Centralized Indirect Cost Rate System Demo & ICRP Development

Carol Kraus, CPA
Sean Berberet
Dawn Pyles
Grant Accountability and Transparency Unit
Objectives

- Centralized Indirect Cost Rate System updates – flowchart and reminders
- CARS demo
- ICRP development
  - Required documents
  - Allocation methodologies
  - Distribution bases
- Most common issues regarding ICRP development
- References and resources
Centralized Indirect Cost Rate System Election Updates

1. De Minimis rate of 10% MTDC
2. Federal Negotiated Indirect Cost Rate Agreement (NICRA)
3. “No rate” election
   (Referred as the “Easy 3”)
4. State of Illinois NICRA – Indirect Cost Rate Proposal (ICRP)
1. De Minimis Rate of 10% MTDC

- Eligible: nonprofits and local government divisions that have never negotiated a rate with the State of Illinois Centralized Indirect Cost Rate System or the federal government

- If eligible, de minimis rate may be used indefinitely until grantee negotiates an ICR
  - Grantee can negotiate an ICR at anytime
  - Once a ICR is negotiated, the grantee can never utilize the de minimis rate again
2. Federal Negotiated Indirect Cost Rate Agreement (NICRA)

- Nonprofits receiving direct federal funding must negotiate with their federal cognizant agency regardless of dollar amount
  - If federal agency refuses to negotiate, written documentation from federal agency required for State of Illinois to negotiate a State NICRA

- Federal NICRAs must be accepted by state agencies subject to statutory requirements
2. Federal NICRA (Continued)

- Organizations with a current federal NICRA, must submit a copy to the centralized indirect cost rate system

- Program-specific rate letters may be submitted, but *do not* constitute an overall agency approved rate
  - Program-specific rate agreements will only be honored under the requirements in the rate letter
3. “No Rate” Election

- Organization chooses not to seek ANY indirect cost reimbursement on ANY State of Illinois award

- Grantees with awards that have statutory indirect or administrative restrictions must have an approved rate to claim the statutory restriction amount

- GATU recommends at least electing the de minimis rate, if eligible
4. State of Illinois NICRA

- Grantees may be develop a ICRP in accordance with Uniform Guidance and submit centrally for approval.

- Once a State of Illinois NICRA is approved, it may be used on all State awards that allow indirect cost reimbursement, subject to statutory requirements.
4. State of Illinois NICRA (Continued)

- Not Eligible: Grantees that receive direct federal funding
  - Must negotiate NICRA with federal cognizant agency, regardless of federal funding amount

- State of Illinois approved NICRAs cannot be used on direct federal awards
Annual Requirement for Indirect Cost Rate Selections

- ALL INDIRECT COST RATE SELECTIONS MUST BE MADE IN THE CENTRALIZED INDIRECT COST RATE SYSTEM ANNUALLY BY ALL GRANTEES

- Centralized Indirect Cost Rate System is currently ONLY available to organizations that receive awards directly from a State agency
Enhancements to the Centralized Indirect Cost Rate System

- De minimis rate template no longer required
- Organizational breakdown of all funding sources no longer required
- Audited Financial Statements / Single Audit only required for State of Illinois ICRP
- “EASY 3” elections go directly to Cognizant Agency for immediate acceptance
“Easy 3” CARS
System Flow
Indirect Cost Rate Election
and Negotiation

1. De Minimis Rate
   - Certify that they’ve never negotiated a rate
   - Submit to Cog Agency for Acceptance
   - Grantee receives notice of Cog Agency approval via email
   - END

2. Federal NICRA
   - Attach copy of NICRA
   - Certify
   - Submit to Crowe for NICRA verification
   - Submit to Cog Agency for Acceptance
   - Grantee receives notice of Cog Agency approval via email
   - END

3. No rate
   - Certify no indirect costs will be reimbursed
   - Submit to Cog Agency for Acceptance
   - Grantee receives notice of Cog Agency approval via email
   - END

1., 2. and 3. Do NOT Require:
* Audited financials
* De Minimis template
* Organization’s revenue breakdown

Grantee receives notice of Cog Agency approval via email
END
END
END
CARS Demo of Rate Elections

- Demonstration of rate election updates
  - De minimis rate
  - Federal rate
  - “No Rate”

- CARS updates for State of Illinois ICR proposal will be implemented in early November
  - Demonstration will be provided when complete
ICRP Development

What’s required for a complete Indirect Cost Rate Proposal (ICRP) submission to the State of Illinois?

- Chart of accounts
- Organizational chart
- Audited financial statements
- Single Audit
  - If not subject to Single Audit, provide an inventory of all federal, state and federal pass-through programs
- Organizational budget, if applicable
- Cost policy statement
- Proposal worksheet / template
Chart of Accounts

Financial tool that provides a complete description of every detailed line item in an accounting system

A well-designed chart of accounts can streamline the ICR development process tremendously

- By coding direct, shared (mixed), indirect and unallowable costs into a discrete and reasonable number sequences, the accounting system is transparent and easily produces indirect cost reports
Regularly review allocation of expense accounts including employee salaries and benefits

Analyze usage of space; use square footage percentages for expenses such as rent, utilities, and depreciation
Organizational Chart

- Provides a depiction of the various services/functions for each unit
- Determine which personnel within the units are classified as direct, shared (mixed) or indirect for the organization
Audited Financials / Single Audit

- Most current audited financials must be used in the ICRP development and submission
- Subsequent ICR proposals are required 6 months after the organization’s fiscal year end (FYE)
- If Single Audit threshold is met, the organization has 9 months or 30 days after issuance (whichever is earlier) to submit a subsequent proposal
Audited Financials / Single Audit (Continued)

- IRS 990s may be used if audited financials are unavailable
- Audited financials must reconcile to the ICRP worksheet
- Expenses submitted for audit by management should be converted to Cost Principle categories for ICRP development (e.g. Budget Narrative)
An organizational budget may be applicable if the organization had significant changes from its most recent audited year financials:

- Material increase / decrease in grant funding
- Material increase / decrease in other activities

Organization is responsible to submit their annual budget and notify the ICRP reviewer of significant changes:

- Significant programs added/removed from prior year
- Consolidation of 2 or more organizations
Cost Allocation Methodologies

Know the facts:
- 2 CFR 200 Subpart E – Cost Principles
  - 2 CR200.405 Allocable Costs
- Appendix IV, V, VII

Acceptable Cost Allocation Methodologies for ICRP Development
- Simplified Allocation Method
- Direct Allocation Method
- Multiple Allocation Base Method
Cost Classification

Before we discuss the acceptable allocation methodologies for ICRPs, let’s briefly review how to classify a cost per Uniform Guidance.

- Classification of costs
  - Direct or Indirect
  - Allowable or Unallowable
Direct or Indirect?

Are the costs below Direct or Indirect?

- Grant Manager
- Rent
- Computers
- Copier
- Travel
Direct, Indirect or Both

ALL costs below could be classified as Direct, Indirect or both.

- Grant Manager
- Rent
- Computers
- Copier
- Travel

200.412 – There is no universal rule for classifying costs as direct or indirect (F&A) under every accounting system

A cost may be direct with respect to some specific service or function, but indirect with respect to the Federal award or other final cost objective

(Supporting Documentation and Allocation Methodology)
Travel Costs

- Travel costs can be classified as both Direct and Indirect
- Determine if costs are allowable per Federal guidelines

1. Travel costs for mandatory training for Program A (Direct and Allowable)
2. Travel costs for nonprofit CEO to conduct fundraising activities (Direct and Unallowable)
3. Travel costs for organization holiday party (Indirect and Unallowable)
4. Travel cost for personnel manager training (Indirect and Allowable)
Cost Allocation Methodologies

- Simplified Allocation Method
- Direct Allocation Method
- Multiple Allocation Base Method
**Simplified Allocation Method**

When the organization's major functions benefit from indirect costs to approximately the same degree, indirect costs may be allocated by:

(i) separating the organization's total costs for the base period as either direct or indirect, and

(ii) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base
# Simplified Allocation Method

<table>
<thead>
<tr>
<th>Functional Expense</th>
<th>Total</th>
<th>Indirect</th>
<th>Direct</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Allowable</td>
<td>Unallowable</td>
</tr>
<tr>
<td>Direct Personnel costs</td>
<td>$389,688</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indirect Personnel costs</td>
<td>$297,187</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional fundraising fees</td>
<td>$8,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounting Fees</td>
<td>$15,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal Fees</td>
<td>$250</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplies</td>
<td>$8,100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telephone</td>
<td>$3,600</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Postage and shipping</td>
<td>$500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Occupancy</td>
<td>$42,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment Rental &amp; maintenance</td>
<td>$6,700</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Printing &amp; publications</td>
<td>$750</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travel</td>
<td>$3,900</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conferences/conventions/meetings</td>
<td>$11,560</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td>$110,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contracted Labor</td>
<td>$198,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>$17,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>$40,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Direct and Indirect Costs</strong></td>
<td>$1,153,234</td>
<td>$411,837</td>
<td>$28,000</td>
</tr>
</tbody>
</table>

**Allocation Base:**
- **Total Allowable Direct Costs:** $713,273

**Indirect Cost Rate:** 57.74%

**Allocation of Indirect Costs:**
- **Total Allowable Indirect Costs:** $411,837
- **Allowable Indirect Costs:** $219,850
- **Unallowable Indirect Costs:** $176,004
- **Fund Raising:** $13,055
- **Other Activities:** $2,928
The simplified method generally results in a higher indirect rate vs. the direct method

- This is because General and Administrative indirect costs are grouped together with jointly shared indirect costs

- Unallowable costs must be excluded while unallowable activities (e.g., fundraising) must be allocated their share of the organization’s indirect costs [2 CFR 200.413(f)]
Some nonprofits treat all costs as direct except general administration and general expenses.

It’s common for these organizations to separate costs into 3 basic categories:

(i) General administration and general expenses,
(ii) Fundraising, and
(iii) Other direct functions (e.g., projects performed under federal awards)
Joint costs such as depreciation, rental costs, facilities operation and maintenance, phone expenses are prorated individually as direct costs to each category and to each grant award and activity.

Use a base most appropriate to the particular cost being prorated.
Square footage is an acceptable allocation method to prorate a cost directly to a program for the space used.
Square Footage is an acceptable allocation method to prorate a cost directly to a program for utilities charges in the rental space used.
Square Footage is an acceptable allocation method to prorate a cost directly to a program for **janitorial services** and **utilities charges** in the **rental space used**.
Besides square footage, Full Time Equivalents (FTE) is another acceptable and widely used allocation methodology for prorating or direct charging certain expenses.

<table>
<thead>
<tr>
<th>Expense</th>
<th>FTE – Direct (4)</th>
<th>FTE – Indirect (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cell Phones</td>
<td>$600 mo.</td>
<td>$402</td>
</tr>
<tr>
<td>IT Support</td>
<td>$950 mo.</td>
<td>$637</td>
</tr>
</tbody>
</table>
Direct Allocation Method (Continued)

- Direct Allocation Method is recommended to maximize direct cost recovery associated with a program

- Most widely used allocation methodology

- **IMPORTANT:** Any method of allocation can be used if it results in an equitable and reasonable distribution of costs.
  - The organization must support the rationale and documentation for the selected method of allocating indirect costs
Direct Allocation Method Example

| Functional Expense | Total | G&A | | | | | | Federal Programs | Unallowable | State/Local Programs | Other Programs | Fund Raising | Other Activities |
|--------------------|-------|-----|-----|-----------------------------|------------------|---------------------------|----------------|----------------|----------------|----------------|------------------|------------------|
| Direct Personnel costs | $517,361 | |   | 307,589 | | | | 188,876 | | | | | |
| Indirect Personnel costs | $227,187 | | | 227,187 | | | | | | | | | |
| Professional fundraising fees | $8,500 | | | | | | | 8,500 | | | | | |
| Accounting Fees | $15,000 | | | | | | | | | | | | |
| Legal Fees | $250 | | | | | | | | | | | | |
| Supplies | $8,100 | | | | | | | 3,346 | 2,055 | | | |
| Telephone | $3,600 | | | | | | | 1,487 | 913 | | | |
| Postage and shipping | $500 | | | | | | | 207 | | | | |
| Occupancy | $42,000 | | | | | | | 30,450 | 8,085 | | | |
| Equipment Rental & maintenance | $6,700 | | | | | | | 2,200 | | | | |
| Printing & publications | $750 | | | | | | | | | | | |
| Travel | $3,900 | | | | | | | 1,200 | 125 | | | |
| Conferences/conventions/meetings | $11,560 | | | | | | | 3,500 | | | | |
| Food | $110,000 | | | | | | | 63,000 | 47,000 | | | |
| Contracted Labor | $198,500 | | | | | | | 112,000 | 86,500 | | | |
| Interest | $17,000 | | | | | | | 12,325 | 3,273 | | | |
| Depreciation | $40,000 | | | | | | | 1,000 | | | | |
| **Total Direct and Indirect Costs** | **$1,210,908** | | | **$264,984** | | | | **$538,304** | **$28,125** | | | |

Allocation Base:
Total Allowable Direct Costs: **$917,798**

Indirect Cost Rate: **28.87%**

Allocation of Indirect Costs:
- **$155,418**
- **$99,890**
- **$7,745**
- **$1,932**
If an organization's indirect costs benefit major functions in varying degrees, indirect costs must be accumulated into separate cost groupings.

These groupings are classified within the two broad categories: “Facilities” and “Administration”.

If the organization receives more than $10 million in annual, direct federal funding, Facilities and Administration breakdown is required.
### Multiple Allocation Base Method Example

<table>
<thead>
<tr>
<th>Functional Expense</th>
<th>Total</th>
<th>(1) Employee Overhead</th>
<th>(2) Facility A</th>
<th>(3) Facility B</th>
<th>(4) Facility Mgmt</th>
<th>(5) G&amp;A</th>
<th>Federal Programs</th>
<th>State/Local Programs</th>
<th>Fund Raising</th>
<th>Other Activities</th>
<th>Unallow Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor Costs</td>
<td>$2,810,500</td>
<td></td>
<td>6,600</td>
<td>24,866</td>
<td>38,592</td>
<td>197,025</td>
<td>1,583,811</td>
<td>70,179</td>
<td>7,938</td>
<td>18,112</td>
<td>18,000</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>$821,694</td>
<td>1,930</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>463,052</td>
<td></td>
<td>18,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional fundraising fees</td>
<td>$18,000</td>
<td>25,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>18,765</td>
<td></td>
<td>15,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounting Fees</td>
<td>$25,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>123,000</td>
<td></td>
<td>55,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal Fees</td>
<td>$3,700</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,500</td>
<td></td>
</tr>
<tr>
<td>Supplies</td>
<td>$75,714</td>
<td></td>
<td>24,589</td>
<td>17,360</td>
<td></td>
<td></td>
<td>18,765</td>
<td></td>
<td>15,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telephone</td>
<td>$208,000</td>
<td></td>
<td>360,000</td>
<td></td>
<td></td>
<td></td>
<td>123,000</td>
<td></td>
<td>55,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Postage and shipping</td>
<td>$12,814</td>
<td></td>
<td></td>
<td>4,000</td>
<td>867</td>
<td>127</td>
<td>7,300</td>
<td></td>
<td>200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Occupancy</td>
<td>$534,000</td>
<td>62,000</td>
<td>420,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>52,000</td>
</tr>
<tr>
<td>Equipment Rental &amp; maintenance</td>
<td>$42,142</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4,799</td>
<td></td>
<td>9,850</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Printing &amp; publications</td>
<td>$2,745</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,000</td>
<td></td>
<td>245</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travel</td>
<td>$13,219</td>
<td>325</td>
<td>2,000</td>
<td>1,236</td>
<td>1,125</td>
<td>4,500</td>
<td>2,000</td>
<td></td>
<td>3,397</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conferences/conventions/meetings</td>
<td>$34,665</td>
<td></td>
<td></td>
<td>20,000</td>
<td>263</td>
<td>4,500</td>
<td>2,000</td>
<td></td>
<td>3,397</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td>$280,000</td>
<td>1,000</td>
<td>20,000</td>
<td>3,500</td>
<td>268</td>
<td>4,500</td>
<td>2,000</td>
<td></td>
<td>3,397</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract Labor</td>
<td>$33,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>280,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>$55,773</td>
<td>12,000</td>
<td>36,000</td>
<td></td>
<td>4,500</td>
<td></td>
<td>23,000</td>
<td></td>
<td>10,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>$87,540</td>
<td>10,750</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>12,840</td>
<td></td>
<td>7,700</td>
<td></td>
<td>56,250</td>
</tr>
<tr>
<td>Employee Overhead</td>
<td>$0</td>
<td>(82,282)</td>
<td>211</td>
<td>2,733</td>
<td>21,572</td>
<td>197,025</td>
<td>0</td>
<td></td>
<td>869</td>
<td>1,983</td>
<td></td>
</tr>
<tr>
<td>Facility A Expense</td>
<td>$0</td>
<td>(93,491)</td>
<td></td>
<td></td>
<td>21,742</td>
<td>32,613</td>
<td>50,699</td>
<td></td>
<td>869</td>
<td>1,983</td>
<td></td>
</tr>
<tr>
<td>Facility B Expense</td>
<td>$0</td>
<td>(568,638)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>568,638</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Facility Management Expense</td>
<td>$0</td>
<td>(215,565)</td>
<td></td>
<td></td>
<td>7,520</td>
<td>197,016</td>
<td>11,029</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G&amp;A Expenses</td>
<td>(0)</td>
<td>(989,830)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>820,502</td>
<td></td>
<td>115,680</td>
<td>16,750</td>
<td>21,650</td>
</tr>
<tr>
<td><strong>Total Direct and Indirect Costs</strong></td>
<td>$5,058,505</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4,193,158</td>
<td></td>
<td>591,180</td>
<td>85,639</td>
<td>110,640</td>
</tr>
</tbody>
</table>

**Allocation Base:**
1. Labor Costs: $2,570,461
2. Square Feet of Facility A: 4,300
3. Square Feet of Facility B: 37,500
4. Square Feet or All Facilities: 44,000
5. Total Costs excluding G&A: 4,068,675

**Indirect Cost Rates:**
- 3.20%
- 21.74%
- 15.16%
- 5.01%
- 24.33%
Cost Allocation Methodologies – Summary

- Simplified Allocation Method
- Direct Allocation Method
- Multiple Allocation Base Method

Acceptable allocation methodologies for grantees within:
- Organizational day-to-day operations
- Cost Policy Statement (CPS) and ICRP development
- Indirect recovery on State of Illinois awards with approved Indirect Cost Rate
Cost Policy Statement (CPS)

- The Cost Policy Statement is a description of the organization’s accounting practices, policies, and procedures for allocating direct and indirect costs.

- A CPS is required documentation for the ICRP submission.

- CPS must be signed by an authorized representative.
Cost Policy Statement (CPS)

- The CPS is the most VITAL component of an ICRP that generates an approved ICRA between the grantee and the State of Illinois.
- The CPS provides clarity and assurance re: accounting and allocation practices used to develop a rate.
- The CPS ULTIMATELY dictates how the grantee MUST use the approved indirect cost rate.
The CPS describes your organization’s accounting practices and allocation procedures for each direct and indirect expense charged to a program.

DO NOT copy examples of CPS that do not apply to your organization.

DO NOT copy policies and procedures that your organization does not practice.
Cost Policy Statement (CPS) Example

- The following model CPS is intended as guidance for organizations seeking indirect cost reimbursement under state and federal awards.
- The model assumes the organization uses the direct allocation basis of charging costs.

Cost Policy Statement (CPS)

- Your organization’s CPS should correspond exactly to costs presented in your proposal worksheet
  - CPS did not reference “Legal Fees” but the organization incurred legal fees
  - Organization’s ICRP included “Legal Fees”

- This is incorrect. CPS and ICRP must consistently present costs.
ICRP Worksheet or Template

Cost Policy Statement (CPS)

ICRP Worksheet or Template

Audited Financial Statements
This required document allows the grantee to represent actual costs identified within their CPS to be reconciled to supporting audited financial statements.

- Any worksheet format may be used provided the level of detail and supporting information is present.
- State of Illinois recommends Excel worksheet developed by the Centralized ICR unit.
ICRP Worksheet or Template (Continued)

- State of Illinois excel template is the primary ICRP worksheet for reconciliation
  - Provided within the Centralized Indirect Cost Rate System
  - Also available on the GATA website

- [https://www.illinois.gov/sites/GATA/Grantee/CentralizedIndirectCostSystem/Pages/default.aspx](https://www.illinois.gov/sites/GATA/Grantee/CentralizedIndirectCostSystem/Pages/default.aspx)
ICRP Template EXAMPLE

https://www.illinois.gov/sites/GATA/Grantee/CentralizedIndirectCostSystem/Pages/default.aspx

- Instructions
- Allowable & Unallowable Costs
- Step 1 Entity Name
- Step 2 Employee Wages
- Step 3 Five Highest Paid
- Step 4 Fringe Benefits Rate
- Step 5 Cost Pool
- Step 6 ICR Calculation
ICRP Template EXAMPLE – Step 2

**Step 2 - Employee Wages**

Purpose: To determine total salary costs and allocate total salary costs as direct or indirect.

**Supporting Documentation**
Payroll Records (e.g., payroll register, insurance records, time distribution reports).

<table>
<thead>
<tr>
<th>Position/Title</th>
<th>No. of individuals in position (B)</th>
<th>Annual Salary (C)</th>
<th>Total Indirect Costs (D)</th>
<th>Unallowable Costs (E)</th>
<th>Total Direct Costs (F)</th>
<th>Federal Program Costs (G)</th>
<th>State Program Costs (H)</th>
<th>All Other Programs / Activity (I)</th>
<th>Fundraising Costs (J)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Director</td>
<td>1</td>
<td>$128,952</td>
<td>$54,346</td>
<td>$74,606</td>
<td>$6,448</td>
<td>$48,815</td>
<td></td>
<td>$19,343</td>
<td></td>
</tr>
<tr>
<td>Office Manager</td>
<td>1</td>
<td>$34,345</td>
<td>$22,326</td>
<td>$12,019</td>
<td>$1,717</td>
<td>$5,151</td>
<td></td>
<td>5,151</td>
<td></td>
</tr>
<tr>
<td>Business Manager</td>
<td>1</td>
<td>$43,440</td>
<td>$28,239</td>
<td>$15,201</td>
<td>$2,172</td>
<td>$6,516</td>
<td></td>
<td>6,513</td>
<td></td>
</tr>
<tr>
<td>Development Coordinator</td>
<td>1</td>
<td>$33,928</td>
<td></td>
<td>$33,928</td>
<td></td>
<td></td>
<td></td>
<td>33,928</td>
<td></td>
</tr>
<tr>
<td>Grant Coordinator</td>
<td>1</td>
<td>$40,300</td>
<td></td>
<td>$40,300</td>
<td>$9,489</td>
<td>$16,119</td>
<td></td>
<td>14,692</td>
<td></td>
</tr>
<tr>
<td>Community Relations/Intake</td>
<td>1</td>
<td>$41,058</td>
<td></td>
<td>$41,058</td>
<td>$20,488</td>
<td>$20,570</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Director</td>
<td>1</td>
<td>$78,613</td>
<td></td>
<td>$78,613</td>
<td>$19,653</td>
<td>$58,960</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Coordinator</td>
<td>1</td>
<td>$56,575</td>
<td></td>
<td>$56,575</td>
<td>$14,144</td>
<td>$42,431</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Therapeutic Case Manager</td>
<td>4</td>
<td>$136,694</td>
<td></td>
<td>$136,694</td>
<td>$25,353</td>
<td>$111,341</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resident Advisor</td>
<td>2</td>
<td>$47,693</td>
<td></td>
<td>$47,693</td>
<td>$47,693</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential Supervisor</td>
<td>2</td>
<td>$88,470</td>
<td></td>
<td>$88,470</td>
<td>$88,470</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Youth Development Specialist</td>
<td>12</td>
<td>$352,494</td>
<td></td>
<td>$352,494</td>
<td>$352,494</td>
<td>$352,494</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relief Youth Development Specialist</td>
<td>10</td>
<td>$199,928</td>
<td></td>
<td>$199,928</td>
<td>$199,928</td>
<td>$199,928</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ICRP Template EXAMPLE – Step 6

**Step 6 - Indirect Cost Rate (ICR) Calculation**

Purpose: To calculate your indirect cost rate. Please choose the rate best reflecting your organization's indirect costs and document that rate in CARS. For further details, see the Instructions tab.

**Supporting Documentation**
None - all information is either pulled forward from other worksheets or calculated.

<table>
<thead>
<tr>
<th>Rate Calculation</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Indirect Costs</td>
<td>$240,528</td>
</tr>
<tr>
<td>Method A - Total Direct Salaries &amp; Benefits</td>
<td>1,324,494</td>
</tr>
<tr>
<td>Indirect Rate</td>
<td>18.16%</td>
</tr>
<tr>
<td>Indirect Costs</td>
<td>$240,528</td>
</tr>
<tr>
<td>Method B - MTDCs</td>
<td>1,543,442</td>
</tr>
<tr>
<td>Indirect Rate</td>
<td>15.58%</td>
</tr>
</tbody>
</table>

**Selected Indirect Cost Rate**
18.16%
The direct cost distribution base must be selected by a grantee in their ICRP. This base should result in an equitable distribution of indirect costs to all programs.

\[ \text{ICR} = \frac{\text{Indirect cost pool}}{\text{Distribution Base}} \]
State of Illinois Centralized Indirect Cost Rate Unit currently offers (2) distribution base options

1. Direct Salaries & Wages plus Fringe Benefits
   
   \( (S \& W + F) \)

2. Modified Total Direct Costs
   
   (MTDC)
If the organization uses Direct Salaries & Wages including Fringe Benefits, the rate calculates as follows:

\[
\text{Indirect costs} = \frac{\$382,200}{\text{Base (Direct S&W+F)}} = 29.1\%
\]

If the organization uses Modified Total Direct Costs (MTDC), the rate calculates as follows:

\[
\text{Indirect costs} = \frac{\$382,200}{\text{Base (MTDC)}} = 17.6\%
\]
Because most grant receiving organizations are labor intensive, a distribution base of Salaries and Wages plus Fringe Benefits (S&W+F) is often recommended to distribute indirect costs equitably to all activities.

S&W+F is also the easiest distribution base to calculate when applying an ICR to a financial reporting document.
Common Issues Regarding ICRP Development

1. CPS is not representative of the organization’s procedures. Allocation methods are incomplete or do not provide sufficient rationale.
   ◦ Example: How does your organization accurately account for Direct and Indirect salaries? If a combination, how is that separation determined and recorded?

2. ICRP proposal worksheet does not tie out to audited financial statements.
   ◦ Example: Failing to accurately allocate the salary of an employee who has multiple duties in multiple categories (e.g., 3 programs allocated at 40%, 40%, 30% = 110%)
Common Issues Regarding ICRP Development

3. Cost groupings for expenses are unreasonable and contain too many other costs.
   ◦ Example: Operating expenses of $2M include fringe benefits, office furniture, travel and depreciation. Each of these expenses should be separate from “operating expenses” and allocated separately

4. Allocating little or no expenses to fundraising
References and Resources

- [https://rates.psc.gov/](https://rates.psc.gov/) HHS Cost Allocation Services
- [https://www.illinois.gov/sites/GATA/Grantee/Pages/default.aspx](https://www.illinois.gov/sites/GATA/Grantee/Pages/default.aspx) GATA Website
- [https://www.illinois.gov/sites/GATA/Grantee/CentralizedIndirectCostSystem/Pages/default.aspx](https://www.illinois.gov/sites/GATA/Grantee/CentralizedIndirectCostSystem/Pages/default.aspx) State of Illinois ICRP Template/Worksheet
Questions?

Carol Kraus
Carol.Kraus@illinois.gov

Sean Berberet
Sean.Berberet@illinois.gov

Dawn Pyles
Dawn.Pyles@illinois.gov