

# Indirect Costs or Contract Support Costs

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# Contract Support Costs (CSC)

- These funds are made up of both Indirect and Direct CSC (DCSC).
- Direct CSC is usually the amounts for the initial direct operation of the program. These funds are recurring. These costs will be excluded from the indirect amounts due to being paid by Direct CSC, Area and Headquarter shares usually involve the Information and Technology Department (IT).
- Examples of DCSC are described in the standards for the review and approval of CSC in Manual Exhibit 3-6-H. These may include, but are not limited to:
  - a. unemployment taxes on direct program salaries,
  - b. workers compensation insurance on direct program salaries,
  - c. cost of retirement for converted civil service and United States Public Health Service Commissioned Corps Officer salaries,
  - d. insurance,
  - e. facilities support costs to the extent not already made available,
  - f. training required to maintain certification of direct program personnel, and
  - g. any other item of cost that meets the definition of CSC at Section 106(a)(2), but is not included in the awardee's IDC pool or the Section 106(a)(1) amount.
- In addition it should be mentioned that the primary approved costs are usually fringe benefits that are in excess of what the IHS would pay in a direct run facility. a and b above on direct IHS funded salaries are always allowed,
- Indirect CSC are non-recurring which are subject to renegotiation each year. These are based upon either a negotiated rate or an approved rate by the Tribal Cognizant Funding Agency. **This is the focus of this workshop.**
- **Indirect Cost is any cost not directly identified with a single cost object.** ( When Human Resources performs duties who benefits?)

# Types of Indirect Rates

- 1. Indirect Rate Approved by Cognizant Funding Agency (CFA) – Submit rate and documentation to get an formal approved rate from CFA.
- 2. Negotiated Rate with Cognizant Funding Agency – Using documentation to support your rate with CFA.
- 3. De Minimis – 10% Rate per OMB section 200.414 2 CFR 200.414 (f) specifically says “except for those non-Federal entities described in Appendix VII to Part 200 – States and Local Government and Indian Tribe”.
- It would only apply to the 501 (c)3 tribal organizations.

# Five Types of Allocation Bases

- 1. Direct salaries and wages without benefits.
- 2. Direct salaries and wages including benefits.
- 3. Total direct costs less capital expenditures, equipment, contracts in excess of \$25,000 and pass-through funding. If possible rent and utilities should be allocated based upon what space was used for.
- 4. Modified total direct costs consisting of salaries and wages, fringe benefits, materials and supplies, services, travel and sub awards up to \$25,000 each or all sub awards.
- 5. Total direct costs less capital expenditures, equipment, contracts in excess of \$25,000, pass-through funding, scholarships and fellowships. This is used in Educational Organizations.

# Methods of Allocation

- 1. Simplified – Which is where the rate that is determined is applied equally to all major functions, using the chosen base.
- 2. Direct Allocation – Where Indirect Costs are directly charged to the major functions or departments

# Things which will help track Indirect

- Either set up a Department or a special funding code for indirect in your chart of accounts.
- Example : Wages 51000 IDC Position 51009
  - Supplies – 71000 - IDC - 71009
  - Department Human Resources– 07
  - Special Funding Code Indirect – 02

# Things which will help track Indirect (cont.)

- This will help you to support and track your indirect costs in your accounting system and make the system do the work for you for most of the costs that can be coded directly to indirect.
- The other items such as exclusions and salaries and benefits you will have to make up spreadsheets to track and support your numbers.

# Allocations to remember

- Indirect departments such as fiscal, human resources etc are 100% indirect.
- Directors or other policy reviewing and implementing positions can be 50% indirect.
- The administrative assistants of those positions can also be 50% indirect.
- Board honorariums can 100% indirect



# Steps in Preparing Indirect Calculation

- 1. Use information from your last completed audit.
- 2. Determine Indirect costs. Gather staff costs and other costs allocated to indirect activities, human resources, finance, etc.
- 3. Determine direct costs, excluding unallowable costs.
- 4. Calculate the Indirect percentage using the allocation base you have chosen.
- 5. Use several allocation bases the first time to see your best rate.



# QUESTIONS ?

