

# Office of Self-Governance Contract Support Costs Financial Training

February 2015



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## OSG Contract Support Costs Financial Training

### Today's Presenters

Thomas Gubatayao, Financial Specialist, Northwest Field Office, Office of Self Governance, DOI

Email: [thomas.gubatayao@bia.gov](mailto:thomas.gubatayao@bia.gov)

Barry Fowler, CPA, Financial Consultant, Sitka Tribe of Alaska

Email: [barry.fowler@sitkatriben-sns.gov](mailto:barry.fowler@sitkatriben-sns.gov)

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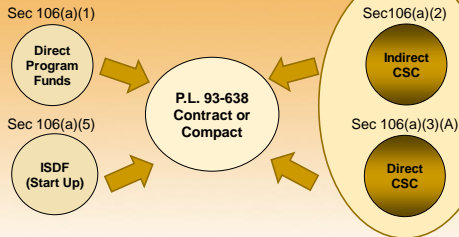
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## ISDEAA

### Contract Compact Funds



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### Contract Support Costs-Ongoing

**Direct Contract Support Costs**  
 DCSC pay for administrative activities that are not contained in either the IDC pool or direct program funds. They are more like direct program dollars than Indirect Dollars as they serve one program/cost objective.  
**Examples: Facilities, Unemployment, Workman's Compensation**

**Indirect Contract Support Costs**  
 Those costs incurred for a common or joint purpose benefiting more than one cost objective, not assignable to the cost objectives specifically benefited without effort disproportionate to the results achieved. Generally negotiated with the Interior Business Center.  
**Examples: Accounting, Purchasing, HR**

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### Contract Support Costs Appropriation

**FY2014 & FY2015 CSC Appropriation Language**

- **SHORT TERM**--Full Funding for 2 years
  - No CSC Cap: Agency to find any additional funds needed within its budget
  - Untenable position: Mandatory CSC requirement vs Discretionary Funding
- **LONG TERM**--Consultation to address solutions for the long run
  - Consider a standardized, streamlined approach keeping in mind that IDC rates change annually

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### OSG Contract Support Costs Financial Training

**Indirect Cost Rates: Proposals**

**Proposal Due Date:**  
 Proposals are due six months prior to the start of the contract year and must include audited financial statements.  
 Indirect cost proposals must be certified by the authorized representative of the Tribe and reflect Tribal policy decisions

**Website of the U.S. Department of Interior, Interior Business Center**

[www.doi.gov/ibc/services/indirect\\_cost\\_services/indian\\_tribes.cfm](http://www.doi.gov/ibc/services/indirect_cost_services/indian_tribes.cfm)

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### Indirect Costs Rates: Negotiation

**Cognizant Agency:**

Receives the grantee's indirect cost proposal  
Reviews the indirect cost proposal in the detail that it deems necessary

(Department of the Interior, Interior Business Center)

(Note: Some Alaskan Consortiums negotiate with HHS Division of Cost Allocation)

**Grantee:**

Negotiates an Indirect Cost Negotiation Agreement with the cognizant agency on a rate that both find acceptable.

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### Indirect Costs Rate Example

**Total Direct Costs**            **4,545,000**            **(a)**  
(Direct Cost Base)

**Total Indirect costs**            **909,000**            **(b)**

**Indirect Cost Rate: (b/a)**        =        **20%**

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### Indirect Costs Rate Components

**Direct Cost Base:**

Amounts of each program/budget, less exclusions (equipment, contracts > \$25,000, pass-through or welfare assistance payments, construction costs). Includes all programs, federal, Tribal or enterprise, that the Indirect Cost Pool (ICP) serves.

**Indirect Cost Pool:**

Budget for all allowable indirect costs, e.g., finance/accounting; personnel/human resources; administrative services; insurance (general liability); contract/grant monitoring; proposal writing; audits; improvements of internal controls over financial reporting and compliance; building maintenance of administrative programs in the ICP; etc.

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**Indirect Costs Rate:  
Direct Cost Base Example**

**Direct Cost Base Computed:**

<b>Total Program</b>	\$5,000,000
<i>Less: excluded items</i>	
Indirect	100,000
Equipment	80,000
Assistance Costs	130,000
Consultants > \$25,000	60,000
Construction Costs	<u>85,000</u>
<b>Direct Cost Base</b>	<b>\$4,545,000</b>

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**Indirect Cost Rate Types**

**Four Types of Rates:**

1. **Provisional Rate:** *Temporarily subject to adjustment*  
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 for a final rate.
2. **Final Rate:** *Not subject to adjustment*  
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 a Tribe's actual costs are known, typically a fiscal year. Once established, a final indirect cost rate is used to adjust the indirect costs claimed.

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**Indirect Cost Rate Types**

**Four Types of Rates:**

3. **Predetermined Rate:** *Not subject to adjustment*  
Negotiated permanent indirect cost rate established for a specified current or future period. May be used on awards where there is a reasonable assurance that the rate is not likely to exceed a rate based on a Tribe's actual costs. May not be used for federal contracts due to legal constraints.
4. **Fixed Rates with Carry Forward:** *Adjusted in a future period*  
A permanent indirect cost rate established for a future prospective period of time used for budgeting, obligations, and payment of funds by awarding agencies. Actual costs are determined by the Tribe's accounting system and the difference between fixed and actual is carried forward to a future period (usually the Tribe's fiscal year) in order to adjust the fixed rate for any over or under recovery.

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**Indirect Cost Rate Types**

**Fixed Rates with Carry-Forward** are used by a majority of Self-Governance Tribes:

The indirect cost negotiation process is a two-year cycle. The Tribe's accounting system determines actual costs each year. Therefore, the previous year's actual costs and recoveries, compared to projected, are reconciled to the audited financial statements. Differences are adjusted into the calculation of the indirect cost rate the following year.

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**Classification of Costs: Direct costs**

200.412 – 200.414

**Direct Costs:**

Can be identified specifically with a particular final cost objective (i.e., a particular award, service or direct activity).  
Minor items may be treated as indirect for reasons of practicality, if consistently applied.  
Unallowable costs may still be direct.

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**Classification of Costs: Indirect costs**

200.412 – 200.414

**Indirect Costs:**

Pooled as shared costs, not specifically allocated but distributed to different awards and programs with an approved rate.  
Must be grouped into one or more equitable cost pools to determine appropriate rate(s).  
Cost in the pool must be allowable under the federal government cost principles.

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**Classification of Costs: Indirect costs**  
200.412 – 200.414

**Indirect Costs:**

A formal indirect cost proposal must be submitted and approved. Once approval is granted, charges can then be distributed by means of an indirect cost rate.  
Application of indirect cost rates must be supported by formal accounting records available for auditing.

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**Indirect Costs: Distribution Base**

**Distribution Base:**

The established basis for the costs to determine the rate. The cognizant agency must agree to the distribution base.  
The most widely accepted distribution bases for indirect costs are:  
Direct labor (Salaries Only)  
Direct labor and fringe (Salaries & Fringe)  
Total direct costs (TDC)  
Modified total direct costs

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**What's Allowed?**  
200.404

**For any cost to be allowable under a federal award, it must be:**

**Necessary and reasonable for the performance of the award**  
Not prohibited under Tribal law or regulation  
Treated consistently  
Comply with generally accepted accounting principles (GAAP)  
Not included as a cost under another award or federal program  
**Allocable costs assigned must be in proportion to the benefits received**  
Cannot be shifted to overcome deficiencies in other programs  
Must be supported by a cost allocation plan

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**What's Not Allowed?**

200.412 – 200.475

**General Government Expenses:**

Including expenses of the judiciary, Tribal court, enrollment costs, elections, police and fire services and more than 50 percent of the Tribal Council.

For federally-recognized Tribal governments and councils of Tribal governments, the Interior Business Center will accept up to 50 percent of the portion of salaries and expenses directly attributable to managing and operating federal programs.

See OMB letter dated 06/12/2000

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**OSG's Annual Data Call:**

OSG relies upon Tribes to furnish the exclusions each year, consistent with the Tribes' Indirect Cost Agreements (IDA). Self-Governance Tribes are authorized to reallocate unrestricted funds under the funding agreement and do not submit program budgets, so OSG otherwise does not have the necessary information to calculate exclusions. Tribes who have multiple rates also must furnish a distribution of program funds applicable to each IDA rate, because OSG does not have direct access to Tribes' internal accounting and cannot make this determination.

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**CSC Overpayments:**

In Fiscal year 2014, the Office of Self-Governance (OSG) calculated your Contract Support Cost (CSC) amount at \$ \_\_\_ as shown in the draft 2014 CSC Report. Your individual Tribe's data is provided on the enclosed spreadsheet that was also emailed to your CSC contact. You can check OSG's website <http://64.58.34.34/osg> where the CSC Policy and the 2014 CSC date call letter are posted.

The amount paid to ABC Tribe under your annual funding agreement for 2014 exceeds the 100% need stated in the 2014 CSC report by \$ \_\_\_, which appears to be an overpayment. The CSC Report was constructed based upon the best available data using the 2014 finance reports, the most current indirect rates on file and the last information received from the Tribe. 2014 CSC information was requested made pursuant to a "Dear Tribal Leader" letter of June 6, 2014.

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## Contract Support Costs Policy

POOL	TITLE	POLICY DESCRIPTION
Pool 1	ISD Fund	Composed of any funding associated with new and expanded awards- pre-awards, start-up, CSC in year one
Pool 2	CSC Base	Prior year CSC funding (base or stable funds). Composed of the total amounts awarded by the BIA in prior year for direct and indirect CSC
Pool 3	CSC Increase	Composed of amounts, if any, appropriated for increases from the prior year "CSC base." Paid out to meet additional CSC needs in a bottoms up approach

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## BIA Contract Support Costs Workgroup

- Formed in 2003 as part of RAMAH settlement for DCSC Policy
- Convenes annually to provide technical advice to BIA/Tribes
- Revised entire Policy (not just DCSC)
- May 8, 2006-New policy adopted
  - Based upon IHS DCSC @ 15% Salaries in July 2007
  - 1<sup>st</sup> Annual CSC Shortfall Report to Congress for FY 2009 in FY 2010

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**Questions?**

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