



INDIRECT COSTS / ADMINISTRATIVE COSTS

Session Objectives

Understanding differences between direct and indirect costs

Increase knowledge on CNCS grant limitations in recovering indirect costs

Understanding steps to develop an indirect cost proposal

March 2006

Definitions

Direct Costs

- Specific expenses related to the operations of a specific project

Indirect Costs

- General expenses related to overall administration of an organization receiving CNCS funds
- Incurred for common/joint objectives that cannot be readily identifiable with a particular project or cost objective

Indirect / Administrative Costs

EXERCISE

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Indirect / Administrative Costs

Examples:

- Accounting, financial, contracting or general legal services
- General liability insurance that protects the organization (not solely related to a program)
- Directors and officers insurance
- Audits

Direct Costs

Examples:

- Allowable direct charges for members, volunteers (living allowance, insurance payments)
- Costs for staff who train, place or supervise
- Members/volunteers or directly benefit programs
- Evaluations of programs
- Facility costs that primarily support programs

CNCS Limitation on Indirect Costs

Administrative costs are limited by statute they cannot exceed 5% of total Corporation share

Option 1

- Utilize CNCS "fixed 5%" for organizations that do not have negotiated indirect cost rate

Option 2

- Utilized by organization with negotiated indirect rate

Note this limit is for AmeriCorps & Learn and Serve

Sample Budget

AMERICORPS BUDGET			
	CURRENT EXPENDITURES		
	CNCs Share	Grantee Share	Total Budget
SECTION I PROGRAM OPERATIONS			
A. Personnel Expenses	28,000	175,304	203,304
B. Personnel Fringe Benefits	6,342	39,707	46,049
C. Travel			0
Staff Travel	771	270	1,041
Member Travel	1,637	2,756	4,393
C. Travel Subtotal	2,408	3,026	5,434
D. Equipment			0
E. Supplies	800	4,820	5,620
F. Contractual & Consultant Services			0
G. Training			0
Staff Training		640	640
Member Training	7,165	1,635	8,800
G. Training Subtotal	7,165	2,275	9,440
H. Evaluation	500	0	500
I. Other Operating Expenses	368	3,692	4,060
Travel to CNCs Sponsored Meetings	2,000	0	2,000
I. Other Subtotal:	2,368	3,692	6,060
Section I. Total	47,583	228,824	276,407
SECTION II MEMBER COSTS			
A. Living Allowance			
Full time 1700 hrs	126,443	77,497	203,940
Half Time 900 hrs			0
Reduced Half Time 675 Hrs			0
Quarter Time 450 hrs			0
Minimum Time 300 hrs			0
2nd yr of 2 yr PT			0
Living Allowance Subtotal	126,443	77,497	203,940
B. Member Support Costs	0	7,400	7,400
FICA for Members	9,673	5,928	15,601
Workers Comp	24,186	4,268	28,454
Health Care	19,350	8,490	27,840
Member Support Subtotal	53,209	26,086	79,295
Subtotal Section II	179,652	103,583	283,235
	Percentages		
	63.4%	36.6%	100.0%
SECTION III ADMINISTRATIVE COSTS			
A. Grantee Administrative Costs			
Corporation Fixed Amount			0
Commission Fixed Amount			0
B. Federal Approved Indirect Cost Rate			0
Subtotal Section III	0	0	0
Section I + III Funding Percentages	17.2%	82.8%	
Budget Totals	227,235	332,407	559,642
Total FTE's	20		
Cost/FTE	11,362		

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Calculating Indirect Costs

Utilizing the Fixed 5% Method:



Grantee may charge up to 5% of the total Corporation funds expended provided that the grantee administrative match does not exceed 10% of all direct costs

Note this limit is for AmeriCorps & Learn and Serve

Calculating Indirect Costs

**Indirect Costs are 5% of the Total CNCS
SHARE**

HOW DO YOU CALCULATE INDIRECT COSTS IF
THE TOTAL CNCS SHARE IS UNKNOWN??



Note this limit is for AmeriCorps & Learn and Serve

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Corporation for
**NATIONAL &
COMMUNITY
SERVICE** ★★ ★

Steps to Calculate Indirect Costs

- ➊ Add CNCS Share Sections I & II
(47,583 + 179,652 = 227,235)

If indirect costs are 5% of the total CNCS share, how do I calculate my administrative costs?

Steps to Calculate Indirect Costs

Use 5.26% (.0526) of the sum of Sections I & II to calculate administrative costs!

② Calculate 5% **OF THE TOTAL COSTS!!!!!!**

$$(227,235 \times .0526 = 11,953)$$

Calculating Indirect Costs

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Steps to Calculate Indirect Costs

- ➊ Add CNCS Share Sections I & II
(47,583 + 179,652 = 227,235)
- ➋ Calculate 5%
(227,235 x .0526 = 11,953)
- ➌ Add Total Sections I & II
(276,407 + 283,235 = 559,642)
- ➍ Calculate 10%
(559,642 x .1052 = 58,874)

Sample

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Subtotal Section II	179,652	103,583	283,235
	Percentages		
	63.4%	36.6%	100.0%
SECTION III ADMINISTRATIVE COSTS			
A. Grantee Administrative Costs			
Corporation Fixed Amount	11,952	58,874	70,826
Commission Fixed Amount			0
B. Federal Approved Indirect Cost Rate			0
Subtotal Section III	11,952	58,874	70,826
Section I + III Funding Percentages	17.1%	82.9%	
Budget Totals	239,187	391,281	630,468
Total FTE's	20		
Cost/FTE	11,959		

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Sample Budget

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Total FTE's	20		
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Calculating Indirect Costs



Organization with
Negotiated Indirect
Cost Rate

This rate will constitute documentation of the grantee's administrative costs including the 5% maximum payable by CNCS and the grantee match of administrative costs

Steps to Calculate Indirect Costs

- ➊ Add CNCS Share Sections I & II
(47,583 + 179,652 = 227,235)
- ➋ Calculate 5%
(227,235 x .0526 = 11,953)
- ➌ Add Total Sections I & II
(276,407 + 283,235 = 559,642)
- ➍ Multiply by Negotiated Rate for example 35%
(559,642 x .35 = 195,875) (if rate is based on total direct costs)
- ➎ Reduce by CNCS Share
(195,875 - 11,953 = 183,922)

Sample

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A. Grantee Administrative Costs			
Corporation Fixed Amount	11,952	183,922	195,874
Commission Fixed Amount			0
B. Federal Approved Indirect Cost Rate			0
Subtotal Section III	11,952	183,922	195,874
Section I + III Funding Percentages	12.6%	87.4%	
Budget Totals	239,187	516,329	755,516
Total FTE's	20		
Cost/FTE	11,959		

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Senior Corps Program

Allocating costs:

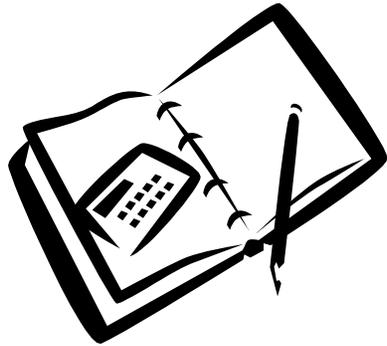


- Programs are reimbursed for administrative expenses/indirect costs based on budget constraints
- Allocate costs:
 - Using a cost allocation plan
 - Based on an approved indirect cost rate

Steps to Obtaining a Negotiated Indirect Cost Rate

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Negotiating an Indirect Cost Rate



- Normally indirect rates are determined and made formal by binding agreement
- Agreements are based largely an estimate of future indirect costs based on past experience

Negotiating an Indirect Cost Rate



Organizations should time this process to coincide with their audited financial statements

Negotiate indirect cost rate with Federal Cognizant Agency, usually the federal agency that provides the most direct federal funds

Documenting Indirect Cost Rate

- Prepare a narrative stating the organizations policies on what are considered direct costs, and indirect costs
- Include the rationale used to make determinations

Prepare personnel cost worksheet:

- When preparing a Provisional Rate use budgeted personnel
- When preparing a final indirect cost proposal use actual personnel costs that includes all personnel

Personnel Costs

Negotiating Indirect Cost Rate:

- Prepare an allocation plan of personnel costs reflecting efforts for each cost objective:
 - Spread the percentage of time of each staff across the various cost objects
 - Ensure that 100% of time is allocated for each FTE

Indirect Cost Rate: Personnel Costs

- Prepare a statement of employee benefits including all costs in the benefit pool
- Develop time and activity distribution system for all employees with time charged to more than one cost objective
- Time and activity documentation will be reviewed as part of the negotiation process



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Consider There Items

- Amount of federal funds the organization receives
- Does internal staff have knowledge to complete this task or will you have to pay auditor for this additional service
- Does the organization have adequate Internal Controls to produce and maintain appropriate documentation

Questions?

“There are so many men who can figure costs, and so few who can measure values.”

- unknown, in a California newspaper

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