



INDIRECT COST RATE APPROVAL PROCESS

Presented by Fred Vocal and George Chacko
Financial Management Division
Economic and Workforce Development Department
September 19, 2013

PROCEDURE FOR APPROVAL OF INDIRECT COST RATE

SUB-RECIPIENTS WITH FEDERAL COGNIZANT AGENCY

- ▶ Submit a copy of the Indirect Cost Rate Agreement from the federal cognizant agency to EWDD along with a copy of the proposal submitted.
- ▶ This rate agreement will be the basis for EWDD's approval of the sub-recipient's indirect cost rate, subject to funding availability and grant restrictions
- ▶ EWDD – FMD will issue an approval letter.

SUB-RECIPIENTS WITHOUT A FEDERAL COGNIZANT AGENCY

- ▶ Submit your indirect cost rate proposal package to EWDD
- ▶ Worksheet(s) showing the computation of the indirect cost rate– (including notes for adjustments).
- ▶ Audited financial statements – The direct and indirect costs in the worksheet should be traceable and reconcilable with the costs in the audited financial statements.

DOCUMENTATION FOR PROPOSAL SUBMITTED TO EWDD

- ▶ Certificate of Indirect Costs signed by a staff at a level no lower than Executive Director or Chief Financial Officer.
- ▶ A Cost Policy statement that identifies what the agency consider as direct and indirect costs and the rationale to support those costs.
- ▶ Latest Organization Chart

DOCUMENTATION FOR PROPOSAL SUBMITTED TO EWDD

- ▶ A cover letter forwarding these documents to the Director, Financial Management Division.
- ▶ If the proposal is complete and approved, FMD will issue a formal letter stating the following:
 - a final rate and period covered
 - tentative rate and period covered

Tentative rate made final

- ▶ The tentative rate will be revised and a final rate approved for the same period when a new indirect cost proposal is submitted next year.

Return of Over payment of indirect cost

- ▶ Tentative rate is an estimated rate based on the prior year financial statements.
- ▶ The final rate approved is always based on audited financial statements.
- ▶ If the final rate is lower than the provisional rate, any overpayment must be refunded to EWDD.
- ▶ If the final rate is higher than the provisional rate, sorry!

REIMBURSEMENT LIMITS

- ▶ Recovery of indirect cost is subject to rate limits established for the program, budget limitations, availability of funds, meeting single audit requirements, etc.
- ▶ Will not be reimbursed for the period not covered by an approved indirect cost rate.
- ▶ Approval expired – submit new proposal and get new approved rate to get reimbursed.

How to Report Indirect Cost between Admin & Program, if required?

- ▶ Use grant's definition of "administrative" and "program" costs;
- ▶ Perform the following steps:
 1. Review all costs included in the indirect cost pool and identify as "admin" and "program";
 2. Calculate the proportion to total costs for each category;

How to Report Indirect Cost between Admin & Program, if required?

3. Calculate the total indirect cost attributable to the contract
4. Apply the % calculated in # 2 above to the total indirect cost amount calculated in #3 above

Who reviews & approves your proposal

AUDIT STAFF

Mail to

Catherine Bondoc, Director
Financial Management Division
1200 W 7th St,
Los Angeles, CA 90017

QUESTIONS??

