

GRANT ADMINISTRATION



Search ID: for3233

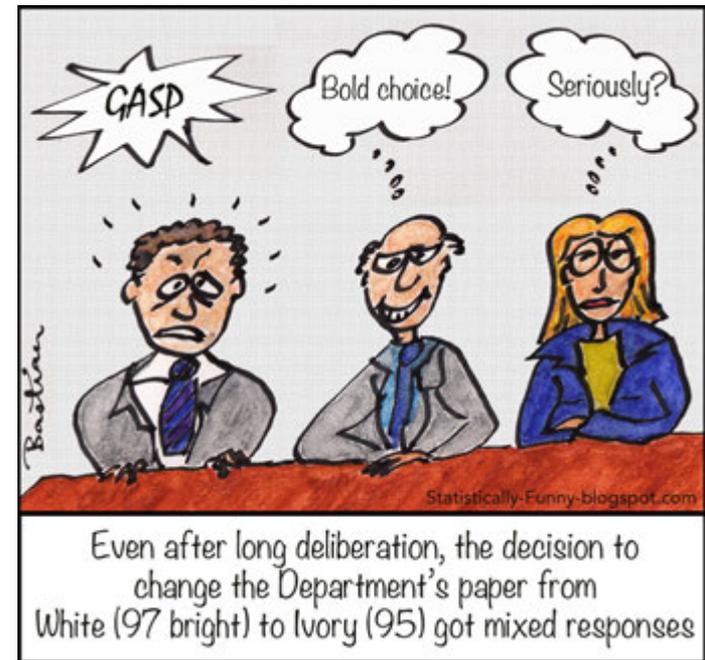
Some people think accountants are just boring number crunchers but statistics show that 43% Of 456 people covering 56% of the total demographic were 67% sure that we're really a lot of fun!

GRANT ADMINISTRATION

As of December 26, 2014, the Federal Government released the Uniform Administrative Requirements (Super Circular) that combines eight grant related circulars into one document (2 CFR).

This document applies to federal agencies that make federal awards to non-federal entities which can flow down to sub recipients. Non-federal entities must comply with the Uniform Administrative Requirements whether they are recipients or sub recipients.

OWEB has worked with its primary federal agency, NOAA, to clarify the Guidelines as they relate to OWEB and its grantees for the treatment of indirect costs as they are applied to modified total direct costs (MTDC).



ADMINISTRATION VS. INDIRECT COST RATE

With the OMB changes, OWEB no longer considers grant administration a “direct cost.” Grant administration charges must be paid for from indirect charges.

We may continue to use the term “administration” but the fact is that it’s all really about your indirect rate and the costs this rate may be used to cover.



WHAT ARE INDIRECT COSTS?

Indirect costs are overhead or administrative costs that cannot be readily identified to a specific project or function:

- Facilities
- Administration
- Rent
- Electricity
- depreciation
- Telephone

However, these are actual costs that are incurred by an organization.



COST ALLOCATION

Organizations spend actual money administering projects; the problem is determining how much money should go to each project.

Allocation implies that the assigning of the cost is somewhat arbitrary. Some people describe the allocation as the spreading of cost, because of the arbitrary nature of the allocation.



WHAT WILL OWEB ACCEPT

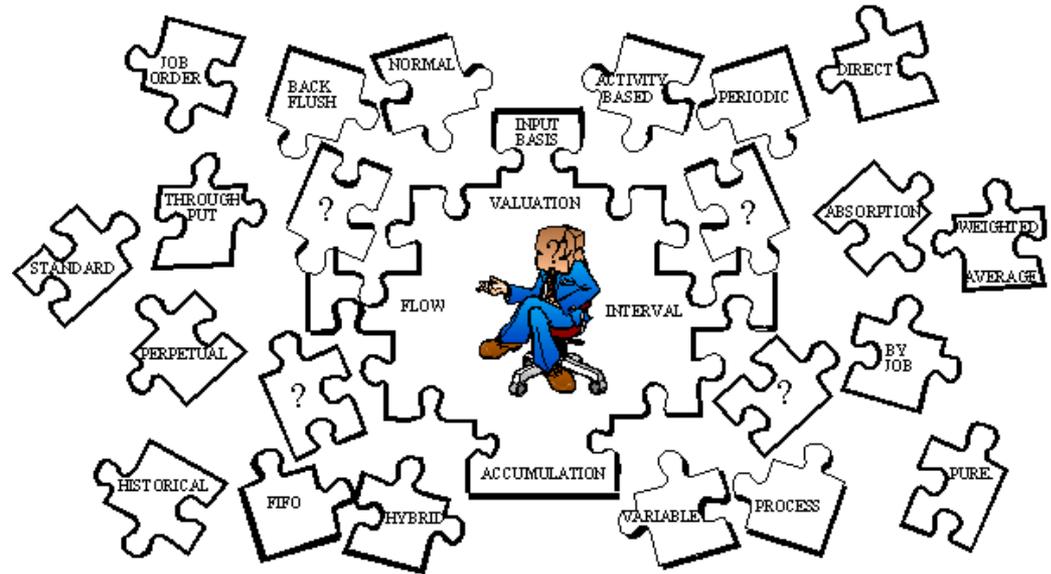
In general, OWEB will accept any GAAP accepted allocation method.

OWEB cannot advise grantees on how to do their bookkeeping.

Speak to your accountant or the Network of Oregon Watershed Councils with specific questions.

A quick Google search for “GAAP methods of indirect cost allocation” turns up some good resources as well.

EXHIBIT I
THE COST ACCOUNTING SYSTEM PUZZLE



WHAT IS AN INDIRECT RATE?

Once you have settled on a cost allocation plan to distribute actual costs, you can tackle the issue of selecting an indirect cost rate.



"I kept a small percentage of your allowance for administrative costs."

An indirect cost rate is a tool for determining the proportion of indirect costs each program should bear. It is the ratio (expressed as a percentage) of the indirect costs to a direct cost base.

This ratio is "charged" to each direct cost to create an indirect "pool."

Then you drain the pool by charging various costs to it.

OWEB ALLOWED INDIRECT COST RATE



The indirect rate will be the method selected by the grantee (not the payee.)

Allowable Grant Administration Rates by Grant Type

| | NO Grant Administration Allowed | Federally Negotiated Indirect Cost Rate | 10% <i>de minimis</i> Indirect Cost Rate / 10% indirect cost rate | OWEB Negotiated Indirect Cost Rate (up to 15%) |
|-----------------------------|---------------------------------|---|---|--|
| Restoration | | X | X | X |
| Technical Assistance | | X | X | X |
| Monitoring (all types) | | X | X | X |
| Outreach | | X | X | X |
| Acquisition* | | X | X | X |
| Weed (administered by ODA) | | | X | |
| Small Grants | | | X | |
| Council & District Capacity | X | | | |
| CREP Cost Share | X | | | |

*Indirect costs are calculated on the modified total direct costs (MTDC) less capital assets costs such as land and water rights.



ATTACHMENT F ON APPLICATION

When applying for funding, all applicants must select their organization type.

- Individuals are not eligible for Grant Administration costs.
- Council and District Capacity grant applications will not include an indirect cost allocation allowance (more on this later.)



ATTACHMENT F GRANT ADMINISTRATION AND INDIRECT COST SELECTION FORM

To comply with the Federal Uniform Administrative Requirements (2 CFR) OWEB requires all applicants to complete this form. Part One will certify the applicant is a legal entity. Part Two selects the type of indirect rate the applicant is requesting in the application. Part Three applies only if you select an OWEB Negotiated Indirect Cost Rate.

PART ONE:

Sub-recipients or grantees must be legal entities. Identify your organizational type as one of the following:

- State or local government: FEIN
- Non-profit organization: FEIN
- Institution for Higher Education: FEIN
- Individual (not eligible for indirect or administrative costs)



SELECT AN INDIRECT RATE

Grant administration charges must be paid for from indirect charges.

Admin billing method selected will be in effect for the duration of the grant.

PART TWO:

Applicant must select one of the following indirect rates. This rate will apply for the life of this grant, including any future extensions for time, and cannot be changed.

- Federally Negotiated Indirect Cost Rate.** We have an approved indirect cost rate with a Federal (cognizant) agency. A copy of our most recently approved rate agreement is attached; if necessary, we will provide a more current rate once it is approved. No additional receipts will be required for this indirect cost rate.

Our current Federally Negotiated Indirect Cost Rate is %.

- Federally Accepted *de minimis* Indirect Rate.** We have never received a federally negotiated indirect cost rate. We request, as a condition of this grant, to charge a flat *de minimis* indirect cost rate of 10% of modified total direct costs (MTDC). No additional receipts will be required for this indirect cost rate.
- OWEB Negotiated Indirect Cost Rate.** We do not currently plan to obtain a federally negotiated indirect rate. We would like to negotiate an indirect rate of modified total direct costs (MTDC). Receipts for our indirect cost pool will be required for rates above 10%.

We request an indirect rate of % (not over 15%) Fill out Part Three.



OWEB “NEGOTIATED” INDIRECT COST RATE

Identify a billing method for grant administration costs (up to 15%)

PART THREE:

Applicants who select an OWEB Negotiated Indirect Cost Rate must select a cost allocation plan.

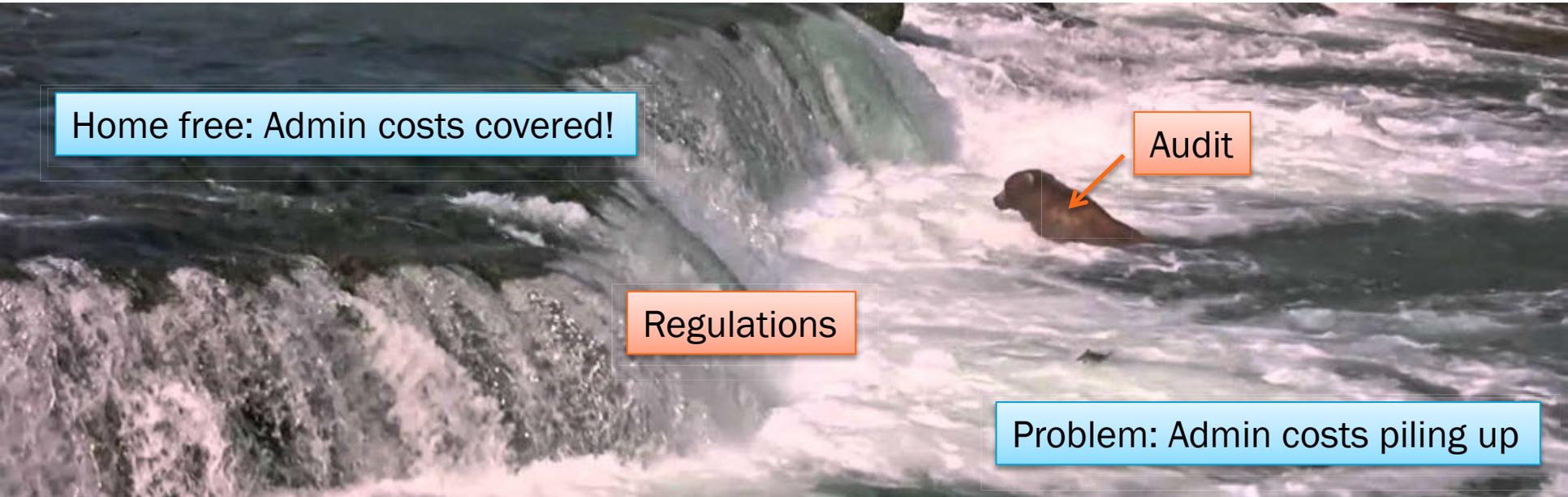
- Less than 10%, no receipts required.** If the rate is below 10%, OWEB will allow the billing to follow the *de minimis* rules (no receipts.)
- Receipt billing.** Grant administration costs are charged to grants on an item-by-item basis. Receipts for items \$250 and over must be submitted. All receipts must be kept and provided to OWEB on request.
- Cost allocation.** The applicant has accounting practices in place that support charging costs to a cost allocation pool and must submit cost allocation supporting documentation for allocations \$250 and over. Most agencies divide administration costs either on FTE, time worked, or as a percentage of their modified total direct costs (MTDC).



CHALLENGES FOR INDIRECT COST RATES

After you've selected your indirect cost rate and your grant has been awarded, there will come a time to prove up your costs to collect your indirect costs.

Each of the offered indirect cost rates has its own challenges.



FEDERALLY NEGOTIATED INDIRECT COST RATE



This is a rate negotiated with the federal government (through your agency's cognizant federal agency) that OWEB must respect.

For more information about negotiating an indirect cost rate with the federal government, contact your cognizant federal agency.

OWEB does not require receipts for this method, because the rate is negotiated outside the agency.

However, we do have strict guidelines for having your rate in place before we will pay indirect costs.



FNICR

Please be sure you understand your federally negotiated indirect cost rate.

Some rates are calculated only on salaries..

OWEB expects its grantees to understand their FNICR and apply it correctly to their grants.



10% OR *DE MINIMIS* INDIRECT COST RATE

Applicants who have never received a negotiated rate, may request a 10% *de minimis* indirect cost rate.

OWEB does not require receipts for this method, because the rate is negotiated outside the agency.

For small grants and weed grants, this is not the “federal *de minimis*” rate; it is a local rate on local monies.

We will not require receipts proving up indirect expenses for agencies requesting this method.



OWEB NEGOTIATED INDIRECT COST RATE

To help our grantees, OWEB is offering a third option: a negotiated rate. This rate will be between 0-15%.

If the rate is below 10%, OWEB will allow the billing to follow the *de minimis* rules (no receipts.)

For rates between 10-15% OWEB will require receipts proving costs.



REQUIRING RECEIPTS

Audit

At the time of application, grantees should be prepared to select a cost allocation method for OWEB to approve.

- **Receipt Billing:** Grantees would select this billing method when their grant administration costs are charged to projects on an item-by-item basis. These Grantees must submit receipts for items \$250 and over. Each invoice or receipt will be allocated individually by the agency.
- **Cost Allocation:** Grantees that select this billing method must have accounting practices in place that support charging costs to a cost allocation pool and must submit cost allocation supporting documentation for allocations \$250 and over. Most agencies divide administration costs either on FTE , time worked, or as a percentage of their MDTC.

A WORD OF CAUTION

For those entities receiving Council Capacity Grants, it will be important to remove the costs covered with a capacity grant from indirect calculations.



Council and District Capacity Grant Costs

Admin Pool

COMMON ERRORS

- Administration individual expenses must be shown on expense tracking spreadsheet if using the direct costs billing method (regardless of the amount.)
 - This includes allocated charges.
- No budget changes will be allowed to decrease the original admin amount shown in the grant agreement (but you can increase.)
- Including expenses paid for with capacity grants.
- Confusion about when to include office supplies as admin versus supply costs. (Answer: the costs must be directly traceable to the project.)



DIRECT BILLING METHOD

Be sure you understand what is required for a direct bill versus an allocation.

Direct bill does NOT mean you can simply bill entire chunks of your admin costs to a specific grant.

Charges must be fair and equitable!



EXAMPLE: ADMINISTRATION

Looney Tunes Watershed

6/30/2015

| | |
|--------------------------------|------------------|
| January Rent | \$1500.00 |
| June Rent | \$1500.00 |
| February Comcast | \$121.57 |
| Paper & Pens from OfficeMax | \$228.49 |
| Crystal Springs (office water) | \$186.68 |
| | \$3536.74 |

with \$25,235.43 in direct expenses

\$3785.31 allowable

Note: Assume appropriate backup receipts accompany this.



EXAMPLE: ADMINISTRATION

Invoices are divided among four grants



Note: Assume appropriate backup receipts accompany this.

Looney Tunes Watershed

Admin Invoices: 1/1/2015 to 6/30/2015

| | | |
|---|------------------|-----------------------|
| January Rent Allocation | \$375 | Receipts not required |
| February Rent Allocation | \$375 | |
| March Rent Allocation | \$375 | |
| April Rent Allocation | \$375 | |
| May Rent Allocation | \$375 | |
| June Rent Allocation | \$375 | |
| January Comcast Allocation | \$30.39 | |
| February Comcast Allocation | \$31.58 | |
| March Comcast Allocation | \$29.54 | |
| April Comcast Allocation | \$30.57 | |
| May Comcast Allocation | \$31.98 | |
| June Comcast Allocation | \$30.89 | |
| Paper & Pens from OfficeMax (January invoice) | \$92.57 | |
| Paper & Pens from OfficeMax (March invoice) | \$57.12 | |
| Paper & Pens from OfficeMax (April invoice) | \$55.27 | |
| | \$2655.47 | |

*with \$25,235.43 in direct expenses
\$3785.31 allowable*

