You are connected to event:

ILRU

- IL-NET Indirect Cost Rates for CILs.

February 3, 2016.

(Captions are ready. )

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>> Hi, everyone. Good afternoon. This Fuchs

with the National Council on Independent Living. Thank

you for joining us, hor joining our conference. Today's

presentation is being brought to you by the IL-NET for CIL

and SILCses. Operated among NCIL and APRIL with support

provided by the administration on community living

Department of Health and Human Services.

So we are recording today's call so that we can archive

it on ILRU's website, and as all of you have noticed in

the confirmation we are not doing a webinar today,

regretfully. Until we can be sure that that webinar

platform is going to be absolutely trouble-free, we are

going to do the presentations conference-only. We've got

a test next week and we're optimistic, so hopefully we

will be back in March with the platform as usual.

But we still want today's call to be as interactive as

possible, and so we are going to break several times

during the presentation to answer your questions.

Given the technical nature of today's call and the

large audience, too, we've got over 130 centers signed up,

we are offering to take the call until 5:00 eastern. So

it's longer. So we're going to take long Q and A breaks.

We've got questions during the presentation, and as long

as we need at the end, so don't hesitate to bring your

questions, bring your Center specifics so you know what

you need to do when you hang up the phone to develop your

indirect cost rate professional.

So because of that, and because we're just on the

phone, I want to make sure that all of you have the

PowerPoint open in front of you. Whether it's on your

computer screen or printed out, do make sure that you have

a copy of that PowerPoint. It's really important. It's

going to make today's call a lot easier to follow along

with. If you don't have that handy, you're welcome to

email me at tim@ncil.org, and I'll send you a copy.

You've got my email open. That's no problem. It was sent

to you in a confirmation email, the same one that had the

call-in number. If you don't have that handy, I'm happy

to forward it to you.

And before we finish the call today, please do take a

moment to fill out the evaluation form. That's both in

the live link is in the PowerPoint, if you're looking at

the electronic copy. If you're looking at a print copy,

that same evaluation link is in the confirmation email.

It just takes a minute to fill out, but it's really,

really important for us to know what you think of today's

call. We want to make sure these are helpful to you. We

take them really serious when we plan future trainings.

Please do that for us. I'll remind you before the call

is over. Anyhow, those are the things I want to mention

the housekeeping to get us started today. As we move

towards the presentation, I want to introduce our

presenters. Many of you might have joined the

introductory call on indirect cost rates in the fall or

you may have been to our on-site training a few years ago,

so these folks probably need no introduction but we have

John Heveron and Paula McElwee. John's been working with

nonprofit organizations including centers since 1959 and

all aspects of their accounting and audits and he's been a

tremendous resource to us here at IL-NET and the criminals

as we have done trainings on financial and regulatory

issues, so I'm thrilled to have him back with us.

Paula is a technical assistance coordinator for the

IL-NET project, ILRU, and Paula has been so helpful in

these issues and I appreciate the time that you all have

put into this to help us understand how to put together

these proposals.

So I'm going to kick it over to Paula who is going to

start with Slide 4 on the objectives.

>> PAULA McELWEE: Tim, thank you. Before we go

through these objectives for this training, just to remind

you, the training that we did in the fall was called an

introduction to the new indirect cost rate requirements

for centers. It is archived on our website. So if you're

not familiar with how that archive looks, you can dp to

our website anytime, it's ilru.org, and there's a training

tab at the top, and if you click on On Demand training,

which pops down, you'll see all kinds of topics, and in

the Financial topics, it's the very first one. It's the

most recent one we've archived under that topic. So

you'll find it there.

We aren't going to spend a lot of time telling you

those pieces that were in that particular presentation

that have to do with the when you need to do win and why

you need to do one. What we're going to do today is talk

about how you need to do it. So it's going to be

hopefully a hands-on, really practical presentation for

you to follow up then and just crank out your indirect

cost proposal and get it submitted.

We certainly want to encourage you if you don't know

the deadlines and timelines and so forth to look at the

other presentation as well.

What you're going to learn today is the most efficient

and effective way to submit your indirect cost proposal.

You're going to need to prepare the proposal and you're

going if to need to prepare a number of documents. The

proposal is not a single document, so we're going to go

through with you what that content is for that proposal

and what the actual con teent of each piece is so that you

have the tools you need to create your own. So with that

in mind go ahead to Slide 5 and I'm going to turn it over

to John to talk about the components of an indirect cost

rate proposal.

>> JOHN HEVERON: Thanks very much and welcome,

everybody. I should probably mention that we had a chance

to share this presentation with HHS. They've taken a look

at it, and gave us some feedback that we have incorporated

into it. So I think you can really use this information

and expect that you're off to a goot start with your

indirect cost rate proposal. With that let me start out,

slide 5 is an over view of the entire thing.

First, as an introduction to your organization with

some background information about who and what you are,

what you do. And then an explanation of how you allocate

costs. And as you will see, we're going to give you some

pretty specific examples of that. There's not a huge

amount of flexibility, at least with some aspects of

allocating costs, so some of the language you will follow

pretty closely.

Other language, as you will see, is going to be for

your organization specifically. You're going to provide a

schedule of the federal funding you receive, and actually,

it's the amount that you spend. Probably those are the

same each year, but they want to know about your federal

expenditures of federal funding.

There will be a fairly detailed schedule of payroll and

related costs, but as you will see when we get to that, if

you have different people doing the same thing, we may be

able to group them. If not, then it will be pretty

detailed, showing what each of your staff is responsible

for.

And then a schedule of Direct and Indirect Costs with a

calculation of the indirect cost rate. Which you will see

is simply going to be to divide those indirect costs by

the direct costs and create a percentage. It will also be

helpful to see the level of detail we're looking for here.

So we will see an example of that.

And then you're going to reconcile your total costs to

either your financial statement or to your 990. And,

again, we'll give you some better specifics on how you do

that. And then there will be two certifications; one is a

Lobbying Cost Certificate, and the other is just a

certificate of the accuracy of the entire document.

So that's an overview. That's really what an indirect

cost rate proposal includes.

Moving on to Slide 6, HHS is requiring that all

indirect cost rate proposals be submitted electronically.

This is part of the feedback we got. We heard this, but

it was a reminder that they want two separate PDF files.

You can send them through the website, but if they exceed

25 MB, then they want them on CDs or flash drives.

The first PDF is going to be marked "Proposal," and

that will contain all of the stuff that I just showed you,

or listed in that prior slide. And you're going to see

that list again as we go through here.

So the first file you're going to send to them is going

to be marked "Proposal" with all of the content we just

detailed.

The second one is going to be your financial

statements; in other words, what you reconcile to, or your

990, if that's what you're actually doing.

And we have provided a link, there are actually four

regional offices you need to send this information to the

proper office. If you follow this link, you'll find the

correct office. If you have any difficulty with that, let

Paula or I know, and we'll be able to get you to the right

office without any difficulty. Pravg moving on to slide

seven.

>> PAULA McELWEE: John, if I could mention one thing

here before you go on. That is, when you do these naming

of these files, we would suggest that you put in the

two-digit state marker on that, so I'm from California; I

would put CA and then the initials of your CIL, and then

the word "Financial Statement," and then do the same one

for the proposal, so they can distinguish one proposal

from another. So it would be helpful if you have some

identifying information on those as well as the actual

proposal and financial statements. Sorry.

>> JOHN HEVERON: Okay, good. So, again, on Slide 7,

now we're going to have an example for a relatively simple

CIL. We call it PENN CIL. It has a limited number of

cost objectives and a limited number of funding sources.

It uses what's called a simplified allocation method, and

it's appropriate for an organization like that, where your

cost objectives benefit from indirect costs to

approximately the same degree. And if that sounds like

Latin or something, what we're saying is the indirect

costs, the administration, your office, business, office

overhead benefits each of your different service areas to

the same extent. If that's the case, you qualify for the

simplified allocation method.

And in my experience the Centers I've worked with, most

of them are in that situation.

This example we're using also follows the direct al

lobing method, which treats all costs as direct except

general and administrative expenses. This procedure is

going to work for most of you, probably all but the

largest agencies. Paula, any thoughts on that?

>> PAULA McELWEE: The only other thing that I would

mention is as you do this, if what we present to you is

not a good fit at any point, just jot down your notes and

get ahold of us. And we will talk to you more about what

these terms mean as we go through, too. Because cost

objective has been a term that we need to explain a little

bit as well, so we will talk about that as we proceed.

>> JOHN HEVERON: Okay, good. So moving on to Slide 8,

the first part of this is the introduction, and there is

no format. They don't stipulate this. They really don't

give us probably very good examples, but it should

describe you.

Your legal name, if you are doing business under

another name, provide both of those in your introductory

page; where your business office location is and any other

service locations; the population you serve, generally

defined by the communities, your serving populations; and

the services that you provide. If they're different in

different areas, then you should spell that out.

The primary funding sources you receive; your legal

structure and governance, you might say we're a nonprofit

corporation governed by an independent board; the

approximate FTE staff, size of your organization, and

whether you lease or own your facility; and, again, if

there are multiple facilities, you would note that.

>> PAULA McELWEE: And anything that affects your plan

and how you allocate things, if there are details that

affect that, those need to be included here, so that's why

those other locations are so important. If you do

something in only one community that is different from

everything else, it's going to become its own cost

objective as we go through this, so you're going to have

to allocate to it distinctly from the others. So this

introduction should cover anything that makes one funding

source or service location or aspect of what you do

different from others, so we can help you sort out the

cost objectives that way.

>> JOHN HEVERON: Okay, good. Moving on to Slide 9,

you need to describe how you allocate costs. This next

section you can probably take this verbatim. This is what

they're going to expect. So you follow U.S. generally

accepted accounting principles, you use the accrual basis

of accounting. That's expected more now than ever before

with some of the new rules for federal monies, but if for

some reason you're not on the accrual basis, then you

should explain or it's modified somehow, you should

explain that.

And then you go on to say that the general approach in

allocating costs to pick grants and contracts is as

follows:

And let me stop right there, because Paula said we're

going to define the term cost objective and I've just used

grants and contracts sort of interchangeably with that.

But a cost objective is a service or a group of services

for a population. And so that can actually be almost

everything your agency does, and for many organizations

other than fundraising as an example, it might be the

entirety of what you do.

But as Paula mentioned, if you perform a certain set of

services for one population and different services for a

different population, then those would be different cost

objectives, or a different program probably is the term

that you use most commonly.

So the same set of services for the same population

that is a single cost objective. When you change, when

you have a different set of services for part of

population, now you've got at least a second cost

objective.

>> PAULA McELWEE: Ate goot example of that would be

age-specific funding, so if you get a youth grant and

you're serving a different population, youth only as

opposed to all ages with your other funds, and you're

providing a specific service to them, leadership

development, let's say that's what the grant is for. Well

then your leadership grant development for use has its own

cost objective and has to be allocated separately, and so

it does have to absorb the related indirect costs and not

just the direct costs.

And I know sometimes -- John, sometimes when people are

sorting this out, they have some really small grants. At

what point is it big enough to have its own, to big its

own cost objective?

>> JOHN HEVERON: That really is a difficult question.

I don't think, though, it's really so much a matter of

size here. If it really is a different service or a

different population, then it should be treated

differently. Now, that may not be too big a deal here,

because keep in mind a benefit of having an indirect cost

rate is we're going to be applying this same process, the

same way of allocating costs, across the board. We're

going to do it with every program.

So these small programs may not -- may not have as much

impact there, but now you have a way of doing things.

And, really, from the federal funders' point of view, to

them it's all about we want to pay our fair share, nothing

more. So if you have a small program that pays nothing

for indirect or general and administrative, which are

pretty much the same thing here, the federal funders are

saying that's not our problem. You need to allocate costs

to them just like you allocate costs to us. Whether or

not the funding you get fully covers that. Maybe you need

to go looking somewhere else for that other funding.

Marry you're unable to carry on that program without the

necessary funding for it. But really, I don't think it's

a matter of size. We have a way of doing things, and

we're going to do that across the board.

>> PAULA McELWEE: So consistency with everything is

going to be an important part of this implementation of

this plan.

>> JOHN HEVERON: Absolutely. The next sentence I want

to read. So all allowable direct costs are charged

directly to cost objectives, program grants, activities.

I think you all know that there are federal rules about

what costs are allowable and what costs aren't allowable.

We won't get into a lot of details but alcoholic beverages

are not allowable costs, so only allowable costs and only

direct costs, and we're going to take a more careful look

at direct versus indirect. All allow direct costs charge

directly to the different cost objectives.

Let's go on to Slide 10. If an allowable direct cost

benefits, actually you can say one or more than one cost

objective it is assigned directly to the cost objectives

that benefit based on the level of benefit they receive.

It sounds a little wordy, but while indirect may cover --

will cover all of the programs, direct costs apply just to

a single program or to a couple of programs and we're

going to directly assign those costs to the programs that

are benefited by it, and we're going to do it to the

degree they benefit, and we'll talk about exactly how we

measure that.

And then all other allowable indirect costs, in other

words, costs that benefit all cost objectives and aren't

identified with a specific cost objective, are pools or

combined and allocated to cost objectives based on direct

costs.

So, basically, what that's saying is we're going to

assign direct costs to each of your different programs,

and then we're going to see what the total of all those

direct costs are, what they are by program, and we're

going to assign indirect costs in total, one big lump

number based on a percentage of direct costs. That will

make a little bit more sense when you see some of the

following slides here.

Let's go to 11. Up to Slide 11, the last couple of

slides, I think you can follow that wording very, very

closely. When you get to Slide 11, you might want to

change this a little bit. So we're going to say something

like the following information summarizes the procedures

used by our agency beginning October 1, 2016. Payroll and

related costs are documented with time sheets and

personnel activity reports showing time distributions for

all employees. Payroll and related costs (taxes and

benefits) are assigned to cost objectives based on actual

work done. Payroll and related costs are charged directly

to the cost objective for which services have been

performed. Payroll and related costs that benefit all

cost objectives, you know, like your business office

people, are pooled and allocated as we explained above.

So you should follow this fairly closely. You might be

using a system other than PARs, although I think most

organizations should be using something like that. But

properly describe your methodology. But then you really

do need to emphasize that the assignment is based on the

actual work done.

They're really concerned about things being allocated

on budgets or some other basis, so it's got to be on

actual work done.

>> PAULA McELWEE: If I could before you move on, the

PARs, I know continually are issues where some of the

Centers struggle a little bit. Your wording may in fact,

if you have a time sheet that is a PAR, you may word is

slightly different when you do this part of your proposal.

But that PAR is an allocation tool, and so we need to see

it as that. Sometimes people get tangled up in it being

something else. But its purpose is so you know how much

time employees spent on different cost objectives, and

that's why it's mentioned here. It's the important tool

for accomplishing that.

>> JOHN HEVERON: Yes. Okay. Let's move on to 12. So

payroll and rooeltd costs; payroll taxes and fringe

benefits, Social Security, unemployment,

Workers'Compensation are assigned in the same manner as

health and wages. Health insurance, dental life and

disability and other fringe benefits are also allocated in

the same manner as salaries and wages. And as a practical

manner how we do that is if to say all of those things are

15.3% of payroll, then we just tack on an extra 15.3% of

payroll to cover all of those things. You don't have to

do it that way. This is a logical way to do it.

I have had -- I have seen funders ask questions about

when it's not done that way, but there are other methods

acceptable. You're certainly not forced to do it. It's a

good, logical way to do it. You need to describe your

way, though.

Vacation, holiday and sick pay are assigned in the same

manner as salaries and wages, so all of that leave time,

as we sometimes call it, again, is assigned as part of an

additional percentage of payroll.

And we might even combine those. We might combine that

leave pay, you know, vacation, holiday and sick pay with

the other payroll overled items and use just a single

percentage to add onto payroll. That will be acceptable

not only for your indirect cost rate but for your funding,

which is really good to know.

Okay. Slide 13, rent and u difficulties, occupancy

costs are charged to individual cost objectives or

activities based on the square footage used by each

facility's cost that benefit all cost objectives like your

business office are included with general and

administrative and allocated as described above.

You don't need to follow that methodology. In fact,

this one is really probably even more optional. Rent and

utilities might very well be allocated based on payroll.

It might be hard for some of your organizations to say,

well, we don't have an area where we provide this service

and an area where we provide that service. They sort of

all continue.

If that's the case, then don't follow this procedure.

You could say in that case rent, utilities, occupancy

costs are charge to individual cost objectives based on

direct payroll, and that would be acceptable.

The golden rule when it comes to these indirect cost

rates is once you come up with a method, it needs to be

logical and consistently applied. So just keep in might

not whatever you decide you're going to do here, you have

to stick with it. And so it should be solid.

I was interested to see when I looked at some examples

from agencies, other than HHS they want quite a bit of

detail in all of the other categories of costs. HHS

doesn't seem to be looking for that, so what we did is

sort of in this next section pooled almost every else,

other allowable costs that benefit single or multiple cost

objectives are assigned directly to those cost objectives.

And costs that benefit all cost objectives are included

with general and administrative, you know, again, also aka

indirect and allocated as described above.

So we're going to take some time now and make sure that

this is all making sense.

Tim, you're going to take over here?

>> TIM FUCHS: Yes. Thanks, John. So as John said,

we're going to stop for questions now. And like I said,

we really want this to be interactive, so go ahead and use

this time. I'm going to ask Patricia our operator so help

us open up the lines in order that your questions have

come in. So Patricia, I believe it's star pound if they

have a question. Is that correct?

>> PATRICIA GILL: That is correct.

>> TIM FUCHS: And also if you're on the kart

captioning on CC productions.com you're welcome to type

your question there. I'm logged in to the chat and I'd be

happy to voice your questions for you. All right. We're

ready.

>> We have a few questions in the queue.

>> TIM FUCHS: Okay. Go ahead.

>> This is Laura with east center for IL. My question

as it relates to the payroll and related costs, since

programs have particular staff, like the non-ACL programs

related to the allocations, of course, those programs that

we can specifically attribute the staff people to other

particular programs, those aren't being built into this

allocation plan other than to state that that's the case;

right?

>> JOHN HEVERON: Well, this is the allocation program

for all of your costs. So the answer is yes, but I don't

think -- I don't think we need to think of it as anything

more complicated, because we're simply saying all direct

costs are allocated directly to programs. Well, you're

saying well we've got people that work exclusively in this

program so they're already allocated. And you're right, I

don't think things are going to change in any dramatic

way, but the statement we made that costs are allocated

directly to the programs that benefit, well, you're doing

that; you're doing that.

The only thing you really need to be careful with is

that you have documentation, because you know, you hired

them to work in that program, and you know that they work

in that program, but you're going to need some

documentation for that, whether it be a PAR or some other

confirmation they continue to work in that program.

That's really a different topic that I don't want to

get into too much detail. But so answer your question

specifically, yes, they're included in this; those people

would be included in this indirect cost rate proposal.

>> Okay, well, that's the type of issue that we've

struggled a little bit trying to distinguish it from the

cost allocation plan that we already have. That does

pretty much distinguish all of these things anyway, so I'm

trying to identify what the real difference is.

>> PAULA McELWEE: Well the difference is -- the first

difference is this will replace your cost allocation plan,

and it will be no more. So that's what HHS is moving us

from one methodology to another. And so the cost

allocation plans, the work you did is still this work that

we're going through right now, it's similar to the cost

allocation planning process, so it will sound familiar if

you use and work with a cost allocation plan as you

should. But we will all be applying an indirect cost rate

instead beginning October 1 or everything that we do, and

we will no longer be using a cost allocation plan.

>> I understand that, thank you.

>> JOHN HEVERON: Yes.

>> Thank you, and one moment for our next question.

>> Hello, this is Andy with the (inaudible) Center for

IL. I pretty much had my question answered by Paula with

regards to the federally approved cost allocation plan

that we have and moving forward I would assume, then, and

I'll wait to see, is that this is -- the only change

that's going to be is evolving these allocations that

separates direct from indirect; correct?

>> Well, yeah, the cost allocation plan really did

that. The only real differences you're going to see are,

Number 1, we're actually going to calculate a percentage.

The indirect cost rate will now be expressed as a

percentage. So the cost allocation plans, we're going to

call these things indirect; we're going to call those

things direct, and we're going to assign the indirect

based on the direct. So we continue to say that, but we

go a step further and say, by the way, it works out to a

percentage of 19.1%, you know, this year, or at least

based on our plan.

And then the other difference is with the cost

allocation plan you simply needed to certify every year

that you're still doing things the same way. You need to

do a little bit more going forward. You need to actually

get back to them and say: Here's our recalculation of it

and our new indirect cost rate as a percentage of direct

costs. But other than that, it's the same.

>> Thank you.

>> Thank you and one moment for our next question.

>> This is Mark leaper up with disability action

center northwest up in Moscow Idaho. Question about cost

objective. We've had small, and you kind of address that

when you get small funding sources that come in. So, for

example, we have something for Americans with Disabilities

Act project, now that's something that we would be doing

under our primary grant with the the federal dollars, so

we get this money that adds to the project. So the cost

objective really is kind of the same and maybe I'm

misinterpreting. So the question is: Does your indirect

cost rate then have to be applied equally to those funds,

or is that an example where the primary grant may absorb?

Now, a secondary question to that is what about passthru

funds, for example, 5310 administration dollars that are

passthru in nature for purchase of services contracts, for

example, how are those dealt with in terms of that

indirect cost rate?

>> JOHN HEVERON: Well, I'm going to probably need some

help from Paula on the second part of it. But if I

understand the first part correctly here, basically you've

got another funding source for your regular program, your

primary cost objective which includes this group of

services to this population.

>> Correct.

>> JOHN HEVERON: And so really this is -- it doesn't

have any impact at all on the indirect cost rate process,

the indirect cost rate process works just as weef been

discussing. This is another revenue source. So multiple

revenue sources don't translate to multiple cost

objectives. At least not for the federal government. You

know, some other funders may say every grant is a

different program.

That's not what the federal government said; that's not

what the rule called Uniform Guidance says, so if you have

multiple funders for a single program, you still just have

a single program. So this other revenue you're getting

would really be just another revenue source here. It

wouldn't affect the cost. It might affect the federal

reimbursement, because, you know, your costs are what they

are, and now part of them are covered by this other grant,

so there's somewhat less for the federal funding to cover,

but it doesn't affect the cost allocation process at all.

So it is incorporated; that little program is

incorporated, but there's nothing you have to do to single

that program out.

Does that address your -- the second part of your

question, too, because I'm not knowledgeable about that

funding source?

>> Well, I think it may well, because the grant

potentials are very broad and would include

Americans with Disabilities Act projects and

transportation projects and so it may well be that they

would just be added into that. Now the practices through,

I'm not sure, because we actually don't receive any funds

in any way, shape or form internally. We really do pass

that through. We actually add our support as in kind for

that particular funding source, so. . .

>> PAULA McELWEE: If I could, Mark, the first part, I

want to make sure that everybody else is clear, too, on

this, when we talk about the major cost objective for

Centers, we suggest that you define your cost objective as

being provision of the core services to people with

disabilities, all ages, all disabilities wi specific

geographic area. So if you define it that way, all of

your Part B Part C funds plus other funds supplemental

that still help with those core services for the same

group of people can all be considered the same cost

objective.

Where it gets messy is as soon as you're carving out a

smaller slice of who you serve, then it has to be its own

cost objective, because it's not -- it's not the same

thing. And that is a funding source, typically, but it's

carved out because the people benefiting are different.

And I don't know for sure what the passthru funds,

John, and what we've always advised regarding passthru

funds is if all you're doing is facilitating someone to

receive a benefit, that it needs a fiscal agent to manage

it and pass it on to them, but you're not getting, you're

organization is not getting any of that money directly.

Is that what you're saying, Mark?

>> Yeah, in essence. We actually led out a contract.

So we administer; we have responsibility, but the entire

project is implemented by the other entity and 100% of

those funds plus additional match is passed through.

>> PAULA McELWEE: Yeah, so and it accomplishes the

core services?

>> Well, one of the allowable services in

transportation.

>> PAULA McELWEE: Okay.

>> JOHN HEVERON: So that is a different program, and,

really, it does -- you know, we're not getting into that

kind of depth with this sample and direct cost rate plan,

but I'll just say generally when you have a program like

this where, for whatever reason it just wouldn't bear, you

know, a percentage share of the indirect, you need to say

that right up front in your description and also in your

allocation process.

So I've seen a lot of examples of that where there are

circumstances where possibly a subcontractor is used and

there's very, very little all of your administrative

payroll of your, infrastructure, you know for payroll

services, HR services, very little of that is required

relative to the dollars, so you just need to explain that

in your indirect cost rate plan, and you would apply very

little, if any, overhead or indirect to that.

Okay?

>> Thank you.

>> Thank you, and one moment, please, for our next

question.

>> This is path Kozier at the Washington State center

for independence in Washington State. Do we have to

submit one proposal for the whole organization or one

proposal for each grant?

>> JOHN HEVERON: One for the overall organization, and

and that's an absolute. Again, we've heard some -- I

don't think federal funders, but some funders saying that

you need multiple indirect cost rate proposals. You

don't -- you do it once; it's pretty much forever, so you

don't need them year after year, and you don't need them

for different events or programs or services. It's a

single thing. Really, it sounds terrible, but it really

simplifies life once you get moving with this.

>> Thank you so much.

>> JOHN HEVERON: Yes.

>> PATRICIA GILL: Thank you and one moment.

>> This is Tammy calling from accessibility in I

understand an lis, I'm trying to understand if there's any

primary difference between what we're doing here and what

I would think of as fund accounting.

>> JOHN HEVERON: Well, I certainly see the

similarities here. The definitions for fund accounting

are a lot broader. You have more leeway with your

descriptions for fund accounting. Here the rules are

pretty clear. You know the rules about what is a cost

objective and the rules about cost allocations, so I

would -- I guess I would simply say they each can address

an activity that you're performing.

But they certainly aren't the same thing. If they are,

it's only by coincidence. And I would suspect the

indirect cost rate to be more detailed more specific than

the funds.

>> Great, thank you.

>> Thank you, and one moment for our next question.

>> Will you be discussing the diminimus option at

you'll today.

>> We will, particularly since you asked, I'm not sure

we've got it on the slides, but we will. That's

important.

>> Thank you. And one moment for our next question.

>> Hi, this is Diane at (inaudible) in Florida. Can

you hear me?

>> JOHN HEVERON: Yes.

>> I have a question. (Inaudible) they may have to

require us to continue with the cost allocation plan, and

so we're a very small organization; we have very limited

other funds other than the grants that we get, and I'm

concerned about going to the indirect rate and then also

trying to maintain a cap for the state purpose and how

this may affect us and how this is all going to work. Are

we going to possibly wind up with some expenses that may

be overreimbursed and some that may be under-reimbursed?

>> JOHN HEVERON: Okay. That's a good question, and I

understand your concern. I think if you explain to them

properly that this is your new cap, but it's called an

indirect cost rate, it really -- it contains every element

that a cap does, and since they have reviewed and they're

happy with your cap, then your indirect cost rate proposal

probably should look an all lot like your cost allocation

plan originally looked. So it's your updated cap.

Federal has required that you update your cap and that you

do a couple extra things which makes an indirect cost rate

plan. But it will be your cap. If they want a cap, all

you've got to do is block out a couple lines of this thing

and it should work for them. And Paula and I will back

you up on this, by the way.

>> PAULA McELWEE: You've got our email.

>> It's a possibility that we could wind up with

either some expenses not fully reimbursed like we do now.

>> JOHN HEVERON: That should not happen. That should

not happen. I won't tell you that it can't happen,

because I just don't know that, but that should not

happen, because, really, you will have something very,

very similar to what you had before with just a couple

other elements to it that go beyond cap, but you'll still

have all the elements of a cap.

>> And then one other question. On the cost

objectives, when you said if it covers a different

population, we have two counties that we serve, and so

sometimes we will have like county funds that can only be

used for individuals in that specific county. So even

though it may still be a core service, do we still have to

separate it because it won't cover the other county?

>> JOHN HEVERON: You would have to separate that,

yeah, because you're going to have to account for that

other funder. You're going to have to account for that

separate population. So you would need that breakdown for

them.

>> Tha.

>> This is Kathy from La Crosse,Wisconsin, and can I

make an assumption that this is based on a lookback the

year before? And if that's the case, what happens when

you lose a large funding source the following year? Do

you redo your plan?

>> JOHN HEVERON: You know what, I will address your

question specifically in the next couple of slides here.

We're going to talk about the fact that it is historic and

that there is required to be a reconciliation in here, and

when I get to that slide, I will -- I'll specifically

address your situation.

>> Okay. Thank you.

>> JOHN HEVERON: Yep.

>> One moment for our next question.

>> Hi, thank you, but my question actually just got

addressed, if we're going to be looking at, if we're

losing and/or adding grants, so I'll just wait. Thank

you.

>> We have a couple questions in the queue still so

one moment for our next question.

>> Hello.

>> JOHN HEVERON: Hello.

>> My question is in the regs for wila one of the

interpretations that as we see it is that if you have two

(inaudible) grants at this time, they would be melted into

one grant, and that means that the two populations you

were serving under the separate ones would basically all

become one population in your melted service area, but

since that's not historic at this point we would still

have to do two separate cost objectives in the development

of this indirect cost plan?

>> PAULA McELWEE: I haven't heard that terpgsz from

WILA, the interpretation that we've had from ACL is that

your original grant population still applies and they're

talking about or thinking about ways that they might alter

that based on a SPIL. So the current conversation with

them may some day result in you being able to merge those

two areas shg but that has not yet occurred, to my

knowledge. At least not in WILA.

>> There was one of the Regs at least in the

California CILs our interpretation was that, you know,

that since it was the same oversight entity, the CIL was

for the two, that they would be blended into one. That's

how we were reading it.

>> PAULA McELWEE: Well, the conversation is taking

place, but it's not in the Regs not in our mind that we

have this is the answer. So you'll need two separate cost

objectives if those two grants have been serving two

different populations.

>> All right. Thanks.

>> PAULA McELWEE: Yes.

>> Thank you, and we have one more question in the

queue at the moment. Please go ahead.

>> Yes, I have a question going back to what Paula

said about a cost objective for your snshgs center to be

the provision for (inaudible) in the geographic area. So

if we have a program that provides transition services and

another one that provides care management services so that

people are linked with appropriate community resources

that help them to avoid institutionalization or we build

ramps for them, they're all falling under the one cost

objective then; correct?

>> PAULA McELWEE: That isn't how I would see it, but

here's the truth of our cost allocation work that you do

and your indirect cost rate proposal. You get to define

it. So you make that decision. My suggestion to you is

that in order serve the youth population, you are not

serving all ages, so suddenly if you're doing a transition

grant of some sort with the schools, you're going to need

to be accountable to them for serving a different

population because of the age restrictions within that

transition, within those transition funds. The same thing

may be true with --

>> (Inaudible).

>> PAULA McELWEE: Yes, it is a core service, but it

doesn't meet all three criteria. A core service which

serves the same consumer group in the same geographic

area, and in this case the consumer group has been

restricted to young people.

>> Okay.

>> PAULA McELWEE: Now, like I said, though, you get to

define it in your plan, but that's what we're

recommending. We're recommending if you're serving a

different group of people, you ought to make it its own

cost objective. If it's its own cost objective it's going

to show up for on your PAR form, which typically is not a

difficult thing to do when some aspect of it is distinct.

It was difficult when our Centers who get Part C and and

Part B money, it was difficult because it's the same

services, same but when one aspect is distinct, then

you're able to say that needs to be pulled out as its own

cost objective because I can make a distinction.

>> Okay. Thank you.

>> Thank you, and we have one last question in the

queue.

>> This is Kathy from IL resources in lacrosse,

Wisconsin again. I want to talk again about the

definition of a core service. We do a lot of fee for

service. We have contracts in seven different counties

for what would be called skill training, but it's to

particular populations, particularly either adults or

children with mental illness. Would those have to be set

up as a separate cost program or cost objective?

>> JOHN HEVERON: I would say yes, Paula.

>> PAULA McELWEE: Now, if you decide not to follow our

advice on this, you have to explain what you're doing in

your plan, so. . .

>> Then I have another question, a follow-up, what if

we put all of that into a fee for service cost objective

rather than it be by what we're doing, it's how it's

funded.

>> JOHN HEVERON: You can't do it by how it's funded.

It has to be based on the services actually performed,

regardless of where the funding actually comes from.

>> Well, then we're going to end up with like 30 cost

objectives, and we may as well set it up that every

funding source we have has a separate cost objective. I

mean, it will make it incredibly complicated.

>> PAULA McELWEE: That could be. I'm sorry. I don't

know what to say. Like I said, if you can make a

justification for grouping things and if it makes sense

and you're explaining in your plan what you're doing, so

maybe you can see something that we're not seeing from

your description, but. . .

>> JOHN HEVERON: I will say the transition from cost

allocation plan to indirect cost rate doesn't complicate

that definition, and even the entire new, you know, set of

rules called uniform guidance doesn't complicate it. I

think it simplified it a little bit, so if that's your

reality now, then you should have been doing it in the

past as well under the old rules, the OMB Circular. They

were actually a little tougher, I think in many respects,

and the Uniform Guidance is a little more straightforward.

In any case, however many programs you have, having a cost

allocation plan does simplify how you allocate costs to

them. I know the tracking of direct is going to be really

tough if you've got 30 different programs, but the process

for allocating the indirect to them will become much, much

simpler. As I said --

>> Well, we do have a cost allocation plan and all of

that is in under a program called Independent Living.

>> JOHN HEVERON: Well, then it may not have -- it's

very possible that you should have had multiple cost

objectives, because, quite frankly, in the past we were

getting a lot of pushback that every funder, every set of

services was a program, but even funders translated

funders for the same population, same set of services was

two programs and with uniform guidance, we believe that

isn't the case. I won't say no funder will come along.

I'm not saying no funders will come along. I'm saying

that it has to be two, but the federal funders

particularly seem to understand that same population, same

service is a program even if you have multiple funders.

So it should have been a reduction from what you had

before.

>> PAULA McELWEE: If you want to go into details, you

can contact me after and we can talk about it some more,

Kathy.

>> Yes, thank you.

>> Thank you, and we have no further questions in the

queue at this time. Please continue.

>> JOHN HEVERON: Slide 15, pretty simple and

straightforward here. This is one of the schedules that

you will attach to your indirect cost rate proposal. It's

a schedule of federal funding. It should look similar to

this. Tell us who the funder is, if it passes through a

state agency, you know federal money passing through a

state agency, you need to list that as well. And then

there is a catalog of federal domestic assistance number.

You may have already been dealing with these. Especially

if you have compliance audits in the past, but each of

these, each of these sources of funding has a CFDA number.

We would list the total that you received and this is a

historic number. The expenditures of those funds, and the

period of performance there, or what time frame the grant

covers.

Scrolling down to Slide 16, this is just an example of

the payroll summary, and as you can see, we've got names

in certain cases. So Richard is the cost objective

director, Jane the executive director, Sally the

development director, Brenda the systems manager, and then

we get down to counselor, advocate, we've got four people,

so we group them. We don't single them out. And we don't

have to put people's names. We could really just put the

position there.

But my point is, this is pretty detailed here for a

different position, for a different set of

responsibilities we typically have a line. But for

multiple people with the same responsibilities, we can

group them.

And then so we're going to note their total salaries,

and then we're going to allocate those salaries to the

different programs that their services are in, and you'll

note that some of the executive directors' time and most

all of the development director's time is over in

programming. Indirect cost rate assumes that a

fundraising activity is like any other program activity,

and it's going to bear its own share of indirect costs.

>> PAULA McELWEE: That's really important, too, John.

I'm glad you mentioned that, John, because some of the

Centers only have one basically funding source, so the

allocation of time doesn't seem like it would need to

happen, but it does if you're doing the fund development

that's required by your center? The Rehab Act.

>> JOHN HEVERON: And then you will also see we have a

general and administrative or basically an indirect here,

and that's a goot chunk of the executive director's

salary, some of the development director's and then the

accountant and receptionist, they go into administrative.

And then below that we take the payroll overhead, FICA,

Social Security, state unemployment, disability,

compensation insurance, health or life insurance, total

them up and calculate that 99,00 as a percentage of that,

and if our math works that's 15.63%, so that's the amount

we're going to tack onto each of the different areas.

This is just a schedule of payroll. And that's one of the

more challenging ones here, but you do need to do this,

and you should do it in an Excel format, because you need

to -- you may need to make some changes to this. You

really won't be submitting this one every year, but you

will some of these others.

Let me go on to 17. So here is a schedule of indirect

costs and direct859,63

$5 simp then indirect costs of 188,$600, and we calculate

by dividing the indirect by the direct. In this

particular case it's 21.9%. That is your indirect cost

rate. That is what you're proposing that it would be for

the coming here. I want to point out the level of detail

here isn't too substantial. Nobody seems to be offended

by this level of detail. This level of detail is like if

you do a full 990, it's like that expense page in your

Form 990, you know one of the full pages in a Form 990

lists the different kinds of expenses that you might have,

and in that you would probably about this much detail. In

your financial statements, if you have an audit or review

at year-end, you probably have a schedule of functional

expenditures. It's very likely that this is the level of

detail. We don't have 40 different categories here.

We've got maybe 14, and that really, that really is the

level of detail that we're looki here.

So the allocation process can really get a lot simpler.

I also want to stop here for just a moment to say once you

decide on how you're going to do this, you want to make

sure your accounting system is producing these same

numbers.

Now, maybe you've got a few different categories in

your outside services, but set up your accounting system

so they get grouped into a single number, so this

calculation gets a lot easier.

As an example, if you use Quick Books as your

accounting system, then you can have sub accounts. So

maybe outside services would be an account with sub

accounts, so you can maintain all the details that you

feel others might require or you feel to manage your

agency, but then you can consolidate it, combine it and

get it to the level you'll need, because this is a

calculation you need to do every year. So this is the

calculation we go in with on the proposal. We say we

think our costs are going to be 21.9. The only thing I

can tell you for sure is they probably won't at the end of

the year, hopefully very close, though.

>> PAULA McELWEE: John this might be a good place to

mention that diminimis. I thought about the question, and

if you want to go for that, you can hang up now, because

none of this really applies. Dim if you only want

to be reimbursed 10% fofr indirect costs, then you can say

that's what I want. You don't have to do any proof of

that. The only caveat is if your actual costs are less

than that, you've got to use your actual costs. But if

you know your costs will 11, 11.5, but you don't want to

bother with this, and you know you can come up with the

funding for that difference, then you can just elect 10%

as a diminimis and pass on this entire thing. The other

possibility, the other way of getting out of doing this

whole thing is to say I'm going to allocate everything to

every program, and all I will tell you is that the HHS

folks that I talked to was a little cynical about

anybody's ability to do that, so they're really going to

challenge you on it. Even if you are right, it's going to

be an awful lot of extra work here. But the 10% diminimis

is not part of this, and full and complete allocation as

well.

>> PAULA McELWEE: And we would be very surprised if

your indirect costs are only 10%.

>> JOHN HEVERON: Right, that's a pretty low number.

>> PAULA McELWEE: Yeah.

>> JOHN HEVERON: Okay. So here we have a

reconciliation, and let me show you my example, but I'm

going to use this as an opportunity to answer that other

question that we had here about we lost some funding.

So this is a reconciliation to your financial

statement, and we're showing our total direct costs, total

indirect costs, overall total expenses, the financial

statements that they're based on was higher by 30,000

some, so what we said is there is depreegs relating to

equipment with federal monies. So we know we can't double

dip. We can't be funded to buy the equipment and then for

the depreciation, so we took that out. Aults we're adding

an assistant executive director for the current year, so

we're going to bump this up $41,000. So we have a couple

of changes. If you've lost some funding, that's not

really quite as important as the costs keep in mind.

Let's just say one of those programs that didn't carry

itself, in other words that paid its direct cost but paid

just a nominal amount or nothing for indirect and all of a

sudden you said well, we can no longer -- we can no longer

fund this particular thing, well, now you just have a

smaller base to spread your indirect costs over, because

you're going to have a little less direct cost.

And you would put something along the lines of this

that we no longer -- we no longer carry on the

transportation program. And so that would reduce some of

your direct costs.

But even though it may reduce some of your direct, it

actually may place a heavier burden of indirect on the

federal programs, the programs that are continuing. In

fact, that's usually what does happen. When you get

smaller, it is sometimes hard to make your indirect costs

get proportionally smaller. So your indirect cost rate

might go up as a result of that.

So you wouldn't talk about funding loss so much as you

would say, you know, the organization eliminated one

full-time and one part-time position related to this

program, and that's the difference between the financial

statements and what we're expecting for next year.

I hope that answers your question.

We're going to do questions one more time later on just

in case it does not.

19, you can probably -- other than changing your name

accident you can probably use this verbatim, this is just

your Lobbying Cost Certificate fiction, it says you've

complied with standards and requirements on lobbying, and

the reference there. You can Google that, if you don't

know what that's about. And 200 Subpart E sext 200.450 is

their Uniform Guidance, if you know where that is, then

it's just Section 450 of that Uniform Guidance. So you're

saying you're complying with those lobbying rules. You're

going to sign that. And then on the next slide, Slide 20,

you're going to certify that to the best of your knowledge

and belief you have reviewed the indirect F and A cost

proposal and all costs are allowable in accordance with

the requirements of the Federal awards to which they

apply. If you're not sure what's allowable, you can check

that online. This proposal doesn't contain any costs

which are unallowable, and a few of those are recited

here. And then it continues on the next slide, 21, all

costs included in this proposal are properly allocatable

to the federal awards on the basis of a beneficial or

causal relationship between the expense incurred and the

federal awards. It's really what HHS is looking for.

It's really wordy. Obviously you have to be comfortable

signing this, so if you want to change it a little bit so

that you feel it is a clearer and fairer statement of what

you're doing, I think there's some leeway with that. But

basically, you're saying that this proposal is something

that you agree with that you will follow, and that it's

based on a proper allocation of allowable costs.

And that was -- that's a real mouthful. So why don't

we stop and get some more questions now. Also see if we

answered that reconciliation question.

>> One moment for any questions. Again ladies and

gentlemen please press \* # for any questions.

>> To clarify the obligations under Part C having to

do with fundraising and that we need to have that as

considered a separate program objective, even though it is

a requirement, so I'm a little unclear as to that, because

we might have something, an event that we're doing that

may have residual income left over, but we don't go into

it expecting it to be a fundraiser, per se. So we can't

just expense those things through the regular program? It

has to have its own indirect costs associated?

>> JOHN HEVERON: It does. It's really looked at by

the federal awarding agencies and by these rules called

Uniform Guidance, it's looked at as one of your programs.

Now, it's probably true that you don't have an awful

lot of direct costs for your fundraising. Sometimes this

is done to an extent with volunteer board help, but even

with your internal help, you may not have a lot of direct

costs. If you don't have a lot of direct costs, then it

won't bear a lot of indirect costs, but the process needs

to be followed and it does need to be treated as a

program, as a cost objective.

And one moment, please for our next question.

>> This is Andy from Lake County in Illinois. I'm

having an issue trying to understand on this submission

this reconciliation between at the end of the year with

your 990 or your audited financial statement. If this is

a proposal for the next year, what is this reconciliation

about in this proposal? In other words, if I'm asking --

if I put together a budget for next year and based on this

budget my indirect cost rate is 20%, that 20% may not work

for this year. And to add to my dilemma here, and

certainly, it's personal to Illinois here, we don't even

have a state budget seven months into the year. I don't

even know how much money I'm going to get this year versus

even next year.

We've had a reduced staff, so I mean I am really in a

quandary here as to what this reconciliation is going to

entail and if it needs to be done with the proposal.

>> JOHN HEVERON: That is an excellent question, and

I'm glad you asked it, because earlier in the program I

emphasized the fact that once you do this calculation,

you're really bound by it, so make sure it's right.

All we're saying when we're done with this thing is

we're going to divide these costs by those costs and

that's how we come up with an indirect cost rate. So a

reconciliation is necessary, but there doesn't have to be

a difference. So if you were to go back to that

reconciliation slide, and if you don't mind scrolling back

to it.

>> Okay.

>> JOHN HEVERON: So that's slide 18 again, it might

simply say total direct, total indirect costs, total costs

and then the very same number on the the audited financial

statements. So it's really only things that are going to

change the cost allocation process. The numbers are going

to change year after year. Next year's numbers most

absolutely will be different, but only when you know that

there's something that's going to significantly affect the

way you would allocate costs, like in this case you're

adding an assistant executive director. That person may

have quite a bit of administrative costs, and so that's

going to affect your indirect cost rate. You want to get

that in right off the bat. But you don't need to have any

reconciling items. You need to have a reconciliation, but

you don't need to have any reconciling items. Does that

help at all.

>> Yes, it does, and I have a quick follow-up

question. Obviously based on the size of the operation,

an indirect cost rate goes -- can be higher or lower.

What in your opinion is an acceptable cost -- indirect

cost rate for, say, an agency under a million dollars? I

mean, obviously the smaller ones may have a higher rate.

But what is acceptable?

>> JOHN HEVERON: Well, you know, that's a very, very

difficult question, and actually it's being debated by all

the charity leadership groups right now. There was a

tremendous amount of focus on benchmarks that number ought

to be under 25% in every case, and there are different

charity benchmarks that, you know, limit it to not more

than that.

There are also industry statistics that are available

by different types of non-profit, but, I don't -- I don't

know that there's really any number that is specifically

acceptable. Now organizations like independent sector and

others are saying, well, don't focus too much on that,

because in some cases you've got an organization where a

lot of the program is carried on by volunteers, so you

might have a 50% indirect cost rate, but really you've got

an efficient organization, because a lot gets done at the

hands of volunteers, so there's pushback from focusing on

any number here.

I know in New York State there's a pushback here for

agencies that are financed over a certain percentage by

New York State to be down no more than 15%. So it's a

difficult question without an absolute answer.

>> Thank you.

>> PAULA McELWEE: John, just to clarify, because I'm

not sure that I heard this. On that same slide 18 those

figures, the total direct costs and total indirect costs

are based on your financial statements for the same period

that you're reconciling it to; right?

>> JOHN HEVERON: They are.

>> PAULA McELWEE: Yeah, they should reconcile to 990

or the audited financial statement because they should be

the same figures for the same year.

>> JOHN HEVERON: Correct.

>> PAULA McELWEE: So ear not trying to cross years

although we're letting them know the percentage we apply

and letting them know what's going to be different.

>> Thank you and one moment please for our next

>> PAULA McELWEE: Could you speak up a little.

>> Can you hear me now.

>> PAULA McELWEE: Now I can.

>> We had a question about the 10% dimini Lieue

of. Is that something we have to submit via the HHS as a

proposal?

>> JOHN HEVERON: It's actually -- there's not a

written definition in guidance of how you do it, so where

we are at this point in time when you're submitting your

requests for funding, you would just say indirect cost

based on diminimis, so you just submit it with your budget

request for the upcoming here.

>> Okay, so there's no indirect cost rate proposal

that we have to submit at all if that's all we're

requesting?

>> JOHN HEVERON: That's correct.

>> Thank you and one moment please for our next

question.

>> This is Barbara in Utah. I am trying to wrap my

head around the timeline for how everything works, so on

Page 19 we're certifying lobbying costs for the year-end

2016 and on Page 20 they're proposing ahead for 2016-2017,

so we just got our for our fiscal year, on the same fiscal

year as federal, and I want to get the whole time frame,

how that all works.

>> JOHN HEVERON: Paula, when did -- I think originally

we heard that in approximately May HHS would be looking

for indirect cost rate proposals for the year beginning

October 1, 2016. Is that correct? Is that your recall of

that.

>> PAULA McELWEE: They're wanting you to have it in

place, and so in order to do that, you're going to have to

submit your budget with that indirect cost rate attached,

and you usually do your budget submission around July.

I'm not sure this is your question though, but we'll do

this first. So what you're doing is you're kind of

back-dating. Okay my year starts October 1 but my

proposal has to be in by July 1, so it's time for me to

submit the proposal because it takes about six weeks to

get approved. So that's the approach we're taking with

that particular part of things. Now the part in this

certification is the date of your proposal is the date you

complete it, whatever that is, and submit it, and we're

suggesting you do it before the 31st of March to meet that

other deadline. And it's for the coming year. So even

though you're using historical information to put together

the rate, you're not asking for the rate until October 1,

until the next year. And when you do your grant proposal,

what you'll find is there is a place for you to put an

indirect, federal indirect rate, and you guys have been

leaving it blank because we didn't use the federal

indirect rate.

But now as you do your budget and you put your proposal

together, you will put in whatever you put in this

proposal, and when it's approved, you'll put in that

percentage in that line on your grant application. Does

that make sense?

>> Yeah, it just seems that I'm -- that I would be

certifying my lobbying costs for September 30th 2016 when

I haven't even hit September 30th of 2016, so --

>> PAULA McELWEE: (Inaudible).

>> But (inaudible) for the '16-'17 cost proposal.

>> And you're right that should be 15 actually, the

fiscal year that ended in 2015. On the Lobbying Cost

Certificate, right, John, because that's the only cost

they will actually have.

>> Okay. That makes sense.

>> PAULA McELWEE: I think that's right, John. Does

that make sense?

>> JOHN HEVERON: I think so. Certainly your financial

statements, in her case financial statements would be

September 30, 2015. So to provide the cost certification

as of that date makes sense. You know, we might just

double-check with HHS on that, but it does seem logical.

And we'll continue -- we'll watch that.

>> PAULA McELWEE: This is a document that's submitted

annually; right?

>> JOHN HEVERON: I believe it is, yes.

>> Thank you.

>> One moment please for our next question.

>> Hello.

>> PAULA McELWEE: Hi.

>> JOHN HEVERON: Hello.

>> This is Rose in Akron,Ohio, I have about three

questions that hopefully you can eliminate some of my

confusion. When we lost a couple of funding sources last

year and up until that time we had built up some cash, so

now we primarily have our state and federal CIL funding,

and I am making up ary shortfalls by drawing down on

cash reserves. How do I do that in an indirect cost

proposal.

>> JOHN HEVERON: Well, you really don't have to

address that specifically. But more importantly than

that, most of these rules, or at least the ones we're

talking about are for our agencies. The rules are also

for the federal government, and there's a pretty strong

mandate for federal funders to fund the total costs of

your program.

So this process is being pushed on you. You have to

have an indirect cost rate. But there's also a process

being pushed on federal funders that you need to fund a

direct and indirect costs, so hopefully you'll be more

fully funded than you have been in the past.

It may not help with your State Funders, but if some of

that state money is passed through federal, there's quite

a strong mandate for that as well, and even with the State

Funding that isn't at all federal, there's a better

argument for full funding of the programs because there's

a different level of integrity with your indirect costs

because it's been certified or approved by your federal

funding agency, your cognizant agency, which for you is

going to be HHS.

>> Right.

>> PAULA McELWEE: The bigger concern though, excuse me

just a second, the bigger concern is, of course, you can't

continue to spend down your cash reserves and maintain a

program that you don't have funding for, so that's quite

the dilemma, and I know that you're probably struggling

with that.

>> Yes. Next question, I'm looking for when you do

the reconciliation, backtracking here, we do a schedule of

payroll of related costs, and it's specified in there a

specific amount of money per staff position. And my

question, then, going back to when we compute the indirect

costs, how much wiggle room do we have in that? Because

let's just say that we have budgetarily allocated $50,000

for a staff position, and maybe at the end of the year it

comes up to be 52. Or on the other hand, let's say

someone leaves their position in the middle of a year. Do

we then go back in and recompute?

>> PAULA McELWEE: Well, this is not a budget, so what

you do is at the end of your year, you put in the actual

numbers. So this is a schedule of related costs -- I

guess it does say projected. Is it projected, John?

>> JOHN HEVERON: Well, so the --

>> That's what it says.

>> JOHN HEVERON: Yeah --

>> PAULA McELWEE: I hear you. Sorry.

>> JOHN HEVERON: The indirect cost rate is calculated

based on historic numbers with any adjustments that you

put in there. But Paula as you said very accurately, your

actual numbers will be whatever your actual numbers are.

So if you have a vacancy for part of a year or a salary

increase, then you'll just after the end of the year, you

will report your actual numbers and recalculate your

indirect. It might be higher; it might be lower. It

might be a bull's-eye, but that's unlikely that you'll

have the exact same rate that you planned to have.

Things do change, and so after the fact you'll have to

put in your actual numbers.

>> Okay. My final question -- thank you -- looking at

who is going to be monitoring this. As an example, when

we do a federal, this indirect cost rate, we're going to

be computing figures from October 1 through September

30th. If someone is coming in to look either at financial

statements and/or a 994, we have adopted a calendar year,

so how do those two mesh? We get our audits, everything

is done on a calendar year and not on the federal fiscal

year.

>> JOHN HEVERON: And that's not a problem at all.

You'll prepare the indirect cost rate proposal in the same

way. You'll simply say that this is the rate we're going

to be using for the year beginning October 12016. It's

based on the calendar year 2015. So the calendar 2015 is

going to be used as the basis for 16-17. Again keep in

mind all you're doing is calculating indirect rate based

on a percentage, but you're committing for your 16-17

funding year to use that percentage, and so you -- you

know, until you know circumstances have changed, and then

you may -- you'll have to do a recalculation certainly at

the end of the year.

But there's not any problem at all using your December

2015 as the basis for your 16-17 funding year.

>> Good. Thank you very much.

>> Thank you, and one moment for our next question.

>> Hi, this is Jennifer with the Independent Living

resource center? Santa Barbara. I have a question with

regards to -- we have a slightly small admin office, and

we realize that like the bookkeeper and the accountant are

clearly indirect. But when you have someone like the

business manager who works on all the grants, does the

reporting and all that stuff but doesn't directly work

with consumers, is there a particular percentage you would

like to see that be direct versus indirect? Would working

on the grants be classified as a direct expense?

>> JOHN HEVERON: Well, that is a situation that really

can vary quite a bit. You need to know exactly what

they're doing. If they're doing an administrative-type

thing for grants, I mean it's related to grants but it's

an administrative-type thing, either calcul

draw-downs or preparing vouchers, then that is an

administrative function and treated as administration.

There isn't a percentage, no allowance in Uniform Guidance

or this process for average numbers. It's supposed to be

based on what the person is doing. So if they're really

doing administrative things, then their time should be

allocated to administrative. If it's a balance of

services for the program, whether or not it's directly

with consumers and some administration, then you really

just need to track that time and to assign it to, you

know, indirect and direct.

>> And then just a follow-up would be if some of our

admin is allocated a percent of -- or some of the money of

their salary is allocated on these federal and state

grants, I would sul that the only portion of that that

would apply to the indirect cost rate would be the

remainder that's not allocated.

>> JOHN HEVERON: So you're saying some of your

administration go to specific grants because they're not

benefiting your different programs in a similar way? Is

that what you're saying?

>> Yeah, like our State Funder does allow for

administrative costs to be on their grants. So, for

instance, hypothetically if someone was making $50,000 and

25,000 of that was on as a line item for the particular

state grant, would it just be the 25% not funded that

would be indirect?

>> JOHN HEVERON: No, it doesn't really work that way.

So your funding from the state may be at one level, but

the federal says we're going to ignore that. You know,

whether the funding is too much or too little, we want

our -- we want our charges for indirect to be exactly what

they are.

So what the federal is really requiring you to do is to

calculate the indirect and apply it across all of the

programs uniformly, and that's true whether your state

agency funds you that same way or funds you in a different

way.

So what you do for your federal funding and what you do

for your State Funding may be different, but the federal

requires you to follow these rules that we're explaining

here.

And the only exception -- I just want to point out that

sometimes an organization will have administrative costs

that are related to a specific program. And so you can

have an administrative cost that is a direct cost. We've

made the assumption in this example that your general and

administrative are going to be the same thing as your

indirect. But there may be exceptions to that, and so it

is okay if you've got an administrative person that works

exclusively in a program, that's going to be a direct cost

for you, and wouldn't be in the administrative pool. But

the fact that a funder says we're going to provide

indirect funding for this person or half of this person or

25% of the direct, that doesn't have any impact on this.

It just means you may be funded more or less for your

costs on these other programs. But the federal says we

don't care. We want to pay our full share and nothing

more.

>> Okay. Thank you.

>> PAULA McELWEE: Let me take a stab at something

related to that and see if this is part of what you're

taub talking about. In California you get money from the

state, it's a mix of federal monies that are passed

through mostly. And you gt a direct grant, a part fee

grant each of those has their own budget, and some cases

your budget in one or the other or you're budgeting a

portion of somebody's position in one or the other. That

really is unrelated to this issue. So you can budget and

submit statements for it. I mean, you do have to make it

all make sense at the end of the year. But if those are

one cost objective, which typically they are, the same

centers, same people, whether it's state or federal money.

It doesn't matter how you budget a across as long as the

indirect portion is paid for equally by each of those two.

I hope that made sense.

>> Yeah. Sorry, I don't want to suck up too much time

but we had one follow-up and it was just to ask you why

would we choose the indirect cost rate that excludes

fringe benefits? Is there any benefit to doing that?

>> JOHN HEVERON: The only thing -- you're not really

going to exclude fringe benefits. You're going to include

them. The only question is whether you do that as a

separate pass. So the way we provided the example here

where you calculate your direct payroll costs and then all

of your indirect payroll costs to increase payroll up to a

fully loaded payroll, if you will, that's the more common

one.

But it does involve a second passthru thing. So you

have payroll, then you have payroll overhead, and then you

have indirect. And you're asking about just combining the

payroll overhead with the indirect?

>> Yes, but just the difference between the two and if

there was one that was better.

>> JOHN HEVERON: I think this is a little bit more

common, but I don't think there's any problem with what

you're suggesting. I mean, you should end up with a

number that is logical and consistent, and that's really

the only requirement. It might be a little simpler.

>> Okay. Thank you.

>> One moment, please, for our next question.

>> Hi, I was wondering if you could just go over the

fundraising again as far as where we put that if we have

like volunteers. Would we have to show that under the

payroll and then explain it under the reconciliation that

it wasn't an actual expense or. . ..

>> JOHN HEVERON: No, no, they don't push you that far.

All they're saying is that if part of your payroll is paid

to your staff to do fundraising, then you can't just

charge that payroll. You need to charge the payroll and,

you know, your 21.3% indirect, whatever that number ends

up being. If you're doing your fundraising with

volunteers, then you don't have any direct costs and

therefore even accord to this formula, you don't have any

indirect costs either.

>> So then it would look like we don't have a

fundraising (inaudible) objective if there's nothing in

that column.

>> JOHN HEVERON: What -- good point. And I think you

would deal with that right back in that initial

description of your agency, that the organization does

carry on fundraising, but it is done exclusively by our

board of directors or our board and some other volunteers

and so you both confirm that you're complying with that

requirement to do some funds development but also that you

don't have any costs related to that, and that's okay.

>> Okay, thank you.

>> TIM FUCHS: Patricia before you open up the line, I

have a couple of written questions that I've been waiting

on for a while, so I'm going to sneak in here and voice

these.

Kind of similar to the last two questions, John, Susan

is asking: If we have a person who works on securing

grants, doing the research and application process, a

grant writer essentially but the grants are to benefit the

core services of the Center, would we put that under fund

raiding, or could it go under general and administrative

costs?

>> JOHN HEVERON: Actually generally would go under

general and administrative. So somebody who is doing

grant seeking rather than funds development would

generally be general and administrative, yeah.

>> TIM FUCHS: And a quick follow-up, then, if that

person was going for a particular grant that was

specifically to benefit one single program, would it go

towards that program or, again, would it be shown under

general and administrative.

>> JOHN HEVERON: It would depend on the degree. I

mean certainly if it was substantial enough, then it

should be charged right to that program that it was

intended to benefit.

>> TIM FUCHS: Okay. January January and that would be

true, as I said even if it was an administrative-type cost

but it was for a specific program and it was substantial;

yeah, charge it just to that program.

>> TIM FUCHS: And the final written question that I

have for now is: Going back now to volunteers, and I'm

not sure where these came from, but it says on the sample

plans we had been given they include volunteer hours and

wages. You mentioned earlier on the call that folks

wouldn't have to include those. So what's the correct

procedure on do we need to include volunteer hours in our

wage calculation and if so, what would we use as the wage

consideration?

>> JOHN HEVERON: They don't get included in this

calculation. Now, we're not getting into a matching

requirements; that's a totally different issue. But we

don't -- those types of volunteer services generally don't

end up in your financial statements, and they don't end up

in these indirect cost allocations.

>> TIM FUCHS: Okay. Great. Great. And just quickly,

one last written question that just came in. Is mortgage

interest and building depreciation always considered

indirect?

>> JOHN HEVERON: Oh, absolutely not. I mean, the

majority of your building, at least in some cases is going

to be devoted to program. So if that's the case, if 70%

of your building is devoted to program, then 70% of it

would be a direct cost.

If all your building is, is an administrative office

and you're somehow using shared facilities for your

programs, then, yes, that would be an exception for it

would be administrative. But generally your occupancy

costs are some combination of program and administration

and very often the majority program.

>> TIM FUCHS: All right. Thanks, John. Thanks

Patricia, too. We can go back to the queue now.

>> Absolutely. One moment for our next question.

>> This is Sally at Living Independence for Everyone?

Savanna Georgia. And I hate to go back but I have one

question on the reconciliation Attachment G. If this is

in our proposal which is for the 16-17 year, and our most

recent audited financial statements are for the 14-15

year, what numbers am I using there?

>> JOHN HEVERON: What numbers, so the proposal, the

most recent financial statements you have are from the

14-15 year. Those are the numbers you would use, and,

granted, there's quite a bit of time there, but this

process is about how you calculate your indirect. It's

not about a specific year. It's not about the costs in a

year. It's about how you divide certain things by other

things. And that really doesn't change year to year. So

you need to have a very solid, specific set of numbers,

and if you don't have anything better, you know, that's

more current and as reliable as your 14-15 year, then

those are the numbers you need to use.

>> So even up above with the directed and indirect

costs, those are going to be for the same year; right?

>> JOHN HEVERON: Those would be for that completed

year, yeah, that you have historic information on.

>> Okay. Thank you.

>> JOHN HEVERON: Yes.

>> One moment for our next question.

>> Hi. Can you hear me?

>> JOHN HEVERON: Yes.

>> Hi, I am calling from Colorado, and I have a few

questions and feel free to refer me -- (inaudible) these

are long questions, but my first question is about the

reconciliation, and I have been submitting indirect cost

rate proposal for a few years now and about the

reconciliation, here's my question: When you have here

showing the plan for hiring an assistant exec

director, this is something that has not happened in the

financials which I am using to base my proposal off of.

So this is a projection. But the rate that we come up not

only gives us a percentage that we would

upcoming year, but it also confirms the percentage that we

have been using in the last year. And I belie

Department uses it to figure out whether they overpaid us

an indirect cost or not, so wouldn't that be a conflict to

put a projected number in the proposal?

>> JOHN HEVERON: Well, you're right. They give you --

we didn't talk about provisional rates, which is the rate

they agree you're able to use for the coming year, and

then the final rates once they've seen your final numbers

and accepted them. We didn't get into that sort of

detail. That is how it works. So for them to analyze

your final rate, you're going to provide them with actual

numbers. The things that would appear on a reconciliation

are different from what they're going to base the final

rate on. They're going to base the final rate just on

history.

So the only times we need to do something with that

reconciliation are when circumstances have changed. One

participant mentioned they've got some passthru funds, and

that might be a new program for you, so if you know you're

going to have passthru funds in the future, you might put

that sort of thing into the reconciliation.

Or if you've operated out of a rented facility but a

building has been donated to you, that is sort of a big

deal, and so you might put that into the proposal. But

that's different. The reconciliation only applies to the

prospective process here, not to your historic process.

>> Okay. That's great. And on the slide 15 when

there is a schedule of federal awards, I have been

submitting federal schedule of all awards, federal awards

list the separately, but also I list usually combined

contributions from local government and other foundations.

Is it not necessary to do? Can I just submit -- would I

be okay if I just submitted the schedule of federal

awards?

>> JOHN HEVERON: I'm pretty sure that's the case. As

I said, we have submitted this to HHS, this webinar, and

they did look at what we included, and I don't believe

that that's required. And actually, the the ones that I

have worked on, we generally don't provide that, so I

would say you should be able to eliminate that.

>> Okay. That's great. And my last question, John,

about Slides 16 and 17, I'm a little confused about those

two. I'll tell you a little bit of my process. I use the

statement much functional expenses from my audit to

produce what you have on the slide 17. And I also do this

salary detailed information, but I'm not sure what the

purpose of this information is on Slide 16. Could you

help me understand what is the purpose that the Department

wants this and how does this fit into the 17?

>> JOHN HEVERON: Well, so 17 is after the fact. So 17

is when we're listing our direct and indirect costs. But

16 is how -- part of how we got to 17. So it's just a

little bit more account Act, and, you know, I'm not

positive about this, because we haven't dealt with HHS,

but yorng you'll submit this every year. I think 17 you

would, but 16 you would not. So it's really just an

explanation of how we're getting a direct and indirect.

And it's really sort of a demonstration here of things

like, you know, our development director, none of that is

in program. All of that is in either fundraising or

general administrative, and our executive director is

spread across all of the areas that he or she serves in.

It's really just sort of an accountability thing.

We did start with HHS. They had a -- they had a sample

indirect cost rate proposal online. It wasn't updated for

some of the changes there, but they did indicate that this

sort of thing should be included, and as I said, w

recently pass this by the HHS person responsible for these

things, and so this is what they're expecting.

>> Uh-huh. Okay. And last question about it, do I

think correctly that the total of the salaries in funding

and G and A from the Slide 16 should be the total of

payroll under indirect cost? Or not necessarily?

>> JOHN HEVERON: I think they should be. I'm not sure

we did it that way. They should be, but we may not have

have been fastidious. Yeah, 16 should feed into 17 your

final version of that.

>> Thank you.

>> PAULA McELWEE: Maria, you always have such a sharp

eye on things. Thank you for your questions.

>> Thank you.

>> One moment, please, for our next question.

>> Hi, this is Kathy from La Crosse,Wisconsin gechb.

This question is more for Paula. Paula is there a chance

that we could get our rate approved early because our year

starts July 1.

>> PAULA McELWEE: You can apply any time, and you put

in the date you want it to be effective.

>> Okay. So we have to get it in pretty quickly

because you said it takes six weeks at least.

>> PAULA McELWEE: That's what they're telling us.

Some of the strs have had one for a long time. We do hope

you let us know if it's taking more or less time so we can

pass the word.

>> And I didn't look. Is there a place to submit all

of that?

>> PAULA McELWEE: At the very beginning, you would

submit it to your regional office and at the very

beginning we gave you a link to to find the regional

offices, but if you have any trouble with that, drop me a

note.

>> I will be calling you. Thank you.

>> PAULA McELWEE: Okay.

>> JOHN HEVERON: I'm wondering if we should look at

these last couple of slides while everybody's available,

and then come back to questions. Would that be a

possibility?

>> TIM FUCHS: That's perfect, John. I was just going

to cut in and suggest that. It's 4:58 eastern. So we may

need to give instructions for how to submit follow-up

questions after you do these last few slides.

>> JOHN HEVERON: Let's take a look at Slide 23. I

think I probably said this enough times now but you need

to do this calculation every year, so you need something

like an Excel template so it will be easy to do in the

future. So save this in a place where you will be able to

find it. It's also important to remember that you submit

your rate for approval sdp they say they have approved

your rate but they have really approved your method of

determining the rate. The rate is going to change every

year.

Also, if you've overcharged because of an incorrect

rate, you may need to make repayments. More likely they

will have you use an adjusted rate for the subsequent

year. But we don't know. This is a new agency for us, so

we're going to have to watch and see how that happens.

If you under-bill, they're not going to write you a

check. They may allow you to recover using a higher rate.

So I just wanted you to be aware of all of that.

And on Slide 24 we've got some resources here that I

think are important and valuable, so I just want to make

sure that everybody sees those, and it's nice to hear that

at least some agencies will be going in a little early.

We hope to help and monitor this and see if we can learn

from this as well, so that's good news. But there are

some links to guidance here, and then the ACL website you

have probably seen that, but you can Google "Guidance for

Centers for Independent Living Grantees." And on slide 25

the IL-NET link is here, and there are some instructions

if you cannot locate those documents. Paula or, Tim, did

you want to comment on that part?

>> TIM FUCHS: I'll just simply say you should have an

easy time finding that. Frankly if you use Google and

search CIL financial management it will come up. But just

an extra tip if it's not immediately apparent.

>> PAULA McELWEE: But if you struggle with it because

you're looking for something, drop me an email. That was

on Slide 3 and I'll be glad to guide you if you're having

trouble.

>> TIM FUCHS: And I'm going to take over here because

unfortunately it is 5:00 and here on Slide 26 we do have

the link to the evaluation form. And I hope you will fill

that out. If you're looking at an electronic version of

the PowerPoint, you can click on this. It's a live link.

And you'll see I was telling the truth, the evaluation is

short, it's easy to fill out. Please do that for us. And

if you're looking at a printed copy, of course you can get

that in the confirmation email. We will also send you a

reminder tomorrow or the next day to make it very simple.

You can click on the evaluation link. If you're in a

small group today, that's wonderful; we love that, but

please fill out the evaluation as an individual so we know

what each one of you thought.

Look, I really apologize. I know some of you had very

long waits on that Q and Aqueue, so please know we're here

to help after the call. You can reach out to any of us.

As I said, they were generous enough to provide hir

contact information. Mine is simple it's tim@ncil.org.

If you would, reach out to Paula and I first, and if we

need to ask John to follow up, we will, but this is really

our full-time jobs day to day to help you all with

technical assistance like this. Note, too, in addition to

today's content we are planning and will soon be

advertising an open registration for full on-site training

in Baltimore in May, the last week before Memorial Day on

all of these issues, financial management and especially

these new regulatory issues related to the move over to

HHS.

So I hope that's exciting to you all. I hope a lot of

you will consider joining us. We will have all the

details out to you all soon, so be in the lookout for

that. Thanks for joining us today. It was great to have

such a big audience and all the thoughtful questions.

Thanks Paula and John for your time and putting this

together and helping us out. With that we're going to

close today's call. Thanks, everyone. Take care.

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