

CITY OF NEW ORLEANS
CHIEF ADMINISTRATIVE OFFICE

POLICY MEMORANDUM NO. 35(R)

January 26, 2010

TO: All Departments, Boards, Agencies, and Commissions

FROM: Brenda G. Hartfield, Ph.D., Chief Administrative Officer

SUBJECT: **INDIRECT COST**

I. PURPOSE.

This memorandum is revised to provide updated information on responsible parties and claiming indirect costs in accordance with the Federal Office of Management and Budget (OMB) Circular A-87.

II. BACKGROUND.

OMB Circular A-87 "Cost Principles For State, Local and Indian Tribal Government" provides a vehicle for determining the cost of administering a federally assisted project, and for reclaiming such costs from the federal government.

III. DEFINITIONS.

- A. Cost allocation plan - the documentation identifying, accumulating, and distributing allowable costs under grants and contracts together with the allocation methods used.
- B. Indirect cost - cost incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objective specifically benefitted, without effort disproportionate to the results achieved.
- C. Indirect cost rate - percentage of indirect cost. This rate is developed for departments using figures established in the cost allocation plan which usually is expressed as a percentage of direct salaries and wages or of total expenditures.

IV. PROCEDURES.

- A. The City engages a consultant for yearly development, negotiation, and monitoring of an OMB Circular A-87 Cost Plan and a Full Cost Allocation Plan. The consultant's name, address and telephone number are provided in a circular memorandum.

- B. The consultant, in conjunction with individual departments, will develop Departmental Indirect Cost Rates using costs established in the City-Wide Cost Allocation Plan.
- C. All departments are directed to provide full cooperation to the consultant's representatives in developing the City-Wide Cost Allocation Plan and Departmental Indirect Cost Rates.
- D. Departments are directed to claim indirect cost in applications for federal funding, provided that doing so is consistent with law and grantor agency regulations. All grant applications that are routed for signature of the Mayor should include a Grant Document Routing Sheet that notes whether indirect costs are allowed and what the department's rate is. If indirect costs are not allowed, a copy of the document stating that prohibition should be attached to the routing sheet.
- E. To obtain their indirect cost rate, departments should contact the Office of Federal and State Programs and notify the City's Chief Administrative Office, Budget Division, by copy of their request.
- F. Upon request, the Office of Federal and State Programs in conjunction with the consultant shall provide assistance in applying an indirect cost rate to determine the proper amount of indirect cost to be claimed in an application for federal funding.
- G. Since the plan is subject to revisions and also updated annually, a department's rate is subject to change. Therefore, departments should contact the Mayor's Office of Federal and State Programs, sending copies of their request to the Chief Administrative Office, Budget Division, when preparing an application for federal funding to insure use of the most current indirect cost rate when applying for federal funds. The Mayor's Office of Federal and State Programs will disseminate annually a listing of all grants, their award amount, the indirect cost rate and the agreed upon budgeted indirect cost amount.
- H. The consultant will also provide a schedule of indirect costs for enterprise and non-general fund agencies, boards and commissions. This schedule will identify the level of support provided by the City for the purpose of recovering those costs.
- I. Indirect costs are considered revenue to the General Fund of the City and will not be retained in the budget of the department administering the federally-funded program.
- J. The Chief Administrative Office, Budget Division will notify the Mayor's Office of Federal and State Programs and the Department of Finance when the cost allocation plan is received.
- K. The Request for Reimbursement for Indirect Cost is as follows:

1. Departments that bill the grantor for reimbursement, on a monthly basis must include with the reimbursement the appropriate amount of indirect cost. Departments must communicate to the Bureau of Accounting in writing, (memorandum or email), the date of billing, the amount of reimbursement requested and the amount of indirect cost requested for reimbursement.
 2. Departments for which the Bureau of Accounting bills the grantor for reimbursement must supply the amount of indirect cost due with each request for drawdown of funds.
 3. The Department of Finance will supply copies of all billings and correspondence to the consultant upon their request.
- L. The Chief Administrative Office's Budget Division will monitor the revenue collections for indirect cost from all grants in order to ensure the City is receiving the estimated budgeted amount.
- M. The consultant will also monitor all potential collections and provide the City Administration with Quarterly Monitoring Reports indicating billable cost versus collections.

V. WAIVERS AND EXEMPTIONS.

- A. When a department's indirect cost rate is deemed to be "excessive", the Chief Administrative Office may authorize the department to use a "lesser" indirect cost rate in developing applications for federal funding, provided that the department does not have a negotiated rate agreement with an agency of the federal government.
- B. The "lesser" rate referred to in (**Section V, A.**), will be determined by removing certain indirect cost components from the total indirect cost rate. The consultant shall make suggestions on how to adjust the rate for consideration by the Chief Administrative Officer.
- C. If indirect cost requested over and above total grant expenditures (**Section IV, D.**) is disapproved by the grantor agency, but rather is approved as a cost within the budget grant amount such cost will be claimed from the established budget.
 1. If the applicant department feels that claiming indirect cost as described in (**Section V, C.**) would severely limit the operations capacities of the grant program, the applicant may request that all or part of the budgeted indirect cost be retained by the program for operational purposes.

2. Such requests must be made in writing to the Chief Administrative Officer. Requests must be specific in jurisdiction, particularly if a complete waiver is requested.
- D. Waiver of the requirement to claim indirect cost in any applications for federal funding may be granted by the Chief Administrative Officer. Requests for such a waiver should be in writing and should demonstrate in detail why granting a waiver is necessary.
 - E. In instances where a federal agency will not recognize indirect costs or where the federal law or guidelines prohibit indirect costs, the applicant City agency should document in writing why there are not indirect costs in the application. A copy of the grant document stating that prohibition should be attached to the Grant Document Routing Sheet when the application is sent for signature/filing to the Mayor's Office of Federal and State Programs.
 - F. New applications for grant funding submitted after issuance of the memorandum must include indirect costs recoupment or a waiver request. If neither is included in the application, the department's operating budget will be reduced by the amount of indirect costs that should have been claimed.

VI. INQUIRIES.

- A. Questions concerning the development of indirect cost rates, the procedures for providing indirect cost rates to departments or the application of indirect cost rates to federally funded programs should be referred to the Office of Federal and State Programs with copies of their request submitted to the Chief Administrative Office, Budget Division.
- B. Questions concerning the procedure for exemptions and waiver and the relationship of indirect cost to the operating budget should be addressed to the Chief Administrative Office, Budget Division.

BGH, Ph.D. /JSH/tm