**Preparing for Indirect Cost Rate Proposals to Receive Funding for your Indirect Costs**

**Presented by John Heveron and Paula McElwee**

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TIM FUCHS: Good afternoon, everybody. This is Tim Fuchs with National Council on Independent Living. Thank you for joining us and little to the newest sill net, the indirect cost rate for centers for independent living. I want to acknowledge the delays that some of you may have had, in fact, I had it myself getting getting on the phone today. We had some delay on our Adobe platform lately. We've had everything from IT professionals to Adobe connect staff working to troubleshoot this. We hope that we had it fixed, and I think we are thrilled about the large audience that we have today. But some of that contributes to maybe some of these problems that we are having. So thank you for your patience.
The good news is we are all on together now. You can hear us. And the presentation will go on. Also, don't forget that the archived copy of the webinar will be available within 48 hours or less. So you will be able to see -- you know, hear John and Paula's presentations, see the slide changes. So if there are any delays today, or technical issues, you will be able to revisit this very soon.
If you are on the webinar and experience some of those problems and you are frustrated don't forget you can always call in to the 800 number listed in the confirmation email and access the audio with that PDF or the plain text version of the PowerPoint presentation that we sent to you.
So if you are having any problems with the webinar, and you just say, hey, this is too much, you can always join by teleconference and use that PowerPoint that we sent to you.
And hopefully things will speed up as we get going here. So anyway, a few more housekeeping things. Of course, today's presentation is brought to you by the IL-net, training assistance program for CILs and SILCs, the IL-net is operated through a partnership among ILRU, NCIL and APRIL with support provided by the administration of community living at the US department of health and human services.
So as I mentioned, we are recording today's call so that we can archive it on ILRU's website, and we will break several times as always to take your questions during the call. So when we get to our Q&A slides, you can press star pound on the phone to indicate you have a question, or you can type your question in the chat box.
You can do that by entering your question in the text box under the list of attendees and hitting enter.
One of the things that we are working through right now is there's a bit of a delay. So if you hit enter and your question doesn't appear right away, it should appear within, you know, 30 seconds or so.
You canenter those questions in the chat whenever you would like but we will wait for the Q&A breaks to address them.
Similarly, if you are on the full screen CART captioning, the CC Productions link, there's a chat feature there. I'm logged in and you are welcome to enter your questions in the captioning chat which ever is best for you.
And I will remind you of those instructions each time we take a Q&A break.
So if you are on the PowerPoint, you will see those slides. Or if you are on the webinar, you will see the power point slides automatically. If you have a delay or if you are only on the teleconference today, you will definitely want to have that PowerPoint open.
Again, today's PowerPoint presentation was sent in the confirmation email and both a PDF and plain text version. So you will definitely want to have that either printed out or open on your computer screen so you can follow along today.
If you don't have that for any reason, you can email me at Tim@NCIL.org. That's Tim@NCIL.org. And I will get you a copy.
The last thing I want to mention, before I introduce John and Paula is just our evaluation form. There is a link to the eval on one of our final slides in the power point and, again, like everything else I have mentioned, it was also in the confirmation email. So please do take a minute to fill that out. It's a really big call today. I know a lot of you are connected and we want your opinions on today's presentation. It's not a long evaluation. You can fill it out quickly and we take your comments seriously.
Okay with that, I want to introduce John heiferon and Paul McElwee back with us for the call on the new indirect. John is the president of the Heveron and company CPAs. He's been working with nonprofit organizations since 1969 with all aspects of their accounting, audits, financial policies, and has been a frequent trainer for those of us here at IL-NET and is a real resource.
Paul Paula McElwee is technical assistance coordinator at ILRU and is also a financial and regulatory wiz and has been really helpful in providing context and examples to these sorts of trainings from webinars to on-site trainings and. So John and Paula, thanks again for coming back with us and being here today. And Paula, I will turn it over to you to review the objectives.
>> PAULA McELWEE: Super. Thanks, Tim. Well, today will not answer every question you have about the indirect cost rate proposal and I know you are probably all disappointed to hear that, but this is the first step, whether you or your center will be required to file for an indirect cost rate. We will help you determine whether or not you qualify for and should request -- I can't even say those Latin works, the de minimis indirect cost rate and think about ways now to simplify your accounting processes so that it will be simpler when we do get to that step of actually going forth with your indirect cost rate, which will come sometime in the spring that you will want to be sure you have that turned in.
And we want to talk about the other policies and procedures that really are related to funding of your indirect costs and what it is that you need to do as an organization to prepare for this. Because you all got the memo, I'm sure, that cost allocation plans are no more for centers and indirect cost rates take their place. That's what we will be looking at going forward.
John, I will let you take the lead from there.
>> JOHN HEVERON: Thank you, Paula. So you can see from the objectives or what you are expected to learn today, that this isn't a workshop on how to prepare your indirect cost rate proposal. But it's really about finding out whether you are required to do this, and if you are, how you can do it with the least amount of difficulty and misery.
Because as you will see, it does -- it being the indirect cost rate is a more complex process than the cost allocation plan.
>> PAULA McELWEE: But it's true, isn't it, John, that the work they have done on their cost allocation plan is a good foundation for building this next step?
>> JOHN HEVERON: Absolutely. There really won't be significant changes the first time around, but as we will discuss the ongoing responsibilities, will be a little bit more difficult, and, again, that's why we are talking today to make that process as easy as possible.
>> PAULA McELWEE: Just so we have a sense of this. So was the slide advanced sometime ago or were you waiting for us to say so? We don't know yet.
>> JOHN HEVERON: As far as the slide? Yeah, we should go on to the next slide here, and I realize that it will take a minute. But the next slide, when it pops up will address what has changed and as Paula explained, cost allocation plans are no longer applicable. Indirect cost rates will need to be established.
So the mandate to have an indirect cost rate exists just like the mandate to have a cost allocation plan existed before. What has changed -- I'm sorry?
>> PAULA McELWEE: I was going to say, a few centers already have an incorrect cost rate, because that was a choice or an option before. But the cost allocation plans were the alternative and the preferred in the Department of Education, but in the Department of Health and Human Services, we are seeing a different approach. So --
>> JOHN HEVERON: That's correct. It's no longer an option. It seems like we talked to more people, more agencies that had cost allocation plans than indirect cost rates. But they are very similar, as you said. But one of the differences is the cost allocation plan didn't require a qualification of an indirect cost rate. You were only required to confirm that you didn't change your methodology from year to year. So the cost allocation plan, the old method, explained how direct and indirect costs were allocated and the indirect cost rate will do the same thing.
But now you are going to have to prepare sort of a budget each year. You are going to have to say this is what I expect my indirect cost rate to be, and that's how you will be funded, assuming that HHS accepts that. So there's going to be an annual budget or expectation and then there will be a follow-up documentation that will show what are your actual costs and there may be some adjustment to that.
And by the way, if you under billed, don't expect a check to be coming in the mail. You will probably be allowed to increase your indirect cost rate going forward.
If you overbilled, you probably won't have to write a check, but you will have to make an adjustment and you may, in fact, actually have to do a repayment, depending on the circumstances.
We have heard from HHS that they may in certain circumstances allow an organization to use a rate for more than one year, maybe two years, but that's not really under our control. We can't -- we can't depend on it, and you may be able to request that just to make things a little easier, but don't plan on that. Plan on this being an every year thing. That could mean quite a bit of work, if you don't prepare and simplify.
I will move on to the next slide. Regardless when you have an approved cost allocation plan, or nothing. And we are defining that the same services for the same population, you will need to submit an indirect cost rate proposal.
Paula, did you want to comment on the cost objective? Because that's so pivotal here.
>> PAULA McELWEE: Yes, and this is an interesting shift from RSA to ACL. The RSA interpretation of a cost objective in the past has been funding source. And I think most of you who did a thoughtful job of putting your cost allocation plans together realized that when you did it by funding source, if your center receives two sources for the same services, which some centers are both part B and part C, for example, doing the same core services and you are serving the same geographic area, the same cross disability for the same core services, then it was an artificial process to have your staff divide their time between part C and part B funding. Because you did the same thing, no matter what.
And now at the ACL side, they are acknowledging, oh, you are right, that's one cost objective. So you don't have to make an artificial division of indirect costs or your time between those two that will lead to your allocation rates.
So that's a big change for us, and I think it makes a lot more sense. I know many of us struggled a little bit with, wait a minute, how do I explain to people when they are part B and when they are part C because they are doing the same thing, the same activity, the same program.
So if you are doing the same thing, it would be a single cost objective is the language that's used.
If you are doing different things, so you are serving one county with your part B money and two counties with your part C money, well, that's a different population. Or if you have a transportation grant to do something specific related to improving transportation in your area, and you receive funds for that, that's something than the core services so it has to be thought of as different.
>> JOHN HEVERON: Okay. Thanks, Paula.
>> TIM FUCHS: And John, just before you go ahead. Since we have got people on the phone, and the web, if you could do me a favor and say the slide number when you go ahead. That would be really helpful to keep us all on the same page.
>> JOHN HEVERON: Oh, sure. So we are on slide 5 now. And really just follows along with what Paula just said, that organizations with only one cost objective, even if there are multiple funders for that cost objective may be exempt from needing to submit an indirect cost rate proposal. 89 reason for that is all of the indirect is going to be assigned to that one cost objective, and there's no need to do that.
But fund-raising is considered an additional cost objective. So if your organization, if your center is carrying on a fund-raising campaign, then you have a second program, and you will have to allocate costs to the fund-raising as well as to your regular program, and you will need an indirect cost rate.
>> PAULA McELWEE: And John, one of the things that the centers all need to remember is that you are required to do fund development. And so there is an expectation that you are doing that, and so it really should be that additional cost objective and you should have at least those two cost objectives in most centers.
>> JOHN HEVERON: Which means that virtually everyone will have to submit an indirect cost rate proposal.
Now this slide is really addressing exceptions. So for those organizations that don't have a development program, then they might be exempt. Organizations that can allocate everything directly to each of their cost objectives, and can prove it are also exempt. But I got that message directly from HHS, and I got it with some expression of concern that -- that might be a difficult thing to do. There was concern that agencies would be able to do that. So don't assume that you can simply say, I will just allocate everything directly. I don't need an indirect cost rate. They won't accept that because you said so. You would have to demonstrate to them that your accounting system and your process will directly and appropriately allocate everything.
Some organizations are eligible to receive and they may elect a 10% reimbursement. Paula mentioned the de minimis rate. That's what this is. So organizations that don't want to go through the process and are willing to accept an indirect rate reimbursement of no more than 10% will be able to elect that. But only eligible organizations.
Any organization that has had an indirect cost rate in the past is ineligible for this.
We did hear from HHS that if you have had a cost allocation plan in the past, you would still be allowed to elect the de minimis rate, but, again, you need to seriously consider whether that would be a disadvantage to you.
Moving on to the next slide, when is this going to happen?
HHS has told us that they realize that virtually all of your organizations have applied for your 2015/2016 budget already, the year that has just started recently is underway and so they are really targeting the year that begins October 1, 2016. And these are the budgets that you will generally submit around the middle of next year. Paula, what is it, June, July, something like that?
>> PAULA McELWEE: We are thinking that you should begin working on this. That's why we are giving you some instructions on simplifying. We would like to see -- to see everybody have them submitted prior to July 1, because it takes a few minutes to get them done. We are now starting to see -- I think we are starting to realize it will be a lot of us. Sooner is better.
If you can prepare and go ahead and apply sooner, we really would love to know who is doing that and what your experience is so we can pass that on to the people who are coming after you, do a little peer support around some best practices for submitting this.
But no later than July 1, probably you should, you know, kind of shoot for sometime between March and June, if you can.
>> JOHN HEVERON: Okay. We had mentioned this, this is not a workshop on indirect cost rate proposals. We are planning to do that at some point in the future, closer no when you will be submitting these. And as Paula said, if somebody is going to get an early start on this, possibly because you were already underway with the cost allocation plan, or possibly because you have had some experience with this in the past, we will try to help and try to use the feedback that we get from your indirect cost rate proposals to help everybody here with theirs.
So the changes are a ways down the road. We are discussing this now, because preparing for this is going to save you time year after year. And that's what today is all about.
Next slide, slide 7, please.
>> PAULA McELWEE: I was going to say, I think we covered some of slide 7's content. I think we are just seeing that lag time. So forgive us for that, but it's -- it's the -- this is the largest group I have seen on a webinar. There are 245 locations it says here participating.
>> JOHN HEVERON: Wow!
>> PAULA McELWEE: That's amazing and we are a little bit confused about exactly what's causing the delay, but it is giving us a little delay. So we are sorry about that.
>> JOHN HEVERON: Okay. Just to answer the question, what is an indirect cost rate proposal? It's similar to a cost allocation plan, requires that you calculate a preliminary or provisional rate. You will use that term "provisional rate." Now. Of indirect costs near the beginning of your year and report your actual rate after the end of the year.
And when I say the actual rate, you submit, it but HHS actually does an evaluation of it. They will look at your calculations at the end of the year. Certainly the process you used to do those calculations needs to be similar to or the same as what you said you would do, and they will also evaluate it for things such as allowable costs. And then they will either approve it or adjust it ex-year.
So when you submit your actual rates, you will submit it as a provisional, and they will evaluate it and ultimately it will become a final rate.
So costs are classified as direct. One of your programs or other activities, like fund-raising, or indirect. Indirect are costs that benefit all of your programs. And for most of you, general and administrative is the equivalent of indirect. So your general and administrative costs that benefit all of your programs will use those as indirect cost rates when we are submitting indirect cost rate proposals.
>> PAULA McELWEE: Some samples of what those might be, of course, would be rent and utilities. I think you are used to splitting those between programs. You know, other costs that everybody shares. So we will be talking to you a little bit about simplifying those and keeping them as clear as possible so that you have a direct and indirect that's easy to calculate.
>> JOHN HEVERON: Okay. So on to the -- so we are on to slide 8. And general and administrative expenses are things like your receptionists, your accounting, internal and external, rent and utilities for your business office, and similar items that benefit all programs.
I have just wanted to point out that if you don't have an indirect cost rate and you don't elect the de minimis, the 10% de minimis, then you could be denied any indirect cost reimbursement and I think that would be a very harsh result.
And Paula, you may want to comment on that. You may some consistency with funders, not federal funders but some other funders that may continue to require a breakout of costs by funding source, even if the services and the consumers are the same. In other words, even if we have a single cost objective. Any comment on that?
>> PAULA McELWEE: You know, we do see a little bit of that, but what I want to urge you is this, that you can really own your indirect cost rate and I felt this way about your cost allocation plans too. You put the plan together. There's not just one way to do it. We will share with you what we think the best way is.
But you really want to take a look at those -- the calculations that we are doing, make sure that your costs are covered and make sure that they -- that you can explain why you did what you did, and that you can be confident about the logic behind how you chose to do it.
And most of the funders are very comfortable with April indirect cost rate once you have the federal rate, more than they were with cost allocation. So if you are receiving county or state money or United Way or from a foundation or wherever else you are receiving money, most of the time they don't like to see a lot of administrative costs but if you have an approved federal administrative rate, or indirect cost rate, then that's more likely to be accepted by those other funders.
>> JOHN HEVERON: Agreed.
Next slide, slide 9, please. And then we can move right through 9 and on to 10, because 9 is just sort of an overview here.
But what we are going to do is look at the components of an indirect cost rate. The things that need to be included here. And this is based on -- it's the current HHS guidance for indirect cost rate proposals. So it will include an introduction with the background on your organization, in other words, tell your story, the program or the programs you carry on, the clients you serve, the nature of your operation, if you have multiple offices, would you state that but really just a background as you might tell it to a potential donor or a reporter.
Then then there will be a description of how various costs are allocated. That's the biggest cost of an indirect cost rate proposal, just as it was the biggest part of a cost allocation plan, because you go through each of the different kinds of costs and just describe how they are allocated. For example, payroll is generally allocated, program by program, based on time worked and based on PAR or based on some other time worked. Payroll taxes and benefits are generally allocated on payroll.
Rent and utilities and building insurance are generally allocated based on space used by the different programs, but things like office supplies or general insurance or accounting fees will be included with your indirect.
So we are going to provide a description of all of those costs. -- you will provide a schedule of federal funding. That's just simply the federal monies that you receive. That gives them a perspective when they are evaluating your proposal. You provide a schedule of payroll and related costs, and this will be by -- by person or by position. So if you have multiple people doing the same thing, then -- then you won't have to detail it by name. The details will be by position. But you will identify the number of people that have this particular responsibility and what the total salary would be for them.
And then you will see a sample of this in a few slides here but there will be a list of direct and indirect costs and then a calculation of the indirect cost rate percentage.
And then there will be a reconciliation to your financial statements or your form 990. And when I say a reconciliation there may be differences from what has happened historically in what you are expecting when you submit your indirect cost rate proposal. For example, you may have added an employee or combined two positions or added a program or started a funds development campaign.
So when your indirect cost rate proposal is going to have facts different from what happened historically, you will just need to explain what you have done as part of your reconciliation.
And if we can move on to -- oh, you are ahead of me.
One final thing I wanted to point out here is that your indirect cost rate may change year from year. In fact, it is highly likely that it will change year to year, but your methodology won't change. The way we talked about how you allocate payroll and rent and office supplies and insurance won't change from year to year. So you need to be very, very deliberate when you are talking about how these get allocated.
This next slide -- yes?
>> PAULA McELWEE: Taking a look what the is allowable and non-allowable is part of that. And repeat this in other places and other ways, but there are some costs you can't pay for with federal funds. So guess what, they can't be included as a part of your calculation here either. Isn't that right, John?
>> JOHN HEVERON: Yes. That is true. And, in fact, we have a couple of examples on this slide 11. So unallowable costs could include things like alcoholic beverages, bad debts, which are uncollectible amounts. Some is allowable and some isn't. Contributions your organization makes and certain entertainment, fines and penalties, as well as certain lobbying.
And there is a website -- I don't think we have cited it here, but there's a website for uniformed guidance that provides information about allowable and unallowable costs. It's all electronic. The types of costs are listed alphabetically and I'm sure we will provide this as a follow-up, Paula or Tim, is that correct?
>> PAULA McELWEE: We can sure do that. We can put that link with this presentation.
And it's pages and pages and pages but it tries to address as many as you can and if you run across something that you are not sure about, we can sure give you further clarification as we understand it.
>> JOHN HEVERON: Right. And I think that brings us to questions and answers, and with this group here, we probably have a couple of those. So let's go.
>> PAULA McELWEE: In fact, I'm excited, Tim, you will have a lot of them to read to us out of the chat box.
>> TIM FUCHS: I tell you for any of you who had problems getting connected. I'm actually not able to get in and I'm the host.
So Sharon has been generous --
>> PAULA McELWEE: I will read the questions.
>> TIM FUCHS: You can tell me if any come up while we're on the phone. Sharon tent me the questions and I have some from the chat on the CART screen as well. So let's start there.
Okay. The first question I see is from bash Lefler who asks, do you know if states will be accepting the indirect cost rate or do you think they will want the CAP. How about states. What do you think -- how do you think they will react to this?
>> PAULA McELWEE: Well, that's just a guess, actually, because it hasn't happened yet. But what we are hearing anecdotally is that the states will accept 9 federal and the direct rate as well.
Now each state can make its own determination and they probably each one has their own guidance around how that would happen with state grants. So you will need to check with your state on that. But it is -- it is possible that they would go their own way or still require the other, but we're hoping that the indirect cost rate will carry over.
>> TIM FUCHS: Okay.
>> JOHN HEVERON: It provides a very logical basis for indirect cost reimbursement, if the state funder is intending to fund an entire program, then it's very clear what a cost should run that program and so it's a mandate to do it, but as Paula said, we will have to wait and see on that.
>> TIM FUCHS: Okay. Next question. With the cost objective, we are still confused about what that means. So if we get state and federal IL funds what does that mean for us in regards to the could have objective.
>> PAULA McELWEE: Let me try it and, John, you jump.
In the cost objective, that's a good question. It's defined as a single activity or a single type of thing that you do.
When you were looking at this with the folks at ACL, they said, well, even though you are doing the same activity in this part B grant as you are in your part C grant, you are serving a different population. So it's not a single cost objective. It's two. One to provide core services to Bond county and the other to Fayette County ax sown they are two cost objectives because you are doing a different population.
If you have a grant that serves only youth, it could be considered a separate cost objective, because there is something about that that is different from the requirements of your other grants. So it's simplest to first think, okay, I will list out all of my -- all of my funding sources. And then ask yourself, as you are looking at those funding sources, is it ever unclear to your staff which grant they are working under?
And that's kind of for me the first place where I say, a-ha, well, are these the same cost objective? They might be, because none of us can see the difference between working between one and the other. And then you combine them as a single cost objective because you have been able to think through the process, are we serving the same people with the same services and we can't distinguish between the two.
I hope that's clear. John, can you make it clearer?
>> JOHN HEVERON: No, I think you hit it on the head and gave a practical example of what might make it different, how we can make that discussion. I like your discussion because if the staff is confused, if it is not clear to the staff, that they are working on this program or that program, then you are going to have some -- you will have some federal anyways trying to break out costs between programs.
So it is a really good indication that you may have a single cost objective. You do need to dig a little deeper, of course, and make sure that that is the case. But that's a great way to look at it.
>> PAULA McELWEE: We had a participant would mentioned having part B funds serving one area and part C funds serving another area. And our understanding is that that, indeed, is two cost objectives because they are two separate geographic regions.
>> TIM FUCHS: Okay. Thanks. We have some more questions here. So Victoria asks: If you election to use the 10% reimbursement, I assume she means the de minimis. Would you be able to select.
>> JOHN HEVERON: You can't. That stays in place forever until you elect -- or I'm sorry, until you submit indirect cost rate proposal. So that's how it works.
>> TIM FUCHS: Okay. Great.
>> PAULA McELWEE: And this is true for me but you probably have seen this too. 10% is not very often an adequate indirect cost rate.
>> JOHN HEVERON: Absolutely.
>> TIM FUCHS: Good point. We will get to some other questions that some of you have typed out for us. In the meantime, I will check with Kylor to see if anybody is waiting to ask questions on the phone.
>> OPERATOR: There are no phone questions yet.
>> TIM FUCHS: Well, I will go ahead with these. John, Michael is wondering if you have multiple locations, costs may differ from location to location. Does the indirect costs average these costs or is this one rate developed for each separate location that a CIL might have?
>> JOHN HEVERON: It would be rare that there would be multiple indirect cost rates. So normally, you would combine those. When I say that, I think every situation is different and needs to be looked at. You really may be looked at it as two separate entities, but if your administration is centralized, but you have multiple areas where services are provided, I would say that there would only be a single indirect cost, and things would be combined and averaged.
>> TIM FUCHS: All right. Thanks.
Avis is wondering, in the sample on the HHS website for a sample indirect cost proposal, can you please explain funding of rate? Do you have any context there, John?
>> JOHN HEVERON: I don't. I'm not familiar with that term. I think it probably means providing funding for your indirect cost rate. But I'm not positive. I'm not familiar with the term.
>> TIM FUCHS: Okay. Paula have you heard that used?
>> PAULA McELWEE: I haven't but we'll take a look at that and see if we can figure it out and if we can, we will post something about it. Because that is something I'm not familiar with either.
>> TIM FUCHS: Great. And remember, we are over the next year going to -- once we have some more clarity from HHS, we will Rupp some workshops on actually developing the rate and so we will be sure to offer specifics on things like that, the kind of language and the specifics that HHS uses and is looking for.
Okay. One last question that I have seen so far, Barb asks, are admin and general costs are more than 10%. How will this affect our indirect rate plan?
>> JOHN HEVERON: Well, then that's why you apply for an indirect cost rate. If you are above 10%, and I think most agencies will be, you will be reimbursed for 9 full. Aof your indirect costs, assuming that HHS approves your proposal. So you are above 10%, then that really makes it a mandate to apply for an indirect cost rate and not to accept the 10% de minimis because you would be underfunded>> PAULA McELWEE: You know, they used to call this an administrative rate and there was a lot of pushback for nonprofits whose administrative rates were high. But we're not talking about an administrative rate. We are talking about all of the indirect costs that are shared by all of your direct service amounts. So it will be more than 10% for most of you have, I think, and you shouldn't be too afraid of the fact that you are going to bundle some things and then share the costs evenly across your different projects.
That's a fair way to do it and it is costs that are necessary for operations. It's not just administrative costs. It does include administrative costs, but it includes everything else that's shared. So rent, utilities, computer services, office supplies, you can go on and on with the things that are shared and think about those and that's what you put in this indirect rate. So don't be afraid that it will be more than 10%.
>> TIM FUCHS: Okay. Good. We have a few more questions. We will need to continue in a minute. I will try to get through as many of these as I can. If we don't make it through all of these questions, we will start the next Q&A break with them. Don't worry. We will answer your questions before we disconnect today.
Okay, Kristina, asks are my part B and part C funds considered a program, and if fund-raising is a program, where do the funds come from to pay for the fund-raising programs?
>> PAULA McELWEE: You know, that's been the challenge always you can use your Title 7 funds, whether it's part B or part C for fund development projects. But you have to pull them out as separate. So it is an allowable cost. It's not usually. But because the Rehab Act called it out and said, you must do fund development, then your fund development costs can come out of your part B and part C funds. But if they do, then all of the money you raise must go back into the same projects the part C and the part B projects. When you say a program probably, your part B and C funds are a single program which is called a Center for Independent Living which provides the five core services and probably some other services that are in a long list of allowed services that you can provide. And that probably is a single program, but then your fund-raising is a process that is separate from that, and they can -- the funds can come out of part B and part C. If they do, then all the money has to go back into the same activities. A lot of centers want to do fund-raising so they can do lobbying. Hiring a lobbyist so they can pay back a bad debt or so that they can do something else that's not allowable with part B and part C funds.
And if that's what you want to do, then you want your board to be volunteering to do the fund-raising and you want them to do that without cost to you until you build up some funds that you can work from. I know that's not simple, but is that how you would see it?
>> JOHN HEVERON: I agree Paula, but answering the specific question about what are the costs for fund-raising program come from, if as Paula describes you are trying to fund a different initiative, then the cost for the fund raising program would come out ever the funds raised. Now, that doesn't help when you are starting up a program before you have raised anything, but once you have some inertia here, you would pay for your fund-raising program with the proceeds of the fund-raising activities.
The whole point when it comes to the indirect cost rate is you don't just have costs for fund-raising. You also are carrying out a program so fund-raising has to bear its share of indirect costs such as the cost of accounting and the administrative office, things of that nature.
So those need to be paid for out of funds raised if it's a separate program, if it's a separate fund-raising program.
>> TIM FUCHS: Okay. Great. Thanks, John. All right. Well, I want to make sure that we can continue with the slides. I have a few more questions and like I said, we will start the next Q&A break with those but for now, why don't we go to slide 13 and continue.
>> JOHN HEVERON: Okay. Thanks, Tim. So slide 13 is just examples of how we allocate some costs. The executive directors, time and salary, and fringe costs may be both direct and indirect. In fact, for your centers in most cases, the executive director is doing both direct, indirect and in some cases fund-raising things.
So the direct costs are shared between each of the programs that they benefit, based on actual time records, PARs or of what method you use to track actual time.
Same for a program manager's time and salary, the fringe costs again will be shared among all of the programs or cost objectives that they work on, based on actual time records.
But general and administrative salaries for the receptionists, the accounting staff and the administrative part of the executive director's salary would be indirect. Okay?
On to slide 14. And slide 14, with that pops up is really what today is all about. It's about making this process simpler, and we're going to have a few suggestions about how you can do that. So the first thing is the level of detail that you have from your indirect cost rate proposal shouldn't be excessive. As Tim mentioned, I have been working with nonprofits before many of you were born, I'm sure, and I have seen a lot of accounting systems and in many, many cases, they are very unwieldy. That's because accountants like me tend to be detailed people. That's not necessarily a good thing, particularly now that you have got this additional reporting responsibility.
So the level of detail in your indirect cost rate proposal should be similar to the level of detail in your statement of functional expenses. That's one of the financial statements in your annual -- if you have an audit or reviewed financials, or if you publish an annual report, that level of detail.
Or in your form 990, there's a page devoted to expenses, if you do the full 990 and there are not that many categories and in most every case that I've seen, not every one of those is used.
And Paula when I wrote this I neglected to say or in your annual budget, can you comment on how lengthy, how many categories there are. I'm sure you don't know off the top of your head, but is that a really long list or not too many?
>> PAULA McELWEE: It varies from center to center, how much do you feel they put into that budget. But if you look at your actual application, you have two categories. You have payroll and operating. And those are your two categories on your actual grant. So you probably want it a little more detailed than that, but think about -- let me ask you this question: How long is your chart of accounts? So if you print a chart of accounts off your Quickbooks or whatever you have, the program that has the different lists of categories, that chart of accounts gives you each of those categories. And I have sometimes been visiting at a center and I ask to see their chart of accounts and I can tell that somebody added a new category every time they couldn't think of what they called this last time. Because there's a lot of freedom to add stuff in if you don't structure it carefully. And you don't want new categories popping up because it makes it more unwieldy for you to manage a lot of things, but this is one of those things that you just want to keep clear and clean and simple.
So you want to define those items in your chart of accounts and you want to say conferences includes memberships, dah, dah, dah, dah, and you want to have a whole list of what it includes so that you know that you are not -- and that's probably not a good one to mention, but -- so that you know that you are not adding a category for each thing, but instead you are putting some stuff under one umbrella. You are still accounting for every detail. You still have receives that justify your expenses for everything you spent, but you are grouping things so that you can keep it simple in your actual financial statements. You can keep it simple on your full 990 if you don't do a 990EZ and you can keep it simple when you make your indirect cost rate simple.
Now, the timing of this workshop is we thought to ourselves before you close the first month of the new federal fiscal year you want to hear this because you want to look at that first month's statement before you go forward and ask yourself is our chart of beings too complicatedden are there things we could green together to make them more simple? And this is the time. This is the moment it needs to happen right now if it's going to happen this year. Because you want it simple so that in January, when you are thinking about how to put your indirect cost rate process together, you can base it on the simple categories that you clarified in your system
>> JOHN HEVERON: That's right, Paula F. there's a clear message. If there's one thing we want to take away, to see if you can simplify your record keeping system and your voucher by using fewer categories putting more items into indirect and combining programs when you have a single cost objective. Keep in mind that you will still be able to break them out by funder when the time comes.
But you can combine them going forward, and the rule of thumb for me, personally is if an expense category didn't total $1,000 last year, try combining it with something else. So look at at your detailed general ledger if you have a long list of accounts and some of them are just a few hundred dollars or less, they probably don't deserve an account, a separate account.
>> PAULA McELWEE: In a minute, we will give you an illustration of a calculation that has some of those simplified items so you can kind of see what they look like after the next question break.
>> JOHN HEVERON: And we are almost there. I have just wanted to say, even though we are pushing you to combine programs where the cost objectives are the same and to simplify the accounts, do be mindful of funding requirements such as state funding requirements as well. Make sure you understand that they are going to need but you should be able to break out a different multiple funders share of costs so you don't have to break out everything as you go through the year. You don't have to break out every cost.
With that I think we are back to our Q&A. So maybe we can catch up with some of those questions.
>> TIM FUCHS: Great. Thanks, John. All right. So let's dive right in. If you have a question on the phone, star pound or type your questions in the chat on the webinar or the captioning screen.
So wrapping up the questions that we didn't get to in the last weak, Marisa wants to know, we have funding sources that are from federal, state and local courses. Would they all be listed on our schedule of revenues?
>> JOHN HEVERON: On the schedule of rev fews. Oh, I'm sorry. In the proposal, no. They are just looking for the federal awards. The indirect cost proposal is just looking for the federal awards.
>> PAULA McELWEE: There is an expectation that you charge your indirect costs against each of those. So only though they are not --
>> JOHN HEVERON: That's true. Would you charge the indirect cost to each of those, but I think the question was about that supplemental schedule that's part of indirect cost rate proposal, and they -- they simply request the federal awards.En I think the reason for that is to have a perspective on how large this agency is, in terms of its federal funding.
>> TIM FUCHS: Charlotte acts, my organization operates four CILs each with different funding grants. I'm the executive director and my salary is paid by a certain amount from each CILs budget. How does an indirect cost play into this situation?
>> JOHN HEVERON: Well, I think I understand the question here. The funding you receive from each of the different locations needs to be based on the services you are actually performing for each of the locations. Now, if your services, because of the size of your organization, if your services are just general administration, then you are entirely indirect. But if you are working with 9 programs at the different sites, then you would need to track your time with a PAR to determine what your costs are.
You couldn't use a preagreed reimbursement rate if the services were direct services to the programs and the different areas. But if all of your services were administrative, management, then you would be part of the indirect cost and you would be allocated based on whatever the -- whatever indirect costs are based on. And you will see an example of that one shortly.
>> TIM FUCHS: All right. Thanks. John or Paula, Bill asks, isn't there a 5% gap on at%ive costs for part B money in WIOA and how would that fit in with 10% de minimis cost rate?
>> PAULA McELWEE: This is specifically related -- if you look into the background of that particular one, it's specifically related to the designated state unit, administrative costs and not to the administrative costs of the centers funded by part B. I mean, it's really not related to the indirect cost rate of the individual centers, it's related to the administrative costs that the SPIL can include for the designated state unit.
>> TIM FUCHS: Okay. Good.
Okay. Someone wants to know what is the normal rate requested? Is there an average range, a normal range? Should people even consider that when developing their rate?
>> JOHN HEVERON: I don't think there is a normal or an average, although, what all of your organizations apply for indirect cost rates, I think they will get some sort of a sense of what your typical rates are, because organizations that are federally funded vary so much in that, in terms of their operations. I don't think there is a normal or a typical.
Just I will share one thing from a number of years ago, the larger the base that you use, the smaller the rate is. So two potential options for indirect cost rates would be either divide your indirect costs by payroll, or provide your indirect costs by all indirect costs. Logically, if you divided your indirect by all indirect, you would have a lower rate. So the base makes a difference. And that's why we generally default to dividing your indirect by all of your direct costs, not by payroll, another option.
But I don't know of an average rate.
>> PAULA McELWEE: Those two plans would be thinged to consider as they look at their own. You know, what are we using for the figure? All direct costs or just the payroll cost to provide the percentage of indirect.
>> TIM FUCHS: Okay. Good. All right. I've got one more question, but let me see if there are any questions on the phone. Kylor, do we have anyone waiting?
>> OPERATOR: Tim, we have about five people waiting in the queue.
>> TIM FUCHS: Oh, great. Let's start there since people have been waiting patiently. Why don't we go with the first caller.
>> OPERATOR: And caller, you have just been unmuted.
>> TIM FUCHS: Go ahead with your question.
>> OPERATOR: From the 818 area code. Okay. We can skip them and go on to the next one and they can come back and do star pound to ask the question again. Let me go to the next participant. I just unmuted from the 507 area code.
>> PARTICIPANT: The state of Minnesota will give centers program income that they have earned through voc rehab as a grant. How do you list that on your schedule? It comes from the state, not from the feds.
>> JOHN HEVERON: Well, if it's state funding, it wouldn't be listed on the list of federal awards. If -- if it's a blend of federal and state monies, you would list it. If you would have the breakout, you would provide that. If you didn't, would you list the entire amount. Keep in mind this doesn't reconcile to your financial statements or anything of that nature. The objective of that schedule is different.
>> OPERATOR: Okay so let me move on to the next participant.
>> PARTICIPANT: This is Jane from Grand Rapids, Michigan, and I have a few different questions. The first one is I guess just a confirmation, we used to put, like our phone, our rent, all of those types of things under the miscellaneous category of our federal budget. So with this indirect cost rate, none of that would then go under that miscellaneous category, correct?
>> OPERATOR: Well, you are talking about budgeting versus the indirect cost rate. It might make a little bit of sense if you just hang with us for a little bit and look at the example that we have here. So we will have a little more detail than you probably do on the budget, but what we're trying to avoid is an excessive amount of detail. But I think it will be a little clearer, when you see this example, which I believe is going to come right back up when we get into the slides. You will see the level of detail that -- that we think is normal for that.
>> PAULA McELWEE: Actually, it's on the screen right now if you are using Adobe Connect.
>> PARTICIPANT: Yes, unfortunately I can't get on.
>> PAULA McELWEE: Oh, I'm sorry.
>> PARTICIPANT: My next question is we do have have two -- at least two different cost objectives. Can we still choose the de minimis?
>> JOHN HEVERON: Oh, sure. The de minimis is a choice. 9 only reason we don't encourage that is it may not be adequate to cover all of your indirect costs. So you still may want to go through a process like what you see here, but if you find that your costs -- your indirect cost rate is very close to 10%, and you can save some work by avoiding the process, then electing the de minimis would be a good idea for you. Again, if assumes you never had an indirect cost rate in the past, approved by the Department of Education, historically.
>> PARTICIPANT: Yep, that's correct Okay. Lastly, it was stated that we have to elect the 10% or elect the de minimis. Is that only again at the budget time because from what I understand, if we are going to choose the de minimis, we don't have to choose a plan and we don't have to let anybody.
>> JOHN HEVERON: I agree with that. There may be some additional information coming forward from HHS but I think HHS and most of the federal funding agencies are just taking that attitude that you would elect the indirect cost rate proposal -- or I'm sorry, elect the de minimis rate by putting it into your budget. There isn't a process for it. There isn't a form for it. You don't have to submit a proposal for it. It would simply -- simply be maybe a letter of communication to them or simply putting it right in your budget.
>> PARTICIPANT: Great. Thanks. That's all I have.
>> TIM FUCHS: Great. Great.
>> OPERATOR: Let me move on to the next participant.
>> PARTICIPANT: Yes, this is Ron Garcia in Santa Fe, New Mexico. For those of us who have been submitting indirect cost rate proposals, I'm hoping that we will have an opportunity to talk with somebody at HHS to compare 9 requirements side by side with what department of Ed required on the schedules, versus what HHS is requiring. Do you know of a good contact to see if that is going to be a possibility in doing with them?
>> JOHN HEVERON: Yes. I mean, we do have our contact with HHS. We might actually be able to take a look at what you have and do some sort of an evaluation for it. But beyond all of that, and you are going to need to get authorization for this, but it's there's a provision under uniformed guidance that says that you can elect to get your current indirect cost rate plan in place for up to four years. And I think you should at least attempt to do that because it really will give you a chance to see much of this sorted out to allow us to get some feedback and see see what changes tweaks might need to be made. So maybe -- maybe there could be some follow-up with Paula and me possibly to look at what you submitted and we might be able to do -- take a look at that. That would help us ask that question.
More importantly, you might want to consider doing that election to keep keep the current indirect cost rate in place for four years.
>> PARTICIPANT: And who would I talk to about that process?
>> JOHN HEVERON: Do you think we should be sending individual agencies? The one contact we have, I think is more as a training contact.
>> PAULA McELWEE: Yeah. They want you to actually submit your rate. They want you to submit the rate to the regional office and not the single contact we have in Washington. So that's a different process, but I think I would start with your program manager within ACL and just say we understand what we can continue and we are informing you that we plan to continue using the same indirect cost rate and that's what you will see reflected in the budget next year. And see what response you get. I'm really curious about how this will mind through all of the -- all of the different people that have to put their hands on this plan. I think you might be a step ahead, Ron in having an indirect cost rate and saying we don't plan to submit an indirect cost plan at this time and we understand that that's acceptable.
We can provide you with some of that language, but I think that's what I would do, John.
>> JOHN HEVERON: Yeah, I agree. You know, the guidelines are universal. The regulations are department by department. They come from a centralized -- basically a uniformed guidance. The process for the indirect cost rate is right in there. It's really not dramatically different from what it was in the past. So we're a little optimistic that for organizations like yours this won't be a difficult process here. But we would very much like to hear the response you get.
>> PARTICIPANT: Okay. Thank you have.
>> TIM FUCHS: The contact for the regional offices were included in the original guidance on the indirect cost rates that came out. I will share that with the folks at ILRU so we can include it on the archive page as a resource.
>> PARTICIPANT: Thank you.
>> TIM FUCHS: Kylor, anyone else pending on the phone?
>> OPERATOR: I show one more. I will go ahead and unmute their line.
>> PARTICIPANT: My name is Colette and I'm calling from Florida and I wanted to know how you handle the situation if you have got programs that can pay for their direct costs but there isn't any money left to help contribute to, you know, utilities or phone or rent.
Well, I will give you the answer that HHS or any federal funder will give you, is it's not our problem. The whole concept of indirect cost rates and even cost allocation plans in the past was that the federal programs fund only their share of the cost.
So if you have other programs that aren't paying their fair share of costs, you need to have another source through fund-raising or some other means or you really really wouldn't be able to carry on a program that you are not fully funded for.
You certainly can't carry on a program where you have to shift indirect cost rates from a -- you know, from this program that won't pay part or all of its indirect to a federal program. That's -- that's a very basic requirement of the federal costing rules.
>> PAULA McELWEE: So the answer is you must raise the funds somehow, because they must pay for their own indirect costs. Now there are a couple of possible exceptions maybe and one is if you are passing money through directly to consumers and you are not -- you are not actually operating a program so much as helping connect people to resources, that's -- that's an allowable kind of thing for you to do as an independent living center and if that money isn't coming through into your center in any way and you are just passing it through for rent subsidies, transportation, first month's rent and transition program, wherever -- you know, medical equipment, whatever it is, that's coming through, I have seen that be accepted as a possible exception. You have to really think that through carefully and I would be glad to help you do, that but you need to think that through very carefully and have your rationale sorted out and sorted out with your program manager at ACL. But in some cases, that has been considered an add-on to your independent living services that benefits your consumers without adding into your programs. It's considered part of the same program.
>> PARTICIPANT: So if we had, like a phone distribution program in which we distribute phones to the deaf and hard-of-hearing and these phones are at no cost to the consumer, --
>> PAULA McELWEE: We are going to run out of time if we drill down into the specific examples. My phone number and email will be at the end here. Let's try to drill down in your specific situation.
>> PARTICIPANT: Okay. Thank you.
>> TIM FUCHS: Great. All right. Thanks. I'm going to do one more question. And then we'll get back to the presentation and wrap up these pending questions at the last Q&A break. This last question, for this section, long distance travel, consumer travel, and in-state travel are all costs at our center with the indirect rate, could we just have travel as a single category?
>> JOHN HEVERON: You could.
>> PAULA McELWEE: I would think so.
>> JOHN HEVERON: You could. You really need to look at how substantial the travel is and if travel is associated with just a single program.
So I wouldn't say yes in every circumstance. You need to look at it, but I can certainly see a situation where you could combine it and that's what today is about, is how can we simplify things.
>> TIM FUCHS: Okay. Thanks. There's a couple more questions but we'd need to get to those in the final Q&A break, so for now, why don't we go ahead to slide 17.
>> JOHN HEVERON: Okay. So slide 17 is just an illustration. We have been talking about an indirect cost rate, but here's -- here's the math. We have got a list on the left of indirect costs, including payroll for, you know, the accountant part of the executive director, et cetera. Outside services that might be your CPA firm. Some of your rent for the administrative offices and similarly, some of the utilities and the maintenance, depreciation of office equipment, and insurance, and advertising allowable advertising, I should have said. And we get this total of indirect costs for the year, $188,600. Our direct costs is a shorter list, with just some payroll and payroll related costs and outside services and probably professional services in this case. The majority of rent and utilities and maintenance and travel and training and in this case, program specific and program supplies. We total that up and we have $859,635. We divide the indirect by direct and we have the indirect cost rate of 21.9%. So we would submit a sheet that looks like this. We would say that our indirect cost rate will be 21.9%.
As we submit it, it's reviewed by HHS. It would be a provisional rate, because it's a rate for next year. When we get to the end of next year, we're going to do the same thing with the 2016 numbers and we're going to do the exact same math and the rate may be similar, probably won't be the same. But that's the mechanics of the indirect cost rate.
And you also want to emphasize that this is probably a pretty good level of detail here. Not an awful lot of categories for either direct or indirect, when you can get it down to something like this, the process, is much more manageable.
And we can move on to the next slide here. And the next slide, when it pops up is just going to address something that we didn't want to ignore as part of this, that's the documenting payroll by program, and I think we have touched on this fairly well in answering some of the questions and in some of the earlier information.
But they just wanted to emphasize that a time sheet can be a time sheet and a personal activity report or you can use as separate -- you can use separate documents, one that shows what was worked on, and one that shows the time worked basically for calculating the payroll.
If you --
>> PAULA McELWEE: John, we have quite a bit of training on this that's on our website. So if they go to PAR on the ILRU website, I can give you a more specific link if you email me. We have samples and other options for you to take a look at. If you are not currently doing this personnel activity report, and you have more than one cost objective, we need to make sure that you need to get this in place, because it's required and even before we talk about indirect rates.
>> JOHN HEVERON: That's great. I know there are some great resources there. And I wanted to say however you do this, with one document for both time worked and -- and payroll calculation or two documents, sax.S of those would be attached to your indirect cost rate proposal.
I also wanted to say that even though uniform guidance provides additional flexibility in documenting how payroll gets charged, you need to be able to show that your method properly documents circumstances that are actually performed. They use the word after the fact. So it condition be based on your budget.
It's got to be based on your actual time worked, based on what employees do.
So however you track that, with a PAR or a different method, you -- you need to be able to document how payroll is allocated.
And whatever method you use, make sure that it's consistent with your indirect cost rate proposal, and with the policies that you have for your organization.
And we can actually jump right to slide 19 now. Or scroll to that. But slide 19 is some final notes. Sorry, its not popping up right away, but just some final notes, if you have a September or a December year-end, you have a great opportunity now to do these revisions. And we strongly encourage you to see if you can simplify your accounting system, and get down to fewer accounts here.
Also, I wanted to make sure that you have proper policies in place, policies for documenting allocation of payroll, policies for control over federal awards, and for purchasing using federal monies. The due dates for those couple of policies has been extended until January 1st and you are going to see some additional guidance coming out about those policies, but that's really right around the corner.
And when you do get to that slide 19, you are going to see a couple of links, with some sample information from HHS, and, include, guidance for CILs and a sample and direct cost rate proposal. I say that, though, with a caveat that sometimes they do make samples a little complex, and so you might want to refer back to -- or you might want to look at what we will be providing it not too distant future with a sample indirect cost rate proposal.
The workshop that we'll be doing.
Paula, comments on that?
>> PAULA McELWEE: I think that covers a lot of information and hopefully it's helped. I have been glancing through and there's quite a few extra questions and I bet we won't get to them all, and let me make one other general statement. That is you get to put this plan together and propose how you are going to do your indirect cost rates. There is not one answer to all of the questions that you all have. So you get to choose. So some of you have asked, should I put these things together or not put them together? It's a choice that you will have to make as you go through this. We will advise you as you get deeper into it. How you do your indirect cost will be governed by your policies and procedures and by your -- your own definitions and your own chart of accounts and you need to make those decisions consciously.
So one of the questions that I kind of glanced through, had to do with how you -- how you determined when you are looking at a specific cost. Is it direct or indirect? Well, you get to determine that. You write the rules for if it's used directly in a program. And if it's used in -- if it's put in the inventory room and it's used as a supply that's available to everybody, then it's an indirect cost.
But you define those things. And don't be afraid to take the time to sort it out. Every question you have, you probably can answer then in your own definitions and your own policies.
>> TIM FUCHS: Thanks, Paula. All right, well, let's dive into these questions and see how many we can tackle before the end of the call.
Okay. Tracy asks my organization has three different locations. We offer the same services to everyone within our 13 county radius. We have seven departments and programs and over 19 funding sources. So how do we sell how many cost objectives that would be or if this would require multiple and direct cost rates.
>> JOHN HEVERON: Well, it won't require multiple indirect cost rates, but if you have multiple offices, to me that says you are serving different populations. If you have multiple funders, you may or may not have different services you are providing to those populations. So at the very least, I would say each of your locations would be a different cost objective. And then you need to look to your funders and say, are they funding the exact same services for these populations at each center or are they funding different services? If it's different services then you added another layer but only one indirect cost rate proposal, only one indirect cost rate.
>> PAULA McELWEE: Yes, you don't get more than one. So every cost objective has to be charged there in direct proportion of the rate.
>> TIM FUCHS: Okay. Great. Another question related to multiple locations, if one of our offices has most of our administrative staff, and another office has direct service staff, how do we divide up our indirect and direct expenses for rent between those offices? Any tips there?
>> JOHN HEVERON: Well, that's a very good question but I think as you work through the indirect cost rates calculations, it will become more evident. So the one office has more of your administrative staff. So a large part of that office's costs are going to be in administration, but that administration or that indirect cost is going to be spread to the direct -- at that location and the direct at the other location.
And so the fact that your administrative staff is at one of your locations doesn't mean that that location bears more of it. It's just what you do for efficiency. But it will become more evident as you work through the process here, if you follow that example that we had just a couple of slides ago. It will make more sense.
>> TIM FUCHS: All right, thanks. I will paraphrase this next question regarding supplies and other indirect expenses. Michael is asking, sure, things like supplies are usually indirect, but what if those things are directly from a grant or a program budget? Would you still split it out or would you include it as a direct expense?
>> JOHN HEVERON: If you have a budget line item for supplies and you do purchase supplies specifically for that program, then -- then they would normally be charged as a direct cost. The exception being if the dollars are very, very small, you wouldn't do that, but if the dollars are very, very small, they probably wouldn't have a budget line item. So also we differentiate between program supplies and office supplies. Office supplies would almost always be administrative. Program supplies might be combined indirect for convenience or if they are larger and identifiable with specific programs, they would be directly allocated different for every agency.
>> TIM FUCHS: Great. Benefit currently don't bill any indirect costs to HHS. Do we need to prepare anything if we plan to build direct expenses only?
>> JOHN HEVERON: Well, it's hard to have a dialogue, but are you saying that you don't charge any part of your insurance or your accounting or your accounting or -- or your general costs like that to this program? It's only funded for direct? If that's the case, the new uniformed guidance has a very, very very clear mandate for federal agencies to fund at least your de minimis, or your total indirect if you submit an indirect cost rate.
So if you tell me that you have only been funded for the direct cost, and you have somehow covered all of the general and administrative yourself, yep, it's different they will fund you for that.
Now, are they going to increase your annual contract? Probably not. But all you will need to do, if you have a 15% indirect, all you will need to do is to prove that the other 85% are direct costs connected with the program that's being funded. So -- so they will now fund indirect. It's a very clear mandate.
>> TIM FUCHS: Okay. Thanks, John. All right. We are about out of time here. Let me see -- let me see if we can just take one question on the phone if we have time for it. Kylor, is there anybody waiting on the phone.
>> OPERATOR: I do have one person on the phone.
>> TIM FUCHS: Let's go ahead and fit that in.
>> OPERATOR: Okay. And the caller, you have been unmuted from the 810 area code.
>> PARTICIPANT: Very good. Thank you. My question is: What I heard at the beginning was rent and utilities are indirect costs, but yet on page 17, we have got them as indirect and direct costs. So the direct costs of rent and utilities is the space that programs are being provide,am I understanding that correctly?
>> JOHN HEVERON: You are. I'm sorry if we misled you on that, but rent, utility, building maintenance get allocated as a direct and indirect and this is based on your administrative space and your program space.
>> PARTICIPANT: So it's by square footage and not like, you know, currently we use a cap and so we use by wages. So now it's square footage.
>> JOHN HEVERON: Yes. That is not an absolute requirement. That is what is most normally done with the occupancy costs, but I have had people use cubic feet, but also there are organizations that have allocated that based on the number of employees or some other base. So there are not specific requirements about allocating occupancy cost based on square feet. It usually works for the organizations
>> PAULA McELWEE: If you have a logical reason for doing what you are doing, you make that case in your plan.
>> PARTICIPANT: Very good. Thank you.
>> TIM FUCHS: Okay. Great. Thanks. We are a little bit after 4:30 here on the East Coast, and I want to be care to all of your schedules. That was -- it looked like all the questions. We were able to get through them. If you have an additional question, whether you just thought of it or whether it's tomorrow or a month from now, please don't hesitate to reach out to us. On slide 22, you will see that John and pulla have been generous enough to provide their contact information. Remember, Paula and I as part of the IL-NET project, it's our job to support you all as you make these changes, think about this and implement it at your center. My information as well -- let me get that again is Tim@NCIL.org. So my email is just Tim@NCIL.org.
So please don't hesitate to reach out to us. Like I said, we also have the contact information for the regional offices and that original guidance from ACL. And we'll -- we'll post that on the archive page so that you can have that. And you got it from ACL directly when they first release this.
I will go back to slide 21. I will point out the if many resources that are up on ILRU's website. So the link is there. You can copy and paste that or as it says on the next bullet, the search feature is really easy to use on ILRU.org. So you can search CIL financial management. And get the same resources. There really is. There's a wealth of resources up there from the on-site training that we did with John and Paula a few years ago, from some other webinars on financial topics and I want to reiterate that we really are viewing today's call as the first step. So today is an overview ever what this new requirement may mean for your center. We'll have more specifics coming out in the coming year. So be on the lookout for those as well.
Before we break today, I just want to thank all of you for your patience, with the technical issues. That was unexpected. We really thought this was corrected and it's our top priority to get this fixed. We take the quality of these calls very seriously. And I know it can be frustrating when you can't get on the platform. Lo and behold, I was one that was not able to. We will make sure this is corrected before the next call. So thank you so much for understanding and the archive of today's call, whether it's for you or a colleague, will be up on ILRU's website within 4 hours, usually much sooner. So thanks so much, everybody.
John and Paula, thanks for a great presentation, and a great overview. Really appreciate your time putting it together. Everybody have a wonderful afternoon.
Bye-bye.

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