Purpose

The purpose of this Policy Statement is to establish uniform guidelines to ensure compliance with Federal, State and local rules and regulations governing indirect cost planning and recovery.

Definitions

The following definitions shall apply to this Policy Statement:


Local Cost Allocation Plan (LOCAP): Metro’s plan for identifying, accumulating, and allocating central service costs in the government. For example, the following departments and divisions incur costs on behalf of all Metro departments and agencies (Human Resources, Payroll and Accounting). The costs identified in the LOCAP may be allocated or billed to users.

Departmental Cost Allocation Plan: A department’s plan for cost identification, accumulation, and distribution.

Grant: For purposes of this policy statement a grant is defined as financial assistance and cost reimbursement contracts, which may include property, cooperative agreements, direct appropriations, Federal and Federal pass-through State, Corporate, Foundation, private grant assistance.

Indirect Costs: Costs incurred for a common or joint purpose benefiting more than one cost objective, program or project. Such costs are not readily assignable to the cost objectives specifically benefited.

Indirect Cost Rate: Is the ratio (expressed as a percentage) of the indirect costs to a direct cost base.

Indirect Cost Recovery Plan or (Indirect Cost Rate Proposal): Documentation prepared by a governmental unit or subdivision thereof to substantiate its request for the establishment of an indirect cost rate.

General Policy for Accounting for Federal Receipts and Expenditures

Grant Applications, Budgets and Accounting

Departments and agencies, where applicable, must make provisions for Indirect Costs in their grant applications, budgets and accounting in the general ledger. Provision for Indirect Costs should be identified in the grant applications and awards submitted to Grants and Cost Planning for processing.

Revenues and expenditures related to the grants, including indirect costs should be charged in the general ledger in the accounting system.

Funds collected from grantors for indirect costs recovery shall be transferred into the General Fund in accordance with guidance provided by the Finance Director.
Indirect Cost Plan

Where allowed under Federal statute and grant regulations, departments and agencies receiving Federal and State grants as grantee or sub-grantee shall develop an Indirect Cost Plan. This plan shall include an indirect cost allocation for both departmental indirect costs and Local Cost Allocation Plan (LOCAP) cost account for all grants. Subject to Federal and State funding availability, allowable indirect costs shall be recovered through drawdown process on a timely basis, in accordance with the terms of each department’s indirect cost plan or applicable Federal and State regulations.

Responsibility for the Preparation of the Indirect Cost Plans

Both departmental indirect costs and Local Cost Allocation Plan (LOCAP) shall be prepared on an annual basis.

Each department is responsible for developing the departmental Indirect Cost Plan, which includes the indirect cost rate proposal, in consultation with a Finance Department representative. Department staff responsible for overseeing the indirect cost planning process should take all necessary measures to understand the compliance requirements of Code of the Federal Regulations 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards.

Finance Department staff shall be responsible for coordinating completion of departmental Indirect Cost Plans.

As such, the Department of Finance’s review is not an indication of approval of a departmental plan.

The Finance Department shall be the designated lead on completion of the LOCAP.

Issues that Arise Related to the Indirect Cost Plans

The Finance Division of Grants and Accountability should be notified of all instances when the indirect cost methodologies and plans are questioned in audits or monitoring reviews.

The Finance Division of Grants and Cost Planning shall compile an annual report on LOCAP and indirect cost plans development and recovery amounts, along with agency compliance with the policy.

Training

Department representatives responsible for preparation of Indirect Cost Plans are required to attend the annual indirect cost planning training event hosted by the Finance Department.

Exceptions

All requests for exception to this policy for applicable grant shall be submitted in writing annually to the Metro Finance Director for approval. The letter of approval or denial from the Finance Director must be maintained on file at the requesting department or agency. This Exception Letter shall be provided to Grants and Cost Planning division for processing of grant applications and awards.

This policy statement does not apply to donations and funds that are collected for a one-time purpose or objective and are not considered an operational program of the Metro Government.
Approvals

Approval of the Director of Finance

I hereby approve this Policy Statement of the Department of Finance and as such agree with and authorize the actions necessary to implement its requirements.

O'dneal  Talia Lomax-  Date 03/15/2019

Director of Finance