

EAST CENTRAL REGIONAL DEVELOPMENT COMMISSION

FY 2021 INDIRECT COST PROPOSAL (ICP)

This ICP is for fiscal year 2021 (July 1, 2020 through June 30, 2021). It is based on the FY2021 projected budget and the allocation assumptions used in developing yearly indirect cost plans from FY1979 through FY2021.

This ICP addresses all elements of cost incurred by the East Central Regional Development Commission (ECRDC) and identifies common or shared costs that require consistent and sound allocation in order to be equitably shared by all work elements. The proposal will not increase common or shared costs, but will provide for their identification and equitable distribution on an agency-wide basis, rather than through the assignment or negotiation of costs as a part of individual grant and contract budget development.

Three categories of shared or indirect costs are identified by this proposal. They are combined to calculate a single indirect cost rate which can be applied against a common base to distribute indirect cost proportionately so that each project bears a fair share as envisioned by applicable Federal Cost Principles.

Individual elements of cost have been classified as direct or indirect in accordance with principles contained in Office of Management and Budget's (OMB) 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (UG), applicable to grants and contracts with state, local and federally recognized Indian tribal governments. ECRDC developed the Cost Allocation Plan using allowable costs by OMB 2 CFR Part 200.413 Direct costs, Part 200.414 Indirect (Facilities & Administration) costs, and Part 200.416 Cost allocation plans and indirect cost proposals in order to delineate the direct and indirect characteristics of each cost category.

The ICP establishes the basis for the issuance of provisional rates for FY2021 that begins July 1, 2020. During the year the accounting system will produce indirect rates based on actual expenditures on a cumulative year to date basis. At the end of the fiscal year (June 30, 2021), the ending rate will serve as the indirect rate distributed among all projects.

The cost allocation structure contained in this proposal provides the agency with an improved ability to monitor the various components of allocated costs. It also provides the basis for a consistent budgetary, accounting and reporting structure for the agency so that all components of the financial management system are compatible.

This ICP and supporting methodology will allow the agency to establish and maintain improved accountability for each grant or contract regardless of when received. It envisions an integrated financial management structure that will treat all costs consistently thereby enhancing the quality and value of audit to the agency and its funding sources.

Direct Costs

Costs that can be identified specifically with a particular work element are budgeted and accounted for as direct charges. The budget for direct costs is provided within each work element through the budgetary process. The agency's accounting system records actual direct costs incurred in the work element cost center and these remain within each work element without further distribution.

Indirect Costs

Indirect costs are incurred for a common purpose benefiting or supporting all agency work element activity and are not readily assignable directly. In most cases, attempts to charge these costs directly involve arbitrary decision-making or require effort disproportionate to the benefits derived. Indirect cost pools or centers have been identified in the ICP and are related to bases to facilitate an equitable, rational, and consistent distribution of indirect costs to work elements. In the accounting system, indirect cost pool accumulates actual expenditures on an annual basis and is allocated to work elements monthly using the indirect cost rate for reporting purposes. Through this mechanism, the accounting system is able to generate actual indirect cost rates for comparison with the rates proposed herein. Indirect costs are spread to work elements using the indirect cost rate and pools disappear when the final distribution is made at the end of the fiscal year. ***Through this procedure, the agency will be reimbursed for no more than actual indirect costs incurred.*** The very best it can do is to break even by obtaining reimbursement from each work element based on its fair share. Equitable sharing is assured through the principles embodied in this proposal and carried out in the Agency's accounting system.

Cost Pools and Rates

The ECRDC proposes to use three pools or cost centers for the accumulation of costs that will be allocated. The leave pool does not require the issuance of a rate since leave is budgeted as a part of salaries. However, the proposal identifies the treatment of leave as an allocated cost and later describes the accounting methodology.

FY2021 rates are being proposed for fringe benefits and indirect costs as follows:

| Cost Category | Base for Distribution | Provisional Rates |
|----------------------|------------------------------|--------------------------|
| | | |
| Fringe Benefits | Full-time Salaries | 30.22% |
| Fringe Benefits | Part-time Salaries | 0 |
| Fringe Benefits | Temporary Salaries | 0 |
| Indirect Costs | Direct Salaries & Fringe | 45.85% |

Each category of allocated cost is discussed in the sections that follow, the rate is calculated, and the accounting treatment and rationale for distribution is described.

Leave

Leave time is considered to be a salary cost within the financial management system in order to synchronize budgeting, accounting and financial reporting for salaries. Leave is the first allocation made in the system in order to distribute leave salary costs on the basis of in-service salary charges to each work element and to the management and administrative support work elements. The distribution of leave costs is an internal routine within the category of salary expenditures. By recognizing leave in this manner, the agency is able to monitor the actual costs of leave based on organizational personnel policies, and the procedure precludes the need for employees to arbitrarily charge leave directly to work elements. Leave charges are related to direct salary charges and together are equivalent to the budgeted annual salaries of employees. In addition, the financial management system reflects, in monetary terms, the personnel policies of the agency. All work elements will share leave costs based on consistent rates.

The organization's leave policies are generally consistent with those of other public sector agencies and are not dissimilar to Federal, State and Local government leave policies. The policies have been approved by the Agency's governing body and are applicable to employees according to classification.

Employees are classified in the following categories because of differing leave and fringe benefits.

- Class 1 Permanent Full-time Employees
- Class 4 Permanent Part-time Employees
- Class 5 Temporary Employees

Leave benefits are provided to employees.

| <u>Leave Benefits</u> | <u>Class 1</u> | <u>Class 4</u> | <u>Class 5</u> |
|------------------------------|-----------------------|-----------------------|-----------------------|
| Annual Leave | Yes | Yes | No |
| Sick Leave | Yes | Yes | No |
| Holiday Leave | Yes | Yes | No |
| Compensatory Leave | Yes | No | No |
| Jury Leave | Yes | Yes | No |
| Military Leave | Yes | Yes | No |

The cost of leave policies is developed below based upon FY2021 anticipated salaries cost and an examination of documentation undergirding the leave system.

Annual Leave

Permanent full-time employees and part-time permanent employees (pro-rated) annual leave is earned at the following rates:

| <u>Years of Service</u> | <u>Accumulation Rate</u> |
|--------------------------------|---------------------------------|
| 0 - 5 | 13.50 days per year |
| 5 - 8 | 16.50 days per year |
| 8 - 15 | 22.50 days per year |
| 15 - 25 | 24.00 days per year |
| 25+ | 25.50 days per year |

Based on tenure, the composite full-time employee average earning rate is 19.50 days per year (FY21 staffing 7.0 FTE). The average annual rate for full-time employees is 7.50% (156.00 average hours annually divided by 2,080 hours). There are no leave costs assumed for class 4 or class 5 during FY2021.

Employees are entitled to be paid for annual leave earned when taken during employment or as a lump sum payment at termination of employment after a successful 6-month probation period. ***Therefore, annual leave is considered to be a cost at the time earned.*** The Agency's cost of annual leave based on the average accrual rate is calculated as follows:

| | Class 1 | Class 4 | Class 5 | Total |
|-----------------------------|----------------|----------------|----------------|--------------|
| Total FY2021 Salaries | \$ 448,224 | 0 | 0 | \$448,224 |
| X Average Annual Rate | 7.50% | | | |
| Estimated Annual Leave Cost | \$ 33,617 | 0 | 0 | \$ 33,617 |

Sick Leave Taken

Assuming a 100% usage of sick leave granted is equivalent to a composite full-time employee's average of 12.43 days annually. Thus, the equivalent annual full-time rate is 4.78% (99.34 average hours annually divided by 2,080 hours). There are no leave costs assumed for class 4 or class 5 during FY2021. Sick Leave is considered to be a cost when taken. The Agency's cost of sick leave taken is calculated as follows:

| Sick Leave Taken | Class 1 | Class 4 | Class 5 | Total |
|---------------------------|----------------|----------------|----------------|--------------|
| Total FY2021 Salaries | \$ 448,224 | 0 | 0 | \$448,224 |
| X Average Experience Rate | 4.78% | | | |
| Estimated Sick Leave Cost | \$ 21,425 | 0 | 0 | \$ 21,425 |

Holiday Leave

The Agency observes ten holidays annually. All full-time employees are eligible for the benefit and part-time permanent employees are eligible on a pro-rated basis. Holiday leave is considered to be a cost in the period in which the holiday falls. On an annual basis, the cost of holiday leave is the same in the accrued or granted basis and is equivalent to an annual full-time rate of 3.85% (80 hours annually divided by 2,080 hours). There are no leave costs assumed for class 4 or class 5 during FY2021. The Agency's cost of holiday leave is calculated as follows:

| | <u>Class 1</u> | <u>Class 4</u> | <u>Class 5</u> | <u>TOTAL</u> |
|-------------------------|----------------|----------------|----------------|--------------|
| Total FY2021 Salaries | \$ 448,224 | 0 | 0 | \$ 448,224 |
| X Average Annual Rate | 3.80% | | | |
| Estimated Holiday Leave | \$ 17,033 | 0 | 0 | \$ 17,033 |

Jury (Legal) Leave

Permanent full and part-time employees are eligible for leave to serve on jury duty or appear as a witness in any civil or criminal legal proceeding. Jury leave becomes a cost at the time and to the extent granted. Experience has been negligible in prior years; therefore, no cost is assumed for FY2021 for the purposes of this proposal. The accounting system will accumulate actual costs as they are incurred during the year that will be reflected in actual leave rates.

Overtime Compensatory Time

Compensatory time is charged to the programs when earned. Compensatory time is considered to be leave when taken however is excluded in the ECRDC leave rate. Permanent full-time employees are eligible to receive this benefit. Part-time and Temporary employees are ineligible for this benefit. The maximum compensatory time a full-time employee is allowed to accumulate is 40 hours.

Military Leave

Permanent full and part-time employees are eligible for military leave if they are members of the Armed Forces Reserve or National Guard and are required to report for duty. Military leave is limited to a maximum of 15 calendar days per fiscal year and is considered to be a cost at the time and to the extent granted. Experience has been negligible in prior years; therefore, no cost is assumed for FY2021 for the purposes of this proposal. The accounting system will accumulate actual costs as they are incurred during the year that will be reflected in actual leave rates.

Based on the foregoing, the cost of leave for all categories is summarized:

| | <u>Class 1</u> | <u>Class 4</u> | <u>Class 5</u> | <u>TOTAL</u> |
|----------------------------------|------------------|----------------|----------------|------------------|
| Annual Leave Earned | \$ 35,095 | 0 | 0 | \$ 35,095 |
| Sick Leave Taken | \$ 21,835 | 0 | 0 | \$ 21,835 |
| Holiday Leave Granted | \$ 17,239 | 0 | 0 | \$ 17,239 |
| Compensatory Leave Taken | 0 | 0 | 0 | 0 |
| Jury Leave Taken | 0 | 0 | 0 | 0 |
| Military Leave Taken | 0 | 0 | 0 | 0 |
| Total Leave Costs | \$ 74,170 | 0 | 0 | \$ 74,170 |
| Total FY2021 Salaries | \$ 448,224 | 0 | 0 | \$ 448,224 |
| Less: Leave Costs | \$ 74,170 | 0 | 0 | \$ 74,170 |
| Total Chargeable Salaries | \$374,054 | 0 | 0 | \$374,054 |

| | | | | |
|-----------------------------------|---------------|-----------|-----------|---------------|
| Leave Rate | 16.55% | 0% | 0% | 16.55% |
| Leave Costs / Chargeable Salaries | | | | |

The preceding identification and allocation of leave costs will be a part of the accounting for salaries. Provisional rates for leave will not be necessary for budgeting purposes since salaries are budgeted in terms of annual salaries without distinction between services and leave time. However, it is necessary to recognize the internal accounting treatment of leave costs that involves an allocation process within the category of salaries cost. This approach assures greater equity through the use of leave rates consistently applied. The accounting system will develop actual leave costs and rates for the year that will be verified as a part of audit. The description of the leave procedures in the proposal establishes the principles and practices that will be used to account for leave costs. The procedure replaces the direct charging of leave salaries that results in significant disparities.

Fringe Benefits

Fringe benefits are established by the Agency's Board of Directors and are documented in the personnel policy manual.

Fringe benefits will be accumulated in the accounting system on an accrual basis. The accumulated pool costs are distributed to each work element through a rate that represents the ratio of fringe costs to total salaries. This consistent allocation procedure precludes the time-consuming process of calculating and distributing fringe benefit costs by individuals.

Benefits are provided as follows:

| | <u>Class 1</u> | <u>Class 4</u> | <u>Class 5</u> |
|------------------------|----------------|----------------|----------------|
| FICA/Medicare | Yes | Yes | Yes |
| State Unemployment | Yes | Yes | No |
| Workers Compensation | Yes | Yes | No |
| PERA | Yes | Yes | No |
| Dental Insurance | Yes | Yes | No |
| Health Insurance / HSA | Yes | Yes | No |
| Life Insurance | Yes | Yes | No |

Fringe benefit costs from supporting accounting documentation to the budget are as follows:

| | <u>Class 1</u> | <u>Class 4</u> | <u>Class 5</u> | <u>TOTAL</u> |
|---|----------------|----------------|----------------|--------------|
| FICA/Medicare | \$ 34,289 | 0 | 0 | \$ 34,289 |
| State Unemployment Insurance (equivalent) | 0 | 0 | 0 | 0 |
| Workers Compensation | 901 | 0 | 0 | 901 |
| PERA | 33,956 | 0 | 0 | 33,956 |
| Dental Insurance | 5,104 | 0 | 0 | 5,104 |
| Health Ins / HSA / Life Insurance | 61,235 | 0 | 0 | 61,235 |
| Total Fringe | \$135,485 | 0 | 0 | \$135,485 |
| Fringe Benefit Rates | 30.22% | 0 | 0 | |

The preceding rates will distribute benefit costs in a consistent manner in consonance with the organization's fringe benefit policies.

Indirect Costs

This category of costs consists of Management and Administrative (M & A) salaries, fringe benefits related to M & A salaries, and non-salary support costs necessary to accomplish all work elements. These categories of cost are developed individually and then are combined to compute a single rate. Each category is described below:

- **Personnel** includes all charges for employee salaries. Personnel charges are allocated to work elements based on semi-monthly timesheets. Personnel charges for functions that benefit all work elements are charged to indirect. These may include a percentage of the executive director, the finance officer, and office manager's time.
- **Fringe Benefits** include all charges for PERA, FICA, Medicare, Health Savings Account (HSA), health, dental, and life insurance, unemployment compensation paid and worker's compensation insurance. Actual fringe benefit costs are allocated to personnel charges based on the method described with this plan.
- **Copying** includes internal copying costs and is charged directly to programs at the current rate. Copying for administration that benefit all programs are charged to indirect.
- **Audit** includes the cost of an annual outside audit the ECRDC's general administration and programs. The cost of this annual audit is charged to indirect.
- **Insurance and Bonds** includes the cost of insuring the building and contents which is charged to indirect. Cost of bond insurance, directors and officers insurance and car insurance are charged to the general fund.
- **Office Supplies** include purchases such as: pens, pencils, paper, folders, ink cartridges, etc. All charges for general agency use are charged to indirect. Special supply purchases directly related to a work element are charged directly.
- **Janitorial & Hospitality Supplies** include hand towels, toilet tissue, soaps, hospitality supplies (cups, plates, napkins, coffee, etc.) and miscellaneous cleaning supplies. All charges for general agency use are charged to indirect. Special supply purchases directly related to a work element are charged directly.
- **Employees Travel** includes charges for mileage, airfare, lodging, meals, taxi, etc. by employees. All travel expenses are charged direct to programs based on timesheets and expense vouchers.
- **Registrations** include registrations for workshops, conferences, meetings, etc. relating to M&A of ECRDC are charged to indirect.
- **Telephone/Fax/Internet** includes telephone service, long distance charges,

conference call charges, telephone maintenance costs and internet charges. Internet costs, telephone service, long distance charges, and telephone maintenance costs are charged to indirect. Conference Call costs are charged directly to programs. Off site phone expenses charged directly to programs.

- **Postage** includes postage meter lease, supplies, and postage. Postage meter lease, supplies, and regular postage benefiting all programs are charged to indirect. Postage directly related to a work element is charged directly.
- **Services Technical Consultant** include charges for accounting, online timesheets, bank fees, computer repair, other consultants, software and software maintenance that benefit all work elements are charged to indirect. Charges for legal are charged directly to the general fund and affected programs. Charges directly related to a work element are charged directly.
- **Printing and Publications** includes internal and outsourced printing. Printing for administrative activities is charged to indirect. Printing costs directly related to a work element are charged directly. Internal printing includes special paper and ink cartridges.
- **Building Maintenance** includes parts, supplies, and labor to maintain the building and property. These costs are charged to indirect.
- **Memberships/Subscriptions** include magazines, newspapers, pamphlets, etc. that benefits all programs and are charged to indirect. Subscriptions and memberships directly related to a work element are charged directly.
- **Garbage Pickup** includes weekly garbage pickup, document shredding, and disposal of discarded electronics and is charged to indirect.
- **Cleaning Service** includes general office cleaning services including window and carpet cleaning and is charged to indirect.
- **Heating and Air Conditioning of Building** includes gas and maintenance of furnace and air conditioner. These costs are charged to indirect.
- **Utilities-Electricity/Water/Sewer** includes monthly electric, water, and sewer costs and is charged to indirect.
- **Building Use Allowance** is charged to indirect. It is based on two percent (2%) of acquisition/remodeling cost of building (\$217,000).
- **Equipment Use Allowance** Use allowance of equipment is charged to indirect. It is based on six and two thirds (6 2/3%) percent of total acquisition costs of equipment minus any equipment purchased with federal funds.

- **Security Monitoring** Cost to monitor security system is charged to indirect.
- **Interest on Loans** Interest charged on agreements where the ECRDC's building or vehicle(s) are used as collateral is charged to indirect.

Indirect Costs will be accumulated in the accounting system on an accrual basis. The accumulated pool costs are distributed to each work element through a rate that represents the ratio of indirect costs to direct salaries plus fringe benefits.

The indirect cost rate is applied consistently to all work elements for administrative funds and not to pass through funds such as RLF loans.

Indirect costs are as follows:

| | |
|----------------------|---------------|
| Indirect Personnel | \$ 115,234 |
| Fringe Benefits | <u>35,143</u> |
| Subtotal | 150,377 |
| Other Indirect Costs | <u>49,295</u> |
| Total Indirect Costs | \$199,672 |

Base:

| | |
|---------------------------------------|------------------|
| Total Salaries | \$448,224 |
| Less Indirect Salaries | <u>(115,234)</u> |
| Direct Salaries | \$332,990 |
| Total Fringe Benefits | \$ 137,642 |
| Less Indirect Fringe | <u>(35,143)</u> |
| Direct Fringe | <u>\$102,499</u> |
| Total Base (Direct Salaries & Fringe) | \$435,489 |

| | |
|--|---------------|
| Indirect Cost Rate (Indirect costs / base) | 45.85% |
|--|---------------|

PROJECTED ECRDC INDIRECT EXPENSES - FY2021

| | |
|----------------------------|------------|
| *SALARIES | \$ 115,234 |
| FRINGE BENEFITS | 35,143 |
| AUDIT | 10,605 |
| INSURANCE | 1,300 |
| OFFICE SUPPLIES | 3,000 |
| TELEPHONE / INTERNET | 3,300 |
| POSTAGE / SHIPPING | 1,000 |
| POSTAGE MACHINE LEASE | 900 |
| SOFTWARE / TECH SERV | 6,500 |
| PRINTING / PUBLICATIONS | 1,500 |
| MAINTENANCE BUILDING | 2,600 |
| BANK FEES | 1,200 |
| SUBSCRIPTIONS / MEMBERSHIP | 500 |
| SEMINARS | 3000 |
| GARBAGE SERVICE | 500 |
| SNOW REMOVAL SERVICE | 500 |
| MISC SUPPLIES | 1,000 |
| SECURITY SERVICE | 250 |
| NATURAL GAS | 2,100 |
| ELECTRIC/ WATER /SEWER | 2,500 |
| LINE OF CREDIT INTEREST | 500 |
| USE ALLOWANCE - BUILDING | 4,340 |
| USE ALLOWANCE - EQUIPMENT | 2,200 |
| TOTAL INDIRECT BUDGET | \$199,672 |

**Detail of Indirect Salaries*

| | | |
|---------------------------|-----------------|-----------------|
| <i>Finance Officer</i> | <i>100% FTE</i> | <i>\$53,854</i> |
| <i>Office Manager</i> | <i>75% FTE</i> | <i>\$41,958</i> |
| <i>Executive Director</i> | <i>20% FTE</i> | <i>\$19,422</i> |

FTE = Full-time Equivalent

May 26 , 2020

CERTIFICATION

This is to certify that I have reviewed the cost allocation plan submitted herewith and to the best of my knowledge and belief:

(1) All costs included in this proposal dated June 22, 2020 to establish cost allocations or billings for the period July 1 2020 through June 30, 2021 are allowable in accordance with the requirements of this Part and the Federal award(s) to which they apply. Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.

(2) All costs included in this proposal are properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the Federal awards to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently.

By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729–3730 and 3801–3812).

Organization: East Central Regional Development Commission

Signature: _____

Name of Official: Robert L. Voss

Title of Official: Executive Director

Date of Execution: _____

Commission Approval: See Minutes ECRDC Meeting

May 26, 2020