

2010 UAACOG Indirect Cost Proposal  
Upper Arkansas Area  
Council of Governments  
Cañon City, CO

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**INTRODUCTION**

The Upper Arkansas Area Council of Governments (herein after referred to as UAACOG) is a multi-funded organization, promoting collaboration among not for profit organizations, the business sector and local governments. The mission of the Upper Arkansas Area Council of Governments, together with the four counties of Fremont, Chaffee, Custer, and Lake, is to provide quality services to promote self-sufficiency and healthy lifestyles for individuals and families by enabling them to improve their lives. We operate a variety of programs servicing the Counties of Fremont, Chaffee, Custer, Lake, Park and Teller Colorado. The programs are as follows:

<u>Program Title</u>	<u>Funded By</u>
Senior Services	Colorado Department of Human Services Colorado Department of Regulatory Agencies Local Contributions
Children's Services	US Department of Health and Human Services Colorado Department of Public Health & Environment
WIA	Colorado Department of Labor
CSBG	Colorado Department of Local Affairs
WIC	Colorado Department of Public Health & Environment
Housing	Colorado Division of Housing USDA Program Income
UAADC/E-Zone	Colorado Office of Economic Development & Int'l. Trade Colorado Department of Public Health & Environment Program Income
DOLE	Colorado Department of Human Services
Other Programs	Colorado Department of Local Affairs Fremont County Local & program Income

UAACOG operates as a constituency of local government and administers programs that deal with multiple issues in the above six counties. UAACOG is subject to OMB Circular A-87, Cost Principles for State and Local Governments. The organization's fiscal year is January 1 through December 31. Funding is over differing fiscal periods not necessarily coinciding with the organization's fiscal year.

### **COST ALLOCATION METHODOLOGY**

This UAACOG Indirect Cost Proposal is to be effective for Fiscal Year 2010, which begins January 1, 2010. It is based on the organization's FY 08 audited Financial Statements, FY 09 unaudited Financial Statements, the 2010 approved annual budget, and 2010 salaries and fringe.

This Indirect Cost Proposal identifies all elements of cost as direct or indirect. The Proposal will not increase common or shared costs but will provide for their identification and equitable distribution on an organization-wide basis rather than through individual negotiations as a part of grant and contract budgeting.

Three categories of shared or allocated costs are identified by this proposal. They are:

- A. Employee Leave Benefits - Rather than being charged directly to programs, leave costs are placed in an interim pool & thereafter allocated on the basis of in-service salaries directly charged to programs and activities. Employee leave benefits are budgeted and accounted for as salary costs. The allocation in the accounting process seeks to equitably share these costs as a percentage of in-service labor.
- B. Employee Fringe Benefits - Consist of fringe benefits for all employees whether their salaries are charged as direct or indirect. They are allocated to all programs by category of expenditure using in-service salaries and leave by employee classification as the base. Employee Fringe Benefits follow salaries to form a part of direct or indirect costs.
- C. Central Management and Administration (Indirect Costs) - Consists of central organizational functions that are necessary and beneficial to all programs. These services and functions must exist regardless of the nature of programs carried out by the organization. They consist of:
  - 1 - Central Management and Administrative (M & A) Salaries;
  - 2 - Fringe Benefits related to M & A Staff;
  - 3 - Non-salary central management and administrative costs;

### **RATE - STRUCTURE PROPOSED**

This Indirect Cost Proposal establishes the basis for the issuance of provisional rates for fringe benefits and indirect costs. The rates will be used for budgeting of equitable shares. The accounting system will, however, track actual costs and actual rates to programs and activities.

Provisional rates set the standard for budgeting and are subject to adjustment by issuance of a final rate based on actual costs incurred during the fiscal period.

The accounting system will accumulate all shared costs, whether Direct or Indirect, on an annual basis coinciding with the organization's fiscal period. Allocated costs shall be recorded to form a part of final costs by activity, and pools will close at the end of the organization's fiscal year. This mechanism will allow the accounting system to develop actual rates (fringe and indirect) for the twelve month period and will eliminate the circumstantial results created by the timing of incurred costs and project beginning and termination periods. As a result, all financial activity during the fiscal year will serve as the base for the sharing of fiscal year allocated costs.

Through the foregoing practice, the integrity of the system will ensure that reimbursement will be no more or less than actual costs incurred. The very best the organization can do is break even. Under this procedure, there is no possibility of generating excess revenue through the use of rates or other allocation procedures described herein.

## **DIRECT COSTS**

These costs can be identified with a particular project and are budgeted and accounted for as direct charges. The agency's accounting system records actual direct costs to each activity where possible or uses the methodology herein for allocating the costs as direct (i.e. fringe, leave, etc.). These costs consist of salaries and voucher expenditures.

## **INDIRECT COSTS**

These central organization management and administrative costs are incurred for a common purpose benefiting or supporting all agency programs and activities and are not readily assignable directly. In most cases, attempts to charge these costs directly involve arbitrary decision-making or require efforts disproportionate to the benefits derived. Indirect costs are shared (allocated) as described later through the calculation of the indirect rate.

## **ORGANIZATION-WIDE ALLOCATED COSTS**

### **A. Employee Leave Benefits:**

Employees are eligible for leave benefits according to the following classification.

- \* Full-time employees
- \* Part-time employees

**FULL-TIME** employees are those who are not in a temporary or introductory status and who are regularly scheduled to work UAACOG's full-time schedule (30-40 hours per week). Generally, they are eligible for UAACOG's benefit package, subject to the terms, conditions, and limitations of each benefit program.

**PART-TIME** employees are those who are not assigned to a temporary or introductory status and who are regularly scheduled to work less than 30 hours per week. While they do receive all legally mandated benefits (such as Social Security, Medicare, workers' compensation insurance and unemployment), they are eligible on a pro-rated basis for some of UAACOG's other benefit programs. Part-time employees are not eligible for health and life insurance benefits.

**TEMPORARY** employees are those who are hired as interim replacements, to temporarily supplement the work force, or to assist in the completion of a specific project. Employment assignments in this category are up to 1040 hours per program year. Employment beyond any initially stated period does not in any way imply a change in employment status. Temporary employees retain that status unless and until notified of a change in writing on an action sheet. While temporary employees receive all legally mandated benefits (such as workers' compensation insurance, Social Security, Medicare and unemployment), they are ineligible for all of UAACOG's other benefit programs.

The earnings policies for accumulating annual and sick leave are as follows:

Annual leave earned for employees with up to 5 years of eligible service - 3.70 hours per bi-weekly payroll prorated for less than full time employment or work hours, with a maximum of 96 hours at any time;

Annual leave earned for employees with more than 5 years, but less than 10 years, of eligible service - 4.62 hours per bi-weekly payroll prorated for less than full time employment or work hours, with a maximum of 120 hours at any time;

Annual leave earned for employees with more than 10 years, but less than 15 years, of eligible service – 5.54 hours per bi-weekly payroll prorated for less than full time employment or work hours, with a maximum of 144 hours at any time;

Annual leave earned for employees with more than 15 years, but less than 20 years, of eligible service – 6.47 hours per bi-weekly payroll prorated for less than full time employment or work hours, with a maximum of 168 hours at any time;

Annual leave earned for employees with 20 and more years of eligible service – 7.39 hours per bi-weekly payroll prorated for less than full time employment or work hours, with a maximum of 192 hours at any time;

Sick leave earned for all eligible staff - 3.70 hours per bi-weekly payroll prorated for less than full time employment or work hours.

The earnings policies for accumulating compensatory time are as follows:

Non-exempt employees who commenced employment at UAACOG on or after May 1, 1995 will be compensated in paid time off (comp. time) at a rate of time and one half for hours worked in excess of forty hours in one work-week, with a maximum of 80 hours at any one time. Non-exempt employees with 3 months of satisfactory continuous service who separate from UAACOG for any reason shall be paid for unused Annual Leave and unused Comp. Leave as of the date of separation, provided that the employee has satisfied all requirements of UAACOG's termination policy. Therefore, Annual Leave and Comp. Leave is considered to be a cost at the time earned in order to reflect costs in proper periods and to eliminate unfunded leave liabilities.

Exempt employees will be compensated in paid time off (comp. time) at a straight-time rate for hours worked in excess of forty hours in one work-week, with a maximum of 80 hours at any one time, being carried as an Agency liability. Exempt employees with 3 months of satisfactory continuous service who separate from UAACOG for any reason shall be paid for unused Annual Leave as of the date of separation, provided that the employee has satisfied all requirements of UAACOG's termination policy.

All other leave is considered to be a cost at the time and to the extent used.

## **B. Employee Fringe Benefits**

Benefits are established by the Board of Directors and documented in the Personnel Policies Manual.

Actual employee fringe benefit costs will be accumulated by line-item expenditure category in the fringe benefit pool. The accumulated pool costs are distributed to each project or activity through a rate that represents the ratio of fringe costs to total salaries by employee classification, thus precluding the time consuming process of calculating and distributing fringe benefit costs by individual each pay period. Through the use of fringe rates by employee class, fringe benefits automatically follow year-to-date salary costs and create an equitable distribution. This procedure simplifies the computations required and results in an equitable distribution of costs.

Employees are eligible for fringe benefits based on their classification as follows:

**FULL-TIME** employees are those who are not in a temporary or introductory status and who are regularly scheduled to work UAACOG's full-time schedule (30-40 hours per week). Generally, they are eligible for UAACOG's benefit package, subject to the terms, conditions, and limitations of each benefit program.

**PART-TIME** employees are those who are not assigned to a temporary or introductory status and who are regularly scheduled to work less than 30 hours per week. While they do receive all legally mandated benefits (such as Social Security, Medicare, workers' compensation insurance and unemployment), they are eligible on a pro-rated basis for some of UAACOG's other benefit programs. Part-time employees are not eligible for health and life insurance benefits.

**TEMPORARY** employees are those who are hired as interim replacements, to temporarily supplement the work force, or to assist in the completion of a specific project. Employment assignments in this category are up to 1040 hours per program year. Employment beyond any initially stated period does not in any way imply a change in employment status. Temporary employees retain that status unless and until notified of a change in writing on an action sheet. While temporary employees receive all legally mandated benefits (such as workers' compensation insurance, Social Security, Medicare and unemployment), they are ineligible for all of UAACOG's other benefit programs.

## 2010 Employee Fringe Costs

	<b>Class 10</b>	<b>Class 11</b>	<b>Class 12</b>	<b>Class 13</b>	<b>Class 14</b>	<b>Class 15</b>	<b>Class 16</b>	<b>Total Benefits</b>
	<b>Admin, UAADC Recycling</b>	<b>WIC</b>	<b>Head Start</b>	<b>Housing</b>	<b>Area Agency on Aging</b>	<b>WIA Staff</b>	<b>WIA Clients</b>	
<b>FICA &amp; Medicare</b>	30,117	14,100	62,111	22,735	19,496	16,028	3,149	167,736
<b>Unemployment</b>	787	369	1,624	594	510	419	82	4,385
<b>Health Ins.</b>	63,197	33,683	239,152	59,507	40,420	40,420	0	476,379
<b>Life Ins.</b>	2,531	976	4,508	2,025	1,275	1,436	0	12,751
<b>Defer. Comp.</b>	15,980	7,794	34,030	13,194	11,482	9,126	0	91,606
<b>Worker's Comp.</b>	1,410	6,814	11,853	8,090	5,120	880	1,619	35,786
<b>Total Fringe Benefits</b>	114,022	63,736	353,278	106,145	78,303	68,309	4,850	788,643
<b>Total Salaries</b>	377,710	176,525	777,880	283,997	243,368	200,390	41,168	2,101,038
<b>Fringe Benefit Rate</b>	<b>30.188%</b>	<b>36.106%</b>	<b>45.415%</b>	<b>37.375%</b>	<b>32.175%</b>	<b>34.088%</b>	<b>11.781%</b>	<b>37.536%</b>

**C. Indirect Costs**

This category of costs consists of Central Organization Management and Administrative (M&A) salaries, fringe benefits related to M & A salaries, and non-salary support costs necessary for carrying out all programs. These categories of cost are developed individually and then are combined to compute a single rate. Indirect costs represent organizational functions as distinct from Program Administration, which is defined by each program and is internal to each program. Accordingly, central support costs form a part of administrative and program/activity expenditures. After equitable shares have been identified in the accounting system and allocated to projects and activities, they may be reported as administrative costs within the project or may be shared among program activities.

**MANAGEMENT & ADMINISTRATIVE SALARIES**

This complement of the organization's staff provides the agency-wide management and administrative support necessary to carry out all programs. Functions typically relate to general management, financial management, personnel management, and clerical administrative support to those central functions.

<b>2010 Management &amp; Administrative Salaries</b>				
<b>Position</b>	<b>Support Function</b>	<b>Salary</b>	<b>M &amp; A %</b>	<b>M &amp; A Amount</b>
<b>Executive Director</b>	Executive Mgmt.	74,191	80 %	59,353
<b>Deputy Fiscal Officer</b>	Financial/Personnel Mgmt.	49,490	100 %	49,490
<b>Fiscal Officer</b>	Financial Mgmt.	61,990	100 %	61,990
<b>Fiscal Assistant</b>	All Programs	31,387	80 %	25,110
<b>Receptionist</b>	All Programs	24,960	100 %	24,960
<b>Grants Resource Coordinator</b>	All Programs	36,254	5 %	1,813
<b>Maintenance</b>	All Programs	36,236	2%	725
<b>Total Management &amp; Administrative Salaries</b>				<b>223,441</b>

**MANAGEMENT AND ADMINISTRATIVE FRINGE BENEFITS**

The fringe benefits for the M & A staff are calculated through the application of the total overall average fringe rate developed earlier. The estimated cost is derived by multiplying the M & A salaries by the fringe rate.

$$\begin{array}{rclcl} \text{Class 10 staff} & \$ \underline{222,716} & \times & 30.188\% & = & \$ \underline{67,234} \\ & \text{M\&A Salaries} & & \text{Rate} & & \text{M\&A Fringe} \end{array}$$

$$\begin{array}{rclcl} \text{Class 13 staff} & \$ \underline{725} & \times & 37.375\% & = & \$ \underline{271} \\ & \text{M\&A Salaries} & & \text{Rate} & & \text{M\&A Fringe} \end{array}$$

Total M&A Fringe     \$67,505

**NON-SALARY INDIRECT COSTS**

This category of expenditures supports central management and administrative functions and are thus a part of the indirect cost pool. Each line item category of expenditure reflects 2010 estimated expenditures.

**SUMMARY STATEMENT OF INDIRECT COSTS AND INDIRECT COST RATE**

The three components of central management and administrative costs are summarized and a composite proposed indirect rate for UAACOG is computed below.

Management & Administrative Salaries	\$ 223,441
Management & Administrative Fringe Benefits	67,505
Non-Salary Management & Administrative Costs	

Audit	60,000
Legal Consultants	2,000
Staff Travel	7,000
Board meeting expenses	2,000
Maintenance – Buildings	2,000
Software/Software Maint.	19,000
Computers Maint. & Repair	2,800
Rent	18,000
Janitorial services & supplies	5,000
Office Supplies	9,000
Medical Supplies	350
Printing	1,200
Maintenance supplies	200
Employment Costs	1,000
Insurance & Bonding	12,000
Telephone	10,000
Postage	1,500
Dues & Publications	3,000
Fees Paid	2,000
Staff Training	10,000
Small equipment	12,500
Equipment	<u>15,000</u>

195,550

Total Indirect Costs \$486,496

Total Direct Costs \$ 5,165,404

Indirect Costs                     $\frac{\$ 486,496}{5,165,404} = 9.4184\%$   
Total Direct Costs

## SUMMARY

This indirect cost proposal addresses all elements of costs and establishes a consistent methodology for the treatment of indirect costs and other allocated costs. The rate contained herein will be used for budgeting indirect costs to assure Federal and State grantor agencies of equitable cost sharing based on sound accounting principles. The allocations that become part of direct costs will be budgeted and accounted for accordingly.

The proposal establishes the method for cost sharing, notwithstanding budgetary constraints and willingness to pay. The proposal will indicate appropriate shares for budgeting purposes. Should a funding agency not be willing to bear the full costs of its program (direct plus indirect), the grantee will secure matching funds before execution of the agreement, or the program may not be accepted.

The proposal and its policies and procedures will be implemented in the accounting system. Audit will confirm compliance with the proposal and actual rates developed.

Upper Arkansas Area Council of Governments has adopted the policies and procedures contained herein which support its Indirect Cost Proposal.

- A. Basis of Accounting - modified accrual
- B. Allocation Basis - Indirect rate used for Management and Administrative Costs
  - Financial and non-financial bases used for selected items of common or joint costs not contained in the indirect rate
  - Salaries base used for employee leave costs
- C. Adequate internal controls insure that indirect costs are not charged as direct costs to overcome funding limitations and that direct costs identified in the proposal are not charged to the indirect cost pool.
- D. Leave, Fringe and indirect pools accumulate costs for the organization's fiscal year. Costs are allocated monthly, based on the year-to-date base, solely for reporting purposes. Pools and bases remain intact until the final distribution of all pool costs at fiscal year end. In this manner, the accounting system develops actual costs and rates to parallel the annual rates included in the proposal.
- E. The financial base for distributing the indirect and fringe benefits will automatically reflect changes in actual funding which will in turn be reflected in the calculation of actual rates. The financial and non-financial bases for allocating certain direct costs will be adjusted as funding changes. No projects will be excluded from equitable sharing because of budgetary limitations.
- F. All costs are accompanied with appropriate documentation to support their treatment in the accounting system.
- G. It is understood that deviations in the treatment of costs will constitute a violation of the proposal. It is also understood that increases or decreases in allocated or indirect costs may occur and are allowable when treated in accordance with the proposal.
- H. Subsequent year proposals will only identify changes that are made to this Cost Policy Statement.

Date 2-17-10

Signature:

Bud Elliott

Title:

UAACOG Board Chairman

## CERTIFICATE OF INDIRECT COSTS

I have reviewed the UAACOG Indirect Cost Proposal dated February 19, 2010. This is to certify that:

1. All costs included in the proposal submitted on February 17, 2010 to establish a provisional indirect cost rate for the period January 1, 2010 through December 31, 2010 are allowable in accordance with the requirements of grants/contracts to which they apply and the Federal cost principles; i.e. OMB Circular A-87, Cost Principles for State and Local Governments.
2. This proposal does not include any costs which are unallowable under the applicable Federal Cost Principles. For example, advertising, contributions and donations, bad debts, entertainment costs, fines and penalties, and defense of fraud proceedings;
3. The requirements and standards on lobbying costs for nonprofit (A-87) organizations have been complied with for the fiscal year ended December 31, 2009, and
4. All costs included in this proposal are properly allocable to all programs and activities on the basis of a beneficial or casual relationship between the expenses incurred and the grants/contracts to which they are allocated in accordance with the applicable Federal cost principles.

Grantee/Contractor: Upper Arkansas Area Council of Governments

Signature: \_\_\_\_\_

Name of Authorized Official: Bud Elliott

Title: UAACOG Board Chairman

Date: February 17, 2010