

2015 INDIRECT COST RECOVERY PLAN FOR OHIO SCHOOL DISTRICTS

INSTRUCTIONS

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Once approved, your 2015 Indirect Cost Rate will be effective July 1, 2014 through June 30, 2015.

CONTENTS

Introduction	1
Restricted Indirect Cost Rates	2
Submitting the Proposal.	3
Time for Completion	
Supportive Documentation Required.	
Calculation Formula	
Electronic Calculation	3
Summary of Procedures	4
Indirect Cost Rate Proposal	
Schedule A – Determining Total Direct Expenditures (Schedule A)	
Exhibit A – Restricted Indirect Cost Rate Classification of Functions Summary Schedule A – Sample Form	6 7
Schedule B – Determining Exclusions and Unallowables	8
Exclusions	8
Unallowables	8
Special Notes on Allowable Object Codes in 840 & 850	
Functions and Object Codes that are Exclusions and Unallowable Costs	
Schedule B – Sample Form (Page 2)	
Schedule B – Sample Form (Page 3)	13
Senedule B Sample Form (Fage 3)	
Schedule C – Determining the Indirect Cost Rate Pool	14
Indirect Costs	14
Indirect Functions	14
Exhibit B – Allowable/Unallowable Indirect Cost Rate Pool Positions	15
Schedule C, Page 1 – Sample Form	16
Schedule C, Page 2 – Sample Form Operations & Maintenance – Calculation of Allowable Costs	17 18
Schedule E - Square Footage Calculation Worksheet	19
Schedule D – Determining Fixed with Carry-Forward Indirect Cost Rate	20
Introduction	
Carry-Forward Methodology	20
Fixed With Carry-Forward Computation Sample Format Exhibit C – Fixed With Carry-Forward Computation	20 21
Schedule D – Sample Form	22
Unrestricted Rate – Introduction.	23
Schedule F – Sample Form – Unrestricted Rate Computation	24
Instructions for Completion of the Indirect Cost Rate Forms – Electronic	25
Application of the Indirect Cost Rate	26
Project Budgets	27
Maximum Rate Ineligible Grants	27 27
Food Service	27
Vocational Funds C.F.D.A. 84.048.	27
Potential Uses of Indirect Cost Recovery Money	27
Application of Rate to Federal Projects	27
Dropping Out of the Indirect Cost Rate Program.	28
Sample - Indirect Cost Rate Proposal Certification	29
Sample - Restricted Indirect Cost Rate Agreement	30
Appendix A: Uniform School Accounting System	32
Introduction	32
Function Codes.	32
Object Codes	33
Appendix	
Document Checklist	
Indirect Cost Rate Proposal Certification	

INTRODUCTION

Ohio Department of Education's (ODE) indirect cost recovery plan for local school districts is calculating two indirect cost rates. The restricted rate was the original rate developed for federal reimbursements while the newest, an unrestricted rate is only permitted for Medicaid programs. Page 23 provides the specific instructions regarding the calculation of this unrestricted rate.

The purpose of preparing an indirect cost rate (ICR) proposal is to develop the mechanism that will allow the recovery of those <u>fiscal costs associated with the Treasurer</u>, <u>Human Resources</u>, <u>Operation and Maintenance of Plant Services and Other Administrative and Business Support Services Offices</u> and are not directly related to the administration of federal grants and contracts. In other words, an indirect cost rate helps to compensate the Treasurer, Human Resources Officer/Office and the Operation and Maintenance of Plant Services for the cost of doing business for applicable federal projects. i.e.: payroll, purchase orders, personnel. The rate is calculated through the preparation of an indirect cost rate proposal. It is the ratio of total allowable indirect costs to direct costs.

The indirect cost rate is applied to the net direct allowable expenditures of the federal & state grants to determine the indirect cost recovery. (See example on page 26)

RESTRICTED INDIRECT COST RATES

Most federal programs administered by school districts have legislative restrictions that prohibit the use of federal funds to supplant non-federal funds. Federal funds which have this requirement can be used to supplement state and local funding, not to replace them. The United States Department of Education requires grantees to use a restricted indirect cost rate for those programs that have the supplement not supplant requirement. For that reason, the Ohio Department of Education will approve restricted indirect cost rates to be used for federal grants with supplement not supplant requirements. An unrestricted rate will be approved for use with Medicaid funds only.

The following costs must be classified as direct costs for the restricted rate; (Reference the *Education Department General Administrative Regulations*, 34 CFR Part 75.563 and 76.563 through 76.569.)

- 1. Divisional administration that is limited to one component of the grantee (an example of a component in a school district would be an individual school);
- 2. The governing body (board of education) of the grantee;
- 3. The compensation and associated operating costs of the office of the chief executive officer (Superintendent) of the grantee;
- 4. The compensation and associated operating costs of the office of the chief executive officer (Superintendent) of any component of the grantee; and
- 5. Occupancy and space maintenance costs not associated with organization-wide functions specified in the plan, unless costs are related to the indirect cost pool functions. See Page 18 for further details.

For fiscal expenditures, the school district must use either the direct or indirect method. If the charges are direct, time and effort documentation must be maintained for any part-time and prorated personnel.

Please refer to the Office of Management and Budget (OMB) Circular A-87 Cost Principles for "State. Local and Indian Tribal Governments" located at 2 CFR Part 225. In this document, we will continue to refer to OMB A-87 as such.

Likewise, sufficient documentation must be maintained to substantiate the determination of the indirect cost rate and to withstand an audit. Ohio school districts are not required to prepare an indirect cost rate proposal; however, they may not apply a rate against allowable expenditures of the federal program without an approved indirect cost rate. The method selected by the school district must be consistently applied to all federal projects once a cost is treated as direct or indirect.

SUBMITTING THE PROPOSAL

Time for Completion

It is reported to take between two (2) and ten (10) hours to collect the necessary information and complete the proposal.

Supportive Documentation Required

In determining the 2015 Indirect Cost Rate Proposal, expenses should be extracted from the period July 1, 2012 through June 30, 2013 (State Fiscal Year 2013). Please enclose copies of your school district's FY 2013 "Legacy" Schedule of Expenditures by Function and Object Categories and "Legacy" Schedule of Expenditures by Objects for All Funds reports with your proposal. If your district does not utilize Uniform School Accounting System (USAS), you will need to use another source document to complete the proposal, especially Schedule B. Please include this financial information with your proposal so that our office may review and approve your proposal.

If you are claiming costs for the following object codes related to Function Code 2700 Operations & Maintenance of Plant Services, please attach a report that itemizes each object number and the amount that will total the amount report on Schedule C2, Line #10. (See Page 18 for further information.) Object codes are: 422, 423, 424, 450, 572, 855.

Calculation Formula

The formulas contained in the schedules of the proposal are provided in this text.

Electronic Calculation

Please submit the Indirect Cost Rate Schedules electronically only. They are available on-line for calculation of your FY2015 indirect cost rate proposal. Access to the on-line Schedules is free to any district using the Indirect Cost Rate. Schedules A, B, C, D, E and F are included in this proposal document. Please see the indirect cost recovery cover letter for the link.

The following is a list of reports for the ICR proposal which must be returned to the Office of Grants Management (See Document Checklist included in the appendix packet):

1. Indirect Cost Rate Status Certification (1 copy)
2. ICR Schedule A (Cost Classification) – (1 copy)
3. ICR Schedule B (Excluded and Unallowable Costs) – (1 copy)
4. ICR Schedule C, Page 1 (Indirect Cost Rate Pool) – (1 copy)
4a. ICR Schedule C, Page 2 (Indirect Cost Rate Pool) – (1 copy)
5. ICR Schedule D (Fixed with Carry-Forward Computation) – (1 copy)
6. ICR Schedule E (Square Footage Calculation) – (1 copy)
7. ICR Schedule F (Unrestricted Rate Computation) – (1 copy)
8. FY 2013 Legacy Schedule of Expenditures by Function and Object Categories (all funds) (1 copy)
9. FY 2013 Legacy Schedule of Expenditures by Objects for All Funds (1 copy)
10. Indirect Cost Rate Proposal Certification (1 copy)
Deadline: Once approved, your 2015 Indirect Cost Rate will be effective July 1, 2014 through June 30, 2015. Your 2015 Indirect Cost Rates can be used only after you have received the approved Rate Agreement and may be applied only to Fiscal Year 2015.

SUMMARY OF PROCEDURES

Indirect Cost Rate Proposal

An indirect cost rate proposal is the document that supports the distribution of indirect costs to a direct cost base. Preparation includes the following steps:

- <u>Step 1.</u> Total expenditures, regardless of funding source, are identified and listed for each function (Use the "Legacy" *Schedule of Expenditures by Objects for All Funds* to complete Schedule A, Column C).
- Step 2. Exclusions and unallowable costs are eliminated. (Use the "Legacy" *Schedule of Expenditures by Function and Object Categories for All Funds* and Schedule B to complete Schedule A, Column D).
- <u>Step 3.</u> Actual costs for the indirect cost pool are entered in Schedule C (Pages 1 & 2), and Schedule A, Column E.
- Step 4. On Schedule A, the total costs (Column C) less exclusions and unallowables (Column D) and indirect costs (Column E) (2400, 2500, 2600, 2700, 2900 only) equals direct costs (Column F).
- <u>Step 5.</u> On Schedule A, the total indirect costs (Column E, Line 52) are divided by the total direct costs (Column F, Line 52) to determine the rate.

Indirect Costs

= Indirect Cost Rate

Direct Costs

Schedule A - Determining Total Direct Expenditures (Schedule A, Column C)

Direct Costs

To prepare an indirect cost rate proposal, total costs for all funds, regardless of funding source, must be classified into one of the following categories: direct, indirect, exclusion, or unallowable.

Direct costs are those that can be identified specifically with a particular cost objective. The direct costs of a federal grant or contract can be specifically identified as benefiting the program; therefore, they may be charged directly to the program. Examples of direct costs that may be charged to a federal program include the following:

- 1. Compensation of the employees who administer the program,
- 2. Supplies and materials used for the program, and
- 3. Travel expenses incurred specifically to carry out the program.

Direct Functions

For the restricted indirect cost rate, the following functions should be classified as direct costs.

Description	Code
Regular Instruction	1100
Special Instruction	1200
Vocational Instruction	1300
Adult/Continuing	1400
Other Instruction	1900
Support Services-Pupils	2100
Support Services-Instructional Staff	2200
Support Services-Board of Education	2300
Support Services-Administration	2400*
Fiscal Services	2500*
Support Services-Business	2600*
Operation and Maintenance of Plant Services	2700*
Support Services-Pupil Transportation	2800
Support Services-Central	2900*
Food Service Operations	3100
Community Services	3200
Enterprise Operations	3300
Other Operations of Non-Instructional Services	3900
Academic & Subject Oriented Activities	4100
Occupation Oriented Activities	4300
Sport Oriented Activities	4500
School & Public Service-Curricular Activities	4600

^{*}Certain expenditures in these functions may be reported in your school district as indirect expenditures.

Exhibit A Restricted Indirect Cost Rate Classification of Functions Summary

Function	Classification of Functions	Excluded/	Indirect	Direct
runction		Unallowable	Costs	Costs
1100	Regular Instruction	No	No	Yes
1200	Special Instruction	No	No	Yes
1300	Vocational Instruction	No	No	Yes
1400	Adult/Continuing	No	No	Yes
1900	Other Instruction	No	No	Yes
1,00		110	110	100
2100	Support Services-Pupils	No	No	Yes
2200	Support Services-Instructional Staff	No	No	Yes
2300	Support Services-Board of Education	No	No	Yes
2400	Support Services-Administration	No	Yes*	Yes*
2500	Fiscal Services	No	Yes*	Yes*
2600	Support Services-Business	No	Yes*	Yes*
2700	Operation and Maintenance of Plant Services	No	Yes*	Yes*
2800	Support Services-Pupil Transportation	No	No	Yes
2900	Support Services-Central	No	Yes*	Yes*
3100	Food Service Operations	No	No	Yes
3200	Community Services	No	No	Yes
3300	Enterprise Operations	No	No	Yes
3900	Other Operation of Non-Instructional Services	No	No	Yes
4100	Academic & Subject Oriented Activities	No	No	Yes
4300	Occupation Oriented Activities	No	No	Yes
4500	Sport Oriented Activities	No	No	Yes
4600	School & Public Service Co-Curricular Activities	No	No	Yes
5100	Site Acquisition Services	Yes	No	No
5200	Site Improvement Services	Yes	No	No
5300	Architecture & Engineering Services	Yes	No	No
5400	Educational Specifications Development Services	Yes	No	No
5500	Building Acquisition & Construction	Yes	No	No
5600	Building Improvement Services	Yes	No	No
5900	Other Facilities Acquisition & Construction	Yes	No	No
3700	Other Fuelmites Frequisition & Construction	105	110	110
6100	Repayment of Debt	Yes	No	No
7100	Contingencies	Yes	No	No
7200	Transfers-Out	Yes	No	No
7300	Voluntary Contingency Reserve Balance	Yes	No	No
7400	Advances-Out	Yes	No	No
7500	Refund of Prior Year Receipts	Yes	No	No
7600	Pass Through Payments	Yes	No	No
7700	Money Spent on Behalf of Another Government	Yes	No	No
7900	Other Miscellaneous Use of Funds	Yes	No	No

^{*}Some expenditures in these functions may be reported in your school district's indirect cost pool. Some of these expenditures may have further limitations on the amount that maybe included in the indirect cost pool.

Please enclose a copy of your school district's FY 2013 "Legacy" Schedule of Expenditures by Objects for All Funds with your proposal.

RESTRICTED INDIRECT COST RATE COST CLASSIFICATION

SCHEDULE A ELECTRONIC

USE FY2013 EXPENSE DATA

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1		School District Name:		· · · · · · · · · · · · · · · · · · ·		
2		School District Number:	·		County:	
3		Fiscal Year:	2015		Date:	·
4	TANK	(B)			"**** (E)	(E)WAY
5	Code	Direct Costs	Total	Exclusions &	Indirect	Direct
6		5,100,100,00	Expenditures	Unallowables	Costs	Costs
7	1100	Regular Instruction		0		0
8	-	Special Education		0		0
9		Vocational Instruction		0		0
10	1400	Adult/Continuing		0		0
11	1900	Other Instruction		. 0		0
12			***************************************			***************************************
13	2100	Support Services-Pupils		0		0
.14	2200	Support Services-Instructional Staff		. 0		0
15	2300	Support Services-Board of Education		0		0
16	2400	Support Services-Administration		0	0	0
17		Fiscal Services		0	. 0	0
18		Support Services-Business		0	0	0
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24		Community Services		0		0
25		Enterprise Operations		0		0
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30		Sport Oriented Activities		0		0
31		School & Pub. Serv. Co-Curr. Act		. 0		0
32	7000	GCHOOL & Lab. GELV. GO-Gall. Act	***************************************			
33	5100	Site Acquisition Services	.20000000000000000000000000000000000000	0		0
34		Site Improvement Services		0		0
35		Architecture & Engineering Services		0		. 0
36	5400	Educational Specifications Devel. Svc.		0		0
37	5500	Building Acquisition & Construction		0		0
38		Building Improvement Services		0		0
39		Other Facilities Acquisition & Constr.		0		0
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41	6100	Repayment of Debt		0		0
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43	7100	Contingencies		0		0
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45	7300	Voluntary Contingency Reserve Balance		0		0
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RESTRICTED INDIRECT COST RATE:

COLUMN (E) \$

COLUMN (F) \$

= RATE (Ex..4.01%)

2015 Indirect Cost Recovery Plan for Ohio Schools

Excel Manual 2015 rev 020314.xlsm

Schedule B – Determining Exclusions and Unallowables

EXCLUSIONS - Schedule B

- Schedule A, Column D

The indirect cost rate should exclude the following from the direct and indirect costs:

- Pass through funds
- Major subcontracts
- Food purchases from the direct and indirect function areas

These costs are excluded when calculating the rate because <u>they require minimal</u> <u>administrative support</u>. Likewise, the above costs should be excluded when calculating the indirect cost recovery for the same rationale.

UNALLOWABLES - Schedule B

- Schedule A, Column D

The indirect cost rate should eliminate the following unallowable costs from the direct and indirect functions:

- Capital expenditures
- Debt service
- Fines and penalties
- Contingencies
- Election expenses

These costs are excluded when calculating the rate because they require minimal administrative support and are not permitted under 34 CFR Part 76. Likewise, the unallowable costs should be eliminated when calculating the indirect cost recovery for the same rationale.

All funds should be used to prepare the proposal. However, <u>exclude financial expenditures for duplicate activities from the proposal</u>. As an example, in a few districts, the <u>self insurance funds are duplicate activities and inclusion would have caused the rate to be overstated</u>.

For example, a school district that has a self insurance fund will record payments made to the self insurance fund within the individual department(s) that are responsible for paying for insurance for its staff. Therefore, the expenses of the self insurance fund itself is excluded so that the cost of self insurance is not recorded twice.

The USAS manual lists recommended internal service fund numbers, all of which should be excluded; however, you must exclude the costs of all internal service funds in your financial reports to avoid duplicating costs.

SPECIAL NOTE: - Object Code 841 – Memberships in a Professional Organization are Allowable

It has been determined that Object 841 "Memberships in a Professional Organization" for the indirect cost pool staff are deemed allowable. The indirect cost pool staff is in function codes #2400, #2500, #2600, #2700 and #2900. Keep in mind that if you are allowing costs for Object 841 on Schedule C, then these costs must not be reported on Schedule B as well.

SPECIAL NOTE: - Object Code 843 – State Audit Examinations are Allowable

The U.S. Office of Management and Budget Circular A-87, <u>Cost Principals for State and Local Governments</u> (http://www.whitehouse.gov/omb/circulars a087 2004/) and The U.S. Department of Education (DOE) <u>Indirect Cost Determination Guidance for State and Local Government Agencies</u> publications are clear on which costs can be included in the indirect cost rate calculations and which costs are allowable or unallowable. The allowability of audit services is outlined specifically in Part 3, Attachment B of the A-87 document and in Appendix 1, Attachment B, Page 94 of the DOE guidelines. These documents state that "the costs of audits are allowable provided that the audits were performed in accordance with the Single Audit Act as implemented by Circular A-133" (Circular A-133 Audits of State and Local Governments).

In addition, Ohio's Uniform School Accounting System (USAS) (http://www.ohioauditor.gov/publications/uniform_school_accounting_system_user_manual.pdf) defines categories of costs and covers audit services under the object codes in the 840 series know as "Dues and Fees". The USAS document specifically outlines expenditures for object code 843, as charges for the cost of Audit Examinations. State Audit examination fees would be included here. Under A-87 and the DOE publication these costs would be considered allowable costs and thus would be appropriately included as a part of the indirect cost rate calculation, therefore, do not report on Schedule B.

All other sub-codes within code 840 remain unallowable and should be reported on Schedule B.

SPECIAL NOTE: - Object Code 851 – Liability Insurance is partially Allowable

It also has been determined that Object 851 "Liability Insurance" for the indirect cost pool staff is deemed partially allowable. The indirect cost pool staff is in the following function codes: 2400, 2500, 2600, 2700 and 2900.

In order to calculate the allowable amount, a ratio between the indirect staff and the total number of covered individuals under the policy will need to be calculated.

For example, under the Liability policy for the district there are 1,900 individuals covered. Indirect Staff included in this proposal is 40. Therefore, the percent of liability insurance allowed will be 40 / 1,900 = 2.1%. This percent times the total amount of liability insurance is the amount that may be included in this proposal on Schedule C and excluded from any amount listed on Schedule B under Object Code 850.

SPECIAL NOTE: - Object Code 853 – Fidelity Bond Premiums are Allowable

It also has been determined that Object 853 "Fidelity Bond Premiums" for the indirect cost pool staff are deemed allowable. The indirect cost pool staff are in function codes 2400, 2500, 2600, 2700 and 2900.

If there is a fidelity bond purchased for anyone in the indirect cost pool functions the cost may be included in this proposal on Schedule C, but <u>not</u> reported on Schedule B.

If an expenditure for Dues and Fees, Liability Insurance and/or Fidelity Bond Premiums is listed on Schedule C, Page 2, it cannot be reported in Schedule B.

Functions and Object Codes That Are Exclusions and Unallowable Costs

The following function and object codes should be classified as exclusions and unallowable costs. (See Exhibit B)

Function Description	Code	Classification
Site Acquisition Services	5100	Unallowable
Site Improvement Services	5200	Unallowable
Architecture & Engineering Services	5300	Unallowable
Educational Specifications Development Service	5400	Unallowable
Building Acquisition & Construction	5500	Unallowable
Building Improvement Services	5600	Unallowable
Other Facilities Acquisition & Construction	5900	Unallowable
Repayment of Debt	6100	Unallowable
Contingencies	7100	Unallowable
Transfers-Out	7200	Exclusion
Voluntary Contingency Reserve Balance	7300	Unallowable
Advances-Out	7400	Exclusion
Refund of Prior Year Receipts	7500	Exclusion
Pass Through Payments	7600	Exclusion
Money Spent on Behalf of Another Government	7700	Exclusion
Other Miscellaneous Use of Funds	7900	Exclusion
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Object Description	<u>Code</u>	Classification
Food & Related Supplies & Materials	560	Exclusion
Land	610	Unallowable
Building	620	Unallowable
Improvements Other Than Buildings	630	Unallowable
Equipment	640	Unallowable
Vehicles	650	Unallowable
School Buses	660	Unallowable
Library Books	670	Unallowable
Livestock	680	Unallowable
Other Capital Outlay	690	Unallowable
Replacement Land	710	Unallowable
Replacement Building	720	Unallowable
Replacement Other Than Buildings	730	Unallowable
Replacement Equipment	740	Unallowable
Replacement Vehicles	750	Unallowable
Replacement School Buses	760	Unallowable
Replacement Library Books	770	Unallowable
Replacement Livestock	780	Unallowable
Other Capital Outlay	790	Unallowable
Redemption of Principal	810	Unallowable
Interest	820	Unallowable
Other Debt Service Payment	830	Unallowable
Dues and Fees (Except 841 & 843)*	840	Unallowable
Insurance (Except 851 & 853)*	850	Unallowable
Judgements	860	Unallowable
Taxes and Assessments	870	Unallowable
Awards and Prizes	880	Unallowable
Other Miscellaneous Expenditures	890	Unallowable
Transfers	910	Exclusion
Advances	920	Exclusion
Refund of Prior Year Receipts	930	Exclusion
Grant Payments to Other Districts	940	Exclusion
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^{*} See the special notes on page 9.

RESTRICTED INDIRECT COST RATE DETERMINATION OF EXCLUDED AND UNALLOWABLE COSTS

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2015 Indirect Cost Recovery Plan for Ohio Schools

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SCHEDULE B ELECTRONIC

Schools
Ohio
Plan for
Recovery
Cost
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2015

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Schedule C – Determining the Indirect Cost Rate Pool

Indirect Costs

OMB Circular A-87, Cost Principles for State and Local Governments located at 2 CFR Part 225, defines indirect costs as those incurred for a common or joint purpose, such as the Treasurer's Office, benefiting more than one cost objective.

Examples of indirect costs should include the FY 2013 salaries (including fringe benefits) and other allowable costs for the following activities and/or staff in the <u>Treasurer</u>, <u>Human Resources</u>, <u>Support Services and Operation & Maintenance of Plant Services Offices</u>:

- Accounting
- Data processing (Accounting & Fiscal)
- Internal auditor
- Purchasing
- Warehouse
- Inventory
- Payroll
- Employee benefits
- Personnel administration
- Other allowable costs

Below are examples of Objects related to the Treasurer and Human Resource functions that may be used. Schedule C, Page 2 will be used to itemize these costs. These expenses should be easily traced to your financial records to assist with audits or other reviews.

Object Number / Object Name

- 1. 415 Management Services
- 2. 416 Data Processing Services
- 3. 430 Travel Mileage/Meeting Expense
- 4. 440 Communications (446 Advertising is Unallowable)
- 5. 461 Printing & Binding
- 6. 512 Office Supplies
- 7. 841 Memberships in a Professional Organization
- 8. 843 State Audit Examination (as the expense relates to audits performed in accordance with the Single Audit Act)
- 9. 851 Liability Insurance (Ratio of Indirect Staff FTE to the total covered FTE ONLY)
- 10. 853 Fidelity Bond Premiums If a specific bond for Indirect Staff is not available the a ratio of FTE for Indirect Staff to the total covered FTE is allowable)

Please provide the number of covered FTE/Individuals by Liability Insurance Premium on Schedule C Page 2 Column H.

In determining the 2015 Indirect Cost Rate Proposal, expenses for the above should be extracted from the period July 1, 2012 through June 30, 2013 (State Fiscal Year 2013).

Indirect Functions

For school districts, the following functions may include expenditures classified as indirect costs. (See Exhibit B).

<u>Description</u>	Code
Support Services - Administration	2400
Fiscal Services	2500
Support Services - Business	2600
Operations & Maintenance of Plant Services	2700
Support Services - Central	2900

Please keep in mind, <u>all personnel in the pool should support the Treasurer and Human Resources Offices</u>. In particular situations, personnel and other costs may be housed in and/or coded to the Treasurer's Office but do not support the fiscal efforts of this office. Such individuals should <u>not</u> be included in the pool.

Depreciation expense or a use allowance for buildings, other capital improvements, and equipment may *not* be included as an indirect cost.

EXHIBIT B

ALLOWABLE / UNALLOWABLE INDIRECT COST RATE POOL POSITIONS*

ALLOWABLE

Employees who work in the Treasurer's Office (Function 2500) such as:

- Treasurer
- Accounting
- Data Processing (Accounting and Fiscal)
- Internal Auditor

- Purchasing
- Warehouse
- Inventory

Employees who work in the Business Manager Office (Function 2600) such as:

- Purchasing
- Warehouse
- Printing, Publishing and Duplicating

Employees who work in the Human Resources Office (Function 2900), such as:

- Human Resources Director
- Payroll and Employee Benefits
- Data Processing Exclusively Used For Human Resources Office

Employees who work in Operation and

Maintenance of Plant Services (2700), such as:

- Janitors
- Ground Maintenance Workers
- Guard Services

Also, anyone who works for the allowable positions such as:

- Secretary to
- Assistant to
- Substitute for
- Receptionist

UNALLOWABLE

Individuals and employees who work in areas included in but not limited to the following:

- Board of Education Members
- Superintendent of Schools
- Director of Public Relations
- Instructional Technology
- Communications
- Maintenance**
- Legal Counsel

- Transportation
- Evaluation
- Publications
- Printing Department
- Principals and Teachers
- Student Services and Documents
 Data Processing Except as Designated as Allowable by Ohio Department of Education

Also, anyone who works exclusively for the unallowable positions such as:

- Secretary to
- Assistant to
- Substitute for

Note: Districts should maintain documentation of time and effort for those individuals not 100% included in this proposal. This documentation will be necessary during any audit or review. Include the percent of time & effort on Schedule C, Page 1, Column H for staff.

*Any exceptions to the above list must have prior written approval from the Office of Grants Management.

** See Page 18 for detail information regarding the allowable costs of Maintenance.

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RESTRICTED INDIRECT COST RATE DETAIL OTHER ALLOWABLE COSTS

SCHEDULE C Page 2 *ELECTRONIC*

USE FY 2013 EXPENSE DATA

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	Object 461 - Printing & Binding							
	Object 512 - Office Supplies							
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2015 Indirect Cost Recovery Plan for Ohio Schools

Excel Manual 2015 rev 020314.xlsm

OPERATIONS & MAINTENANCE

Some of the expenses related to the Function Code 2700 "Operations & Maintenance of Plant Services" are now allowable. Specific functions within Object 2700 that will be allowable are as follows:

- 2720 Care and Upkeep of Building Services
- 2760 Security Services

The expenses for these functions will need to be provided in Schedule C, Page 2. Again, these must be supported by your financials when audited. They will be further reduced by a ratio of square footage for the indirect staff to the total school district square footage of buildings. The square footage calculation can be found on Schedule E. Schedule E shall include a listing by name of each building owned by the district and its useable square footage. Districts with more than eight (8) owned building need to report a total only of useable square footage for the district as a whole.

Additional Object Codes for these functions have also been deemed allowable. They are as follows:

- 422 Garbage Removal Cleaning Services
- 423 Repairs and Maintenance Services
- 424 Property Insurance
- 450 Utilities
- 572 Buildings: Supplies & materials for operation, maintenance & repair of buildings
- 855 Fire and Extended Coverage Insurance

If you are claiming costs for the above object codes for functions 2720 and/or 2760, please attach a report that itemizes each function number and the amount that will total the amount reported on Schedule C2,"2700 – Operation and Maintenance of Plant Services", Line #10. The report will confirm that expenditures listed are associated with function codes 2720 and 2760 only.

Square Footage Calculation:

Usable square footage for the Treasurer's Office, Human Resources' Office, Maintenance Office and Warehouse storage as well as anyone else included on Exhibit C-1.

Definition of Usable Square Footage = Square footage less any common space, such as hallways, public bathrooms, and mechanical space. This reduction of common space is used by all occupants and will allow the cost of the common space to be reallocated based on each occupant's own space.

Example: Treasurer and Human Resources occupy 500 and 400 usable square feet, respectively located in the Board of Education Office Building. The Warehouse in the district has 15,000 usable square feet. The School Districts total usable square footage of owned buildings is 350,000. (Leased space may be used if the Maintenance Department & Janitorial staff service the leased space. Otherwise, leased space may be ignored for this calculation.) Therefore,

$$(500 + 400 + 15,000) / 350,000 = 4.5\%$$

This percentage will be multiplied by the expenses including the salaries & benefits in Function Codes 2720 & 2760.

SCHEDULE E

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		Maintenance	0			:
		Warehouse	0			
	(A)	(A) Subtotal	0			
	(B)	(B) Grand Total Buildings	0			
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Schedule D – Determining Fixed with Carry-Forward Indirect Cost Rate

Introduction

An indirect cost rate proposal is prepared in advance of the period it is used; therefore, it is an estimate of direct and indirect costs. Because it is an estimate, the indirect cost rate must be adjusted at the end of the period to reflect actual costs. The Ohio Department of Education will use the fixed with carry-forward methodology to reconcile estimated costs versus actual costs.

Carry-Forward Methodology

The fixed with carry-forward methodology is based on an estimate of a future period's costs. In most cases, the estimate is based on historical costs. The fixed with carry-forward methodology is not subject to revision for the year it is approved. However, when the actual costs of that period become known, the difference between the estimated costs and actual costs are included as an adjustment in a subsequent proposal. The adjustment cannot be made in the period immediately following because the fixed rate for that period will already be determined. Thus, the adjustment is carried forward for inclusion in the next indirect cost rate proposal. Actual indirect costs minus the rate times the actual direct costs equals the carry-forward amount.

Fixed With Carry-Forward Computation Sample Format

Exhibit C, Page 21, reflects the computed and approved indirect cost rate for fiscal year 2013 and the proposed estimated rate for fiscal year 2015. Please refer to this exhibit as you read steps one, two, and three.

Step One: Approved Rate:

This step reflects the approved indirect cost rate calculation. The calculation assumes that <u>all</u> funds (Federal and non-Federal) will be charged indirect costs using the approved indirect cost rate. Therefore, the gross total of indirect costs (\$493,267) represents the indirect costs that support <u>all</u> funds. The gross total of direct costs (4,932,675) represents the allowable direct costs of <u>all</u> funds. The resulting ratio, 10.00% (indirect costs / direct costs) is the rate that could be applied to <u>all</u> funds, both Federal and non-Federal. Although the indirect cost rate is applied to Federal and Sate funds only, <u>all</u> funds must be considered in the calculation per OMB Circular A-87, *Cost Principles for State and Local Governments*.

<u>Actual</u> costs for fiscal year 2013 were used to <u>estimate</u> costs for fiscal year 2015. In this example, fiscal year 2011 was used to estimate costs for FY13, therefore, the carryforward is based on the estimated FY13 costs.

Based on fiscal year 2013 actual costs, it is estimated that fiscal year 2015 indirect costs will be \$493,267 and direct costs will be \$4,932,675. The resulting indirect cost rate for fiscal year 2015 is 10.00% (indirect costs / direct costs).

Step Two: Actual Costs Approved:

This step reflects a review of the <u>actual</u> indirect costs incurred in 2013 and the <u>actual</u> direct costs incurred in 2013. Just as in Step One, the gross total of indirect costs (\$526,429) represents the indirect costs that support <u>all</u> funds. The gross total of direct costs (\$4,938,795) represents the allowable direct costs of <u>all</u> funds. Although the indirect cost rate is applied to Federal funds only, <u>all</u> funds must be considered in the calculation.

Since the fiscal year 2013 indirect cost rate was based on fiscal year 2011 costs, step two identifies fiscal year 2013 actual costs, both indirect and direct.

Fiscal year 2013 actual direct costs were \$4,938,795 and actual indirect costs were \$526,429. This implies that the indirect cost rate for fiscal year 2013 should have been 10.66% (\$526,429 / \$4,938,795).

Step Three: Carry-Forward Computation:

This step calculates the total amount of indirect costs that could have been recovered <u>if</u> <u>all</u> funds (Federal and non-Federal) were charged the indirect cost rate. Although the indirect cost rate is applied only to Federal and State funds, <u>all</u> funds must be considered in the calculation. The approved indirect cost rate is applied to the actual direct cost base. Therefore, the amount of indirect cost recoveries for 2013 would be \$493,879 (\$4,938,795 x 10.00%) if all funds were charged.

The amount that could have been recovered (\$493,879) is then compared with the amount that should have been recovered (\$526,429). Step Two reflects the amount of actual indirect costs that should have been recovered for fiscal year 2013. This example indicates that there was an under-recovery of \$32,550 (\$526,429 - \$493,879). The calculation represents actual indirect costs (step two) less actual indirect cost recoveries (step three).

The under-recovered amount, \$32,550, is added to the indirect cost rate pool in step one for the fiscal year 2015 indirect cost rate calculation. Since all funds are considered in the indirect cost rate calculation, the <u>total</u> under-recovered amount must be included for fiscal year 2015.

If there is an over-recovery, it would be subtracted from the indirect cost rate pool in step one for the fiscal year 2015 indirect cost rate calculation.

When the fiscal year 2015 rate is approved, actual costs for 2013 will be used to estimate the direct and indirect costs. The fiscal year 2015 rate will be adjusted accordingly.

Exhibit C Fixed With Carry-Forward Computation

	\boldsymbol{A}	В	С	D	E	F	G
7	Step One: Approved Rate		FY 2013			FY 2015	
8							
9	Fixed Rate Per FY 2013 Rate Agreement		10.00%			11.32%	
	(A/B)						
10							
11	Direct Cost Base (Use FY2013 Rate Agreement		4.000 675	(D)		4 020 705	(D)
10	in Col (C))		4,932,675	(B)		4,938,795	(B)
12 13	In Provide Cont Date Date						
	Indirect Cost Rate Pool						
14	Total Indirect Costs (Use FY2013 Rate Agreement in Col (B))	493,267			526,429		
15	Carry-Forward (Use FY2013 Rate Agreement in	493,207			320,429		
13	Col (B))	0			32,550		
16	Cor (B))	0			32,330		
17	Total Indirect Costs		493,267	(A)		558,979	(A)
18			.,,20,	(1-1)		223,515	(1-1)
19	Step Two: Actual Costs						
20							
21	Actual Direct Cost Base (Per Schedule A) (FY2013 Actual)		4,938,795			4,880,450	
22						, ,	
23	Actual Indirect Cost Rate Pool						
24	Actual Total Indirect Costs (Per Schedule A) (FY2013 Actual)	526,429			486,675		
25	Carry-Forward (from Step One)	0			32,550		
26							
27	Actual Indirect Costs		526,429			519,225	
28							
29	Step Three: Carry-Forward Computation						
30							
31	Recovered:						
32	Fixed Rate x Actual Direct Cost Base		102.052	(a)			
33	10.00% x 4,938,795		493,879	(C)		550 055	(C)
34	11.32% x 4,880,450					552,375	(C)
35	Should Have Recovered:		506.400	(D)			
36	Actual Total Indirect Costs for 2013:		526,429	(D)		510.227	(D)
37	FY 2015					519,225	(D)
38	Under-recovery/(Over-recovery) (D-C)		22.550			(22.150)	
39	Carry-Forward to Subsequent Year		32,550			(33,150)	
Щ,	ote. This computation is adented from the US Depart		1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	<u> </u>	G 11 10	D G 10	

Note: This computation is adapted from the US Department of Health and Human Services Guide ASMB C-10

RESTRICTED INDIRECT COST RATE FIXED WITH CARRY-FORWARD COMPUTATION

SCHEDULE D ELECTRONIC

USE FY 2013 EXPENSE DATA

	A	В	С	D	E	F	G
1	School District Name:	0					
2	School District Number:	0			County:	0	
3	Fiscal Year:	2015			Date Submitted:	1/0/1900	
4	A CONTRACT OF THE PROPERTY OF		(G) (11)				(G))
5		Fiscal Year	2018			2015	
6		•					
7	Step One: Approved Rate						
8					,	V	
9	Fixed Rate Per FY2013 Agreement (A/B)		0.00%			#DIV/0!	
10							
11	Direct Cost Base (Use FY2013 Agreement in Col (C))			(B)		#DIV/0!	(B)
12							
	Indirect Cost Pool:			Ŀ			
14	Total Indirect Costs (Use FY2013 Rate Agreement in Col (B))				#DIV/0!		
15	Carry-Forward (Use FY2013 Rate Agreement in Col (B))				#DIV/0!		
16					•		
17	Total Indirect Costs		0	(A)		#DIV/0!	(A)
18							
19	Step Two: Actual Costs						
20							
21	Actual Direct Cost Base (Per Schedule A) (FY2013 Actual)		#DIV/0!	<u> </u>			
22							
	Actual Indirect Cost Pool						
24	Actual Total Indirect Costs (Per Schedule A) (FY2013 Actual)	#DIV/0!					
25	Carry-Forward (from Step One)	. 0					
26						1	
27	Actual Indirect Costs		#DIV/0!				
28		-					,
29	Step Three: Carry-Forward Computation						
30							
31	Recovered:			-			
32	Fixed Rate x Actual Direct Cost Base						
33	% x Base		#DIV/0!	(C)			
34							
35	Should Have Recovered:						
36	Actual Total Indirect Costs for FY2013						
37			0	(D)			
38	Under-recovery/(Over-recovery) (D-C)						
39	Carry-Forward to Subsequent Year		#DIV/0!				
40							
41	LEGEND:						
42							
43	(B) = Direct Cost Base (per FY2013 Rate Agreement)				= Data entry cells.		• .
	(C) = Actual FY2013 Direct Cost Base (per Sch. A, col. F)	X Current Rate			= Formula cells.		
	(D) = Actual FY2013 Total Indirect Costs (per Sch. A, col. I				= Non-applicable cells		

Note: This computation is adapted from the U.S. Department of Health and Human Services guide ASMB C-10.

2015 Indirect Cost Recovery Plan for Ohio Schools

Excel Manual 2015 rev 020314.xlsm

UNRESTRICTED RATE

(MEDICAID PROGRAM USE ONLY)

Starting with FY 2009 an unrestricted rate will be automatically calculated. This rate is to be used **ONLY** with the **Medicaid Program**. It will be calculated by the information already supplied in this packet. This Unrestricted Rate will be used for any Medicaid grant that allows indirect costs.

Schedule F, has been included as a worksheet in the Excel file. This schedule pulls information from Schedule A in order to calculate the new unrestricted rate.

This unrestricted rate allows more costs to be in the indirect cost pool than the restricted rate. The cost for Code 2500, 2600, 2700 and 2900 that appear in Schedule A Column F are now allowable for the unrestricted rate. Schedule F pulls these four amounts into the appropriate cell.

As with the restricted rate, this additional form will need to be supplied and approved before using. It MUST be used only with the Medicaid Program.

No carry-forward calculation was necessary during the first two years. Beginning in the FY 2011 rate calculation, the approved rate needed to be added. As in the restricted rate, the approved rate must be added to the spreadsheet so the roll forward calculation is done correctly. Please refer to Schedule D, page 20 of this document for instructions. These instructions are the same for both the restricted rate and the unrestricted rate.

Note: Misuse of this unrestricted rate will result in serious consequences, including questioned costs by auditors or the Department and/or suspension or termination of affected grant program. In addition, misuse of the unrestricted rate by a district may result in the discontinuance of the unrestricted rate. ODE has asked the Auditor of State to carefully scrutinize the use of the unrestricted rate and to report instances of noncompliance to ODE.

UNRESTRICTED INDIRECT COST RATE FIXED WITH CARRY-FORWARD COMPUTATION

SCHEDULE F

USE FY 2013 EXPENSE DATA

	A	В	С	D	E	F	G
1	School District Name:	0					
2	School District Number:	0			County:	0	
	Fiscal Year:	2015		ľ	Date Submitted:	1/0/1900	
4	(A) 11 (A)	"(\$\frac{1}{2}\text{\$\frac{1}{2}}(B) \text{\$\frac{1}{2}\text{\$\frac{1}\text{\$\frac{1}{2}\text{\$\frac{1}{2}\text{\$\frac{1}{2}\text{\$\frac{1}{2}\text{\$\frac{1}{2}\text{\$\frac{1}{2}\text{\$\frac{1}{2}\text{\$\frac{1}{2}\text{\$\frac{1}{2}\text{\$\frac{1}{2}\text{\$\frac{1}{2}\text{\$\frac{1}{2}\text{\$\frac{1}{2}\text{\$\frac{1}{2}\text{\$\frac{1}{2}\text{\$\frac{1}{2}\text{\$\frac{1}{2}\text{\$\frac{1}{2}\text{\$\frac{1}{2}\text{\$\frac{1}\text{\$\frac{1}\text{\$\frac{1}\text{\$\frac{1}\text{\$\frac{1}\text{\$\frac{1}\$\frac{\	(<u>(</u> 6)	(D)	() (E)常翻译等	Maryler (F) Wares	-(G)
5	7.7/1/2004	Fiscallyear	2013			2015	
6	NOTICE THAT THE MENTAL COMMUNICATION OF A STANDARD STANDARD OF A STANDARD STANDARD OF A STANDARD STANDA	A CONTRACTOR OF THE PROPERTY O		- mappings	The second state of the second sec		
7	Step One: Approved Rate						
8						•	
9	Fixed Rate Per FY2013 Rate Agreement (A/B)	_	0.00%			#DIV/0!	
10							
\vdash	Direct Cost Base (Use FY2013 Rate Agreement in Col (C))			(B)		#DIV/0!	(B)
12							
13	Indirect Cost Pool:				1		
14	Total Indirect Costs (Use FY2013 Rate Agreement in Col (B))				#DIV/0!		_
15	Carry-Forward (Use FY2013 Rate Agreement in Col (B))		<u> </u>	_	#DIV/0!		
16							4
17	Total Indirect Costs		0	(A)		#DIV/0!	(A)
18	· · · · · · · · · · · · · · · · · · ·						_
19	Step Two: Actual Costs						-
20				<u> </u>			ļ
21	Actual Direct Cost Base (Per Schedule A) (FY2013 Actual)		#DIV/0!	 		<u> </u>	
22				. ,	·		ļ
23	Actual Indirect Cost Pool						_ _
24	Actual Total Indirect Costs (Per Schedule A) (FY2013 Actual)	#DIV/0!		_			
25	Carry-Forward (from Step One)	0					_ _
26						<u> </u>	_
27	Actual Indirect Costs	· · · · · · · · · · · · · · · · · · ·	#DIV/0!	<u> </u>			\dashv
28				-			-
29	Step Three: Carry-Forward Computation			_		<u> </u>	
30				<u> </u>			-
31	Recovered:	<u> </u>		-			
32	Fixed Rate x Actual Direct Cost Base	-		-	`		-
33	+n./*/		#DIV/0!	(C)			-
34							
35	Should Have Recovered:			-		·	-
36				-			-
37			0	(D)		<u> </u>	-
38		<u> </u>		-			-
39			#DIV/0!	 			-
40						-	
	LEGEND:	 	· · · · · · · · · · · · · · · · · · ·	 			
42	3 / /			-			
_	(B) = Direct Cost Base (per FY2013 Agreement)				= Data entry cells.		-
	(C) = Actual FY2013 Direct Cost Base (per Sch. A, col. F*			 	= Formula cells.		-
	(D) = Actual FY2013 Total Indirect Costs (per Sch. A, col.		dad to the lester of		= Non-applicable cells.		
46	*Cells F17, F18, F19 and F21 have been deducted from D	irect Costs and ad	aea to tne inairect	COST	P001	1	- 1

Note: This computation is adapted from the U.S. Department of Health and Human Services guide ASMB C-10.

2015 Indirect Cost Recovery Plan for Ohio Schools

Excel Manual 2015 rev 020314.xlsm

TO BE USED BY ALL APPLICANTS

INSTRUCTIONS FOR COMPLETION OF THE INDIRECT COST RATE FORMS

Data will be entered only in blank, unshaded cells in the following areas:

Schedule A: Cost Classification (Page 7)

- 1. School District Name enter school district name in cell C1.
- 2. School District Number enter school district number in cell C2.
- 3. County enter county name in cell F2.
- 4. Date Submitted enter the date the form was submitted to the Ohio Department of Education (ODE).

<u>Note:</u> Once the data for 1-4 is entered on Schedule A, it will automatically appear in the corresponding boxes on Schedules B, C, D and F.

5. Total Expenditures (Column C) - enter total expenditures for the corresponding codes and direct costs in unshaded cells from C7 to C50.

All other data on Schedule A (Column's D, E, and F) will be automatically calculated using formulas programmed into the document. Some of the totals on Schedule A will be automatically entered into formulas programmed on Schedule C.

Schedule B: Excluded and Unallowable Costs (Pages 11-13)

1. Function Codes 1100 to 4600 - enter excluded and unallowable costs in Column C through Column X, row 6 through row 44.

These totals are then automatically carried forward to Schedule A, Column D (Indirect Costs) for each function code.

Schedule C: Indirect Cost Rate Pool (Page 16-17)

- 1. Enter the position titles for the indirect cost rate pool in Column B for function codes 2400, 2500, 2600, 2700 and 2900.
- 2. Enter position salaries (including fringe benefits) and other allowable costs for the positions listed in Column E for each function code.
- 3. Column F automatically totals the indirect salaries for each function code in Column F.
- 4. Enter the percent of time and effort for each position on Column H (1 FTE = 100%)
- 5. On Schedule C Page 2, enter the expenses related to the positions listed on Schedule C Page 1 Column B. This total will populate "Other Allowable Costs" on Schedule C Page 1 Column E.

These totals are then automatically carried forward to Schedule A, Column E (Indirect Costs) for each function code.

Schedule D: Fixed With Carry-Forward Computation (Page 22)

- 1. Direct Cost Base enter the indirect cost rate estimate from the FY13 approved rate (based on FY10 actual costs) in cell C11.
- 2. Total Indirect Costs enter the indirect cost rate estimate from the FY13 approved rate (based on FY11 actual costs) in cell B14.
- 3. Carry-Forward enter the carry-forward from the FY13 approved rate (based on FY11 actual costs) in cell B15.
- 4. No data entry is required for the remaining cells. These cells have formulas that calculate the necessary information.

Schedule E: Square Footage Calculation (Page 19)

- 1. Direct Square Footage enter the square footage associated with the indirect cost pool functions in Columns D G. Column H is for all other space.
- 2. No data entry is required for the remaining cells. These cells have formulas that calculate the necessary information. The percent found in D45 will be used to lower the expenditures in Schedule C pages 1 & 2.

Schedule F: Fixed With Carry-Forward Unrestricted Computation (Page 24)

- 1. Direct Cost Base enter the indirect cost rate estimate from the FY13 approved rate (based on FY11 actual costs) in cell C11.
- 2. Total Indirect Costs enter the indirect cost rate estimate from FY13 approved rate (based on FY11 actual costs) in cell B14.
- 3. Carry-Forward enter the carry-forward from the FY13 approved rate (based on FY11 actual costs) in cell B15.
- 4. No data entry is required for the remaining cells. These cells have formulas that calculate the necessary information.

APPLICATION OF THE INDIRECT COST RATE

There is no additional monetary compensation for indirect cost recovery.

Many grant awards received by school districts are for fixed amounts; therefore, the available indirect cost recovery must be included in the total grant award. Determination of recovery will require the following steps:

- Subtract unallowables and exclusions to determine the net direct and indirect costs.
- **Divide** the net amount by one plus the approved indirect cost rate.
- **Multiply** the amount determined in step two by the approved indirect cost rate.

Example: Project is for \$100,000. The district has an approved Indirect Cost Rate of 5.00%.

Step 1:

Total Direct	Cost	\$100,000		
Subtract:	Capital Expenditure	(15,000)		
	Personal Service Contracts	(15,000)		
	Flow Through Funds			
	(10,000)			
	(10,000)			
Net 1	Direct and Indirect Cost Rate Base	\$ 40,000		
Step 2:				
Divide:	Net Direct and Indirect Cost Rate Base	\$ <u>40,000</u>		

1 + Approved Indirect Cost Rate

Net Direct Cost Base

Step 3:

Multiply:	Net Direct Cost Base x Approved Indirect Cost Rate	\$ 38,095 x .05
Indir	ect Cost Recovery	\$ 1,905

In this example, \$40,000 represents the net direct and indirect costs available to the school district. The product of dividing the net direct and indirect costs by one plus the indirect cost rate, \$38,095, is the total amount available for direct costs. The direct costs, \$38,095, can then be multiplied by the indirect cost rate of 5% to determine the indirect cost recovery. **Indirect cost recovery money should be treated as a reimbursement. There is no additional monetary compensation for indirect cost recovery.** The recovery is taken from the approved grant allocation, thereby reducing the available dollars approved for program usage. The total amount of funds available for this program (direct + indirect) remains unchanged.

Indirect costs may be recovered only to the extent that direct costs are incurred. The indirect cost rate is applied to the amount of allowable expenditures, not the total grant award, in order to determine the indirect cost recovery. The Ohio Department of Education requires school districts to recover the indirect costs at least quarterly. However, the monthly recovery of indirect costs may more accurately reflect the on-going project activity.

1.05

\$ 38,095

Project Budgets

Indirect cost recovery should be budgeted in your project in Object Code 899 (Miscellaneous) and in Function Code 2590 (Fiscal).

Maximum Rate

The rate approved is the maximum rate a district may charge.

Although your district may decide to minimize the amount of indirect cost recovery charged to any or all federal projects, please prepare a monthly or quarterly invoice for the maximum amount which could be recovered from each federal project. Then, indicate the amount of indirect cost that was actually charged. Consistently charge the same rate throughout the fiscal year. Maintain adequate documentation to insure a good audit trail.

Ineligible Grants

Exclude ineligible grants as stated in your grant application. Currently, the Ohio Department of Education has not identified any grants where indirect cost recovery is not permitted.

If ineligible projects require a local match, the indirect costs that could have been recovered may be used as an "in-kind" local match.

Food Service

Food service will permit indirect cost recovery. This recovery will <u>not</u> yield additional dollars to the district since the reimbursement to the district is based solely on meals. If the local food service fund is financially stable, the district could redirect monies to support the overhead charges. (Exception: In the breakfast program, districts with a significant number of economically disadvantaged students <u>may qualify</u> for additional reimbursement. This exception rarely occurs.)

Vocational Funds C.F.D.A. 84.048

Vocational education permits indirect cost recovery as a part of its administrative allowance. The district shall use no more than five (5) percent of vocational basic funds, C.F.D.A. 84.048, for administrative costs, including indirect costs. This is an allowance, not an automatic deduction, from the project. Time and effort documentation for administrative expenditures must be maintained for direct costs.

Potential Uses of Indirect Cost Recovery Money

Ideally, funds recovered should be used to offset the costs of the indirect cost rate pool. i.e.: Treasurer's Office/Personnel Office. However, the district has discretion in making this determination.

Application of SFY 2015 Indirect Cost Rate to Federal Projects

Rates approved in SFY 2015 should be applied to all projects with expenditures during 7/01/14 to 6/30/15. If the indirect cost recovery exceeds the approved budgeted amount because of a rate change and the increase cannot be absorbed using the 10% guidelines, it will be necessary to revise the budget. (The 10% guidelines can be found in the Federal Fiscal Report Procedures). Total expenditures for the project may not exceed the total amount approved for the project.

Since some federal projects are longer than one year, it is possible that expenditures could be charged using different annual indirect cost rates. A rate may not be applied until the district has received approval from the Ohio Department of Education. If a rate has not been approved at the time the budget application is submitted, a budget revision will be necessary at a later date to incorporate the approved rate.

These points are further illustrated in the chart below:

All approved federal projects that permit indirect cost recovery and incur expenditures during this period:	Rate to be used
07/01/2012 through 06/30/2013	2013
07/01/2013 through 06/30/2014	2014
07/01/2014 through 06/30/2015	2015

Dropping Out of the Indirect Cost Rate Program

It is a local decision (i.e. school district's decision) to obtain an approved indirect cost rate. It is a local decision to recover the maximum rate allowed from each federal project. It is also a local decision to not continue in the indirect cost rate program. If that decision is made, it should be understood there are some consequences. Below is an outline of what will need to occur to properly exit this program.

Year One

- Indirect cost rate is approved.
- Indirect cost recovery from current projects only is permitted.
- Direct fiscal charges from any projects are not permitted.

Year Two

- Indirect cost rate is <u>not</u> approved.
- Indirect cost recovery from any projects is not permitted.
- Direct fiscal charges from current year projects only are permitted.

Year Three

- Indirect cost rate is <u>not</u> approved.
- Indirect cost recovery from any projects is <u>not</u> permitted.
- Direct fiscal charges from one year old and current projects only are permitted.
- Indirect cost rate proposal must be calculated with the carry-forward methodology. Reconciliation must occur between the dollar amount recovered from year one projects based upon the indirect cost rate and the dollar amount that the indirect cost rate would have yielded. If there is over-recovery, the money must be repaid to the federal government. Should this situation occur, the Ohio Department of Education will provide the school district with the procedures for repayment.

In accordance with the guidelines contained in OMB Circular A-87 Cost Principles for State and Local Governments, it is a requirement that a reconciliation of estimated and actual indirect costs be completed for each year that an indirect cost rate is approved. This reconciliation process determines the carry-forward adjustment and is included in the indirect cost rate calculation for a subsequent fiscal year. If a district has chosen to drop out of the indirect cost rate program, then there is no subsequent fiscal year to include the carry-forward adjustment. Therefore, the reconciliation process determines the amount of over or under recovered indirect costs. An over-recovery of indirect costs indicates that a refund is due from the district to the Federal government. Any under-recoveries of indirect costs are usually not reimbursed. This reconciliation process is required and necessary for final closeout of the grant program.

	"SAMPLE"	
School District	County	IRN
	Indirect Cost Rate Proposal Certifi	ication
fiscal year 2015 is prepare A-87, located at 2 CFR Pa and the Education Depart that no costs other that grantee/contractor via an indirect cost rate pool as fi grantee/contractor and allohave been treated as indirects have been accorded by the grantee/contractor via not subsequently found contained in this proposal districts' records and it is to A fixed with carry-forward	d in conformance with the Office of Int 225, Cost Principles for State, Localment General and Administrative Result those incurred by the grantee/approved central service cost allocalmally accepted, and that such incurred by able under the governing cost prince ext costs have not been claimed as direct consistent accounting treatment, and which was used as a basis for acceptant to be materially inaccurate. Finally, it is supported by sufficient and contains evidence upon which an indirect of the restricted rate of is recovered.	Management and Budget Circular al and Indian Tribal Governments egulations. I further certify: (1) contractor or allocated to the cation plan were included in its d costs are legal obligations of the ciples, (2) that the same costs that ect costs, (3) that similar types of (4) that the information provided nce of the rate(s) agreed to herein ly, I certify that the information mpetent evidential matter in the cost rate is proposed.
	Signature	_
	Treasurer's Printed Name	
	Treasurer's Email Address	
	Telephone #	_
	Fax #	
	Date	_

"SAMPLE"

TO: Treasurer

LEA - IRN

FROM: Brian Jones, Director

Office of Grants Management

RE: 2015 Indirect Cost Proposal Certification

DATE: Xxxx, XX, 2014

The purpose of this Agreement is to establish indirect cost rates for use in awarding and managing of Federal contracts, grants, and other assistance arrangements to which Office of Management and Budget (OMB) Circular A-87 applies. This agreement is issued by the U.S. Department of Education pursuant to the authority cited in OMB Circular A-87.

Enclosed under Attachment A you will find your district's 2015 Indirect Cost Proposal Certification, the Restrict Indirected Cost Rate (ICR) Agreement, and the Unrestricted Rate (ICR) Agreement, if applicable.

This agreement consists of three parts: Section I – Rates and Bases, Section II – Particulars and Section III – Special Remarks.

Based on our delegated authority from the U.S. Department of Education, the approved indirect cost rate may be applied to eligible program expenditures that occur between 7/1/2014 and 6/30/2015. You are reminded that use of this rate must be in accordance with the Ohio Department of Education ICR Plan instructions and the proposal submitted by your agency.

Pursuant to the Uniform School Accounting System prescribed by the Auditor of State, indirect costs shall be budgeted in function code 2590, (other Fiscal Services), and object code 899, (other miscellaneous expenses).

Deviations from the approved scope, purpose, or regulations may subject your agency to repayment of any or all indirect cost recoveries made by your organization. This indirect cost rate is subject to change due to US Department of Education revisions.

Thank you for your cooperation. If you have any questions please contact Tiffany Davis, Grants Administrator at 614-752-9572 or Tracy Knowles, Grants Coordinator at 614-752-1483.

ATTACHMENT A

INDIRECT COST RATE AGREEMENT

Entity Name		Year	2015
IRN	County	Date	

The indirect cost rate contained herein is for use on grants with the Federal Government to which the Office of Management and Budget Circular A-87 and the Education Department General Administrative Regulations (EDGAR) apply subject to the limitations contained in Section II, A. of this agreement. The Ohio Department of Education approved the rate in accordance with the authority contained in section 76.561 of EDGAR.

Section I - Rates and Bases

Туре	From	То	Restricted Rate (1)	Unrestricted Rate (2) (if applicable)	Applicable To
Fixed	7/1/14	6/30/15	X.XX%	X.XX%	All Federal Education Programs (1)(2)

Base: Total direct costs excluding capital expenditures, alterations and renovations, food purchases, personal service contracts and subawards in excess of \$25,000 per subaward, previously charged indirect costs and flow through funds.

Section II - Particulars

- A. **Limitations**: Use of the rates contained in this agreement is subject to any statutory or administrative limitations and is applicable to a given grant or contract only to the extent that funds are available. Acceptance of the rates agreed to herein is predicated upon the conditions: (1) that no costs other that those incurred by the grantee/contractor or allocated to the grantee/contractor via an approved central service cost allocation plan were included in its indirect cost pool as finally accepted, and that such incurred costs are legal obligations of the grantee/contractor and allowable under the governing cost principles, (2) that the same costs that have been treated as indirect costs have not been claimed as direct costs, (3) that similar types of costs have been accorded consistent accounting treatment, and (4) that the information provided by the grantee/contractor which was used as a basis for acceptance of the rates agreed to herein is not subsequently found to be materially inaccurate.
- B. **Audit**: Adjustment to amounts resulting from audit of the plan will be compensated for in a subsequent agreement.
- C. **Changes**: The fixed rates contained in this agreement are based on the organizational structure and the accounting system in effect at the time the proposal was submitted. Changes in the organizational structure or changes in the method of accounting for costs that affect the amount of reimbursement resulting from use of the rate in this agreement require the prior approval of the authorized representative of the responsible approving agency. Failure to obtain such approval may result in subsequent audit disallowance.
- D. **Fixed Rate**: The fixed rates contained in this agreement are based on an estimate of the costs that will be incurred during the period for which the rates applies. When the actual costs for such period have been determined, an adjustment will be made in the agreement following such determination to compensate for the difference between that cost used to establish the fixed rates and that which would have been used were the actual costs known at the time.

Section III - Special Remarks

- A. This Agreement is effective on the date of approval by the State Educational Agency.
- B. Questions regarding this Agreement should be directed to the Negotiator.
- C. Approval of the rates contained herein does not establish acceptance of the Organization's total methodology for the computation of indirect cost rates for years other than the year herein cited.

⁽¹⁾ All Federal programs which require the use of a restricted rate per 34 CFR 76.563

⁽²⁾ All Federal programs which do not require the use of a restricted rate per 34 CFR 76.563

APPENDIX A:

UNIFORM SCHOOL ACCOUNTING SYSTEM

Introduction

The Uniform School Accounting System (USAS) is a multi-dimensional set of coding sequences. Reference the *Uniform School Accounting System User Manual*, Auditor's Office, State of Ohio. The appropriate combination of codes identifies financial transactions for the Ohio school districts. In order to prepare or review indirect cost rate proposals, it is necessary to have an understanding of the USAS. The two dimensions used by school districts to prepare their indirect cost rate proposals are called function and object codes.

Function Codes

Function codes are programs, subprograms and activities into which expenditures are classified. These classifications assist managers by providing the capability of comparing costs through the setting up of ratios or measures for estimation and projection. For example, the ratio of the number of and cost of instructional staff to supporting services staff is an important measurement in management. The seven major function codes are as follows:

Description	Code
Instruction	1000
Supporting Services	2000
Operation of Non-Instructional Services	3000
Extracurricular Activities	4000
Facilities Acquisition and Construction Services	5000
Debt Service	6000
Other Uses of Funds	7000

Instruction, 1000, includes the activities directly dealing with the teaching of pupils or the interaction between teacher and pupil. Teaching may be provided for pupils in a school, in a classroom, in another location, such as in a home or hospital, and through other approved media such as television, radio, telephone and correspondence.

Support Services, 2000, are those services that provide administrative, technical (such as guidance and health), and logistical support to facilitate and enhance instruction, and to a lesser degree, community services. Supporting services exist as adjuncts for the fulfillment of the objectives of instruction, rather than as entities within themselves.

Operation of Non-Instructional Services, 3000, are those activities concerned with providing non-instructional services to students, staff, or the community.

Extracurricular Activities, 4000, include student activities under the guidance or supervision of qualified adults that are designed to provide opportunities for pupils to participate in such experiences on an individual basis, in small groups, or in large groups - at school events, public events, or a combination of these - for purposes such as motivation, enjoyment, and skill improvement.

Facilities Acquisition and Construction Services, 5000, are those activities concerned with acquiring land and building, remodeling buildings, constructing buildings and additions to buildings, initial staffing or extending service systems and other built-in equipment, and improving sites.

Debt Service, 6000, are those transactions primarily for the purpose of discharging the school district's commitment for interest and principal on debt.

Other Uses of Funds, 7000, are those transactions not properly classified as expenditures, but still requiring budgetary control.

The function code is designed to permit four levels of detail concerning each major function. For example, 1000 (first level) indicates the district-wide Instruction program; 1200 (second level) indicates Special Instruction; 1220 (third level) indicates Special Instruction-Handicapped; and 1222 (fourth level) indicates Special Instruction-Handicapped-Visually Impaired.

Object Codes

Object codes further identify expenditures as they define the goods and services for which the local education agency pays. The object dimension is very significant in the accounting system. As an example, decision makers can compare the cost-effectiveness ratios of two or more pieces of equipment, or that of a purchased service with the same type of service provided in-house. The seven major object codes are as follows:

Description	Code
Personal Services-Employees' Salaries and Wages	100
Employees' Retirement and Insurance Benefits	200
Purchased Services	400
Supplies and Materials	500
Capital Outlay	600
Capital Outlay-Replacement	700
Other Objects	800

Personal Services-Employees' Salaries and Wages, 100, are payments to school district employees who hold positions of a permanent nature or who have been hired temporarily, such as substitutes for those in permanent positions. This category included gross salary for personal services rendered while on the payroll of the school district and payments made to board members as compensation for their personal services.

Employees' Retirement and Insurance Benefits, 200, are amounts paid by the school district on behalf of employees. Not included in the gross salary, these amounts are over and above it. Such payments are not paid directly to employees; nevertheless, they are part of a school district's cost of salaries and benefits.

Purchased Services, 400, are payments for personal services rendered by personnel who are not on the payroll of the school district, and other services that the school district may purchase. While a product may or may not result from the transaction, the primary reason for the purchase is the service provided in order to obtain the desired results.

Supplies and Materials, 500, are payments for material items of an expendable nature that are consumed, worn out, or deteriorated from use, or items that lose their identity through fabrication or incorporation into different or more complex units or substances.

Capital Outlay, 600, are expenditures for the acquisition of, or additions to, fixed assets. Included are expenditures for land or existing building; improvement of grounds; construction of buildings; additions to buildings; remodeling of buildings; initial and additional equipment, furnishings and vehicles.

Capital Outlay-Replacement, 700, are expenditures for replacement of any items covered under the 600 series object codes.

Other Objects, 800, are payments for goods and services not otherwise classified above, such as expenditures for the retirement of debt, the payment of interest on debt and the payment of dues and fees.

The object codes have three levels. Each level provides more detail regarding the expenses. For example, 500 (first level) indicates the expense is for supplies and materials; 520 (second level) indicates it is for textbooks; and 521 (third level) indicates it is for new textbooks.