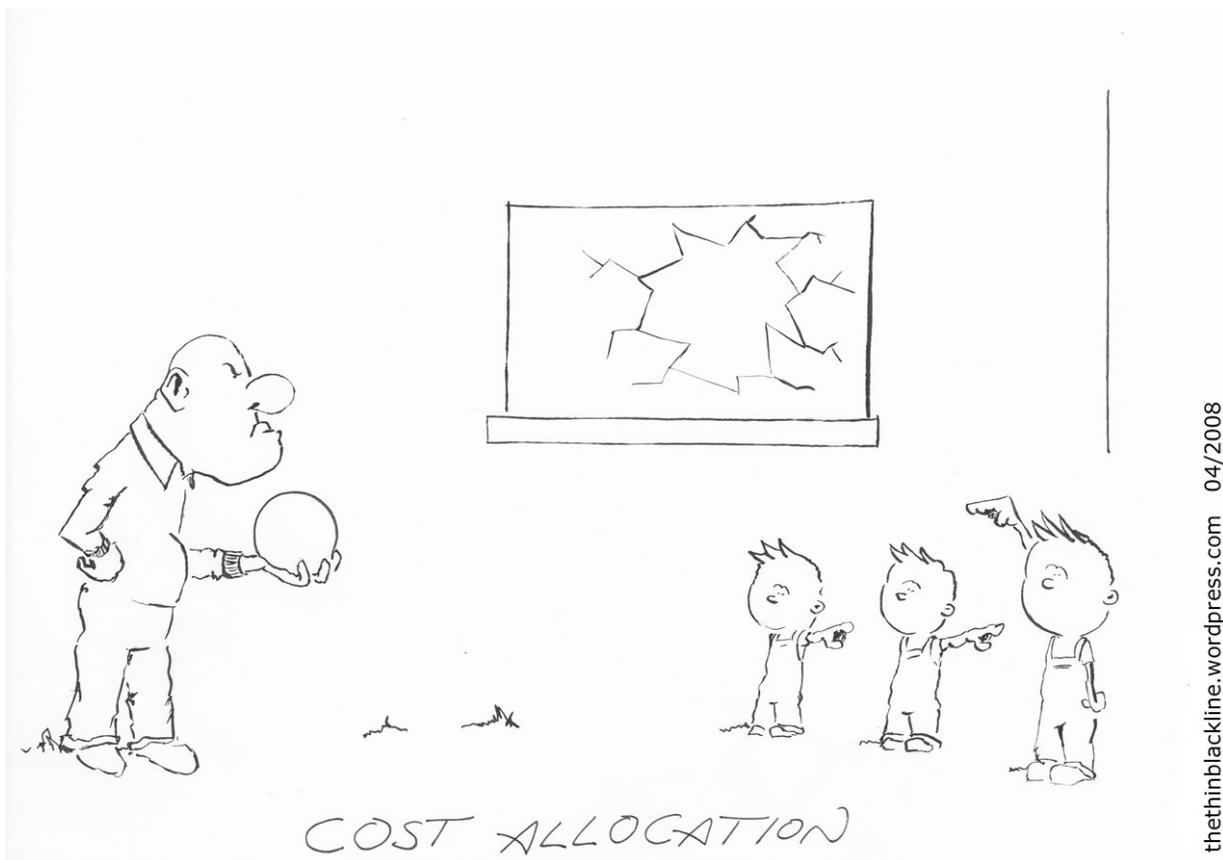
Indirect Collected

- Grant A collects \$12,500
- Grant B collects \$8,125
- Grant C collects \$4,375

That looks simple!



OWEB wants admin receipts. Properly allocated receipts...



Allocation? Not another term!

AAAUGH, Words!!
Too many words for
me to read. Help me,
please.



- A cost allocation plan is a logical and flexible way of dividing indirect costs and assigning them to each project.



Spreadable...

- Some people describe allocation as the spreading of cost.
- It's a best guess at what's fair based on specific criteria.

How is this different than an indirect rate?

- An indirect rate is the amount of admin compared to direct costs that each project should bear.



How much frosting does the cake need?

How is this different than an indirect rate?

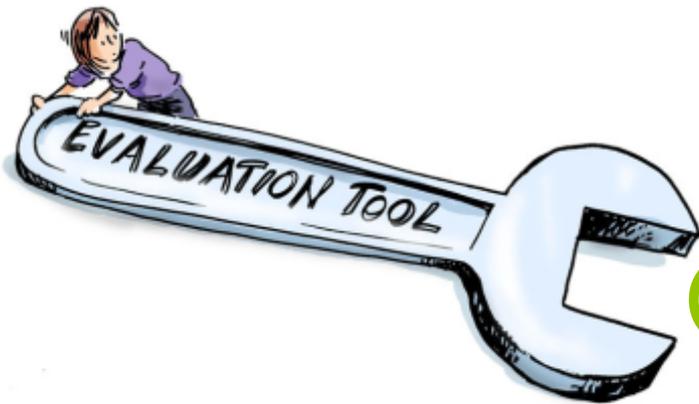
- A cost allocation plan is how to divide admin costs between grants.



How can we get the same amount of frosting on each slice?

Cost Allocation Creation



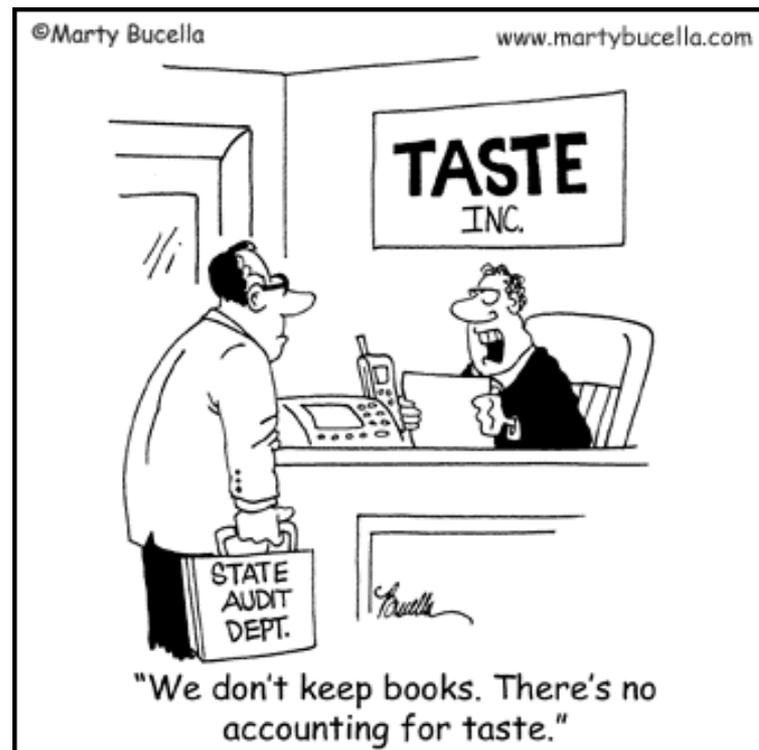


Cost Allocation

- Grantee evaluates methods of cost allocation and decides to distribute costs based on modified total direct costs (project costs) for the agency.
- Other methods:
 - FTE (assign employees to specific grants)
 - Time (have employees do time sheets by grant)
 - Region (divide costs by area done)
 - Project type (all riparian vs. all dam removal)

How do we know what allocation methods OWEB will accept?

- In general, OWEB will approve any GAAP (Generally Approved Accounting Procedure) method.



Cost Allocation

Grant A
Project Costs

All Project
Costs

=

Cost Allocation
for Grant A

Cost Allocation

- **Grant A**

$$\$100,000 / \$200,000 = 50\%$$

- **Grant B**

$$\$65,000 / \$200,000 = 32.5\%$$

- **Grant C**

$$\$35,000 / \$200,000 = 17.5\%$$

Cost Allocation

Cost Allocation Rate for Grant A



All Admin Costs



Share of admin costs for Grant A

Cost Allocation

- **Grant A**

$$50\% \times \$25,000 = \$12,500$$

- **Grant B**

$$32.5\% \times \$25,000 = \$8,125$$

- **Grant C**

$$17.5\% \times \$25,000 = \$4,375$$

No mistake

- Both an indirect rate and a cost allocation plan assign the same (overall) amount to each grant.
- But cost allocation can be used on individual receipts to prove costs.



YOU MUST CHOOSE



BUT CHOOSE WISELY

Now you can choose

- With all this information, hopefully you are prepared to select an administration method for your new OWEB grants.



Attachment F on Application



Select organization type

- When applying for funding, all applicants must select their organization type.



ATTACHMENT F GRANT ADMINISTRATION AND INDIRECT COST SELECTION FORM

To comply with the Federal Uniform Administrative Requirements (2 CFR) OWEB requires all applicants to complete this form. Part One will certify the applicant is a legal entity. Part Two selects the type of indirect rate the applicant is requesting in the application. Part Three applies only if you select an OWEB Negotiated Indirect Cost Rate.



PART ONE:

Sub-recipients or grantees must be legal entities. Identify your organizational type as one of the following:

- State or local government: FEIN
- Non-profit organization: FEIN
- Institution for Higher Education: FEIN
- Individual (not eligible for indirect or administrative costs)

Select an indirect rate

- Admin billing method selected will be in effect for the duration of the grant.



PART TWO:

Applicant must select one of the following indirect rates. This rate will apply for the life of this grant, including any future extensions for time, and cannot be changed.

- Federally Negotiated Indirect Cost Rate.** We have an approved indirect cost rate with a Federal (cognizant) agency. A copy of our most recently approved rate agreement is attached; if necessary, we will provide a more current rate once it is approved. No additional receipts will be required for this indirect cost rate.

Our current Federally Negotiated Indirect Cost Rate is %.

- Federally Accepted *de minimis* Indirect Rate.** We have never received a federally negotiated indirect cost rate. We request, as a condition of this grant, to charge a flat *de minimis* indirect cost rate of 10% of modified total direct costs (MTDC). No additional receipts will be required for this indirect cost rate.

- OWEB Negotiated Indirect Cost Rate.** We do not currently plan to obtain a federally negotiated indirect rate. We would like to negotiate an indirect rate of modified total direct costs (MTDC). Receipts for our indirect cost pool will be required for rates above 10%.

We request an indirect rate of % (not over 15%) Fill out Part Three.

If you choose OWEB "Negotiated" indirect cost rate...

- Identify a billing method for grant administration costs (up to 15%)



PART THREE:

Applicants who select an OWEB Negotiated Indirect Cost Rate must select a cost allocation plan.

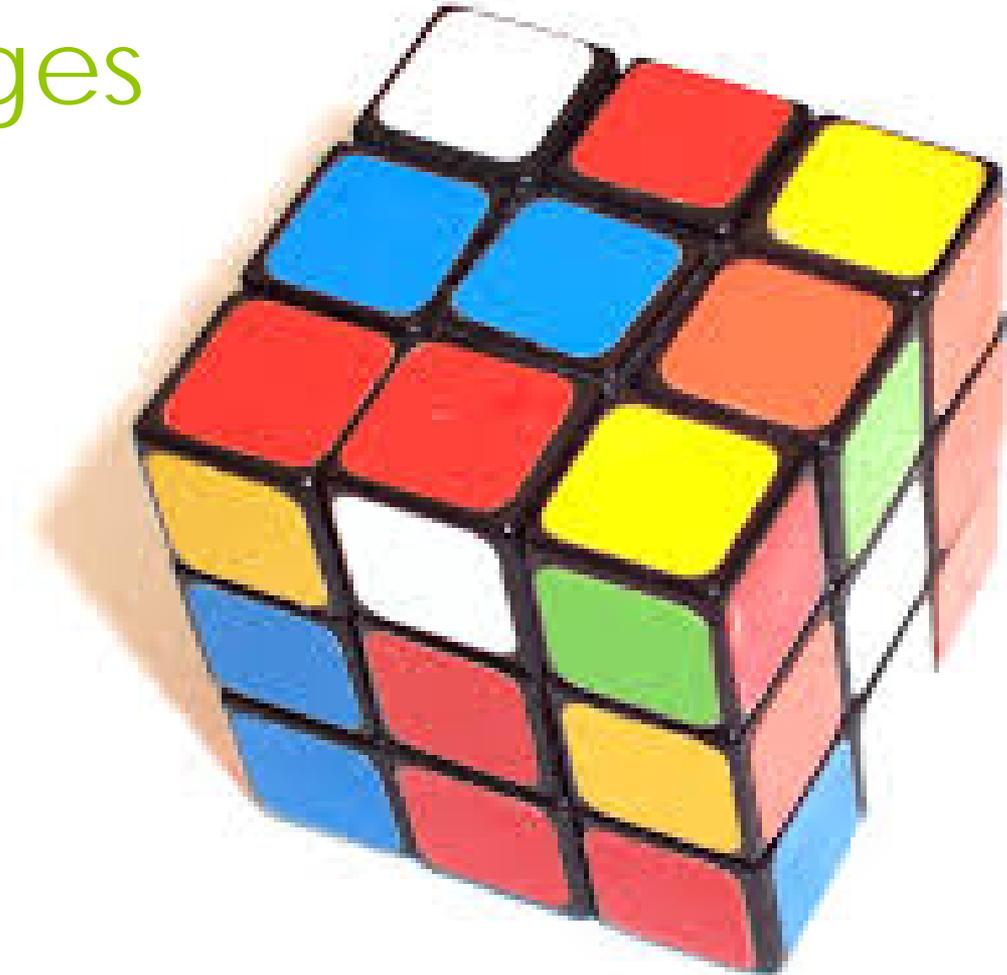
- Less than 10%, no receipts required.** If the rate is below 10%, OWEB will allow the billing to follow the *de minimis* rules (no receipts.)
- Receipt billing.** Grant administration costs are charged to grants on an item-by-item basis. Receipts for items \$250 and over must be submitted. All receipts must be kept and provided to OWEB on request.
- Cost allocation.** The applicant has accounting practices in place that support charging costs to a cost allocation pool and must submit cost allocation supporting documentation for allocations \$250 and over. Most agencies divide administration costs either on FTE, time worked, or as a percentage of their modified total direct costs (MTDC).

Direct billing method

- Be sure you understand what is required for a direct bill versus an allocation.
- Direct bill does NOT mean you can simply bill entire chunks of your admin costs to a specific grant.
- Charges must be fair and equitable!



Challenges



Common challenges

- Of course, it's impossible to cover every scenario of every grant that might come through.
- But here are a few of the challenges we've seen in the last few months.

BRACE YOURSELVES



I don't want any grant admin. What should I do?

- If charging no indirect or at rate below the 10% *de minimis*...
- Check the "negotiated rate" box and simply put in the requested rate.

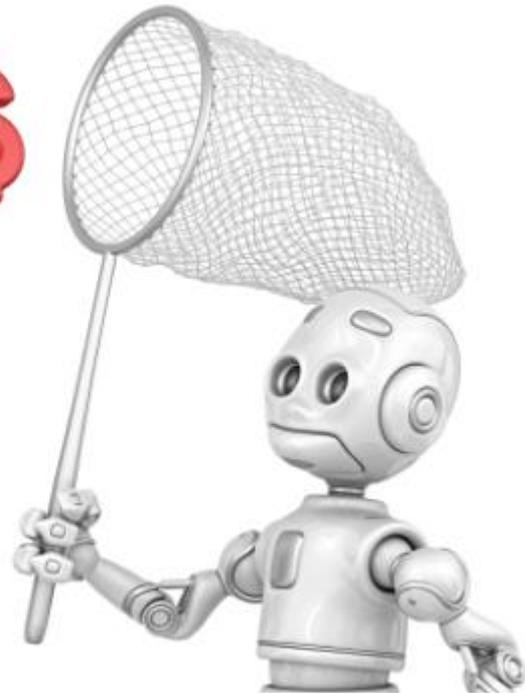


OWEB must recognize any FNICR?

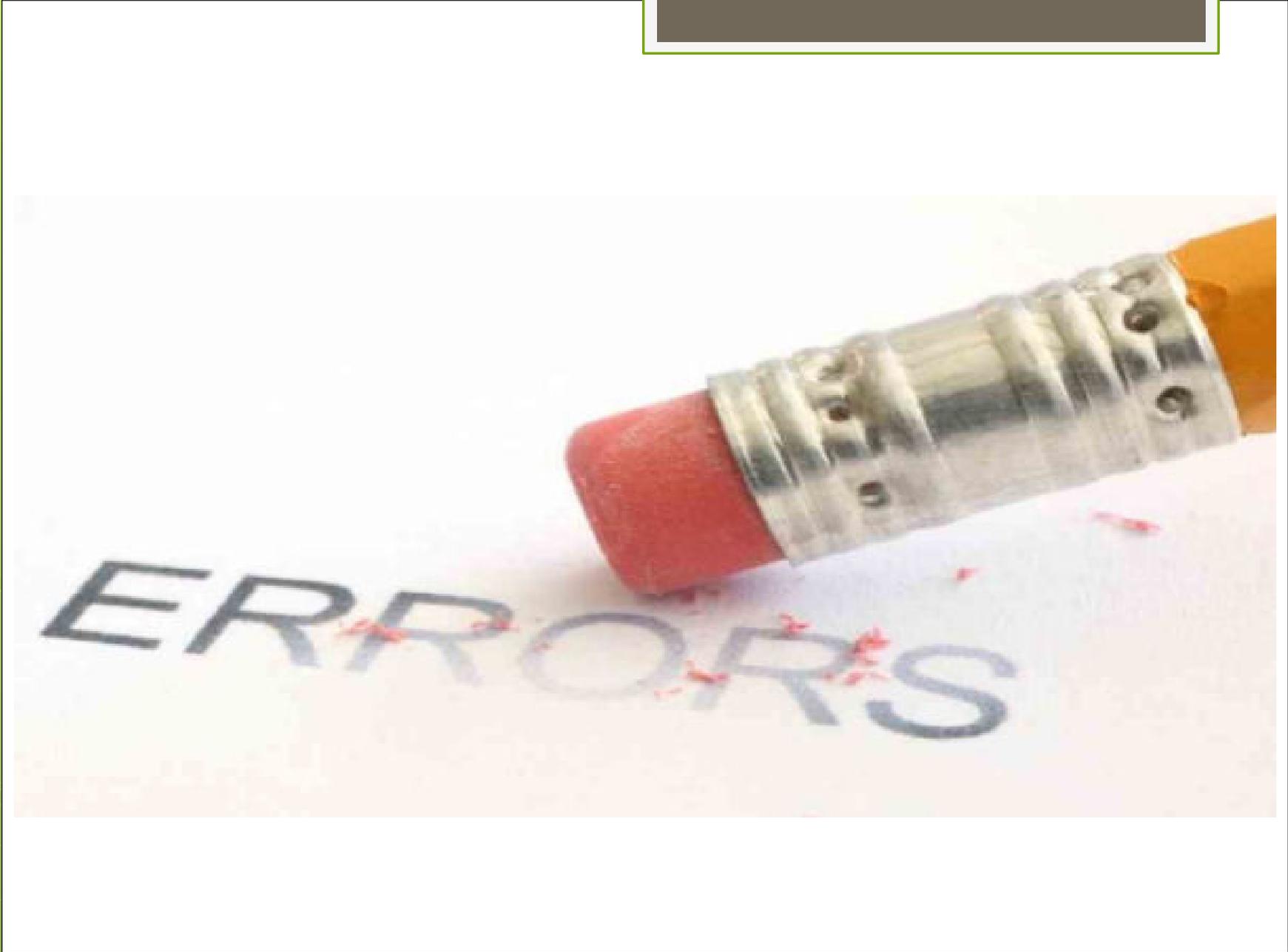
- Yes.
- The only exceptions would be if the grantee voluntarily charges less than the full amount of indirect costs allowed under the award.



Can
you use
part of your
FNIDR as
match?



- Yes.
- Fill out the Grant Admin Form in the application.
- Then, on your budget, put the amount you wish to claim as match in the “match” column.



Common errors

- Administration individual expenses must be shown on expense tracking spreadsheet if using the direct costs billing method (regardless of the amount.)
 - This includes allocated charges.
 - Receipts are not required for purchases over \$250.





- No budget changes will be allowed to decrease the original admin amount shown in the grant agreement (but you can increase.)

Common errors

- Including expenses paid for with capacity grants.



Common errors

- Confusion about when to include office supplies as admin versus supply costs.
- The costs must be directly traceable to the project.
 - Normal printer, paper, office supply charges would be in admin.
 - Only a “special” or “extra” purchase ONLY for the project is allowed.



Contacts & Hours

- Fiscal
 - Tara Choate- 503.986-0184
 - Leilani Sullivan- 503.986-0183
- Correspondence
 - Project Manager
(unless otherwise directed)

