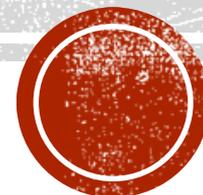


CONTRACT SUPPORT COSTS UPDATE

DIRECT SERVICES TRIBES

SEPTEMBER 1, 2016



IHS BUSINESS PRINCIPLES & GOALS

- Comply with requirement to pay full CSC need
- Improve communication
- Improve business practices
 - consistency and fairness for all Tribes
- Continued progress on CSC Contract Disputes Act claims
- Implement IHS CSC Policy

CSC — STATUTORY DEFINITION

- - “[A]n amount for the reasonable costs for activities which must be carried on by a tribal organization as a contractor to ensure compliance with the terms of the contract and prudent management, but which—
 - (A) normally are not carried on by the respective Secretary in his direct operation of the program; or
 - (B) are provided by the Secretary in support of the contracted program from resources other than those under contract.” 25 U.S.C. § 450j-1(a)(2)
- - CSC shall not duplicate activities funded in the Secretarial amount. 25 U.S.C. § 450j-1(a)(3)



DEFINITIONS AND EXPLANATIONS

- **Contract Support Costs**

- An amount for the reasonable costs for activities which must be carried out to ensure compliance with the terms of the contract and prudent management but which:
 - Normally are not carried out by the respective Secretary in his [her] direct operation of the program; or
 - Are provided by the Secretary in support of the contracted program from resources other than those under contract.
- Identified in 106(a)(2) of the ISDEAA, and only based on funds received pursuant to 106(a)(1) of the ISDEAA.

- **Direct Contract Support Costs**

- Pays for activities that are not contained in either the IDC pool or the Section 106(a)(1) amount.



DEFINITIONS AND EXPLANATIONS

- **Duplication**
 - The Agency is required to account for the duplication of activities that may have already been funded in the original transfer of the program
 - Activities that IHS carried out/would have carried out in the operation of the program.
- **Reasonable Costs**
 - A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.
- **Allowable Costs**
 - Multiple factors – outlined in OMB Super Circular
 - Be necessary and reasonable for proper and efficient performance and administration of Federal awards.



DEFINITIONS AND EXPLANATIONS

- **Indirect Cost Rate**
 - Negotiated with the Cognizant Agency (IBC/DCA)
 - Identifies indirect cost need, not indirect contract support cost need
- **Indirect Costs**
 - Costs incurred for a common or joint purpose benefiting more than one cost objective, the cost is not entirely assigned to one program
 - Indirect Cost = base times rate
- **Indirect Contract Support Costs**
 - Based on a Tribe's Direct Cost Base times rate, and accounts for reasonableness and duplication of activities that are included in the Tribe's 106(a)(1) amount.

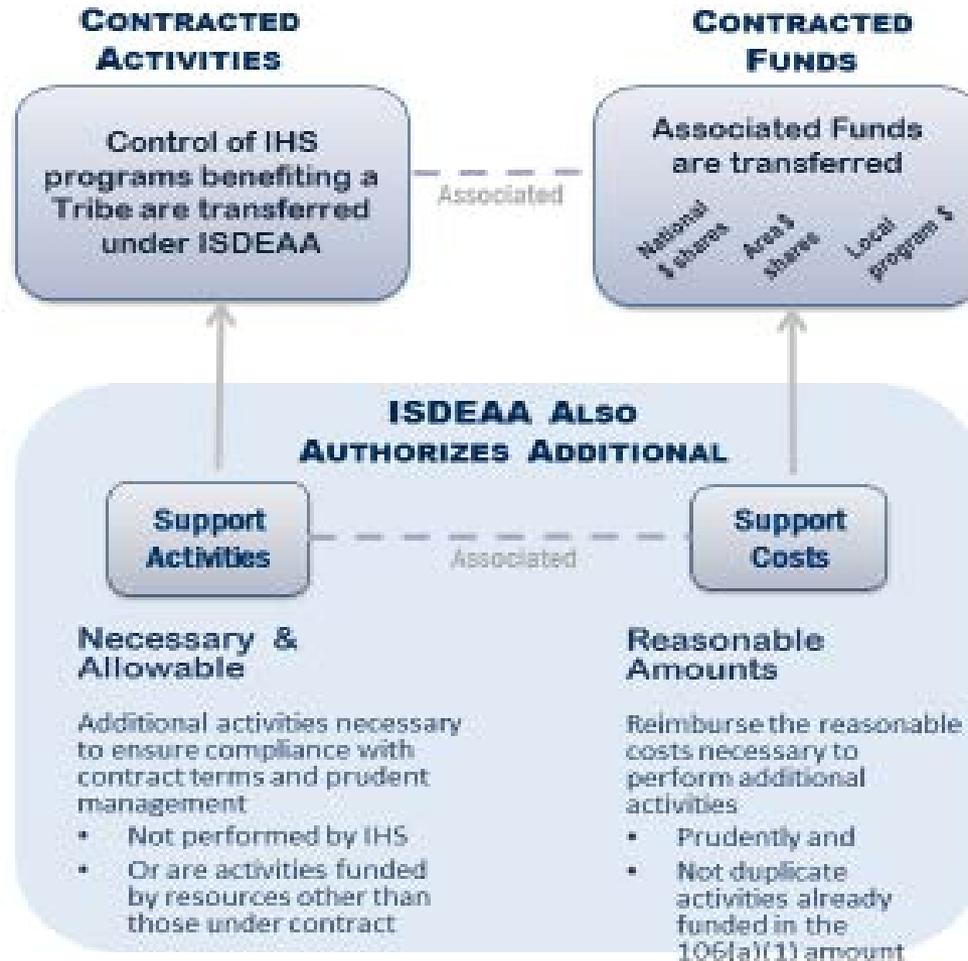


DEFINITIONS AND EXPLANATIONS

- Passthrough/Exclusion
 - Determined by Tribe's rate agreement. Examples:
 - If a Tribe's base is Salaries only all other costs are considered exclusions
 - If a Tribe's base is total direct costs:
 - Passthrough – The Tribe's rate will typically outline that major subcontracts, payments to participants, stipends to eligible recipients, and subgrants, which all require minimal administrative effort are considered passthrough.
 - Exclusions – Costs not included in the calculation of a direct cost base (can include passthrough funds).
 - Examples: Capital equipment
- Indirect type costs
 - Negotiated when a Tribe does not have an IDC agreement or the agreement is outdated (more than 4 years).
 - A lump sum amount for “indirect type costs”. Categories of typical costs are outlined in the policy.



CONTRACT SUPPORT COSTS



→ 106(a)(1) funds – (Secretarial Amount)

→ 106(a)(2) funds – (CSC)

WHAT IS CSC?



Contracted PSFA:
Example: Mental Health

106(a)(1)
(Secretarial Amount)

-*Program Dollars*: all money spent on federal operation of PSFA at the Service Unit level.

-*Area Mental Health Shares* (primarily administrative in nature)

-*HQ Mental Health Shares* (primarily administrative in nature)

106(a)(2)
CSC-Direct

-Difference of Fringe Benefit as outlined in the policy for mental health program only

- Workers Comp for mental health program only

-Unemployment Insurance for mental health program only

-See IHS CSC Policy

106(a)(2)
CSC-Indirect

-Direct Cost Base of Contracted Program times applicable indirect cost rate

-Evaluate the indirect cost pool to ensure the costs are reasonable and are not duplicative of activities funded through the Secretarial amount or direct CSC

-Less indirect costs already funded through the Secretarial amount

-Or, non-duplicative Indirect Type Costs associated only with Contracted Program

Duplication - Consider activities already funded in the Secretarial amount upon transfer of this mental health program.

Contract Support Costs (CSC) Negotiation Template (FY 20XX)			
Check one box:			
Estimate of CSC need	<input type="checkbox"/>		
Final CSC Reconciliation	<input type="checkbox"/>		
Check one box:			
FA Amendment	<input type="checkbox"/>	Number	# _____
FA CFR	<input type="checkbox"/>	Number	# _____
Date Completed:			
Tribe: Example Tribe	Subtotals	Totals	Source of Inputs
A Program (Service Unit) Funding	\$655,943.00		Recurring and Non-Recurring Eligible Funding for the T/TO's Programs, Functions, Services, or Activities (PFSA) at the Service Unit Level.
A.1 Expenditures from carryover funds for which CSC was not funded, net of pass-throughs and exclusions	\$0.00		Pursuant to Section 6-3.2(E)(1)(b)(1)(b)(i). This is determined not by how the tribe allocates funds in its accounting, but by how IHS calculates CSC in the year in issue.
B Total Area Tribal Shares	\$25,000.00		Recurring and Non-Recurring Eligible Funding for the T/TO's PFSA at the Area Level (Area Office Tribal Shares, or AOTS).
C Total Headquarters Tribal Shares	\$10,000.00		Recurring and Non-Recurring Eligible Funding for the T/TO's PFSA at the Headquarters Level (Headquarters Tribal Shares, or HQTS).
D Total 106(a)(1)	\$690,943.00		Items A + B + C (Total Recurring and Non-Recurring eligible funding awarded under 106(a)(1) of the ISDEAA)
E.1 Identified Indirect Costs (IDC) Associated With Recurring Service Unit Shares	\$0.00		Negotiated and calculated pursuant to Section 6-3.2(E)(3)(a) case-by-case analysis or (b) 97-3 method.
E.2 IDC Associated With Tribal Shares	\$7,000.00		Negotiated and calculated pursuant to Section 6-3.2(E)(4)(a) case-by-case analysis or (b) 80-20 method.
E.3 Total IDC Associated With 106(a)(1)	\$7,000.00		This represents PFSA funded in the 106(a)(1) amount determined to be duplicative of T/TO IDC Costs.
F Direct Costs Funded through 106(a)(1)		\$683,943.00	Item D - E.3
G Prior Year Direct CSC (DCSC) Need	\$76,390.00		Per prior-year agreement.
H Inflation Factor	1.6%		To be provided by IHS when final inflation rate for previous year becomes available (usually in November). Final rate would be used to update this amount, and award tribe inflation on DCSC at the end of IHS's first quarter. See Section 6-3.2(D)(3), including footnote 3.
I.1	\$77,612.24		
I.2 Current Year DCSC Need	\$0.00	\$77,612.24	D21-22 will automatically incorporate either the prior-year DCSC need (reflected in D21) or, if there is a current-year renegotiation, the renegotiated amount (reflected in D22).
I.3 Startup and Pre-Award Need		\$450.00	Summarizes the negotiation for Nonrecurring Pre-Award and Startup costs for new or expanded PSFA's in the upcoming year.
J Total Direct Costs		\$762,005.24	Items F + I, but subject to Section 6-3.2, Section E.1.a, Estimate of Indirect CSC Need and Funding Prior to the Contract Year and E.1.b, Determination of Final Amount for Indirect CSC Need and Funding.
K Less: Passthroughs and Exclusions		\$14,262.29	The amount of passthroughs and exclusions funded by IHS.
L Direct Cost Base		\$747,742.95	Item J - K
M Most current IDC rate		25.12%	Current IDC rate. If T/TO has multiple IDC rates, enter blended rate and submit detailed calculation of the blended rate.
N IDC Need (Non-Recurring) Based on IDC Rate		\$187,833.03	Item L * M (Direct Cost Base x IDC Rate)
O Indirect Costs (IDC) Associated with 106(a)(1)		\$7,000.00	Item E
P Current-Year Indirect CSC Need		\$180,833.03	Item N - O (Total IDC need less IDC associated with 106(a)(1)).
Q IDC-Type Costs		\$0.00	As negotiated. Enter \$0 if the T/TO negotiates indirect CSC solely based on its IDC rate, pursuant to 6-3.2(E)(2) also Exhibit H, footnote 5.
R Current-Year Total CSC Need		\$258,445.27	Items I + P (Total need for DCSC and indirect CSC)
S Current-Year DCSC Need		\$77,612.24	Item I
T Total DCSC Paid Year-to-Date		\$0.00	Total DCSC funding paid to the tribe/tribal organization (T/TO) year-to-date.
U Current-Year Indirect CSC Need		\$180,833.03	Items P + Q
V Total Indirect CSC Paid Year-to-Date		\$100,000.00	Total indirect CSC funding paid to the T/TO year-to-date.
W Current-Year Startup and Pre-Award Need		\$450.00	Item I.1
X Total Startup and Pre-Award CSC Paid Year-to-Date		\$0.00	Total Startup and Pre-Award CSC funding paid to the T/TO year-to-date.

Note Regarding Sub-Awards: The template awards CSC on the direct cost base incurred by the T/TO. If the T/TO has an agreement(s) with a sub-awardee whose costs are eligible to be considered in the CSC need of the T/TO AND the T/TO treats sub-awards as a passthrough cost when determining its direct cost base, the total CSC negotiated can be adjusted to incorporate eligible costs specifically identified for each sub-awardee (while recognizing sub-awardee passthroughs and exclusions and the sub-awardee's indirect cost rate).

IHS CSC POLICY – TRIBAL CONSULTATION

- DTLL letter dated April 11; 60-day Tribal Consultation
- Self-Governance National meeting
- Region IX Meeting
- Region X Meeting
- 40 responses (email and letters)

IHS CSC POLICY – CHANGES/UPDATES

- Overall goal is to simplify and streamline the process
- Includes Guiding Principles
- Expanded on definitions to assure and support broad understanding and consistent application
- Startup and Pre-Award – paid on one time basis
 - Paid during the initial 12-month period
 - Within 90 after the initial year or 12 months, the Awardee will certify that all funds were spent

IHS CSC POLICY – CHANGES/UPDATES

- Direct CSC
 - Tribes recommend using the medical inflation rate – IHS is working on this request – if approved, IHS will implement without any delays. Request noted as a footnote
 - Apply the inflation rate by the end of the first quarter (final percent issued in November)
- Indirect CSC
 - Determine if prior year CSC funds were expended; verify that the total health care costs exceed the IHS funded amount.

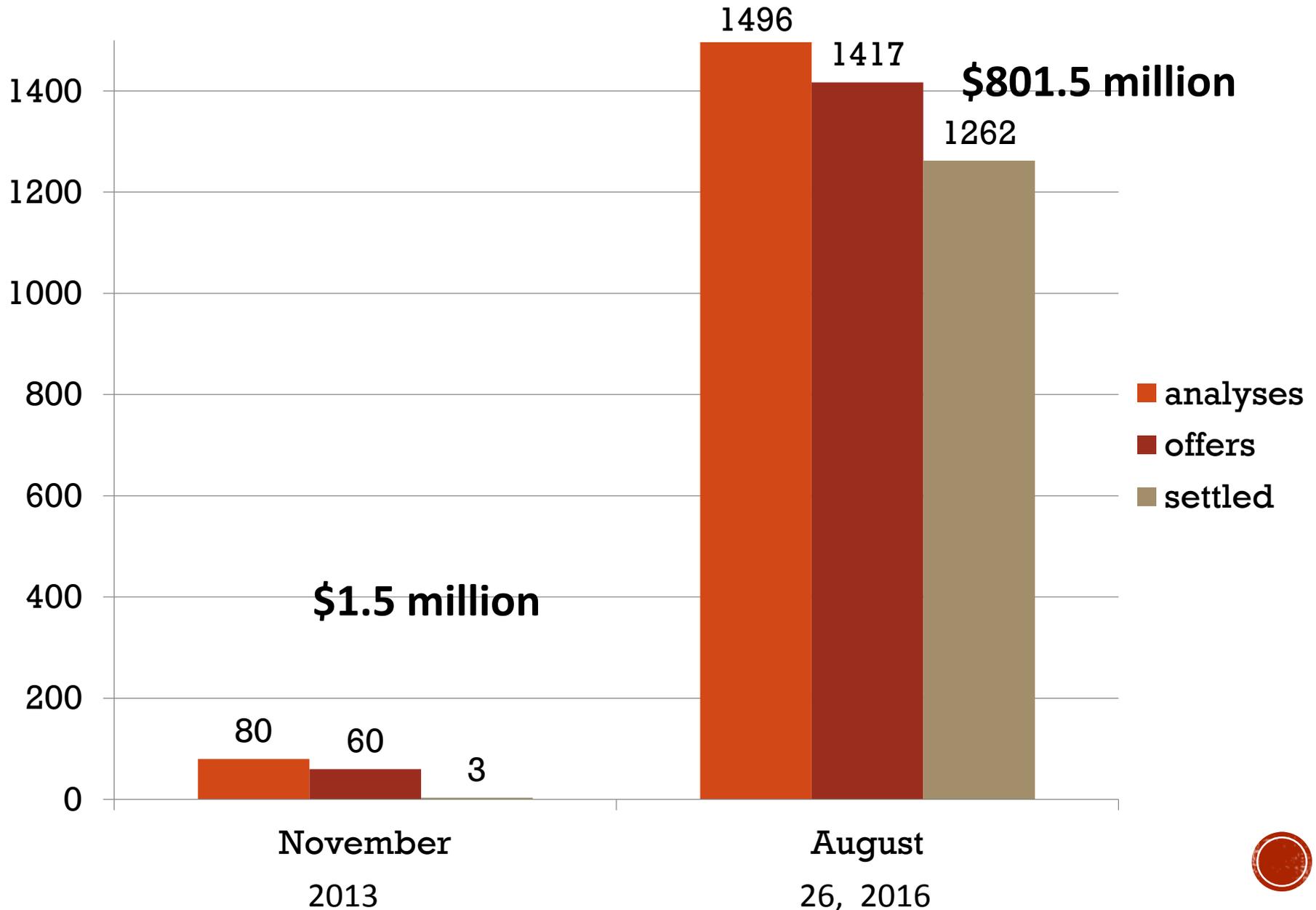
IHS CSC POLICY – CHANGES/UPDATES

- Includes option to close out 90 days after the contract term
 - Use of Rates
 - Fixed w/ Carry Forward – current or one year old rate
 - Provisional final – 2 year – final rate
 - Allows for grace period for 2014 - 2017

IHS CSC POLICY – CHANGES/UPDATES

- Alternate Methods for Calculating IDC Associated with Recurring Service Unit Shares
 - Alternative A – IHS and Awardee negotiate detail analysis
 - Alternative B – Awardee's option to elect a simplified method and use 97% / 3%, 3% of the service unit funding will be considered IDC.

IHS CSC CLAIMS SETTLEMENT PROGRESS



NEXT STEPS

- Next meeting date: September 15 & 16 proposed
- Topics:
 - Review Tribal Consultation comments
 - Review templates that support the ACC
 - Training for internal and external customers
- Implement IHS CSC Policy

QUESTIONS?

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