

City of New York Health and Human Services

Cost Policies and Procedures Manual

Revised August 25, 2020

Revised May 27, 2020

Revised February 21, 2020

Revised January 13, 2020

Revised November 26, 2019

Revised November 1, 2019

First Published March 5, 2019

Contents

I. Definitions and Acronyms	1
A. Definitions.....	1
B. Acronyms	6
II. Policy and Practice	7
A. Cost Manual Introduction	7
B. Applicability of Cost Manual	7
C. How to Determine an Organization’s Indirect Cost Rate.....	8
D. How To Establish an Organization’s Indirect Cost Rate with City.....	8
E. How to Claim an Established Indirect Cost Rate and Funding.....	9
F. Amendments.....	12
G. Contract Budgets	12
H. Contract Audits	13
III. Defining Costs.....	15
A. Introduction	15
B. Allowable Costs.....	17
C. Unallowable Costs.....	19
D. Direct Costs	20
E. Indirect Costs	22
F. Defining Cost Process.....	23
G. Defining Cost Process Flow Chart	24
IV. Treatment of Commonly Incurred Costs.....	25
A. Introduction	25
B. Advertising Costs and Public Relations Costs.....	26
C. Audit Services Costs	27
D. Bad Debts.....	28
E. Capital Expenditures and Equipment.....	29
F. Compensation Costs – Personal Services.....	31
G. Compensation Costs – Fringe Benefits	32
H. Conference, Training, and Education Costs	33
I. Depreciation Costs	34
J. Entertainment Costs	35

K.	Fines, Penalties, Damages, and Other Settlements	36
L.	Fund-raising and Investment Management Costs	37
M.	Insurance Costs	38
N.	Interest Costs	39
O.	Maintenance and Repair Costs	40
P.	Materials and Supplies Costs	41
Q.	Membership and Subscription Costs	42
R.	Participant Support Costs	43
S.	Professional Service Costs.....	44
T.	Publication and Printing Costs	46
U.	Recruiting Costs	47
V.	Rental Costs of Real Property and Equipment.....	48
W.	Taxes	49
X.	Transportation Costs.....	50
Y.	Travel Costs	51
V.	Developing a Simplified Allocation Method Rate	53
A.	Introduction	53
B.	Step #1 – Generate and Review the Cost Report	54
C.	Step #2 – Summarize and Classify Costs.....	55
D.	Step #3 – Split Mixed Account Codes	56
E.	Step #4 – Identify Unallowable Indirect Costs	61
F.	Step #5 – Calculate the Indirect Cost Rate.....	62
VI.	Appendix	64
A.	Indirect Cost Rate Methodologies	64
B.	Schedule of Indirect Cost Rate.....	66
C.	Example NICRA.....	67
D.	Independent Accountant’s Report	68
E.	Entryway Choice Form	69
F.	Investment Timeline	70
G.	Delta Template.....	72
H.	Subcontractor Policy	74
I.	Contact Information and Resources	74
VII.	Frequently Asked Questions.....	75

I. Definitions and Acronyms

A. Definitions

Definitions
Account Code: A numeric code that classifies Costs pursuant to a Provider’s chart of accounts. Account Codes may also be referred to as object codes or Cost codes.
Accepted Indirect Cost Rate (ICR): Established ICR that CIT uploads to the Vendor Profile in PASSPort.
Account Code Title: A description corresponding to each Account Code.
Activity: Action or function of a Provider.
Agency: The City Agency that holds the Contract with the Provider.
Allocation: The process of assigning a Cost, or a group of Costs, to one or more Cost Objective(s), in reasonable proportion to the benefit provided or other equitable relationship. The process may entail assigning Cost(s) directly to a Final Cost Objective or through one or more Intermediate Cost Objectives.
Allowable Cost: An Allowable Cost directly or indirectly benefits a particular Contract and contributes to the Provider’s provision of services under the Contract. Allowable Cost is further described in Section III.B.
Base: Accumulated Direct Costs in which Indirect Costs will be allocated.
Base Period: The period when Costs are accumulated for Allocation to services performed. The Base Period normally coincides with the Provider’s fiscal year.
Capital Expenditure and Equipment: A Cost to acquire capital assets or a Cost to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increases their value or useful life. Equipment is tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition Cost that equals or exceeds the lesser of the capitalization level established by the Provider for financial statement purposes, or \$5,000. Capital Expenditures and Equipment are further described in Section IV.E.
City: The City of New York.

Definitions

City's 10% De Minimis Indirect Cost Rate (ICR) Policy: Providers may establish an ICR of up to 10% without providing Verification Documentation to the City.

City Implementation Team (CIT): Team, comprised of leaders from the New York City Mayor's Office of Contract Services and the Mayor's Office of Management and Budget who are coordinating, planning, and managing the Indirect Cost Rate Funding Initiative.

Code of Federal Regulations (CFR): The codification of general and permanent rules published by the Office of the Federal Register.

Conditional Indirect Cost Rate (ICR): An ICR up to 12%, available for Providers to claim by January 31, 2020 on the condition that they submit to the City an Established ICR based on Negotiated Indirect Cost Rate Agreement (NICRA) or Independent Accountant's Report by December 31, 2020. A Conditional ICR is only valid for one year - Fiscal Year 2020.

Contract: A legally binding health and human services agreement.

Cost: The cash (or cash equivalent) given up or outlaid for an asset.

Cost Manual: City of New York's Health and Human Service Cost Policies and Procedures Manual.

Cost Objective: A Program, Project, department, Activity, or Contract for which Cost data is desired and for which provision is made to accumulate and measure the Cost of processes, products, jobs, capital Projects, etc. A Cost Objective may be a major function of the Provider, a service or Project, a Contract, or an Indirect Cost Activity.

Cost Pool: Accounts of similar specific Allocation statistics that are grouped together to combine Indirect Costs.

Delta Template: A worksheet provided by the City that a Provider uses to submit its Established Indirect Cost Rate and Contract funding request(s).

Department: A work unit or functional division within a Provider, such as an Information Technology Department.

Direct Cost: A Cost that can be identified with a particular Final Cost Objective, such as a Contract. Direct Cost is further described in Section III.D.

Definitions

Direct Cost Base: Accumulated Direct Costs excluding Capital Expenditure and Equipment above \$5,000, rental costs, participant support costs, subcontracts in excess of \$25,000 and distorting items. The Direct Cost Base is used for calculating an Indirect Cost Rate (ICR) through the Simplified Allocation Methodology provided in Section V. The ICR calculation used in HHS Accelerator is based on the SAM methodology, using the Direct Cost Base.

Disallowed Cost: A charge to a Contract that the City, or if applicable, a grantor, determines to be an Unallowable Cost, in accordance with the City of New York Health and Human Services Cost Policies and Procedures Manual, the Law, the terms and conditions of a grant award, or the terms and conditions of a Contract. Disallowed Cost is further described in Section III.C.

Distorting Item: Cost that disproportionately impacts the Direct Cost Base relative to the other Costs in the Indirect Cost Rate, which would result in an inequity in the distribution of Indirect Costs. The calculation of distorting items varies by allocation methodology. The Simplified Allocation Method excludes distorting items from the Direct Cost Base when calculating the Indirect Cost Rate, as described in Section V.F.

Entryway Choice Form: A form, available on the Indirect Implementation Webpage, that a Provider must complete and submit to the City to indicate the basis for its Established Indirect Cost Rate.

Established Indirect Cost Rate (ICR): An ICR for a Provider that is based on (a) the City's 10% De Minimis ICR Policy, or (b) a Negotiated Indirect Cost Rate Agreement, or (c) an Independent Accountant's Report.

Final Cost Objective: A Cost Objective that has allocated to it both Direct Costs and Indirect Costs. The Final Cost Objective is one of the final accumulation points in the Provider's Standardized Accounting Software. Final Cost Objective is further described in Section III.A.

Generally Accepted Accounting Principles (GAAP): The accounting standard adopted by the U.S. Securities and Exchange Commission for compiling financial statements.

Health and Human Service (HHS) Accelerator Document Vault: A secure, web-based filing cabinet that enables organizations to easily access, store and share documents with the City of New York and its delegate Agencies.

Incentive Payment: Nonmonetary items (such as gift cards and MetroCards) allowed only for the benefit of participants (but not employees) of the Program under the Contract.

Independent Accountant's Report: A requirement for substantiating a Provider's Established Indirect Cost Rate claim and methodology rendered by a Certified Public Accountant that is submitted to the City of New York.

Definitions

Indirect Cost: A Cost for a common or joint purpose that cannot be readily identified with a particular Final Cost Objective. Although an Indirect Cost cannot be readily identified with a Contract, it provides a direct benefit to the Contract. Indirect Cost is further described in Section III.E.

Indirect Cost Rate (ICR): The proportion of Indirect Costs an individual Program should bear. The rate is the ratio (expressed as a percentage) of the Indirect Costs to a Base.

Indirect Cost Rate (ICR) Funding Initiative: A commitment in the Fiscal Year 2020 Adopted Budget to fund ICRs for eligible Contracts as further described in Section II.

Indirect Implementation Webpage: A webpage hosted by the City that provides information and resources about the Indirect Cost Rate Funding Initiative. [Link here.](#)

Intermediate Cost Objective: A Cost Objective that is used to accumulate Indirect Costs that are subsequently allocated to one or more Indirect Cost Pools or Final Cost Objectives. Intermediate Cost Objective is further described in Section III.

Law: The New York City Charter; the New York City Administrative Code; a local rule of the City; the Constitutions of the United States and State of New York; a statute of the United States or State of New York; and any ordinance, rule, or regulation having the force of law and adopted pursuant thereto, as amended, and common law.

Local Travel: All travel that does not fall under the definition of Long Distance Travel.

Long Distance Travel: Travel that is to a destination, other than an individual's Primary Workstation, that is not within the boundaries of the City's five boroughs and the distance the individual travels are more than 75 miles from the individual's residence.

Negotiated Indirect Cost Rate Agreement (NICRA): A document that formalizes the Indirect Cost Rate established between the Federal Government and a Provider.

Primary Workstation: The office or location where an individual has been officially assigned to work and from which work is conducted on a permanent basis. If an individual has multiple Primary Workstations, all distances are measured from the Primary Workstation closest to the travel destination.

Program: One or multiple Projects administered by a Provider designed to provide services directed at a target audience or customer.

Project: An individual or collaborative initiative that is carefully planned and designed to achieve a particular aim.

Definitions

Provider: The entity that is party to a Contract with an Agency. If the Contract is federally funded, the Provider may be a subrecipient or a procurement contractor.

Simplified Allocation Method (SAM): An Allocation methodology where a Provider's major functions benefit from its Indirect Costs to approximately the same degree. The Indirect Cost Allocation may be accomplished by (i) separating all the Provider's Costs for the Base Period as either direct or indirect and (ii) dividing the total allowable Indirect Costs (net of applicable credits) by an equitable distribution base. The result of this process is an Indirect Cost Rate that is used to distribute Indirect Costs to individual Contracts. The rate should be expressed as the percentage that the total amount of allowable Indirect Costs bears to the base selected. SAM is further described in Section V.

Single Audit Act: Federal Act that promotes sound financial management, including effective internal controls, with respect to federal awards administered by nonfederal entities and establishes uniform requirements for audits of federal awards administered by nonfederal entities.

Standardized Accounting Software: A Provider's accounting system that collects and maintains Costs.

Subcontractor: Organization or individual hired on a health and human services contract to perform or directly deliver a part of the prime contractor's programmatic contractual obligations. For more information, please see Section VI.H.

Unallowable Cost: A Cost that cannot be charged to a particular Contract. An Unallowable Cost is a Cost that neither directly nor indirectly benefits a particular Contract. Unallowable Cost is further described in Section III.C.

Verification Documentation: Negotiated Indirect Cost Rate Agreement (NICRA) and/or Independent Accountant's Report. Term can refer to documents collectively or separately. If your organization is submitting a rate through an Independent Accountant's Report, the Schedule of ICR must be included with your Verification Documentation submission.

Note: Most definitions are adapted from 2 CFR Part 200.

B. Acronyms

Acronyms
CFR: Code of Federal Regulations
CIT: City Implementation Team
CPA: Certified Public Accountant
GAAP: Generally Accepted Accounting Principles
HHS: Health and Human Services
ICR: Indirect Cost Rate
MOCS: Mayor's Office of Contract Services
NICRA: Negotiated Indirect Cost Rate Agreement
OMB: Mayor's Office of Management and Budget
PASSPort: Procurement and Sourcing Solutions Portal
SAM: Simplified Allocation Method

II. Policy and Practice

A. *Cost Manual Introduction*

The Cost Manual was developed by the City in collaboration with Agencies and the Nonprofit Resiliency Committee. The purpose of the Cost Manual is to standardize Cost definitions, Indirect Cost Rate (ICR) calculations and ICR claiming policies for City of New York HHS contracts. The City-specific policies and procedures contained herein are derived from the Uniform Federal Guidance, 2 CFR Part 200.

Adopted in March 2019, the Cost Manual promotes greater accessibility to City contracting by offering clear, comprehensive and centralized Cost guidance for Providers and Agencies. **Effective Fiscal Year 2020, the Cost Manual is the primary source for allocating Costs in the City's HHS contract budgets and determining, establishing and claiming ICRs.**

In the Fiscal Year 2020 Adopted Budget, the Cost Manual served as the basis for an ICR investment. The City Implementation Team (CIT), co-led by MOCS and OMB, is responsible for designing the policies and practices necessary to implement the FY20 ICR Funding Initiative. The CIT established a Provider Workgroup to advise them, with participation from City Council.

The Fiscal Year 2021 Adopted Budget resulted in changes to the ICR Funding Initiative, including revisions to FY20 amendments. Key details provided below in Section F.

The Cost Manual supplements existing City Law as well as the terms and conditions of a Contract. Any conflict between the Cost Manual and other relevant documents shall be resolved in the order of precedence provided in this Section.

The Cost Manual is a living document that will be updated from time to time. The CIT anticipates more frequent updates as it rolls out the ICR Funding Initiative. For questions regarding the Cost Manual or the ICR Funding Initiative, please contact help@mocs.nyc.gov and visit the Indirect Implementation Webpage.

B. *Applicability of Cost Manual*

Eligible Contracts

Commencing July 1, 2019, the Cost Manual will apply to all new Contracts. The Standard HHS Contract will include a rider that incorporates the Cost Manual into the Contract and indicates the new order of precedence provided below.

The City is offering Providers the option to apply the Cost Manual to Contracts that have start dates before July 1, 2019, but extend through, and beyond, FY20. If Providers wish to apply the Cost Manual to these Contracts and participate in the ICR Funding Initiative, they will need to execute Contract amendments, as provided below.

Order of Precedence

Contract riders and amendments will contain the following language amendment:

“In the event that the Cost Manual conflicts with any of the following documents, the conflict shall be resolved in the following order of precedence:

- 1) The Contract
- 2) The Cost Manual
- 3) Agency or City Fiscal Manual

Based on the order of precedence, in instances where an Agency’s Fiscal Manual language conflicts with the Cost Manual, the Cost Manual takes precedence.”

Contracts That Are Not Eligible

The following Contracts are: (a) not eligible for the ICR Funding Initiative and (b) exempt from the Cost Manual.

- 1) Contracts supported with federal funds where Program statutes or regulations prohibit the City from applying the Cost Manual. Subrecipients of federal awards are responsible for following guidelines outlined in their award, 2 CFR 200, and/or any specific federal agency codified version of Uniform Guidance that applies to a subaward.
- 2) Contracts supported with State of New York funds where requirements from State of New York oversight agencies or Program grants prohibit the City from applying the Cost Manual.
- 3) City Council Discretionary Contracts
- 4) Administration for Children Services Residential Foster Care, Human Resources Administration Emergency Domestic Violence, Department of Health and Mental Hygiene Ryan White, and Department of Education Universal Pre-K.
- 5) Subcontracts between a Provider and a third party.

Request for Proposals (RFPs)

As of July 1, 2020, Providers can expect to see language in health and human services RFPs that reference the ICR Funding Initiative. If a solicitation is missing this language, please notify the designated contact and help@mocs.nyc.gov. Any questions about an active solicitation must be addressed to the designated contact in the RFP. Current RFP language, as of August 25, 2020:

“All price and budget proposals should be prepared in accordance with The City of New York’s Health and Human Service Cost Policy and Procedures Manual (Cost Manual). The City is currently implementing the Indirect Cost Rate Initiative. For the purpose of responding to this solicitation, proposers should include an Indirect Cost Rate of 10%.”

C. How to Determine an Organization's Indirect Cost Rate

The Cost Manual provides standardized Cost definitions and calculation methodologies. Providers will need to allocate their Direct and Indirect Costs in alignment with the Cost Manual to determine the most appropriate way to establish their organization's ICR. The Cost Manual offers guidance on determining the most appropriate Allocation methodology (Sections V and VI.A) and a Schedule of ICR worksheet (Section VI) to support this determination.

D. How to Establish an Organization's Indirect Cost Rate

After a Provider has allocated Costs according to the Cost Manual and identified their ICR, Providers may establish their ICR with the City based on a) the City's 10% De Minimis ICR Policy, (b) a NICRA, or (c) an Independent Accountant's Report. These options are explained below.

Establishing an ICR based on City's 10% De Minimis ICR Policy

All Providers may establish an organizational ICR of up to 10% for eligible Contracts without submitting Verification Documentation. This is the "City's 10% De Minimis ICR Policy." Providers should expect to only invoice for actual allowable expenses, which may be under the budgeted 10%.

Establishing an ICR Greater than 10%

Providers may establish an organizational ICR greater than 10% for eligible Contracts by obtaining and submitting to the City one of the following required documents (each referred to as Verification Documentation):

- 1) Federal NICRA. A sample of a NICRA is provided in Section VI.C; or
- 2) An Independent Accountant's Report, signed by an independent CPA, asserting that the Provider's Schedule of ICR is presented in accordance with the applicable instructions within the Cost Manual. The Schedule of ICR must be based on the Provider's most recent available schedule of functional expenses and must be submitted to the CIT with the Independent Accountant's Report as further detailed in sections below. The Independent Accountant's Report is grounded in the attestation standards established by the American Institute of Certified Public Accountants (AICPA). A template for the Independent Accountant's Report is provided in Section VI and a Schedule of ICR is provided in Section VI.D. The City wishes to acknowledge the *New York State Society of Certified Public Accountants' Not-for-Profit Organizations Committee* for its feedback on the Independent Accountant's Report.

E. How to Claim an Established Indirect Cost Rate and Funding

Once a Provider has an Established ICR, the CIT has designed a centralized process for claiming that ICR and Indirect Cost funding for eligible Contracts. The process is facilitated by the City's technology platforms, HHS Accelerator and PASSPort. An overview of the relevant dates for the

ICR Funding Initiative can be found in Section VI.F. Please address any questions or concerns to the CIT at help@mocs.nyc.gov.

Step 1

Provider must identify to the City the basis for its Established ICR by submitting an Entryway Choice Form. Submitting an Entryway Choice Form means that a Provider has established an organizational ICR in accordance with the Cost Manual. An organization can only establish an ICR higher than 10% if it has obtained a NICRA or Independent Accountant's Report that verifies the higher ICR. An organization must receive a NICRA or Independent Accountant's Report before completing the Entryway Choice Form to begin the process of claiming their ICR and additional funding. The Entryway Choice Form is available beginning November 18, 2019 on the Indirect Implementation Webpage. A sample Entryway Choice Form can be found in Section VI.E. A detailed timeline for claiming Established ICRs and funding is provided in Section VI.F.

If a Provider knows that its ICR is greater than 10%, but it will be unable to complete and submit Verification Documentation to the City in FY20 (e.g., by June 30, 2020), the Provider may select a Conditional ICR on the Entryway Choice Form. This Conditional ICR option is only available through January 31, 2020. By selecting this option, a Provider may claim an ICR up to 12% for FY20 only on the condition that the Provider will submit to the City its Verification Documentation by December 31, 2020 to claim an Established ICR greater than 10%. The Established ICR will be valid for three years beginning in Fiscal Year 2021 (FY21). If the Provider does not claim an Established ICR and submit the required Verification Documentation by December 31, 2020, its Accepted ICR will be based on the City's 10% De Minimis ICR Policy. Remember: electing the Conditional ICR requires a Provider to claim an Established ICR and submit Verification Documentation to the City before December 31, 2020. Failure to do so may result in the recoupment of the FY20 Conditional ICR.

Step 2

Upon the City's receipt of the Provider's Entryway Choice Form, the City will upload to the Provider's HHS Accelerator Document Vault a pre-populated Delta Template that the Provider will use to submit their Established ICR and claim the additional Contract funds that are necessary to fund their organization's Indirect Costs ("Delta Template"). The City wishes to acknowledge the ICR Funding Initiative's Provider Workgroup and Agency and Provider Financial Leaders Workgroups for their feedback and testing of the Delta Template. A sample Delta Template and instructions are provided in Section VI.G.

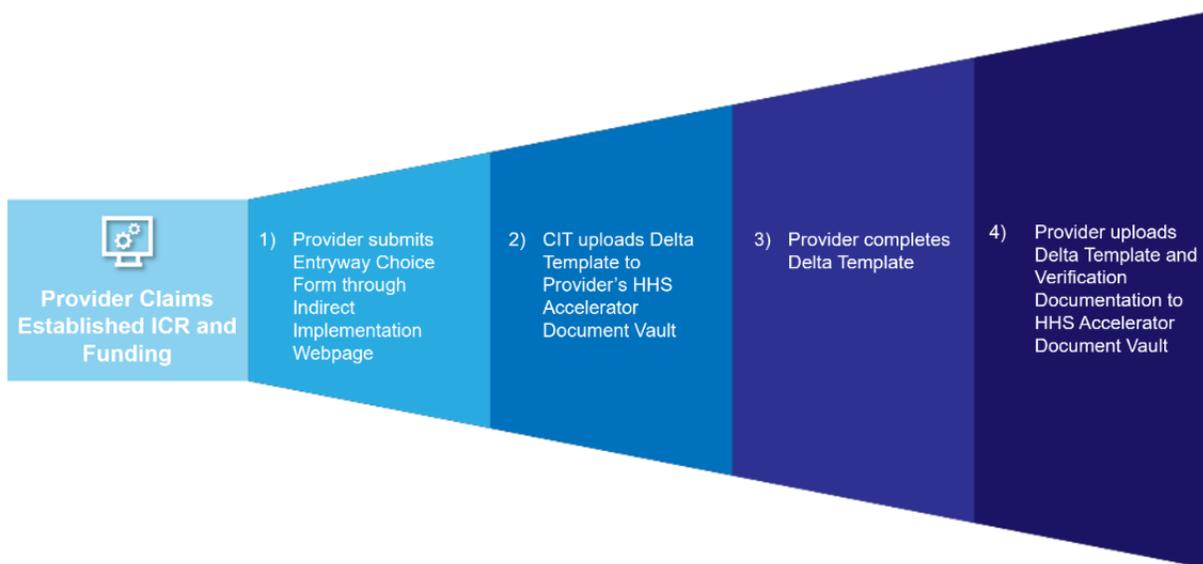
Step 3

Provider must complete the Delta Template within 30 days of receipt from the CIT to facilitate timely and accurate amendment registration. Instructions are provided in Section VI.G. A detailed timeline for completing and submitting the Delta Template can be found in Section VI.F.

Step 4

Provider will upload to its HHS Accelerator Document Vault: (a) the completed Delta Template and (b) required Verification Documentation if claiming an ICR greater than 10%. If submitting an Independent Accountant’s Report, it must be accompanied by the Schedule of ICR. The Verification Documentation must be valid at the time of submission. If a Provider chooses the Conditional ICR for FY20, it does not need to submit required Verification Documentation until it claims an Established ICR, which it must do by December 31, 2020.

To facilitate the City’s timely review of Delta Templates and Verification Documentation, Providers should (a) create a folder within their HHS Accelerator Document Vault entitled “Verification Documentation” and (b) upload the Delta Template and Verification Documentation to this folder. When uploading, Providers must specify the document type as “Indirect Rate Justification”. **The Provider does not need to share the documents with an Agency or with the CIT.** Once a Provider uploads its documents, the CIT will have access to them. For more information about creating folders through the HHS Accelerator Document Vault please see the MOCS website or contact help@mocs.nyc.gov.



Step 5

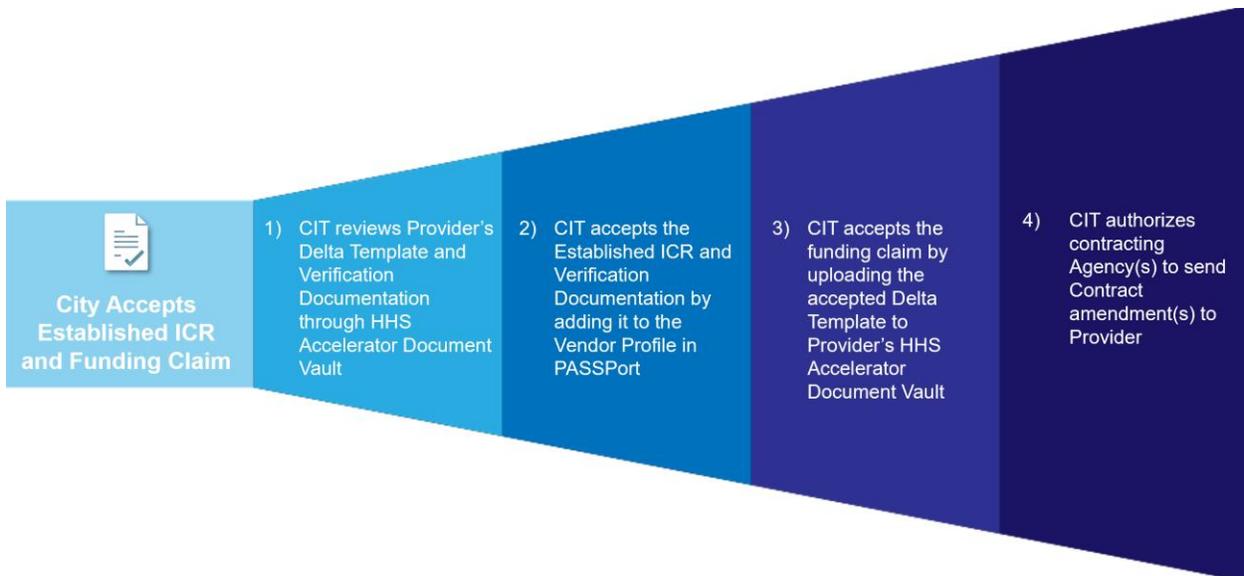
The CIT will review the Delta Template and Verification Documentation to accept the Established ICR and requested funding. The ICR Funding Initiative is available retroactive to July 1, 2019. Once accepted, the CIT will add the Accepted ICR to the Provider’s Vendor Profile in PASSPort (Accepted ICR) and, for Established ICRs greater than 10%, the CIT will also upload Verification Documentation to the Vendor Profile in PASSPort. The CIT will upload the accepted Delta Template to the Provider’s HHS Accelerator Document Vault.

For a Delta Template that has been pending submission in the Provider’s HHS Accelerator Document Vault for more than 30 days, or a submitted Delta Template that is pending completion of revisions for more than 15 days, the CIT will notify the Provider that the Delta Template is no longer valid, as the Delta Template may no longer reflect the most up-to-date contract data.

In some instances, the City may require clarifying information before approving the Delta Template and/or Verification Documentation. Additionally, Contracts that are supported by federal funds or State of New York funds may require additional documentation to substantiate Established ICRs. Providers will be (and Agencies may be) notified of these requests.

The City is committed to implementing an ICR review process that is equitable and efficient. The CIT is working with an outside consultant firm to conduct sampling reviews of select Delta Templates to identify areas for improvement in our current process. Selection does not indicate concern with your organization’s Delta Template submission.

This process establishes the Provider’s Accepted ICR for three years from the start of the fiscal year in which the Delta Template and Verification Documentation is submitted to the City. However, if a Provider is choosing the Conditional ICR, the Conditional ICR will be valid for FY20 only and the Accepted ICR will be valid from the start of FY21 (July 1, 2020). Provider may not make changes to its Accepted ICR during this three-year period. Note: All expenditures are subject to audit. Claims for reimbursement on Contracts must reflect actual expenditures. (Outlined below in Section II.H.)



F. Amendments

After acceptance of the Provider’s Delta Template and Verification Documentation, CIT will notify the Provider’s contracting Agencies to initiate Contract amendments. Each Contract will require a separate amendment. Providers will need to execute and return the amendments to their contracting Agencies for processing and submission to the Comptroller. The amendment process remains unchanged.

The Fiscal Year 2021 Adopted Budget, passed during the COVID-19 pandemic, resulted in revisions to the ICR Funding Initiative as detailed below:

- If a Provider has an Accepted ICR based on the 10% de minimis, the City is funding the full FY20 value of amendment(s), based on the Approved Delta Template.
- If a provider has an Accepted ICR based on an Independent Accountant's Report or Negotiated ICR Agreement (NICRA), the City is funding 60% of the FY20 value of amendment(s), based on the Approved Delta Template, but not less than a 10% ICR value.
- If a provider has an Accepted Conditional ICR, the City is funding 60% of the FY20 value of amendment(s), based on the Approved Delta Template, but not less than a 10% ICR value on the condition that Provider receives an Accepted ICR, pursuant to FY21 timeline and guidance.

The City will issue guidance on funding FY21 ICR Amendments.

G. Contract Budgets

Once the Contract amendment is registered, the provider will proceed to make the necessary conforming changes through budget modifications to bring their Contract budgets into compliance with the Cost Manual and align with their accepted Delta Template. Consistent with current practice and policy, Provider line item budget requests or modifications are subject to the contracting Agency's approval. This may include a review of the proposed ICR, and Cost Allocations detailed in the budget. A City Agency may decline an ICR claim for the following scenarios:

- 1) The Provider has not received City acceptance of an ICR that is greater than 10%; or
- 2) The Contract is exempt from the Cost Manual pursuant to Section II.B of this Cost Manual.

ICR funding provided through the ICR Funding Initiative is only applicable to Indirect Costs; Provider may not allocate the funds for Direct Costs.

H. Contract Audits

All Contract budgets, including ICR claims, are subject to Agency audit, pursuant to existing City policy and practice, including The Standard Audit Process Guide, Agency Audit Guides and/or Fiscal Manuals, and Comptroller Directive 2. This may include a review of Provider Direct Costs, Indirect Costs, and the ICR calculation.

Audits may cover any or all the following:

- 1) The Provider's Indirect Costs, ICR, ICR Allocation methodology as well as the Provider's compliance with the Cost Manual,
- 2) Processes, internal controls, and relevant Verification Documentation related to the Provider's ICR calculation and claim,
- 3) Processes, internal controls, and relevant Verification Documentation related to the allowability of Indirect Costs and the appropriate categorization of Costs as either Direct Costs or Indirect Costs,
- 4) Verification that the ICR used is consistent with the Accepted ICR,
- 5) Verification that the ICR is applied to the correct Base, as defined in the Cost Manual,
- 6) Verification that the reimbursed Indirect Costs are allowable, reasonable, and not duplicative.

Pursuant to the Standard Audit Process Guide, audits are permitted to be conducted on the current fiscal year, as well as the previous three years. Selection of Providers for audit are at the discretion of the contracting Agency.

III. Defining Costs

A. *Introduction*

Cost Categories

There are four categories of Costs:

- 1) Allowable Costs
- 2) Unallowable Costs
- 3) Direct Costs
- 4) Indirect Costs.

The subsections of this section define and list the criteria of each Cost category, state whether Costs classified into a Cost category are eligible to be charged to a Contract and provide examples of Costs that fit within each Cost category. Most Costs will be categorized into more than one category.

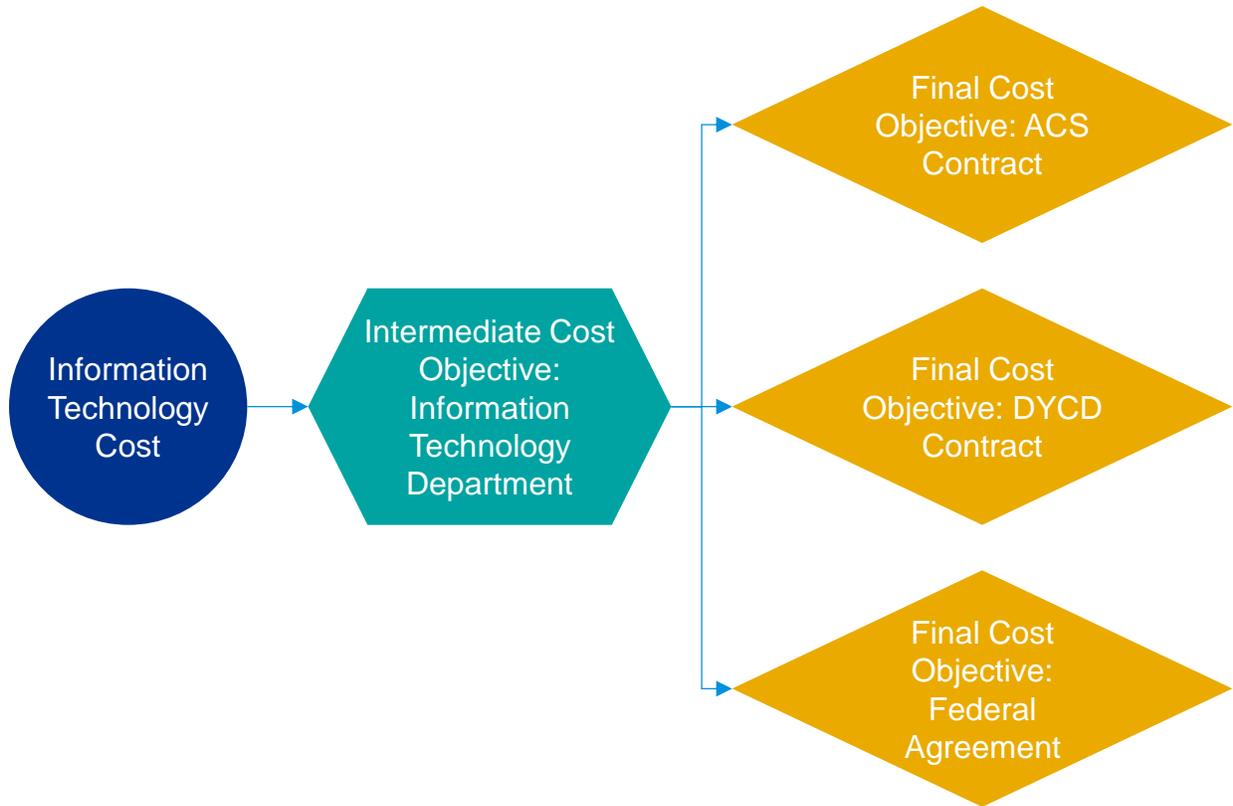
Cost Objectives

The Cost Manual discusses Indirect Costs and Direct Costs in relation to two Cost Objectives—Intermediate Cost Objective and Final Cost Objective.

An Intermediate Cost Objective is a Cost Objective that is used to accumulate Indirect Costs that are subsequently allocated to one or more Indirect Cost Pools or Final Cost Objectives. For example, a Provider may track Costs by Account Code Titles (such as rent, utilities, or professional services) or by Department (such as information technology, finance, or risk management). These are all examples of Intermediate Cost Objectives.

A Final Cost Objective means a Cost Objective that has allocated to it both direct and Indirect Costs and, in the Provider's Standardized Accounting Software, is one of the final accumulation points. For example, a Provider may ultimately allocate Costs to a Contract or an internal Project.

A Provider should track Costs initially through Intermediate Cost Objectives, such as accounts or departments, and then allocate these Costs to Final Cost Objectives such as a Contract. The following illustration depicts the relationship between Intermediate Cost Objective and Final Cost Objective.



B. Allowable Cost

Definition of Allowable Cost

Allowable Costs directly or indirectly benefit a particular Contract and contribute to the Provider's provision of services under the Contract.

Determination of Allowable Cost

To constitute an Allowable Cost, a Cost must meet the following criteria:

- 1) Be necessary and reasonable for the performance of the Contract and be attributed to the performance of such Contract
- 2) Conform to any limitations or exclusions set forth in the Contract, the Cost Manual, or Agency fiscal manuals as to types or amounts of Cost items
- 3) Be consistent with policies and procedures that apply uniformly to both City-financed activities and other activities of the Provider
- 4) Be accorded consistent treatment under the particular Contract. A Cost may not be assigned to a Contract as a Direct Cost if any other Cost incurred for the same or similar purposes has been allocated to the Contract as an Indirect Cost. See the following examples for further clarification:
 - a. If the Cost of an Information Technology Analyst is included in the Indirect Cost Pool/charged to a Contract for the full three-year term of the Contract and, in the second year of the term, an additional Information Technology Analyst is added who functions in the same capacity, then the Cost of the additional Information Technology Analyst is not allowable as a Direct Cost
 - b. If the Costs of caseworker salaries are directly charged to a Contract, their salary Costs cannot be included in the Indirect Cost Pool when calculating an ICR or charging Indirect Costs to a Contract (*Note: This does not refer to scenarios where a single individual functions in different capacities or roles; this scenario is discussed in Section V.D [Step #3 – Split Mixed Account Codes]*)
- 5) Be determined in accordance with GAAP
- 6) Not be included as a Cost or used to meet Cost sharing or matching requirements of any other Contract in either the current or a prior period of performance (e.g., the period of time in which the Provider is expected to complete the Contract activities and to incur and expend approved funds)
- 7) Be adequately documented
- 8) Be authorized under Laws applicable to the grant, the grant agreement, and any other requirements of the grantor
- 9) Not prohibited by Law.

Cost Reasonableness

As noted above, for a Cost to be allowable, it must be reasonable for the performance of the Contract. A Cost is reasonable if, in its nature and amount, it does not exceed the amount that

would be incurred by a prudent Provider under the circumstances prevailing at the time the decision was made to incur the Cost. In determining reasonableness of a given Cost, consideration must be given to:

- 1) Whether the Cost is of a type generally recognized as ordinary and necessary for the operation of similar providers and the proper and efficient performance of services under the Contract
- 2) The restraints or requirements imposed by factors including sound business practices, arm's-length bargaining, Law, and terms and conditions of the Contract
- 3) Market prices for comparable goods or services for the geographic area; "market price" is defined in the New York City Procurement Policy Board Rules as, "prices commonly paid by the public either through a standard price list or catalogue"
- 4) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the Provider, its employees, and, where applicable, the Provider's students or membership, the public at large, and the Agency
- 5) Whether the Provider significantly deviates from its established practices and policies regarding the incurrence of Costs, which may result in exceeding the budgeted Costs of the Contract.

Contracts vary in their treatment of Allowable Costs and some Agencies may be stricter than others in determining the allowability of Costs. Providers should consult the following sources to understand the Allowable Costs for each Contract:

- 1) Terms and conditions of the Contract, including the Fiscal Manual incorporated by reference into such Contract
- 2) Law
- 3) 2 CFR Part 200, if the Contract is federally funded.

The sources outlined above are not exhaustive. Providers should communicate with their Agency for clarification or feedback on questions related to the allowability of Costs.

It is the responsibility of the Provider to review all sources of information to determine the allowability of Costs.

Treatment of Allowable Cost

Not all Allowable Costs can be charged to a Contract. For example:

- 1) Reimbursement may be capped to a percentage of all Costs by the limitations applicable to a federal or State of New York grant award, such as limitations in the statute authorizing the grant Program. Indirect Costs are more frequently subject to such caps than Direct Costs.
- 2) Some Costs can be charged as Direct Costs but are unallowable for purposes of developing an ICR.

C. *Unallowable Costs*

Definition of Unallowable Cost

An Unallowable Cost is a Cost that cannot be charged to a particular Contract. Unallowable Costs are those Costs that neither directly nor indirectly benefit a particular Contract. If the Cost does not meet the criteria of an Allowable Cost, the Cost is an Unallowable Cost.

Determination of Unallowable Cost

Unallowable Costs vary under different Contracts in accordance with Laws applicable to a particular Contract, the terms and conditions of that Contract, and, if that Contract is grant funded, the prohibitions of the grantor.

Treatment of Unallowable Cost

In determining Unallowable Cost, the Cost Manual defines select Unallowable Costs; barring any superseding statutes, the Cost Manual should be followed. Unallowable Costs should not be included in SAM calculation.

D. Direct Costs

Definition of Direct Cost

Direct Costs are Costs that can be identified with a particular Final Cost Objective, such as a Contract.

Determination of Direct Cost

A Cost may be direct with respect to some specific service or function, but indirect with respect to the Contract or other Final Cost Objective. It is essential that each item of Cost incurred for the same purpose be treated consistently in like circumstances either as a Direct Cost or an Indirect Cost to avoid possible double-charging of Contracts.¹

While there is both flexibility and situational factors that impact the classification of Costs, there are common indicators that can assist Providers in classifying Costs as direct. For example, whether the Cost was charged to the Contract rather than the nature of the goods and services involved can help with classifying a Cost.²

The salaries of administrative and clerical staff are often treated as Indirect Costs; however, there are instances where Costs that appear to be indirect, such as administrative and operational support, can be treated as Direct Costs.

Direct charging of these Costs may be appropriate only if all of the following conditions are met:

- 1) Administrative or clerical services are integral to a Project or Activity
- 2) Individuals involved can be specifically identified with the Project or Activity
- 3) Such Costs are explicitly included in the budget or have been approved, in advance, by the awarding agency
- 4) The Costs are not recovered as Indirect Costs.³

Providers may incur Costs that appear to be indirect by their description but are actually Direct Costs based on their nature and identification with a Contract.

For Providers, the Costs of Provider activities primarily as a service to members, clients, or the general public when significant and necessary to the Provider's mission must be treated as Direct Costs whether or not allowable and be allocated an equitable share of Indirect Costs. Some examples of these types of activities include:

- 1) Maintenance of membership rolls, subscriptions, publications, and related functions
- 2) Providing services and information to members, legislative or administrative bodies, or the public
- 3) Promotion, lobbying, and other forms of public relations

¹ Adapted from 2 CFR § 200.412

² Adapted from 2 CFR § 200.413

³ Adapted from 2 CFR § 200.413

- 4) Conferences except those held to conduct the general administration of the Provider and those listed in Section IV.H (Conference, Training, and Education Costs) under unallowable Costs
- 5) Maintenance, protection, and investment of special funds not used in operation of the Provider
- 6) Administration of group benefits on behalf of members or clients, including life and hospital insurance, annuity or retirement plans, and financial aid.⁴

Treatment of Direct Costs

Direct Costs are reimbursable to the extent that they are included in the Contract's budget. The Provider is responsible for Costs in excess of those agreed to in the budget.

Examples of Direct Costs

Examples of Direct Costs are outlined for each Cost in Section IV (Treatment of Commonly Incurred Costs).

⁴ Adapted from 2 CFR § 200.413

E. Indirect Costs

Definition of Indirect Cost

An Indirect Cost is a Cost for a common or joint purpose that cannot be readily identified with a particular Final Cost Objective. Although Indirect Costs cannot be readily identified with a Contract, they provide benefits to the Contract.

Determination of Indirect Cost

A Cost cannot be both direct and indirect as Direct Costs and Indirect Costs are mutually exclusive. Providers have diverse accounting practices and operations that influence whether they define particular Costs as Indirect Costs or Direct Costs.

Providers should be viewing and treating Costs and Cost Pools consistently. For example, if a Provider has two custodian Costs that are similar in function, the Provider cannot charge one custodian Cost as a Direct Cost for one Contract and charge the other custodian Cost as an Indirect Cost to another Contract.

Treatment of Indirect Costs

Indirect Costs are reimbursable to the extent they are permissible under the particular Contract, this Cost Manual, Law, and, if the particular Contract is grant-funded, the requirements of the grantor.

A Cost shall not be categorized as an Indirect Cost if any other Cost for the same purpose is categorized as a Direct Cost under the Contract.

Examples of Indirect Costs

Examples of Indirect Costs are outlined for each Cost in Section IV (Treatment of Commonly Incurred Costs).

F. Defining Cost Process

The Provider must categorize its Costs into the Cost categories defined above in accordance with this Cost Manual, the Contract, Law, and, if the Contract is grant funded, any requirements of the grantor. The following process may help a Provider categorize its Costs:

Step 1 – Determine if the Cost is indirect or direct

Determine if the Cost is indirect or direct by reviewing the following three scenarios and grouping the Cost into one of the three:

- 1) Scenario 1: The Cost benefits multiple Cost Objectives and cannot be assigned to multiple Cost Objectives with a high degree of accuracy
- 2) Scenario 2: The Cost benefits multiple Cost Objectives and can be assigned to multiple Cost Objectives with a high degree of accuracy, such as a timesheet
- 3) Scenario 3: The Cost benefits a single Cost Objective.

Step 2 – Determine if the Cost is allowable

Determine if the Direct Cost or Indirect Cost is allowable by reviewing the terms and conditions of the Contract, the Cost Manual, and other applicable City fiscal manuals. This is not an exhaustive list of documents to review and Providers should consult with their respective Agency to understand all applicable guidelines.

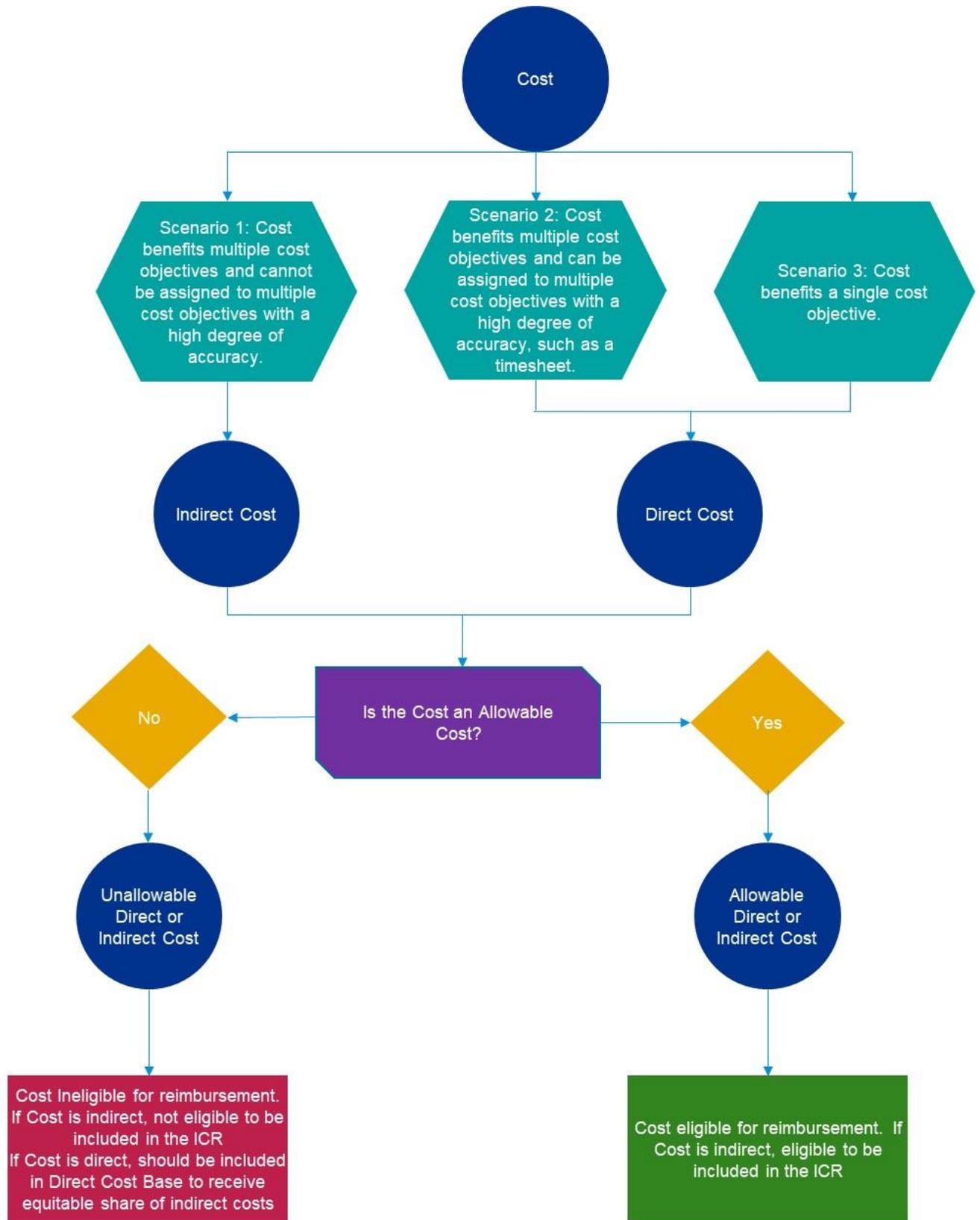
Step 3 – Include the Cost in the ICR, as applicable

Upon completion of Step 1 and Step 2, include the Cost in the ICR, as outlined in the following bullets:

- 1) If the Cost is an allowable Direct Cost, it should be included in the denominator of the ICR
- 2) If the Cost is an allowable Indirect Cost, it should be included in the numerator of the ICR
- 3) If the Cost is an unallowable Indirect Cost, it should not be included in the ICR
- 4) If the Cost is an unallowable Direct Cost, it should be included in the Base to receive its equitable share of Indirect Costs.

Please see the following graphic outlining the steps discussed above.

G. Defining Cost Process Flow Chart



IV. Treatment of Commonly Incurred Costs

A. Introduction

This section, Treatment of Commonly Incurred Costs, explains the treatment of items of Cost that are frequently incurred by Providers.

Each of the explanations about items of Cost on the following pages begins with a definition adapted from 2 CFR Part 200, if such a definition exists (the Cost Manual also identifies items of Cost that are not expressly defined in 2 CFR § 200.420 - 200.475).

Then the explanation states whether the item of Cost is an Allowable or Unallowable Cost (2 CFR Part 200 may address whether an item of Cost is an Allowable Cost or Unallowable Cost even if it does not define the item of Cost).

Finally, the explanation provides examples of scenarios where an item of Allowable Cost could be properly classified as a Direct Cost and scenarios where the same item of Cost could properly be classified as an Indirect Cost. For Allowable Costs that require prior Agency approval, the Provider must submit a written request for approval.

While this Cost Manual adapts applicable federal, State of New York, and City rules, it is a representation of City-specific policies and procedures and should be used as the primary source for calculating ICRs. This section is not intended to be an exhaustive list of Costs that a Provider may incur during the term of a Contract; rather, the section is intended to provide guidelines for common Costs and Costs that tend to be incurred in relatively large-dollar values. Providers should also consult with their respective Agencies if they have any questions regarding the treatment of Costs. Please see Section II.B (Purpose) for a discussion on order of precedence.

The following legend will be used throughout this section to identify Allowable Costs, Unallowable Costs, Direct Costs, and Indirect Costs:

Classification	
A	Allowable
U	Unallowable
D	Direct
I	Indirect

B. Advertising Costs and Public Relations Costs

Advertising Costs are the Costs of advertising media and corollary administrative Costs. Advertising media include magazines, newspapers, radio and television, direct mail, exhibits, electronic or computer transmittals, etc.⁵

Public Relations Costs are the Costs of activities dedicated to maintaining the image of the Provider or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public. Public relations includes community relations.⁶

A Allowable

The only Advertising Costs that are Allowable Costs are those that are solely for:

- 1) The Advertising Costs associated with the procurement of goods and services for the performance of a Contract
- 2) The Advertising Costs associated with disposal of scrap or surplus materials acquired in the performance of a Contract, except when a Provider is reimbursed for disposal Costs at a predetermined amount
- 3) The Advertising Costs associated with Program outreach and other specific purposes necessary to meet the requirements of the Contract.

The only allowable Public Relations Costs are:

- 1) Public Relations Costs specifically required by the Contract
- 2) Costs of communicating with the public and press pertaining to specific activities or accomplishments that result from performance of the Contract (these Costs are considered necessary as part of the outreach effort for the Contract)
- 3) Costs of conducting general liaison with news media and government public relations officers, to the extent that such activities are limited to communication and liaison necessary to keep the public informed on matters of public concern, such as notices of funding opportunities, financial matters, etc.

U Unallowable

All Advertising and Public Relations Costs are unallowable unless otherwise specified as Allowable Costs in this section.

D Direct Example

An example of a direct, allowable Advertising and Public Relations Cost is a payment to a website to host an advertisement that promotes a Provider's services related to a Contract.

I Indirect Example

N/A – Advertising and Public Relations Costs are not allowable as Indirect Costs.

⁵ Adapted from 2 CFR § 200.421

⁶ Adapted from 2 CFR § 200.421

C. *Audit Services Costs*

Audit Services Costs are Costs for activities offered by public accounting firms and/or CPAs to provide an examination and evaluation of an organization.⁷

A Allowable

Allowable Audit Services Costs are as follows:

- 1) Organization-wide year-end financial statement audits
- 2) The Costs of audits required by the Single Audit Act or the City.

U Unallowable

Any Audit Service Costs not identified above are unallowable.

D Direct Example

An example of a direct, allowable Audit Services Cost would include a Cost incurred as part of a Program-specific audit in lieu of a full single audit, provided that the Provider is receiving funding from one City Program.

I Indirect Example

An example of an indirect, allowable Audit Services Cost is a CPA's fee for conducting an examination of the Provider's financial records, accounts, business transactions, accounting practices, and internal controls and issuing a report to the Provider expressing a professional opinion about the Provider's financial practices.

⁷ 2 CFR § 200.425 does not define "Audit Services"

D. Bad Debts

Bad Debts are those funds owed to the Provider that the Provider has determined as uncollectable.

A Allowable⁸

Bad Debts and Costs related to their collection are unallowable.

U Unallowable

Bad Debts and Costs related to their collection are unallowable.

D Direct Example

N/A – Bad Debts are not allowable as Direct Costs.

I Indirect Example

N/A – Bad Debts are not allowable as Indirect Costs.

⁸ 2 CFR § 200.426 does not define “Bad Debts”

E. Capital Expenditures and Equipment

Capital Expenditures are Costs to acquire capital assets or Costs to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life.⁹ Equipment is tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition Cost that equals or exceeds the lesser of the capitalization level established by the Provider for financial statement purposes, or \$5,000.¹⁰

General Purpose Equipment is equipment that is not limited to research, medical, scientific, or other technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, reproduction and printing equipment, and motor vehicles.¹¹

Special Purpose Equipment is used only for research, medical, scientific, or other technical activities. Examples of Special Purpose Equipment include microscopes, X-ray machines, surgical instruments, and spectrometers.¹²

A Allowable

Allowable Capital Expenditures and Equipment Costs are as follows:

- 1) With prior agency approval, Capital Expenditures for General Purpose Equipment, buildings, and land as Direct Costs
- 2) With prior agency approval, Capital Expenditures for improvements to land, buildings, or Equipment that materially increase their value or useful life
- 3) Capital Expenditures for Special Purpose Equipment as Direct Costs, provided that items with a unit Cost of \$5,000 or more have the prior approval of the agency
- 4) The unamortized portion of any Equipment written off as a result of a change in capitalization levels may be recovered by continuing to claim the otherwise allowable depreciation on the Equipment
- 5) The Cost of Equipment disposal or transfer if the Agency instructs the Provider to dispose of or transfer such Equipment.

U Unallowable

Equipment and Capital Expenditures as Indirect Costs are unallowable.

D Direct Example

An example of a direct allowable Capital Expenditure is the Cost of renovations of a building.

⁹ Adapted from 2 CFR § 200.13

¹⁰ Adapted from 2 CFR § 200.33

¹¹ Adapted from 2 CFR § 200.48

¹² Adapted from 2 CFR § 200.89

I Indirect Example

N/A – Capital Expenditures and Equipment Costs are not allowable as Indirect Costs.

F. Compensation Costs – Personal Services

Compensation Costs – Personal Services are all remuneration (including, but not necessarily limited to, wages and salaries), paid currently or accrued, for services of the Provider’s employees rendered during the term of the Contract.¹³

A Allowable

A Compensation Cost – Personal Services is allowable only if it meets the following requirements:

- 1) The Cost is reasonable for the services rendered and conforms to the established written policy of the Provider (if the Provider has established written policies) or established standard operating practices (if the Provider does not have established written policies) consistently applied to both City and non-City activities; and
- 2) The employee’s appointment was made in accordance with a Provider's written policies (if the Provider has established written policies) and meets the requirements of applicable Laws.

Costs of incentive compensation based on Cost reduction or efficient performance, suggestion awards, or safety awards are allowable to the extent that the compensation is determined to be reasonable and with prior agency approval.

An Agency may authorize a Provider to pay incentive payments to employees based on meeting or exceeding Program performance goals or for meeting Program length-of-service goals if the payment is reasonable and not arbitrary.

U Unallowable

Unallowable Compensation – Personal Services Costs are as follows:

- 1) Costs that are unallowable under other sections of the Cost Manual must not be allowable solely on the basis that they constitute compensation, such as compensation for indirect personnel performing advertising functions
- 2) Costs for workers used to replace existing staff and/or for the primary purpose of saving money by using low-Cost labor, to avoid paying fringe benefits, or to replace other funding.

D Direct Example

An example of a direct, allowable Compensation Cost – Personal Services is the salary of an attorney providing legal services to clients under a Contract.

I Indirect Example

An example of an indirect, allowable Compensation Cost – Personal Services is the salary of an accountant whose work supports the general administration of a Provider.

¹³ Adapted from 2 CFR § 200.430

G. Compensation Costs – Fringe Benefits

Compensation Costs – Fringe Benefits are the Costs for allowances and services provided by a Provider to its employees as compensation in addition to Compensation Costs – Personal Services (e.g., salaries and wages).¹⁴ Fringe benefits include, but are not limited to, the Costs of leave (e.g., vacation, military, and sick leave), health insurance, pensions, and unemployment insurance.

A Allowable

Allowable Compensation Costs – Fringe Benefits are as follows:

- 1) Costs for fringe benefits that are reasonable and are required by Law, Provider-employee agreement, or an established policy of the Provider
- 2) Actual claims paid to or on behalf of employees or former employees for workers' compensation, disability benefits, unemployment compensation, severance pay, and similar employee benefits (e.g., postretirement health benefits) are allowable in the year of payment provided that the Provider follows a consistent costing policy.

U Unallowable

Severance payments are generally not allowable. Severance payments may be allowed by the Agency in extenuating circumstances.

D Direct Example

An example of a direct, allowable Compensation Cost – Fringe Benefits is the Cost of a health insurance plan for a social worker providing services under a Contract.

I Indirect Example

An example of an indirect, allowable Compensation Cost – Fringe Benefits is the Cost of a health insurance plan for an accountant whose work generally supports the administration of the Provider.

¹⁴ Adapted from 2 CFR § 200.431

H. Conference, Training, and Education Costs

Conference Costs are a meeting, retreat, seminar, symposium, workshop, or event whose primary purpose is the dissemination of technical information beyond the Provider and is necessary and reasonable for the Provider's successful performance under the Contract.¹⁵ Conference Costs do not include conferences intended for clients of the Provider.

For Travel Costs related to Conferences Costs, Providers should review Section IV.Y (Travel Costs).

Training and Education Costs are those Costs incurred to maintain and/or improve skills and knowledge of Provider's staff, officers, directors, or volunteers.¹⁶

A Allowable

Allowable Conference, Training, and Education Costs are as follows:

- 1) Rental of facilities, speakers' fees, Costs of meals and refreshments, local transportation, and other items incidental to such conferences, with prior written approval from the Agency
- 2) Costs of the Provider's employees' lodging at hotels designated by the conference host or at hotels that are in close proximity to the conference site. Reimbursement is limited to the lower of the actual Cost of the lodging, which may be no greater than the conference rate of designated conference hotels, or the maximum lodging amount component of the per diem rate allowed for the locality in the federal rate schedules, which can be located at the following website: www.gsa.gov/travel/plan-book/per-diem-rates
- 3) The only allowable Training and Education Costs are Costs related to a Program or Contract. Out-of-service training – training that does not relate to a Program or Contract – Costs are allowable Costs only with prior written approval from the Agency.

U Unallowable

Unallowable Conference, Training, and Education Costs are as follows:

- 1) Conference Costs for more than three individuals for each conference
- 2) Training and Education Costs not identified above.

D Direct Example

An example of a direct, allowable Conference Cost is the Cost of a speaker fee for a keynote speaker partaking in a conference related to a Contract.

I Indirect Example

An example of an indirect, allowable Training and Education Cost is the Cost of training on proper timesheet reporting and submission for all Provider's personnel.

¹⁵ Adapted from 2 CFR § 200.432

¹⁶ 2 CFR 200.472 does not define "Training and Education Costs"

I. Depreciation Costs

Depreciation Costs are the Cost of the reduction of value in a fixed asset attributable to the use of the fixed asset over a specified period and calculated in accordance with applicable guidelines.

Providers should follow the federal depreciation schedule unless otherwise instructed in the Contract.

A Allowable

Allowable Depreciation Costs are as follows:

Costs for the use of the Provider's buildings, Capital Improvements, Equipment, and software Projects capitalized in accordance with GAAP, provided that they are used and needed in the Provider's activities, and properly allocated to the Contract.

Total use allowance and depreciation for an asset may not exceed the total acquisition Cost of the asset. Total acquisition Cost is the appropriate measure and not book value less salvage value.

U Unallowable

Depreciation Costs for fixed assets that have outlived their depreciable lives are unallowable. In addition, Depreciation Costs on fixed assets (such as a building) where the City purchased the fixed asset are unallowable.

Once an asset has been fully depreciated, including any Rental Costs, depreciation is unallowable.

D Direct Example

A Provider that operates a Program pursuant to a Contract with an Agency purchases a desktop computer that is dedicated to conducting intake of clients into the Program. The Provider's Depreciation Cost of the desktop computer is allowable as a Direct Cost.

I Indirect Example

A Provider that operates a Program pursuant to a Contract with an Agency purchases a desktop computer that is used in the Provider's administrative offices to conduct organization-wide procurement activities that benefit both the Contract and the Provider's other activities. The Provider's Depreciation Cost of the desktop computer is allowable as an Indirect Cost. Generally, most Depreciation Costs are chargeable as Indirect Costs instead of Direct Costs.

J. Entertainment Costs

Entertainment Costs are those Costs of amusement, diversion, and/or social activities.¹⁷

A Allowable

Entertainment Costs that have a specific programmatic purpose are allowable with prior approval from the Agency.

U Unallowable

Entertainment Costs that are not specifically related to a Contract are unallowable.

D Direct Example

An example of a direct, allowable Entertainment Cost would include a Cost for shows or sporting events for a youth Program as part of a Contract.

I Indirect Example

N/A – Entertainment Costs are not allowable as Indirect Costs.

¹⁷ 2 CFR § 200.438 does not define “Entertainment Costs”

K. Fines, Penalties, Damages, and Other Settlements

Fines, Penalties, Damages, and Other Settlements are Costs incurred from violations of, alleged violations of, or failure to comply with Law.¹⁸

A Allowable

Fines, Penalties, Damages, and Other Settlements are unallowable.

U Unallowable

Fines, Penalties, Damages, and Other Settlements are unallowable.

D Direct Example

N/A – Fines, Penalties, Damages, and Other Settlements are not allowable as Direct Costs.

I Indirect Example

N/A – Fines, Penalties, Damages, and Other Settlements are not allowable as Indirect Costs.

¹⁸ Adapted from 2 CFR § 200.441

L. Fund-raising and Investment Management Costs

Fund-raising Costs are Costs incurred in pursuit of financial support of the Provider, such as charitable contributions or donations.

Investment Management Costs are those Costs incurred in the purchasing and selling of financial assets or securities, including banking, budgeting, and taxes.¹⁹

A Allowable

Fund-raising and Investment Management Costs are allowable as Direct Costs, with prior approval by the Agency.

U Unallowable

Fund-raising and Investment Management Costs are unallowable as Indirect Costs.

D Direct Example

An Agency enters into a Contract with an arts organization Provider to provide classical music concert tickets to children. The Contract budget provides a fraction of the Cost of the tickets and the Provider must fund-raise for the remainder of the Cost to provide the tickets. The Agency agrees to reimburse the arts organization for a portion of the Fund-raising Costs to pay the remainder of the Cost of the concert tickets.

I Indirect Example

N/A – Fund-raising Costs and Investment Management Costs are not allowable as Indirect Costs.

¹⁹ 2 CFR § 200.442 does not define “Fundraising Costs” and “Investment Management Costs”

M. Insurance Costs

Insurance Costs are premiums, deductibles, self-insured retentions, and other Costs of an insurance policy or a self-insurance Program.²⁰

A Allowable

Allowable Insurance Costs are as follows:

- 1) Costs of insurance maintained in accordance with the Contract
- 2) Costs of other insurance in connection with the general conduct of activities.

U Unallowable

Unallowable Costs related to Insurance are as follows:

- 1) The Provider's Costs for actual losses that could have been covered by insurance (through a conventional insurance policy or a self-insurance Program)
- 2) Employee bonding Costs unless reasonable and specifically required under the terms of the Contract or incurred in accordance with sound and consistent business practices.

D Direct Example

An example of a direct, allowable Insurance Cost would include the property insurance Cost for a building.

I Indirect Example

An example of an indirect, allowable Insurance Cost would include the Cost to maintain insurance for the organization, such as the premiums for a commercial general liability insurance.

²⁰ Adapted from 2 CFR § 200.447

N. Interest Costs

Interest Costs are those Costs incurred for the use of loaned or borrowed funds.²¹

A Allowable

Allowable Interest Costs are financing Costs (including interest) to acquire, construct, or replace capital assets.

U Unallowable

Unallowable Interest Costs are as follows:

- 1) Costs incurred for interest on borrowed working capital, temporary use of endowment funds, or the use of the Provider's own funds, however represented
- 2) Interest attributable to a fully depreciated asset
- 3) Interest related to Fines, Penalties, Damages, or Other Settlements.

D Direct Example

An example of a direct, allowable Interest Cost is the interest on a loan for the purchase of a building to be used exclusively for a Program to serve clients under a Contract.

I Indirect Example

An example of an indirect, allowable Interest Cost is the interest on a loan for the purchase of a Provider's administrative offices that are used for the administration of the Contract and for the Provider's other activities.

²¹ 2 CFR § 200.449 does not define "Interest Costs"

O. Maintenance and Repair Costs

Maintenance and Repair Costs are those Costs incurred for the necessary upkeep and function of assets.²²

A Allowable

Allowable Maintenance and Repair Costs are as follows:

- 1) Costs incurred for utilities, insurance, security, necessary maintenance, janitorial services, repair, or upkeep of buildings and equipment (including City property unless otherwise provided for) that neither add to the permanent value of the property nor appreciably prolong its intended life, but keep it in an efficient operating condition
- 2) Costs incurred for improvements that add to the permanent value of the buildings and equipment or appreciably prolong their intended life must be treated as capital. These Costs are only allowable to the extent not paid through rental or other agreements.

U Unallowable

Unallowable Maintenance and Repair Costs are as follows:

The Costs of idle facilities are unallowable except to the extent that they are necessary to meet workload requirements that may fluctuate and are allocated appropriately to all benefitting Programs. Costs of idle facilities or idle capacity are Costs such as maintenance, repair, housing, rent, and other related Costs (e.g., insurance, interest, and depreciation). These Costs could include the Costs of idle public safety emergency facilities, telecommunications, or information technology system capacity that is built to withstand major fluctuations in load, e.g., consolidated data centers.

D Direct Example

An example of a direct, allowable Maintenance and Repair Cost is the Cost of janitorial services to maintain a building that serves customers as part of the Contract.

I Indirect Example

An example of indirect, allowable Maintenance and Repair Cost is the Cost of utilities related to a building used by personnel associated with the Provider's general administration, such as its headquarters or administrative office.

²² 2 CFR §200.452 does not define "Maintenance and Repair Costs"

P. *Materials and Supplies Costs*

Materials and Supplies Costs are all tangible personal property other than those described in the definition of Capital Expenditures and Equipment.²³

A Allowable

Allowable Materials and Supplies Costs are as follows:

- 1) Costs of materials, supplies, and fabricated parts
- 2) Materials and supplies used for the performance of a Contract may be charged as Direct Costs.

U Unallowable

In general, prizes are generally unallowable and are subject to the Agency's discretion. As an exception, the Provider's Costs for inexpensive awards such as trophies, medals, or ribbons may be allowable as Direct Costs.

D Direct Example

An example of a direct, allowable Materials and Supplies Cost is the Cost incurred to purchase a \$1,500 computer to process information and conduct quantitative analysis for a Contract. The computer would be considered a "Materials and Supplies" rather than a "Capital Expenditure or Equipment" because the Cost was less than \$5,000.

I Indirect Example

An example of an indirect, allowable Materials and Supplies Cost is the Cost incurred to purchase office supplies, such as writing utensils or staplers, for a supply room with organization-wide access and use.

²³ Adapted from 2 CFR § 200.453

Q. Membership and Subscription Costs

Membership and Subscription Costs are those Costs incurred by a Provider's staff, officers, directors, or volunteers to belong to a particular group or organization or obtain access to information.²⁴

A Allowable

Allowable Membership and Subscription Costs are as follows:

- 1) Costs of the Provider's staff, officers, directors, or volunteers for membership in business, technical, and professional organizations
- 2) Costs of the Provider's staff, officers, directors, or volunteers for subscriptions to business, professional, and technical periodicals
- 3) Costs of the Provider's staff, officers, directors, or volunteers for membership in any civic or community organization are allowable with prior approval by the Agency.

U Unallowable

Unallowable Membership and Subscription Costs are as follows:

- 1) Costs of the Provider's staff, officers, directors, or volunteers for membership in any country club or social or dining club or organization
- 2) Costs of the Provider's staff, officers, directors, or volunteers for membership in organizations whose primary purpose is lobbying.

D Direct Example

An example of a direct, allowable Membership and Subscription Cost is the Cost incurred for a medical journal subscription for research content related to a Contract for the delivery of medical services.

I Indirect Example

An example of an indirect, allowable Membership and Subscription Cost is the Cost of a subscription of a business publication for an organization's executive leadership.

²⁴ 2 CFR § 200.454 does not define "Membership and Subscription Costs" and "Professional Activity Costs"

R. Participant Support Costs

Participant Support Costs are Direct Costs for items such as stipends or subsistence allowances, travel allowances or transportation, registration fees, and Incentive Payments paid to or on behalf of participants (but not employees) in connection with conferences or training Programs or other program activities.²⁵

Incentive Payments are nonmonetary items (such as gift cards and MetroCards) allowed only for the benefit of participants (but not employees) of the Program under the Contract.

A Allowable

Participant Support Costs and Incentive Payments that are reasonable in value are allowable with the prior approval of the Agency.

U Unallowable

Unallowable Participant Support Costs are Costs that are not necessary to the continued participation in a Program by a participant.

D Direct Example

An example of a direct, allowable Participant Support Cost is the Cost of a \$25 gift card that a Provider gives to clients in a job training Program as an incentive for perfect attendance at 10 consecutive training classes under a Contract.

I Indirect Example

N/A – Participant Support Costs are not allowable as Indirect Costs.

²⁵ Adapted from 2 CFR § 200.456

S. Professional Service Costs

Professional Service Costs are those Costs incurred for the activities performed by individuals requiring special training for a specific skill set.²⁶

A Allowable

Allowable Professional Service Costs are as follows:

- 1) Costs of professional services rendered by persons who are members of a particular profession or possess a special skill, and who are not employees of the Provider, subject to paragraphs (2) and (3) when reasonable in relation to the services rendered
- 2) In determining the allowability of Costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors are relevant:
 - a. The nature and scope of the service rendered in relation to the service required
 - b. The necessity of contracting for the service, considering the Provider's capability in the particular area
 - c. The past pattern of such Costs, particularly in the years prior to execution of Contracts with the City
 - d. The impact of City Agency Contracts on the Provider's business (e.g., what problems have arisen from the performance of work under these Contracts)
 - e. Whether the proportion of City work to the Provider's total business is such as to influence the Provider in favor of incurring the Cost, particularly where the services rendered are not of a continuing nature and have little relationship to work under a Contract
 - f. Whether the service can be performed more Cost effectively by direct employment rather than contracting
 - g. The qualifications of the individual or concern rendering the service and the customary fees charged, especially on non-City-funded activities
 - h. Adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation, and termination provisions)
- 3) In addition to the factors in paragraph (2) of this section, to be allowable, retainer fees for Professional Services must be supported by evidence of bona fide services available or rendered.

²⁶ 2 CFR § 200.459 does not define "Professional Service Costs"

U Unallowable

Unallowable Professional Service Costs are as follows:

- 1) Costs related to supervision of a general nature such as that provided by the head of a department and their staff assistants not directly involved in operations are generally unallowable; in cases where the Costs are for the temporary supervision of operations during a transition period, the Cost may be allowable with prior agency approval
- 2) Costs incurred due to a Provider's violations of, alleged violations of, or failure to comply with Law.

D Direct Example

An example of a direct, allowable Professional Service Cost is the Cost incurred for hiring a fitness instructor to teach a class as part of a Contract for activities that improve the health of senior clients.

I Indirect Example

An example of an indirect, allowable Professional Service Cost is the Cost incurred for engaging a CPA to audit the Provider.

T. Publication and Printing Costs

Publication Costs are those Costs incurred in the use, preparation, and distribution of written, printed, or electronic materials.

Printing Costs are those Costs incurred in the production of materials from written, printed, or electronic sources.²⁷

A Allowable

Allowable Publication and Printing Costs are as follows:

- 1) Publication and Printing Costs for electronic and print media, including distribution, promotion, and general handling; if these Costs are not identifiable with a particular Cost Objective, they should be allocated as Indirect Costs to all benefitting activities of the Provider
- 2) Page charges for professional journal publications are allowable where:
 - a. The publications report work supported by the Contract; and
 - b. The charges are levied impartially on all items published by the journal, whether or not the work was funded under a Contract.

U Unallowable

Unallowable Publication and Printing Costs are those Costs associated with other unallowable Costs, such as the Publication and Printing Costs associated with lobbying activities.

D Direct Example

An example of a direct, allowable Printing Cost is the Cost of printing client reports and files to review and track the performance and status of clients. An example of a direct, allowable Publication Cost is the Cost of printing a know-your-rights brochure for low-income clients facing mortgage foreclosure proceedings.

I Indirect Example

An example of an indirect, allowable Publication and Printing Cost is the Cost of printing a Provider's annual report or budget.

²⁷ 2 CFR § 200.461 does not define "Publication and Printing Costs"

U. Recruiting Costs

Recruiting Costs are those Costs incurred to enroll an individual as a new director, officer, employee, or volunteer of an organization.²⁸

A Allowable

Allowable Recruiting Costs are as follows:

- 1) Provided that to the extent that such Costs are incurred pursuant to the Provider's standard recruitment Program:
 - a. Costs of help wanted advertising or operating Costs of an employment office necessary to secure and maintain an adequate staff
 - b. Costs of operating an aptitude and educational testing Program
 - c. Travel Costs of employees while engaged in recruiting personnel
 - d. Travel Costs of applicants for interviews for prospective employment
 - e. Relocation Costs incurred incident to recruitment of new employees
 - f. Where the Provider uses employment agencies, Costs not in excess of standard commercial rates for such services.

U Unallowable

Unallowable Recruiting Costs are as follows:

Special payments, fringe benefits, and salary allowances incurred to attract professional personnel that do not meet the test of reasonableness or do not conform to established Provider practices.

D Direct Example

An example of a direct, allowable Recruiting Cost is the Cost of a help wanted advertisement in a teacher's union newsletter for teachers for a Provider's summer youth Program operated under a Contract.

I Indirect Example

An example of an indirect, allowable Recruiting Cost is the Cost of a help wanted advertisement in a newspaper for a procurement professional who will procure goods for the Contract and for the Provider's general operations.

²⁸ 2 CFR 200.463 does not define "Recruiting Costs"

V. *Rental Costs of Real Property and Equipment*

Rental Costs of Real Property and Equipment are those Costs incurred to lease property or Equipment.²⁹

A Allowable

Allowable Rental Costs are as follows:

- 1) Rental Costs are allowable to the extent that the rates are reasonable in light of such factors as Rental Costs of comparable real or equipment property, if any; market conditions in the area; alternatives available; and the type, life expectancy, condition, and value of the property leased; rental arrangements should be reviewed periodically to determine if circumstances have changed and other options are available
- 2) Rental Costs under “sale and leaseback” agreements are allowable only up to the amount that would be allowed had the Provider continued to own the real property or equipment; this amount would include expenses such as depreciation, maintenance, and insurance. Rental Costs under “sale and leaseback” agreements are allowable only if they do not conflict with the language in “Unallowable” #2 of this section
- 3) Rental Costs under leases that are required to be treated as capital leases under GAAP are allowable only up to the amount, as explained in paragraph (2) of this section, that would be allowed had the Provider purchased the property on the date the lease agreement was executed. The provisions of GAAP must be used to determine whether a lease is a capital lease. Interest Costs related to capital leases are allowable to the extent they meet the criteria in 2 CFR § 200.449, Interest.

U Unallowable

Unallowable Rental Costs are as follows:

- 1) Rental Costs of Real Property and Equipment for home (residential) office workspace
- 2) Rental Costs of Real Property and Equipment owned by the Provider; this includes, but is not limited to, affiliates, subsidiaries, branches, or holding companies established by the Provider for the purpose of renting real estate previously owned by the Provider
- 3) Changes in Rental Costs of Real Property and Equipment that result in an increase of Costs without prior written approval from the Agency.

D Direct Example

An example of a direct, allowable Rental Cost is the Cost for renting buildings/space that serve clients as part of the Contract.

I Indirect Example

²⁹ 2 CFR § 200.465 does not define “Rental Costs of Real Property and Equipment”

An example of an indirect, allowable Rental Cost is the Cost for renting a building used by Provider personnel associated with the general administration of an organization, such as a Provider's headquarters or administrative office.

W. Taxes

Taxes are mandatory financial charges, or some other type of levy, imposed upon a taxpayer by a government organization to fund various public expenditures.³⁰

A Allowable

Allowable Taxes are as follows:

In general, Taxes that the Provider is required to pay and that are paid or accrued in accordance with GAAP, and payments made to local governments in lieu of taxes that are commensurate with the local government services received.

U Unallowable

Unallowable Taxes are as follows:

- 1) Taxes from which exemptions are available to the Provider directly, such as sales tax, or that are available to the Provider based on an exemption afforded to the City government and, in the latter case, when the Agency makes available the necessary exemption certificates upon the Provider's request
- 2) Special assessments on land that represent capital improvements
- 3) Federal income taxes
- 4) Expenses outside of the budget operating period are not allowed, including payment of back tax obligations.

D Direct Example

An example of a direct, allowable Tax would include the payroll tax incurred for employee compensation for employees whose Compensation Costs – Personal Services have been classified as Direct Costs.

I Indirect Example

An example of an indirect, allowable Tax would include the tax included in the rent of an administrative facility as an operating Cost.

³⁰ 2 CFR § 200.470 does not define "Taxes"

X. Transportation Costs

Transportation Costs are Costs incurred for moving or relocating goods.³¹

A Allowable

Allowable Transportation Costs are as follows:

Costs incurred for freight, express, cartage, postage, and other transportation services relating either to goods purchased, in process, or delivered. When such Costs can readily be identified with the items involved, they may be charged directly as Transportation Costs or added to the Cost of such items. Where identification with the materials received cannot readily be made, inbound Transportation Costs may be charged to the appropriate Indirect Cost (Facilities and Administrative) accounts if the Provider follows a consistent, equitable procedure in this respect. Outbound freight, if reimbursable under the terms and conditions of the Contract, should be treated as a Direct Cost.

U Unallowable

Unallowable Transportation Costs are Costs for transportation associated with other Unallowable Costs, such as the Transportation Costs of alcoholic beverages. The Transportation Costs of alcoholic beverages would be considered unallowable as the Cost of alcoholic beverages is an Unallowable Cost.

D Direct Example

An example of a direct, allowable Transportation Cost is the shipping and handling Cost of an X-ray machine purchased to deliver medical services in accordance with a Contract.

I Indirect Example

An example of an indirect, allowable Transportation Cost is the Cost of inbound transportation of paper to support the Provider's general administrative activities.

³¹ 2 CFR § 200.473 does not define "Transportation Costs"

Y. *Travel Costs*

Travel Costs are Costs for transportation, lodging, subsistence, and related items incurred by Provider's staff, officers, directors, or volunteers who are in travel status on official business of the Provider.³²

A Allowable

Allowable Travel Costs are as follows:

- 1) Travel Costs may be charged on an actual Cost basis, on a per diem or mileage basis in lieu of actual Costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the Provider's non-City-funded activities and in accordance with the Provider's written travel reimbursement policies or established standard operating practices (if the Provider does not have established written policies); Providers must use the most Cost-efficient mode of transportation when given alternatives
- 2) Travel Costs of Provider staff, officers, directors, or volunteers are allowable with the prior approval of the Agency when they are specifically related to the Contract
- 3) Costs incurred by the Provider's staff, officers, directors, or volunteers for travel, including Costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such Costs do not exceed charges normally allowed by the Provider in its regular operations
- 4) The Costs of public mass transit for work purposes other than commuting are allowable Transportation Costs in most travel situations
- 5) In certain instances, it may be appropriate for employees to use their personal vehicle for Local Travel or Long Distance Travel. As a general rule, personal vehicles should only be used when they are the least expensive means of transportation or when a Provider-owned vehicle is unavailable, impractical, or inefficient; Providers should make every effort to use mass transit in lieu of personal vehicles
- 6) Overnight lodging within the boundaries of the City is generally not permitted; however, with prior Agency approval, overnight lodging and appropriate meals are allowable under extraordinary circumstances. Rates must conform to per diem rates allowed for the locality in the federal rate schedules.

Extraordinary circumstances include the following:

- a. When it is necessary for an individual to be immediately accessible during emergency situations or when an emergency situation is reasonably anticipated (for example, based on forecasts by the National Weather Service or other appropriate authority); or
- b. When travel is seriously impacted by, or is reasonably anticipated to be impacted by, natural disasters, weather emergencies, or transit strikes

³² Adapted from 2 CFR § 200.474

- 7) As a rule, taxi services are not reimbursable for Provider business; however, the Cost of taxi transportation, whether incurred for Local Travel or Long Distance Travel, may be allowable under certain exceptional circumstances. The following is a list of scenarios when taxi transportation may be appropriate (this is not an exhaustive list; other scenarios may apply):
 - a. When employees must transport valuable, heavy, or bulky items and a Provider vehicle is deemed to be inappropriate or is unavailable
 - b. For transportation to or from an airport or transportation hub or other transit station or connection, when public mass transit, courtesy transportation, or other more economical means is deemed to be inappropriate or is unavailable
 - c. When a group of employees is traveling together and the Cost of a taxi, including tip, for the group is less than the group's aggregated public mass transit fares
- 8) When an employee is temporarily or permanently physically disabled.

U Unallowable

Unallowable Travel Costs are as follows:

- 1) Airfare Costs in excess of the basic, least expensive, unrestricted accommodations class offered by commercial airlines
- 2) Commuting Costs (though Costs of travel between different work locations is allowable)
- 3) Repairs and maintenance of any kind for personal vehicles
- 4) Gasoline, motor oil, and other vehicular fluids for personal vehicles
- 5) Travel Costs for dependents
- 6) In instances where Providers seek to take leave time in conjunction with business travel, the Provider must specify when seeking prior approval from the Agency.

D Direct Example

An example of a direct, allowable Travel Cost is the Cost of a train ticket to attend a training Program in the City required by the Contract.

I Indirect Example

An example of an indirect, allowable Travel Cost is the Cost of an economy class airline ticket for a Provider's executive director to attend a national conference related to domestic violence if the Contract is directly related to the subject matter discussed at the conference.

V. Developing a Simplified Allocation Method Rate

A. Introduction

The following section presents the procedures and steps to develop an ICR based on the Simplified Allocation Method (SAM). The procedures include tables and calculations based on a fictitious example, which will be referred to as the Sample SAM ICR throughout the section. A SAM worksheet is provided on the Indirect Implementation Webpage to aid Providers in developing their ICR based on the SAM.

The Sample SAM ICR is a simple example meant to guide Providers through the rate calculation process and is not intended to be an exhaustive illustration. The SAM should be used when a Provider has only one major function or when all of a Provider's major functions benefit from its Indirect Costs to approximately the same degree. **Providers that do not meet those criteria must use other Allocation methods that more equitably allocate Indirect Costs to major functions that benefit from those Costs, such as the Multiple Allocation Base method.** The City has outlined approved Allocation methods in Section VI.A.

All data inputs used in the calculation of the SAM ICR need to be substantiated through source documentation. For example, time splits of personnel can be substantiated through timesheets. Please refer to Section VI.A for more information on other Allocation methods.

B. Step #1 – Generate and Review the Cost Report

To begin developing a SAM ICR, generate a Cost report. The format and structure of the Cost report will vary by Provider, but should include information similar to the following:

- 1) Account Code
 - a. Account Codes serve as the primary means of identifying a Cost. Throughout the exercise, Account Codes are typically listed first in any analysis or calculation and followed by the Account Code Title.
- 2) Account Code Title
 - a. Account Code Titles are crucial in identifying and classifying Costs as Allowable Costs, Unallowable Costs, Direct Costs, and/or Indirect Costs. Account Code Titles provide insights into the nature of the Costs within a respective Account Code. For example, an Account Code Title such as “Professional Services Cost” denotes that Costs within this Account Code are incurred for Contracts that the Provider has with vendors.
- 3) Subaccount Code
 - a. Subaccount codes are pooled into an Account Code and provide an additional level of detail into the Costs incurred within an individual Account Code.
- 4) Subaccount Code Title
 - a. Subaccount code titles provide additional details regarding the transactions that make up a single Account Code. For example, within the Account Code “Professional Services Cost,” the following subaccount code titles may exist:
 - i. Legal Services
 - ii. Accounting Services
 - iii. Program Consultant.
- 5) Fiscal Year Cost Amount
 - a. The Cost amount provides the dollar value of Costs for each respective Account Code and subaccount code. Cost amounts should align to a single fiscal year.

The subtotal of Costs in the generated Cost report should tie to the Provider’s corresponding fiscal year financial statements. A reconciliation should be performed before continuing the SAM ICR calculation.

C. Step #2 – Summarize and Classify Costs

After generating and reconciling the Cost report, summarize Costs by Account Code. Classify each Account Code as:

- 1) “Direct” if the Account Code only contains Direct Costs;
- 2) “Indirect” if the Account Code only contains Indirect Costs; or
- 3) “Mixed” if the Account Code contains both Direct Costs and Indirect Costs.

The below table illustrates this step as completed in the *Sample SAM ICR* (please reference the “Costs Summary” worksheet). The Provider in this example has 24 Account Codes totaling \$1,000,000 in Costs.

Account Code	Account Code Title	Cost	Classification
100	Advertising and Public Relations Costs	\$ 5,000.00	Mixed
200	Audit Services	\$ 2,000.00	Indirect
300	Bad Debts	\$ 5,000.00	Indirect
400	Capital Expenditures and Equipment	\$ 31,000.00	Direct
500	Compensation Costs— Personal Services	\$ 625,000.00	Mixed
600	Compensation Costs— Fringe Benefits	\$ 100,000.00	Mixed
700	Conference, Training, and Education Costs	\$ 12,000.00	Mixed
800	Depreciation Costs	\$ 5,000.00	Indirect
900	Entertainment Costs	\$ 30,000.00	Mixed
1000	Fines, Penalties, Damages and Other Settlements	\$ 1,000.00	Indirect
1100	Fundraising and Investment Management Costs	\$ 1,000.00	Indirect
1200	Insurance Costs	\$ 10,000.00	Direct
1300	Interest Costs	\$ 2,000.00	Indirect
1400	Maintenance and Repair Costs	\$ 5,000.00	Indirect
1500	Materials and Supplies Costs	\$ 2,000.00	Indirect
1600	Memberships and Subscriptions Costs	\$ 1,000.00	Direct
1700	Participant Support Costs	\$ 5,000.00	Direct
1800	Professional Service Costs	\$ 70,000.00	Mixed
1900	Publication and Printing Costs	\$ 2,000.00	Indirect
2000	Recruiting Costs	\$ 2,000.00	Indirect
2100	Rental Costs of Real Property and Equipment	\$ 70,000.00	Mixed
2200	Taxes	\$ 3,000.00	Indirect
2300	Transportation Costs	\$ 1,000.00	Indirect
2400	Travel Costs	\$ 10,000.00	Direct
	Total	\$ 1,000,000.00	

D. Step #3 – Split Mixed Account Codes

After classifying all Account Codes, identify the amount of Direct Costs and Indirect Costs within each Account Code classified as “Mixed.” The approach for splitting Direct Costs and Indirect Costs within “Mixed” Account Codes may vary by Account Code. Some Providers may be able to generate reports with subaccount detail to determine the splits, while others may need use an Allocation methodology. However, regardless of the approach, there must be a sufficient basis for determining the splits. Adequate documentation must be included to support the splits.

In the *Sample SAM ICR* (please reference the “Mixed Costs Analysis” worksheet), the Provider identified seven Account Codes as “Mixed,” totaling \$900,000 in Costs, as illustrated in the table below.

Account Code	Account Code Title	Costs	Classification	Direct Costs	Indirect Costs	Total Costs
100	Advertising and Public Relations Costs	\$ 5,000.00	Mixed	\$ 3,000.00	\$ 2,000.00	\$ 5,000.00
500	Compensation Costs—Personal Services	\$625,000.00	Mixed	\$567,000.00	\$ 58,000.00	\$625,000.00
600	Compensation Costs—Fringe Benefits	\$100,000.00	Mixed	\$ 90,720.00	\$ 9,280.00	\$100,000.00
700	Conference, Training, and Education Costs	\$ 12,000.00	Mixed	\$ 10,000.00	\$ 2,000.00	\$ 12,000.00
900	Entertainment Costs	\$ 30,000.00	Mixed	\$ 5,000.00	\$ 25,000.00	\$ 30,000.00
1800	Professional Service Costs	\$ 70,000.00	Mixed	\$ 66,000.00	\$ 4,000.00	\$ 70,000.00
2100	Rental Costs of Real Property and Equipment	\$ 70,000.00	Mixed	\$ 65,000.00	\$ 5,000.00	\$ 70,000.00
	Total	\$912,000.00		\$806,720.00	\$105,280.00	\$912,000.00

To arrive at the splits illustrated above, the example Provider analyzed each Account Code and documented the detailed Costs that comprise each Account Code and classified the Costs as Direct Costs or Indirect Costs. For purposes of illustration, the following section explains how the Provider split three of these Account Codes.

500 Compensation – Personal Services Split

Please reference the “500 Personal Services – Split” tab in the *Sample SAM ICR*.

The example Provider had \$625,000 in Costs for Account Code 500, *Compensation Costs – Personal Services*. To determine the splits, the Provider provided a list of all employees and their wages or salaries covered in the Provider *Compensation Costs – Personal Services* Account Code. Each employee was then classified as “direct,” “indirect,” or “mixed,” as illustrated in the following table.

<i>Detailed Split Analysis</i>						
Account Code 500	Compensation Costs — Personal Services	Cost	Classification	Direct Cost	Indirect Cost	Total Cost
501	Administrative Assistant	\$ 28,000.00	Indirect	\$ -	\$28,000.00	\$ 28,000.00
502	Case Worker I	\$ 35,000.00	Direct	\$ 35,000.00	\$ -	\$ 35,000.00
503	Case Worker II	\$ 35,000.00	Direct	\$ 35,000.00	\$ -	\$ 35,000.00
504	Case Worker III	\$ 35,000.00	Direct	\$ 35,000.00	\$ -	\$ 35,000.00
505	Executive Director	\$ 45,000.00	Mixed	\$ 15,000.00	\$30,000.00	\$ 45,000.00
506	Program Education Specialist I	\$ 30,000.00	Direct	\$ 30,000.00	\$ -	\$ 30,000.00
507	Program Education Specialist II	\$ 30,000.00	Direct	\$ 30,000.00	\$ -	\$ 30,000.00
508	Program Education Specialist II	\$ 35,000.00	Direct	\$ 35,000.00	\$ -	\$ 35,000.00
509	Program Manager I	\$ 55,000.00	Direct	\$ 55,000.00	\$ -	\$ 55,000.00
510	Program Manager II	\$ 60,000.00	Direct	\$ 60,000.00	\$ -	\$ 60,000.00
511	Program Manager III	\$ 75,000.00	Direct	\$ 75,000.00	\$ -	\$ 75,000.00
512	Program Outreach Worker I	\$ 37,000.00	Direct	\$ 37,000.00	\$ -	\$ 37,000.00
513	Program Outreach Worker II	\$ 40,000.00	Direct	\$ 40,000.00	\$ -	\$ 40,000.00
514	Youth Counselor I	\$ 40,000.00	Direct	\$ 40,000.00	\$ -	\$ 40,000.00
515	Youth Counselor II	\$ 45,000.00	Direct	\$ 45,000.00	\$ -	\$ 45,000.00
	Total	\$ 625,000.00		\$ 567,000.00	\$ 58,000.00	\$ 625,000.00

Certain employees may engage in both indirect and direct services and are classified as “Mixed.” In this example, the Executive Director both leads and oversees the entire organization and provides counseling services for a specific City Program; \$15,000 of the Executive Director’s compensation has been allocated to Direct Costs and \$30,000 has been allocated to Indirect Costs. The split in compensation would indicate that the Executive Director spent one third (\$15,000/\$45,000) of their time on direct services and two thirds (\$30,000/\$45,000) of their time on indirect services. As part of its ICR submission, the Provider would have included documentation to substantiate this time and function split.

600 Compensation – Fringe Benefits Split

Providers may track fringe benefits differently. Some Providers may track fringe benefits per employee; other Providers may track fringe benefits as a single organization-wide Cost; and other Providers may calculate fringe benefits rates, which are then applied to their Compensation Costs – Personal Services. The *Sample SAM ICR* provides examples for splitting the example Provider’s \$100,000 in fringe benefits Costs under the first two scenarios.

Scenario 1

Please reference the “600 Fringe Benefits – Split (1)” tab in the *Sample SAM ICR*.

For Providers that track fringe benefits per employee, the steps to split Indirect Costs and Direct Costs are similar to the steps for Account Code 500, *Compensation Costs – Personal Services Split*.

<i>Detailed Split Analysis</i>						
Account Code 600	Compensation Costs — Fringe Benefits	Cost	Classification	Direct Costs	Indirect Costs	Total Costs
601	Administrative Assistant	\$ 4,480.00	Indirect	\$ -	\$ 4,480.00	\$ 4,480.00
602	Case Worker I	\$ 5,600.00	Direct	\$ 5,600.00	\$ -	\$ 5,600.00
603	Case Worker II	\$ 5,600.00	Direct	\$ 5,600.00	\$ -	\$ 5,600.00
604	Case Worker III	\$ 5,600.00	Direct	\$ 5,600.00	\$ -	\$ 5,600.00
605	Executive Director	\$ 7,200.00	Mixed	\$ 2,400.00	\$ 4,800.00	\$ 7,200.00
606	Program Education Specialist I	\$ 4,800.00	Direct	\$ 4,800.00	\$ -	\$ 4,800.00
607	Program Education Specialist II	\$ 4,800.00	Direct	\$ 4,800.00	\$ -	\$ 4,800.00
608	Program Education Specialist II	\$ 5,600.00	Direct	\$ 5,600.00	\$ -	\$ 5,600.00
609	Program Manager I	\$ 8,800.00	Direct	\$ 8,800.00	\$ -	\$ 8,800.00
610	Program Manager II	\$ 9,600.00	Direct	\$ 9,600.00	\$ -	\$ 9,600.00
611	Program Manager III	\$ 12,000.00	Direct	\$ 12,000.00	\$ -	\$ 12,000.00
612	Program Outreach Worker I	\$ 5,920.00	Direct	\$ 5,920.00	\$ -	\$ 5,920.00
613	Program Outreach Worker II	\$ 6,400.00	Direct	\$ 6,400.00	\$ -	\$ 6,400.00
614	Youth Counselor I	\$ 6,400.00	Direct	\$ 6,400.00	\$ -	\$ 6,400.00
615	Youth Counselor II	\$ 7,200.00	Direct	\$ 7,200.00	\$ -	\$ 7,200.00
	Total	\$100,000.00		\$90,720.00	\$9,280.00	\$100,000.00

In the *Sample SAM ICR*, the example Provider classified each employee as “indirect,” “direct,” or “mixed.” Fringe Benefits Costs associated with employees classified as “Direct” were classified as Direct Costs; Fringe Benefits Costs associated with employees classified as “Indirect” were classified as Indirect Costs. Fringe Benefits Costs associated with “Mixed” employees were split based on those employee’s time spent on direct and indirect services. As with Compensation Costs – Personal Services, Personal Services Costs – Fringe Benefits for the Executive Director were split one third (\$2,400/\$7,200) to Direct Costs and two thirds to Indirect Costs (\$4,800/\$7,200).

Note that the Compensation Costs – Fringe Benefits in the above table are aggregated at the employee level. Providers should be able to substantiate the specific fringe benefits (e.g., health insurance and unemployment insurance) and their associated Costs for each employee under this scenario.

Scenario 2

Please reference the “600 Fringe Benefits – Split (2)” tab in the *Sample SAM ICR*.

For Providers that do not track Compensation Costs – Fringe Benefits per employee and instead track fringe benefits on an organization-wide basis, an appropriate Allocation methodology should be used to split Direct Costs and Indirect Costs. One methodology to split Fringe Benefits is to allocate Fringe Benefits Costs by the ratio of total direct Personal Services Costs to total indirect Personal Services Costs. The example in the *Sample SAM ICR* uses this methodology, as illustrated in the table below.

Account Code 600	Compensation Costs — Personal Services	Cost	Percentage	Compensation Costs— Fringe Benefits
Fringe Split	Indirect Compensation - Personal Services	\$ 58,000.00	9.28%	\$ 9,280.00
	Direct Compensation - Personal Services	\$567,000.00	90.72%	\$ 90,720.00
	Total	\$ 625,000.00	100%	\$ 100,000.00

The example Provider had \$625,000 in Personal Services Costs, of which \$58,000 were Indirect Costs and \$567,000 were Direct Costs, or 9.28% and 90.72% of total Personal Services Costs, respectively. These percentages are applied to the total Fringe Benefits Costs (\$100,000) to arrive at the Direct Costs and Indirect Costs splits.

Scenario 3

For Providers that calculate Fringe Benefits rates, the rates should be applied in accordance with those calculations. For example, if a Provider calculates a fringe benefits rate of 20% per dollar of Personal Services Cost, the Fringe Benefits rate should be applied only to Personal Services Costs.

Providers may also have varying levels of Fringe Benefits for different classes of employees, such as part-time and full-time employees. The appropriate Fringe Benefits rates should be applied to each class of employee.

1800 Professional Service Costs Split

Please reference the “1800 Professional Services – Split” tab in the *Sample SAM ICR*.

The example Provider had \$70,000 in Costs for Account Code 1900, Professional Services. To determine the splits, the Provider provided a subaccount breakdown showing the types of services provided and their respective Costs. Each subaccount was then classified as “direct,” “indirect,” or “mixed,” as illustrated in the following table.

<i>Detailed Split Analysis</i>			
Account Code 1800	Professional Service Costs	Cost	Classification
1801	Legal Services	\$ 2,000.00	Indirect
1802	Accounting Services	\$ 2,000.00	Indirect
1803	Program Consultant	\$66,000.00	Direct
	Total	\$70,000.00	

E. Step #4 – Identify Unallowable Indirect Costs

After splitting the “Mixed” Account Codes, every Cost should be classified as either a Direct Cost or Indirect Cost. The next step is to identify Unallowable Indirect Costs, as these Costs should not be included in the ICR. For Indirect Costs identified in each Account Code, determine the amounts that are Unallowable Costs and provide an explanation for the determination. For guidance and clarification on the allowability of Costs, refer to Section IV (Treatment of Commonly Incurred Costs) or consult with an Agency.

The following table illustrates this step as completed in the *Sample SAM ICR* (please reference the “Indirect Costs Analysis” worksheet). The Provider in this example determined that \$38,000 of the \$136,280 Indirect Costs were Unallowable Costs.

Account Code	Account Code Title	Indirect Costs	Unallowable Indirect Costs	Allowable Costs	Unallowable Indirect Costs Notes
100	Advertising and Public Relations	\$ 2,000.00	\$ 2,000.00	\$ -	\$2,000 of costs were incurred for organization-wide advertising and public relations.
200	Audit Services	\$ 2,000.00	\$ -	\$ 2,000.00	
300	Bad Debts	\$ 5,000.00	\$ 5,000.00	\$ -	All costs were incurred for debts which have been determined to be uncollectable.
500	Compensation Costs—Personal Services	\$ 58,000.00	\$ -	\$ 58,000.00	
600	Compensation Costs—Fringe Benefits	\$ 9,280.00	\$ -	\$ 9,280.00	
700	Conference, Training, and Education Costs	\$ 2,000.00	\$ -	\$ 2,000.00	
800	Depreciation	\$ 5,000.00	\$ -	\$ 5,000.00	
900	Entertainment Costs	\$ 25,000.00	\$ 25,000.00	\$ -	\$25,000 of costs were incurred for organization-wide entertainment, sporting events, and alcohol beverages not attributed to a program or award.
1000	Fines, Penalties, Damages and Other Settlements	\$ 1,000.00	\$ 1,000.00	\$ -	All costs were incurred for violations of, alleged violations of, or failure to comply with laws and regulations.
1100	Fundraising and Investment Management Costs	\$ 1,000.00	\$ 1,000.00	\$ -	All costs were incurred for organization-wide fundraising and endowment drives incurred to raise capital or obtain contributions.
1300	Interest	\$ 2,000.00	\$ 2,000.00	\$ -	All costs were incurred for interest on borrowed capital and temporary use of endowment funds.
1400	Maintenance and Repair Costs	\$ 5,000.00	\$ -	\$ 5,000.00	
1500	Materials and Supplies Costs	\$ 2,000.00	\$ -	\$ 2,000.00	
1800	Professional Service Costs	\$ 4,000.00	\$ -	\$ 4,000.00	
1900	Publication and Printing Costs	\$ 2,000.00	\$ -	\$ 2,000.00	
2000	Recruiting Costs	\$ 2,000.00	\$ -	\$ 2,000.00	
2100	Rental Costs of Real Property and Equipment	\$ 5,000.00	\$ -	\$ 5,000.00	
2200	Taxes (including Value Added Tax)	\$ 3,000.00	\$ 2,000.00	\$ 1,000.00	\$2,000 of costs were incurred for federal income taxes.
2300	Transportation Costs	\$ 1,000.00	\$ -	\$ 1,000.00	
	Total	\$ 136,280.00	\$ 38,000.00	\$ 98,280.00	

F. Step #5 – Calculate the Indirect Cost Rate

At this point, all Costs should be classified as Direct Costs, Allowable Indirect Costs, or Unallowable Indirect Costs. The next step is to calculate the ICR. The formula used to calculate a SAM ICR is as follows:³³

$$\frac{\text{Allowable Indirect Costs}}{\text{Direct Cost Base}}$$

The SAM Direct Cost Base for calculating the ICR should be total Direct Costs less the Direct Costs for the following items:

- 1) Capital Expenditures and Equipment above \$5,000
- 2) Participant Support Costs
- 3) Rental Costs
- 4) Subcontracts amounts above \$25,000
- 5) Distorting Items.

The ICR calculation used in HHS Accelerator is the SAM ICR formula above. As a reminder, Providers may have a different formula if basing their ICR on a NICRA or a methodology outlined in Section VI.A.

It is important to note that these excluded items may be Allowable Costs chargeable to the Contract. However, for purposes of calculating the ICR (and for subsequent application of the ICR), they should be excluded.

In addition, any Direct Costs other than those identified above as excluded from the base, should be included in the base regardless of whether they are Allowable Costs chargeable to a Contract, as long as those Direct Costs benefit from the Allowable Indirect Costs. This will ensure that those Direct Costs are allocated their equitable share of Allowable Indirect Costs, to not overstate the ICR.

The following tables illustrate this step as completed in the *Sample SAM ICR* (please reference the “Rate Summary” worksheet). The Provider in this example summarized its Indirect Costs (including what Costs were Allowable) and Direct Costs, then determined the Direct Cost Base. The Provider then calculated a SAM ICR of 11.87%.

³³ Adapted from 2 CFR § 200.68

SCHEDULE OF INDIRECT COST RATE		
Provider Name	Sample Provider	
Fiscal Year	20XX	
Indirect Cost Rate	12.89%	
Total Costs		
Total Costs	\$ 1,000,000.00	<i>Source: Costs Summary</i>
Indirect Costs		
Total Indirect Costs	\$ 136,280.00	<i>Source: Indirect Costs Analysis</i>
Unallowable Indirect Costs	\$ 38,000.00	<i>Source: Indirect Costs Analysis</i>
Total Allowable Indirect Costs	\$ 98,280.00	
Direct Costs		
Total Direct Costs	\$ 863,720.00	<i>Source: Rate Summary</i>
Capital Expenditures and Equipment	\$ 31,000.00	<i>Source: Costs Summary</i>
Distorting Items, such as Rent	\$ 65,000.00	<i>Source: Costs Summary</i>
Participant Support Costs	\$ 5,000.00	<i>Source: Costs Summary</i>
Direct Cost Base	\$ 762,720.00	
Simplified Allocation Method (SAM)		
Total Allowable Indirect Costs	\$ 98,280.00	<i>Source: Rate Summary</i>
Direct Cost Base	\$ 762,720.00	<i>Source: Rate Summary</i>
SAM Indirect Cost Rate	12.89%	

VI. Appendix

A. *Indirect Cost Rate Methodologies*

The following section outlines guidance for three additional ICR methodologies. These three additional methodologies are the Multiple Allocation Base Method, the Direct Allocation Method, and the Special Indirect Cost Rates.

Multiple Allocation Base Method

- 1) When a Provider's Indirect Costs benefit its major Cost Objectives in varying degrees, Indirect Costs must be separated into Cost groupings. Each grouping must then be allocated individually to benefitting functions by Allocation methodologies which result in equitable Allocations of Indirect Costs. Under this methodology, Indirect Cost Pools may be allocated to other Indirect Cost Pools (e.g., an Intermediary Cost Objectives) before being allocated to the final benefitting function (e.g., the Final Cost Objective).
- 2) Cost groupings must be established to allocate Costs on the basis of benefits provided to each major function. Each grouping must constitute a pool of Costs that are similar in terms of functions they benefit and in terms of the Allocation methodology that best measures the benefits provided to each function. The groupings are classified within two broad categories: "Facilities" and "Administration." If the rate is to be used to claim off any Contracts with federal funds, where the provider is a subrecipient, the Provider should refer to relevant federal guidance.
- 3) Allocation methodologies should be selected to best reflect the benefits received by each benefitting Cost Objective. When a Cost Pool can be allocated directly to the benefitting function, the Allocation must be made directly. When the Costs are more general in nature, the Allocation must be made using a methodology equitable to the Contracts and the Provider. If the rate is to be used to claim off any Contracts with federal funds, where the provider is a subrecipient, the Provider should refer to relevant federal guidance.
- 4) Indirect Cost categories consisting of depreciation, interest, operation and maintenance, and general administration and general expenses must be allocated in that order to the remaining Indirect Cost categories as well as to the major functions of the organization. Other Cost categories should be allocated in the order determined to be most appropriate by the organization.
- 5) Once Cost groupings and Allocation methodologies are established, Indirect Costs should be allocated in the following order:
 - a. Indirect Cost Pools should first be allocated to benefitting functions, inclusive of Direct Costs and *all* other functions considered to be Indirect Costs Pools.
 - b. Any Indirect Cost Pools with remaining Costs (ones that have received Indirect Costs from other Cost Pools) should be allocated to benefitting functions, but *only* to Direct Costs

and those functions considered to be Indirect Cost Pools that have *not* been allocated as part of this step (step 2). For example, if the general counsel pool was first allocated to Program A, Program B, and human resources, then human resources would not be allocated back to general counsel.

- 6) The Base used to calculate the ICR for this multiple Allocation methodology is the modified total direct Cost.
- 7) Except where a special ICR is required, ICRs should be calculated for each major function identified and each ICR should consist of a rate for “Facilities” and a rate for “Administration.” Applicable rates should be applied to individual Contracts based on which major function each Contract resides.

Direct Allocation Method

- 1) Some Providers treat all Costs as Direct Costs except general administration and general expenses. Joint Costs, such as depreciation, rental Costs, operation and maintenance of facilities, and telephone expenses, are prorated individually as Direct Costs to each to each Contract or other Activity using an Allocation methodology appropriate to the particular Cost being allocated.
- 2) This method is acceptable, provided each joint Cost is allocated using an Allocation methodology that accurately reflects the benefits provided to each Contract or other Activity. The Allocation methodology must be established in accordance with reasonable criteria and be supported by sufficient documentation.
- 3) Under this method, Indirect Costs will consist exclusively of general administration and general expenses. The Provider’s ICR consisting of these remaining Costs must be computed in accordance with Section V (Developing a Simplified Allocation Method Rate) of this Cost Manual.

Special Indirect Cost Rates

- 1) In some instances, a single ICR for all activities of a Provider may not be appropriate, since it may not consider factors that may substantially affect the Indirect Costs applicable to a particular Activity. These factors may include the physical location of the work, the level of administrative support required, the nature of the facilities or other resources employed, the scientific disciplines or technical skills involved, the organizational arrangements used, or any combination thereof.
- 2) When a particular activity is performed in an environment that appears to generate a significantly different level of Indirect Costs, a separate Indirect Cost Pool should be developed for this Activity. The separate Indirect Cost Pool should be developed during the course of the regular rate calculation process, and the resulting separate ICR should be used if (i) the ICR differs significantly from what would have been calculated had a special rate not been calculated, and (ii) the volume of work to which the ICR would apply is significant.

B. Schedule of Indirect Cost Rate

SCHEDULE OF INDIRECT COST RATE			
Provider Name	Sample Provider		
Fiscal Year	20XX		
Indirect Cost Rate	12.89%		
Total Costs			
Total Costs	\$ 1,000,000.00	Source: Costs Summary	(A)
Indirect Costs			
Total Indirect Costs	\$ 136,280.00	Source: Indirect Costs Analysis	(B)
Unallowable Indirect Costs	\$ 38,000.00	Source: Indirect Costs Analysis	(C)
Total Allowable Indirect Costs	\$ 98,280.00		(D) = (B) - (C)
Direct Costs			
Total Direct Costs	\$ 863,720.00	Source: Rate Summary	(E) = (A) - (B)
Capital Expenditures and Equipment	\$ 31,000.00	Source: Costs Summary	(F)
Distorting Items, such as Rent	\$ 65,000.00	Source: Costs Summary	(G)
Participant Support Costs	\$ 5,000.00	Source: Costs Summary	(H)
Direct Cost Base	\$ 762,720.00		(I) = (E) - (F) - (G) - (H)
Simplified Allocation Method (SAM)			
Total Allowable Indirect Costs	\$ 98,280.00	Source: Rate Summary	(D)
Direct Cost Base	\$ 762,720.00	Source: Rate Summary	(I)
SAM Indirect Cost Rate	12.89%		(D) / (I)

The Schedule of ICR is part of a SAM Worksheet that the City offers as a job aid on the Indirect Implementation Webpage.

C. Example NICRA

NONPROFIT RATE AGREEMENT

EIN: [Insert EIN]
ORGANIZATION: [Insert Organization]

DATE: MM/DD/YYYY
FILING REF.: The preceding
agreement was dated MM/DD/YYYY

The rates approved in this agreement are for use on grants, contracts and other agreements with the Federal Government, subject to the conditions in Section III.

SECTION I: INDIRECT COST RATES

RATE TYPES: FIXED FINAL PROV. (PROVISIONAL) PRED. (PREDETERMINED)

EFFECTIVE PERIOD

<u>TYPE</u>	<u>FROM</u>	<u>TO</u>	<u>RATE (%) LOCATION</u>	<u>APPLICABLE TO</u>
FINAL	07/01/2014	06/30/2015	XX On-Site	All Programs
PROV.	07/01/2015	06/30/2017	XX On-Site	All Programs

D. Independent Accountant's Report

Independent Accountant's Report

Board of Directors
[Provider Name]

We have examined the accompanying schedule of indirect cost rate of [Provider Name] (the "Provider") for the year ended [Month/Day/Year] (the "Schedule"). The Provider's management is responsible for presenting the Schedule in conformity with the applicable instructions within the City of New York Health and Human Services Cost Policies and Procedures Manual (the "Manual"). Our responsibility is to express an opinion on the Schedule based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Schedule is in conformity with the applicable instructions within the Manual in all material respects. An examination involves performing procedures to obtain evidence about the Schedule's conformity with those applicable instructions within the Manual. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatements of the Schedule, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Schedule is presented in accordance with the applicable instructions within the Manual, in all material respects.

This report is intended solely for the information and use of the Provider's management and the City of New York, and is not intended to be and should not be used by anyone other than these specified parties.

Independent Auditor's Firm Signature

Date of the Report

Required Attachment: Schedule of Indirect Cost Rate

E. Entryway Choice Form (Sample)

বাংলা > Text-Size

HomeAboutFunding OpportunitiesFunded ProvidersResourcesContactSearch

Indirect Entryway Choice Form

Nonprofit Resiliency Committee

Nonprofit Resiliency Committee Resources

Contact the NRC

Returnable Grant Fund

Support from City Agencies

Indirect Implementation

[Indirect Entryway Choice Form](#)

The Entryway form below is the first step in the process for claiming your Established Indirect Cost Rate (ICR). The Entryway Form must only be submitted once per organization and should be prepared by the Executive Director or Chief Financial Officer.

In February 2019, the City of New York adopted the **Health and Human Services (HHS) Cost Policies and Procedures Manual** (Cost Manual) to standardize cost allocation practices for health and human service providers contracting with the City. The Fiscal Year 20 Adopted Budget established an indirect cost rate funding initiative based on the Cost Manual. The Mayor's Office of Management and Budget and Mayor's Office of Contract Services formed a City Implementation Team (CIT) to design the implementation and roll-out of the indirect initiative and established a Provider Work Group to advise them. The Cost Manual has been updated to reflect the indirect funding initiative implementation. All capitalized terms herein are defined in the **Cost Manual**, which we recommend reading before taking next steps.

Once a Provider has an Established **Indirect Cost Rate (ICR)**, the CIT has designed a centralized process for claiming that ICR and Indirect Cost funding for eligible Contracts. The Entryway form below is the first step in this process.

For more information about the Indirect Cost Rate Funding Initiative, including the claiming process and timeline, please read the Cost Manual and visit the **Indirect Investment Webpage**. You may also contact us for assistance at help@moca.nyc.gov.

For best results, please complete this form using the latest version of Google Chrome.

*** Indicates required fields**

Organization Name *

FMS Vendor Code

EIN *

Name *

Email *

Position *

Executive Director or equivalent

Chief Financial Officer or equivalent

My organization has established an Indirect Cost Rate in accordance with the HHS Cost Manual *

Yes No

Not yet, but we are electing the FY20-only Conditional Indirect Cost Rate

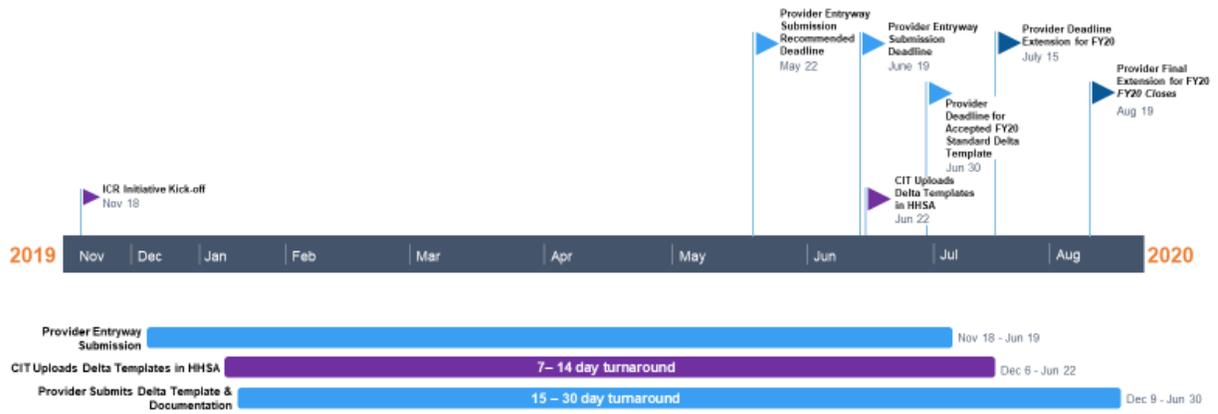
Please check "I'm not a robot" below to verify you are a person.

I'm not a robot 
reCAPTCHA
[Privacy](#) [Terms](#)

Submit

F. Investment Timeline

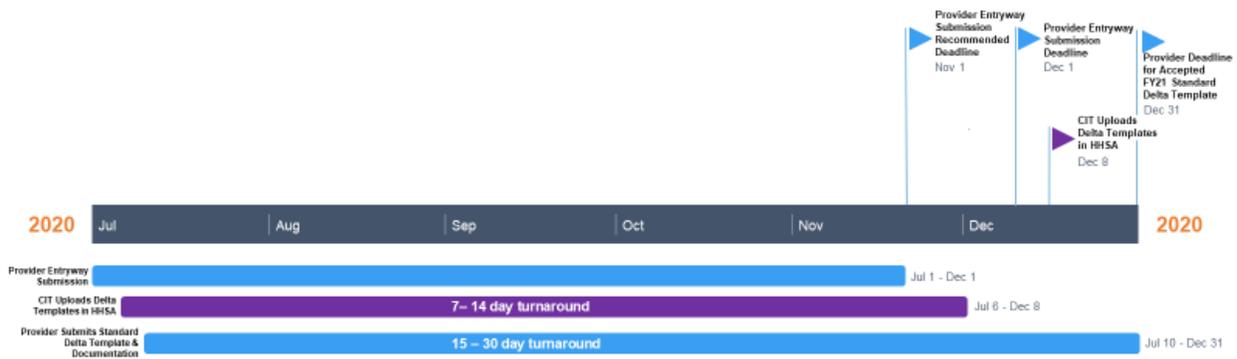
ICR Investment Timeline (Retroactive to FY20)



Note: The CIT recommends 5/22/2020 as the deadline to submit Entryway Choice Forms to allow timely processing and claiming ICR funds retroactive to FY20.



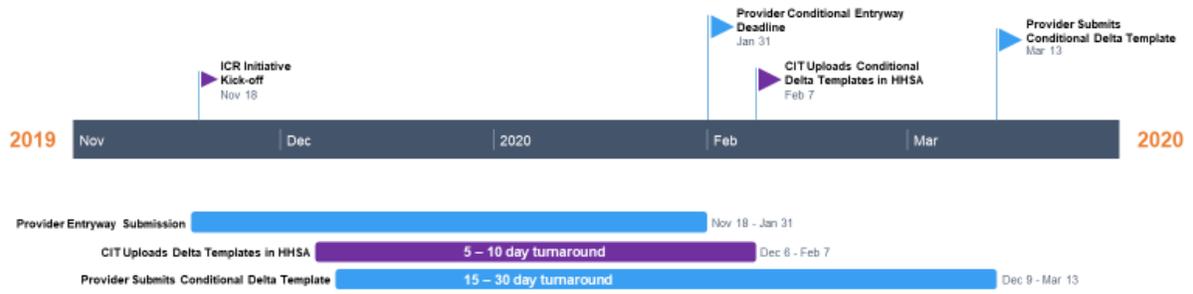
ICR Investment Timeline (Retroactive to FY21)



Note: The CIT recommends 11/1/2020 as the deadline to submit Entryway Choice Forms to allow timely processing and claiming ICR funds retroactive to FY21.



Conditional ICR Timeline



H. Subcontractor Policy

Subcontractor Approval Process for Health and Human Service Contracts

If a Contractor proposes to engage a subcontractor on a human service contract, the Department requires:

1. Subcontractor to be listed in the City's Payee Information Portal (PIP), and
2. Contractor must identify subcontractor through the budget and invoice process. For contract budgets that the Department manages through HHS Accelerator Financials, Contractor shall identify subcontractor in the "Contracted Services" section.

For any subcontractor of more than \$20,000*, the Department also requires:

1. Subcontractor to be prequalified in HHS Accelerator.
2. Contractor to share the subcontract agreement with the Department.** For contract budgets that the Department manages through HHS Accelerator Financials, Contractor shall upload and attach subcontract to the fiscal year budget.

Subcontractors are approved for work on a human service contract when the Department approves the subcontractor in PIP or in written communication with the Contractor. The Contractor should not engage a subcontractor until the Department has approved that subcontractor. The prime vendor will still be responsible for listing all payments to subcontractors in PIP.

*For determining the value of a subcontract, all subcontracts with the same subcontractor shall be aggregated.

**The Department may require Contractor to share subcontract agreements for subcontractors of \$20,000 or less. For contract budgets that the Department manages through HHS Accelerator Financials, contractors shall upload and attach such subcontracts to the fiscal year budget. Additional requirements apply to subcontracting for discretionary contracts.

Subcontractor Agreement Template for Health and Human Service Contracts

The Department offers a [standard subcontract agreement template](#) for human service contracts that Contractor may use, but is not required to use.

Definitions for Subcontractor, Consultant, and Vendor for Human Service Contracts

- A **subcontractor** hired on a health and human service contract is hired to perform or directly deliver a part of the prime contractor's programmatic contractual obligations.
- A **consultant** hired on a health and human service contract is often a subject matter expert and does not perform or directly deliver a part of the prime contractor's programmatic contractual obligations.
- A **vendor** hired on a health and human service contract provides non-programmatic services or goods.

Subcontractors, consultants, and vendors may be corporations, nonprofit organizations, or individuals.

The City requires subcontractors to be registered in PIP, but does not require PIP registration by consultants or vendors.

Definitions should be applied by looking at the language of the contract obligations.

I. Contact Information and Resources

Please contact the CIT at help@mocs.nyc.gov if you have any questions.

The Indirect Implementation Webpage is a resource for information about the ICR Funding Initiative. The CIT updates the webpage regularly. It can be found at nyc.gov/nonprofits.

VII. Frequently Asked Questions

VII. Frequently Asked Questions

This section presents frequently asked questions (FAQs) related to the Cost Manual and its application to Contracts, including the Indirect Cost Rate (ICR) Funding Initiative. The City Implementation Team (CIT) highly recommends that Providers and Agencies read the Cost Manual as their primary source for information.

Capitalized terms have specific meanings provided in Section I of the Cost Manual. The Indirect Implementation Webpage is a source of information on the ICR Funding Initiative. The CIT will be updating it regularly and it is referenced throughout the FAQ. It can be found at nyc.gov/nonprofits.

The current FAQs reflect questions posed during the development of the Cost Manual and implementation of the ICR Funding Initiative. The list of questions is expansive in an effort to include every question we have heard and is organized across the following headers:

- A. General Cost Manual Questions
- B. Communication and Technical Assistance
- C. How to Determine an Organization's ICR (Questions about Cost Allocation)
- D. ICR Funding Initiative
- E. City's Process for Accepting Established ICRs and Funding Requests
- F. Amendments
- G. Contract Budgets

If you have asked a question that is not represented here, please let us know at help@mocs.nyc.gov. This section will be updated regularly to reflect feedback and questions from Providers and Agencies. If there is any discrepancy between the guidance in the Cost Manual and the answers in the FAQs, the guidance in the Cost Manual governs.

If there is a question pertaining to the application of the Cost Manual to a particular Contract, the question should be addressed to the CIT at help@mocs.nyc.gov.

A. General Cost Manual Questions

1) What is the Cost Manual?

The Cost Manual standardizes Cost definitions, defines allowability of Cost categories, and presents acceptable ICR calculation methodologies for HHS contracts. Effective FY20, providers must allocate their Direct and Indirect Costs in alignment with the Cost Manual. The City has committed to funding ICRs retroactive to July 1, 2019, with conditions outlined in the Cost Manual.

2) What is the effective date of the Cost Manual and can I apply the Cost Manual to Contracts with start dates before July 1, 2019?

The effective date of the Cost Manual and ICR Funding Initiative is July 1, 2019. Both are applicable to all Contracts beginning July 1, 2019. Contract is defined in the Cost Manual as “a legally binding health and human services agreement.”

Contracts with a start date of July 1, 2019, will have a rider that applies the Cost Manual (including ICR Funding Initiative) to the Contract. If a Provider wishes to apply the Cost Manual and ICR Funding Initiative to a Contract with a start date before July 1, 2019, it will need to execute an amendment to its Contract. However, the amendment will apply the Cost Manual and ICR Funding Initiative only to the Contract’s FY20 and future budgets – the Cost Manual is not applicable to the Contract’s budgets prior to FY20.

3) Is the Cost Manual applicable to all Contracts, including Department of Education?

The Cost Manual is applicable to all HHS contracts across Agencies beginning in FY20 with conditions outlined in the Cost Manual. For more information regarding applicability please see Section II of the Cost Manual.

4) Does the Cost Manual take precedence over an Agency Fiscal Manual in all cases?

Where there is a conflict between an Agency’s Fiscal Manual and the Cost Manual, the Cost Manual takes precedence pursuant to Section II of the Cost Manual.

5) What should I do if I have questions that are not answered in the FAQ?

Please review the Cost Manual and Indirect Implementation Webpage. You may also direct questions to help@mocs.nyc.gov.

B. Communication and Technical Assistance

1) Who is the City’s point-of-contact for questions or concerns related to the Cost Manual and ICR Funding Initiative?

Please direct your questions or concerns to the CIT at help@mocs.nyc.gov.

2) How is the City sharing with the sector the policies and practices associated with adoption of the Cost Manual and ICR Funding Initiative?

- The City shared the Cost Manual with the sector by publishing it online and through sector-wide email correspondence when first released in March 2019 and again in November 2019.
- The City launched the Indirect Implementation Webpage as an online resource for Providers, nonprofit membership organizations, Certified Public Accountants (CPAs) and others. The webpage is updated regularly with information and technical assistance. The Cost Manual is available on this webpage.
- The CIT hosted three convenings on October 7, 2019 for Providers, nonprofit membership organizations and Agencies to update the sector on the process for implementing the ICR

Funding Initiative. A video summary of that event and the accompanying PowerPoint presentation can be found on the Indirect Implementation Webpage.

- The CIT sends regular emails directly to Provider organizations, nonprofit membership organizations and Agencies with updates on the Cost Manual and implementation of the ICR Funding Initiative and technical assistance.
- The CIT will provide a briefing for CPA firms through the New York State Society of Certified Public Accountants' Not-for-Profit Organizations Committee.
- The MOCS technical assistance team is available at help@mocs.nyc.gov to provide support and information to Providers, Agencies, nonprofit membership organizations and CPA firms.

3) Where can a Provider obtain technical assistance in establishing and claiming their ICR and requesting ICR funding?

Please read the Cost Manual. For additional support, resources are available through the Indirect Implementation Webpage and help is available at help@mocs.nyc.gov.

4) How has the City communicated information about the Independent Auditor's Report to CPAs? Can our CPA or CPA firm also query MOCS Help Desk?

The City has worked with the New York State Society of Certified Public Accountants' Not-for-Profit Organizations Committee and wishes to acknowledge the Committee for its feedback on the Independent Accountant's Report. The City is presenting the Cost Manual and ICR Funding Initiative to CPA firms through this Committee. All information necessary for CPAs and CPA firms is contained in the Cost Manual and available through the Indirect Implementation Webpage. CPAs may also contact the CIT with any questions or concerns at help@mocs.nyc.gov.

5) Has the City considered ways to support Providers that need extra assistance in developing an Established ICR?

The City created the Conditional ICR for Providers who need more time to develop an Established ICR. A Conditional ICR allows a Provider to claim an ICR up to 12% for FY20 only on the conditions that they (a) have an ICR greater than 10% and (b) will have an Established ICR and submit required Verification Documentation by December 31, 2020. This offers Providers extra time to develop and establish their ICR and can claim a greater ICR in FY20.

Additionally, the CIT has created technical assistance resources to support Providers, as detailed above in Question B.2.

6) My contracting agency is requiring that my organization submit its Verification Documentation directly to the agency. Is this required?

No. Providers should follow the centralized process for claiming ICRs and ICR funding as outlined in this Cost Manual. Any additional requests for information should be sent to the CIT through help@mocs.nyc.gov.

7) Why did the CIT request back-up information about my organization's Delta Template?

To ensure the integrity of the process, the CIT has adopted a best practice of random sampling where Delta Templates may be selected for deeper review. Please see Section II.D.

C. How to Determine an Organization's ICR (Questions about Cost Allocation)

- 1) If a Cost is allowable based on guidance in the Cost Manual, but is not allowable in the Contract, can the Cost be charged to the respective Contract?**

No. The Cost Manual outlines which Costs are allowable and unallowable per Cost principles. The Contract outlines which Costs can be charged as allowable to the Contract.

- 2) Can administrative, overhead, and indirect be used interchangeably to describe Indirect Costs?**

No. The Cost Manual provides the City's definition of Indirect Costs. The terms administrative or overhead Costs may be Direct Costs. For example, a Contract may fund a full-time equivalent to function as a bookkeeper solely for the Contract. This individual would be considered administrative direct as their Costs are attributed to a single Cost Objective.

- 3) Can a Cost that benefits multiple Cost Objectives, such as the Cost for an independent financial audit, be proportionally allocated to Contracts and charged as Direct Costs to the respective Contracts?**

If a Cost benefits multiple Cost Objectives and cannot be Cost allocated with a high degree of accuracy, the Cost cannot be classified as a Direct Cost.

- 4) Can the same type of Cost, such as Compensation – Personal Services or Rental Costs of Real Property and Equipment, be direct in certain scenarios and indirect in other scenarios?**

Yes. A type of Cost may be Direct in one service or function, but Indirect in another service or function (e.g., an individual that functions in multiple capacities). The Executive Director may oversee the entire organization (Indirect) and provide counseling services for a specific City Program (Direct). As part of the ICR approval process, the Provider may be required to substantiate this time and function split.

The same is true of Rental Cost of Real Property and Equipment. For example, the Rental Cost of a Program facility would be considered a Direct Cost; however, the Rental Cost of a Provider's headquarters, where Program services are not delivered, would be considered an Indirect Cost.

The previously discussed examples can be Direct in certain scenarios and Indirect in other scenarios, because the Costs are different in service and function. If a type of Cost is similar in service and function, the Cost type must be consistently classified as Direct or Indirect. For example, the Compensation – Personal Services Cost of an individual who dedicates all their time to Program delivery must be classified as a Direct Cost. Their Costs cannot be split between Indirect Costs and Direct Costs.

- 5) Are Rental Costs of Real Property and Equipment always Indirect Costs unless the entire building is dedicated to a single Contract?**

Rental Costs of Real Property and Equipment can be Direct in certain circumstances. For example, a single building can be used for service recipients from multiple Contracts and the Rental Costs of Real Property and Equipment would be allocated proportionally to all Contracts based on a statistic that will produce an equitable result in consideration of relative benefits derived, such as square footage occupied. When the Provider allocates the Costs to

the Contract Programs, the Costs would be considered Direct Costs. This is based on the Direct Allocation Method, as outlined in Section VI.A.

6) Could a Provider allocate Rental Costs of Real Property and Equipment as a Direct Cost into Contracts as a “Scenario 2” type Cost as outlined in Section III? Would a square footage or head count-based Allocation be considered an assignment “with a high degree of accuracy” as with timesheets?

Yes. A single building can be used to serve participants from multiple Contracts and the Rental Costs of Real Property and Equipment would be Direct Costs. For example, if a Provider has a single building that is being used for three Contracts, the Provider would allocate the Costs proportionally to all three Contracts based on a statistic that will produce an equitable result in consideration of relative benefits derived such as square footage occupied. When the Provider allocates the Costs to the three Contracts, the Costs would be considered Direct Costs. This is based on the Direct Allocation Method, as outlined in Section VI.

7) If a Provider only operates one program, is it possible that the Provider does not have Indirect Costs?

Yes. Providers with a single Contract or program may not incur Indirect Costs as all Costs may be directly identified with a particular Final Cost Objective.

8) Can the definition of Direct Costs reduce overall Contract dollars?

The City has committed to add dollars to contracts to fund a provider’s Accepted ICR. The Cost Manual provides a framework for standardizing the Allocation of Costs. The intention of this initiative is not to reduce contract dollars.

9) How do I use the SAM Worksheet?

The SAM Worksheet is a tool to support providers in allocating their Costs in compliance with the Cost Manual. The final tab on the spreadsheet is a Schedule of Indirect Cost Rate. Please see Section V of the Cost Manual.

10) Is it possible to have an ICR calculation that has a Base that is calculated differently than the Direct Cost Base provided in the SAM?

Yes. The Direct Cost Base provided in Section V of the Manual is applicable to ICR calculations based on SAM. Other acceptable methodologies (e.g., NICRA, Section VI.A) may use a different Base. The calculation in HHS Accelerator is based on the SAM Direct Cost Base.

11) My organization pays fees to outside payroll companies to administer our payroll. Can we consider these fees indirect costs?

The City cannot provide guidance on allocating an organization’s costs. Please work with your organization’s financial expert(s) which may include your CFO or equivalent and/or CPA. The Cost Manual provides definitions and guidance for commonly incurred costs that can guide your organization’s allocation determination.

12) The SAM example in the Cost Manual excludes rent from the Direct Cost Base, but rent is a significant part of our programs. How do we categorize rent otherwise?

The Cost Manual contemplates several approaches to calculating an ICR. While the SAM methodology considers rental costs a distorting factor, other methodologies may treat rental

costs differently. Please consult Section VI.A for more information about other methodologies.

13) I received my organization's Delta Template, but it does not reflect our contract budget modifications. Will we receive an updated Delta Template?

The Delta Templates reflect the latest contract detail as available on the date they were generated. This date can be found in cell C9 of the template. If the budget details for a specific row do not reflect the latest approved budget in HHS, organizations should reflect such cost adjustments in the cost treatment columns of their standard Delta Templates (Columns U and V). Once all required entries have been made in the Delta Template and all budget modifications completed in HHS, the Adjusted Direct Cost Base in your Delta Template should be in alignment with the Direct Cost Base in your Schedule of ICR and your budget in HHS. Please consult the instructions for completing the Delta Template and the budget modification instructional video on the Indirect Implementation Webpage.

D. ICR Funding Initiative

1) How is the City implementing the ICR Funding Initiative?

The City established the CIT that consists of representation from MOCS and OMB. The CIT is working with City Council and representatives of the nonprofit Provider community through a Provider Workgroup. The Provider Workgroup is chaired by Dan Symon, Director of MOCS, David Greenberg, OMB Associate Director for Health and Human Services, and Jennifer Jones Austin, CEO and Executive Director of the Federation of Protestant Welfare Agencies (FPWA). The process for funding ICRs that is outlined in this Manual has been developed in consultation with the Provider Workgroup and with input from Agencies.

2) Does the City Council need to pass legislation in order to fund this mandate? If so, when is that expected to happen?

No legislation is required. The ICR Funding Initiative is included in Schedule C of the FY20 Adopted Budget and further updated in the FY21 Adopted Budget.

3) If a Provider claims an ICR on a Contract budget that is greater than what was claimed in prior fiscal years, will the City increase my Contract award amount?

The short answer is yes. Provider must first establish its ICR and then claim additional funding through the centralized process as defined in the Cost Manual. Once the Established ICR and ICR funding requests are accepted by the CIT, Provider's contracting Agency will send a Contract amendment that Provider must execute. Once executed, Provider must modify its budget to allocate its Costs according to the Cost Manual.

4) If a provider claims an ICR on a Contract budget that is greater than what was claimed in prior fiscal years, will the Agency return the budget?

Consistent with current practice and policy, Provider line item budget requests are subject to the contracting Agency's approval. This includes a review of the proposed ICR and Cost Allocations. Agencies are expecting to see changes in budget Allocations and ICR claims due to the Cost Manual and ICR Funding Initiative. An Agency may decline an ICR claim only in the following scenarios: (a) the Provider has not received City acceptance of the ICR; or (b) the

Contract budget is supported by federal or State of New York funds that restrict or cap the ICR.

5) If our Contracts are already funded with a 10% ICR, but our organization's ICR is greater than 10%, are we able to claim the greater ICR and have it funded?

Yes. Providers will need to follow the process outlined in the Cost Manual Section II which includes completing and submitting an Entryway Choice Form and Delta Template. Please consult the Cost Manual and technical assistance materials on the Indirect Implementation Webpage.

6) Is the ICR Funding Initiative a single opportunity or a rolling process?

The City has established a process that allows providers to claim Established ICRs and Indirect Cost funding requests on a rolling basis through December 2020. Please see the Cost Manual and the Indirect Implementation Webpage for timeframes, conditions and limitations.

7) After submitting my ICR claim, how quickly can I expect to receive funding?

The City has created a centralized process for accepting ICR claims, enabled by HHS Accelerator and PASSPort, to facilitate an efficient and timely process. Currently, we do not have an estimated timeframe for the registration of amendments. We reiterate that the ICR Funding Initiative is retroactive to July 1, 2019. As we roll out the implementation, we will be tracking timeframes and reporting them. We plan to update the Indirect Implementation Webpage with tracking information.

8) What is the City process for approving Agency requests for additional funds to support indirect?

The City has established a centralized and standardized process for the ICR Funding Initiative. Funds will be made available to enable Agencies to fulfill commitments made in the ICR Funding Initiative. Agencies have been part of the development of the process and have had technical assistance to facilitate efficient and timely execution of the Contract amendment process.

9) Can we ensure application of the ICR Funding Initiative to new RFPs?

Health and human services RFPs will contain the language set forth in Section II.D above. Any questions about an active solicitation must be addressed to the designated contact in the RFP.

10) Are any contracts excluded from the FY20 Indirect Funding Initiative?

Section II of the Cost Manual outlines excluded Contracts.

11) Is the City actually increasing the dollar value of Contracts?

The City has committed to amend Contracts to fund Providers' Accepted ICRs. The FY21 Adopted Budget resulted in revisions to FY20 ICR amendments, which are summarized in the [August 11, 2020 communication](#) to the sector and Section II.F of the Cost Manual.

12) Our Organization is currently funded at 10% ICR, but our actual ICR is 15% - what does that mean in dollar terms?

To determine the amount of funding for an organization's ICR, the organization must follow the process provided in the Cost Manual. This process includes reallocating Costs to align with

the Cost Manual, establishing an ICR, submitting a completed Delta Template and Verification Documentation, and executing Contract amendment(s).

13) Will Agencies require us to be providing any details in HHS Accelerator or outside of HHS Accelerator?

The CIT is using a centralized process that includes HHS Accelerator and PASSPort. Once a Provider completes the Entryway Choice Form, the CIT will upload a Delta Template to the Provider's HHS Accelerator Document Vault. Provider will upload the completed Delta Template and Verification Documentation to its HHS Accelerator Document Vault. The CIT will upload the accepted template to HHS Accelerator Document Vault and upload the Accepted ICR and Verification Documentation to the Vendor Profile within PASSPort. This Accepted Delta Template will be shared by the CIT with the contracting Agencies in order to initiate the Contract amendments.

14) Does the ICR Funding Initiative apply to Contracts that are not managed in HHS Accelerator?

Yes, the Cost Manual is applicable to all City Contracts across Agencies beginning in FY20. Contract is defined in the Cost Manual as "a legally binding health and human services agreement." For more information regarding applicability, please see Section II of the Cost Manual.

15) If a Provider did not submit its close-out, will this hinder it from moving forward in the ICR Funding Initiative?

Providers must establish their ICR based on the most recent available schedule of functional expenses and calculated according to the treatment of Costs as defined in the Cost Manual. They must also follow the process for claiming an Established ICR, as outlined in Section II of the Cost Manual. However, failure to meet published agency fiscal deadlines may delay the execution and registration of an individual Contract amendment.

16) Does the ICR Funding Initiative only apply to nonprofit Providers?

The Cost Manual applies to all City HHS Contracts across Agencies beginning in FY20. For more information regarding applicability please see Section II of the Cost Manual.

17) Will I lose any funding from this ICR Funding Initiative?

No. The City will not issue negative amendments in conjunction with this funding initiative.

18) The Cost Manual mentions subcontracts – how does the Cost Manual define subcontractors?

The City offers standardized definitions for subcontractor, consultant, and vendor on health and human services contracts. For more information, please see Section VI.H. The definitions can also be found on the Nonprofit Resiliency Committee Webpage located at nyc.gov/nrc by navigating to the Resources Page. Definitions should be applied by looking at the language of the contract obligations and in conversation with the contracting City Agency.

19) My contracting agency historically calculated the indirect rate based on the total budget. Is this now changed?

Yes. The Cost Manual was adopted to standardize cost allocations and indirect cost rate treatment across all Agencies. The Cost Manual now applies across all Contracts. Any

approaches to calculating ICRs that deviate from the Cost Manual are no longer acceptable, unless specifically exempted from the Cost Manual in Section II.D.

E. City's Process for Accepting Established ICRs and Funding Requests

1) Please explain the different options a Provider has for establishing an ICR.

Providers may establish their organization's ICR based on one of three options: (a) City's 10% De Minimis ICR Policy, (b) a NICRA, or (c) an Independent Accountant's Report. These options are explained in Section II of the Cost Manual.

2) What is the difference between an Entryway Choice Form and a Delta Template?

An Entryway Choice Form is the first step in claiming an Established ICR. It is a form that will be available beginning November 18, 2019 on the Indirect Implementation Webpage. It requires Providers to select how they have established their ICR – based on the City's 10% De Minimis ICR Policy, a NICRA or an Independent Accountant's Report. The Entryway Choice Form also provides the opportunity for a Provider to elect the Conditional ICR. Submission of the Entryway Choice Form is required to start the ICR Funding Initiative process.

The Delta Template is provided by the CIT to the Provider after the Provider submits its Entryway Choice Form. The Delta Template is pre-populated with the Provider's current Contracts and budget information. Providers will use the Delta Template to submit their Established ICR and Indirect Cost funding request for each listed Contract. The CIT will review and accept Delta Templates.

3) How will I know if my Established ICR and request for funding have been accepted by CIT?

Upon CIT's acceptance of the Delta Template, it will upload the Accepted ICR and Verification Documentation to the Provider's Vendor Profile in PASSPort and upload the accepted Delta Template to the Provider's HHS Accelerator Document Vault.

4) Will Providers be required to substantiate Indirect Costs when the Established ICR is based on the City's 10% De Minimis ICR Policy?

Providers will not be required to substantiate Indirect Costs upfront when establishing an ICR based on the City's 10% De Minimis ICR Policy. All claims for actual expenditure reimbursement, including Indirect Cost claims, are subject to audit, as provided in the Cost Manual. Providers who claim an Established ICR based on the City's 10% De Minimis ICR Policy are subject to audit as outlined in Section II.

5) What does a CPA or CPA firm need from my organization to complete the Independent Accountant's Report – do Providers need to provide guidance to CPAs?

The CPA firm will need a copy of the Independent Accountant's Report form and Cost Manual. They will also need to verify the Provider's Schedule of ICR. The CIT has provided a sample schedule in Section VI.B and on the Indirect Implementation Webpage. The City of New York wishes to acknowledge The New York State Society of Certified Public Accountants' Not-for-Profit Organizations Committee for its feedback on the Independent Accountant's Report. If a CPA firm has questions, please refer them to help@mocs.nyc.gov.

6) If an executive staff member of my organization is a CPA, can they sign the Independent Accountant's Report?

No. The Independent Accountant's Report must be signed by an independent and external CPA.

7) Can our organization's audit CPA firm provide the Independent Accountant's Report?

The City does not prohibit an organization's audit CPA firm to sign the Independent Accountant's Report.

8) Can a Provider re-calculate its ICR over time?

A Provider's Accepted ICR is valid for three years from the start of the Fiscal Year in which it was submitted by the Provider. If a Provider elects the Conditional ICR, the Conditional ICR is valid for FY20 only, the Accepted ICR is valid beginning (and not before) FY21 (e.g., July 1, 2020). We offer illustrative examples:

- 1) If a Provider submits an Established ICR in FY20, and the City accepts the Established ICR in FY20 (e.g., before June 30, 2020), the Accepted ICR is valid from July 1, 2019 through June 30, 2022.
- 2) If a Provider submits an Established ICR in FY20, and the City accepts the Established ICR in FY21 (e.g., after June 30, 2020), the Accepted ICR is valid from July 1, 2019 through June 30, 2022.
- 3) If a Provider chooses the Conditional ICR and submits a Conditional ICR of up to 12% by January 31, 2020, and the City accepts the Conditional ICR in FY20, the Conditional ICR is valid for FY20 only – from July 1, 2019 through June 30, 2020. Provider must submit an Established ICR by December 31, 2020 to receive an Accepted ICR, which will then be valid from July 1, 2020 – June 30, 2023.
- 4) If a Provider chooses the Conditional ICR and submits a Conditional ICR of up to 12% by January 31, 2020, and the City accepts the Conditional ICR in FY21, the Conditional ICR is valid for FY20 only – from July 1, 2019 through June 30, 2020. Provider must submit an Established ICR by December 31, 2020 to receive an Accepted ICR, which will then be valid from July 1, 2020 – June 30, 2023.
- 5) If a Provider does not submit an Established ICR or Conditional ICR in FY20, it may submit an Established ICR in FY21, by December 31, 2020. The Established ICR will be valid for three years beginning in FY21 (July 1, 2020) through FY23 (June 30, 2023).

9) We're submitting an Established ICR based on 2018 actual financial results. Will this lock us in for the next 3 years? What if my Contract term is greater than 3 years?

Once accepted, an organization's ICR will be valid for three fiscal years and cannot be updated. Any Contract amendment executed pursuant to the Indirect Rate Funding Initiative will apply to the entire length of the Contract term, beginning in the fiscal year within which a provider submits the Delta Template and Verification Documentation (FY20 or FY21), including renewals and extensions, except in the case of the Conditional ICR, which is valid for FY20 only.

10) Many audits start in August and are completed in October – can last year's audit be used as basis for Independent Accountant's Report?

The Independent Accountant's Report must be based on the most recent available schedule of functional expenses and calculated according to the treatment of Costs as defined in the Cost Manual.

11) What happens if a Provider's ICR changes from year to year?

A Provider may submit a new Established ICR once every three years for City acceptance. All claims for actual expenditure reimbursement, including Indirect Cost claims, are subject to audit, as provided in Section II of the Cost Manual.

12) If an organization has a federal ICR, what documentation is necessary for the City to accept the NICRA?

The Provider must submit its NICRA to the City along with its Delta Template, pursuant to Section II of the Cost Manual.

13) What can a Provider do to help the City expedite acceptance of ICRs and funding requests?

To avoid delays, Providers should follow the instructions in the Cost Manual and consult the technical assistance provided on the Indirect Implementation Webpage. If you have questions, please contact help@mocs.nyc.gov.

14) Is the City placing a cap on Established ICRs?

The City is not placing a cap on Established ICRs at this time.

15) If an organization is not sure of its ICR, can it claim the 12% Conditional ICR?

A Provider can claim a Conditional ICR only if (a) the Provider has an ICR greater than 10% and (b) it will submit an Established ICR and Verification Documentation by December 2020. The Conditional ICR is available until January 31, 2020. The Provider must choose this option by January 31, 2020 on its Entryway Choice Form, which can be found on the Indirection Implementation Webpage.

16) If an organization is not sure of its ICR, but doesn't have the time to apply for a NICRA or obtain an Independent Accountant's Report, can it establish its ICR based on the City's 10% De Minimis ICR Policy for FY20 and obtain an Independent Accountant's Report or NICRA in FY21?

The short answer is no. If a provider establishes an ICR based on the City's 10% De Minimis ICR Policy in FY20, that will be the organization's Accepted ICR for 3 years. If the Provider believes that its organization's ICR is greater than 10%, but the organization will not have an Independent Accountant's Report or NICRA in FY20, then it should consider using the Conditional ICR which will allow it to claim up to 12% in FY20 and then submit an Independent Accountant's Report or NICRA in FY21. Providers must claim the Conditional ICR by January 31, 2020.

17) What documentation is needed to claim the Conditional ICR?

If a Provider wishes to use a Conditional ICR for FY20, it must elect the Conditional ICR on the Entryway Choice Form by January 31, 2020. The CIT will then send the Provider a Delta Template for the Provider to complete and submit for acceptance. Please consult the Cost Manual for details.

18) What happens if you claim 12% Conditional ICR in FY20, but your math is wrong, and you really only have 11% ICR?

If Contracts are amended to increase funding based on a Conditional ICR and the Provider's actual Indirect Costs are lower than budgeted, claims for reimbursement of expenditures must reflect the lower amount. ICR reimbursement claims must be supported by actual Indirect Cost expenses. All Contracts are subject to audit, pursuant to Section II of the Cost Manual. The ICR Funding Initiative is to fund Indirect Costs only. Funding from this initiative cannot be reallocated to Direct Costs or other purposes.

19) If we submit our Entryway Choice Form on November 18, 2019, how shortly thereafter do you anticipate we'll receive our Delta Template?

We are testing the new process now and have not established precise timelines at this time. As we roll out the implementation, we will be tracking timeframes and will be able to provide a specific expected timeframe. We plan to update the Indirect Implementation Webpage with tracking information.

20) What happens to the ICR of Contracts that are ineligible for the ICR Funding Initiative?

For Contracts that are ineligible for the ICR Funding Initiative and exempt from the Cost Manual, organizations should defer to their Agency's Fiscal Manual. Please refer to Section II.B. on the applicability of the Cost Manual.

21) How is the Delta Template calculated?

The Identified Direct Cost Base (Column K) reflected in the Delta Template follows the SAM for Direct Cost Base and excludes Distorting Items such as rent. For guidance on completing the Delta Template, please refer to the instructions on the Indirect Implementation Webpage. If an organization is basing its ICR on a calculation that includes Distorting Items, for example rent, in the Direct Cost Base (e.g., some NICRAs), the organization should add those Distorting Items back into the Direct Cost Base by making the appropriate adjustments in Columns R-U of the Delta Template. Organizations should also add a comment in the "Notes Tab" describing the adjustment.

22) When is my organization's Entryway Choice Form and Delta Template due?

Please refer to the Investment Timeline in Section VI.F. to see the milestones applicable to your Entryway Choice. Providers are asked to complete and upload their Delta Templates to their HHS Accelerator Document Vault within 30 days of receipt to facilitate timely and accurate amendment registration. Requested revisions should be completed within 15 days of notification from the CIT. Starting May 1, the CIT will begin notifying Providers with Delta Templates pending initial submission for over 30 days, or revisions for over 15 days, that the Delta Templates in their HHS Accelerator Document Vault are no longer valid, as these Delta Templates may no longer contain the most up-to-date information on contracts. At that point, those organizations will need to submit a new Entryway Form when they are ready to proceed.

F. Amendments

- 1) I'm concerned that there will be a long delay with the amendment process, and I won't receive my ICR funding in a timely manner. How is the City managing the amendment process?**

The CIT is also concerned with timely amendment registration and have created a centralized process to streamline acceptance of Established ICRs and funding requests. ICR amendments will be processed separately and not bundled with other amendments since the FY20 Adopted Budget requires regular reporting on progress. The City will be tracking the amendment registration process and providing regular reports.

- 2) Will the new amended amounts be paid out based on budgeted expenses or actual expenditures?**

Providers should invoice and are reimbursed for actual expenditures.

- 3) Will there be a standard amendment agreement?**

Yes, noting that every Contract that a Provider has with the City will require an amendment to add funding or language only.

- 4) If a provider has an Accepted ICR based on the City's 10% De Minimis ICR Policy – and a multi-year contract through 2022 – can the amendment be for the full period of the Contract?**

Amendments will be applied each fiscal year according to available funding.

G. Contract Budgets

- 1) Is CIT reviewing the individual budgets? There may be some Direct Costs that can be Indirect Costs.**

Contract budget review remains the responsibility of the contracting Agency. By way of explanation, Provider will submit its Established ICR and funding request to the CIT through the Delta Template. The Delta Template will include an attestation by the Executive Director verifying the accuracy of the submission. The CIT Acceptance process may include additional testing and verification of submissions. Once the CIT accepts the Delta Template, Provider may need to modify each of its Contract budgets. The approval of Contract budget modifications remains under the purview of the contracting Agency in accordance with the Contract, the Cost Manual and applicable agency Fiscal Manuals. Agencies are expecting budgets to look different and for Costs to be re-allocated once a Provider applies the Cost Manual to its budget. Provider requests for additional funding through the Delta Template can only be applied to Indirect Costs.

- 2) If a Provider contracts with only one Agency, should the Provider submit its ICR and funding claims to that Agency?**

No. ICR and funding claims may only be submitted through the centralized process with the CIT. Please follow the directions provided in Section II of the Cost Manual.

3) If a Provider contracts with multiple Agencies, should the Provider submit its claim to each Agency?

No. Providers must submit ICR claiming through the centralized process with the CIT. Please follow the directions provided in Section II of the Cost Manual.

4) What do I do if I do not want to go through the exercise to establish an ICR and want to maintain my current budgeting?

For Contracts with start dates before July 1, 2019, Provider can choose not to apply the Cost Manual to its budget and would not receive any additional funding. The Cost Manual applies to all Contracts with start dates of July 1, 2019 and later. This requires Providers to allocate their budget according to the guidance in the Cost Manual.