

**INDIRECT COST SERVICES
TRACKING POLICIES
AND
PROCEDURES**



INDIRECT COST SERVICES TRACKING POLICIES AND PROCEDURES

1. Purpose and Scope

These Policies and Procedures establish guidance for tracking and documenting the allowable Indirect Costs (IDC) incurred by the Navajo Nation (Nation or Tribal) for the salaries and wages of Tribal employees and officials attributable to the administration, management or operation of programs funded by external contracts and grants.

These Policies and Procedures are intended to supplement, not contradict, federal regulations, e.g., 2 C.F.R. Part 225 Cost Principles for State, Local and Indian Tribes; Navajo Nation laws; and other Navajo Nation rules, policies, or procedures pertaining to IDC.

These Policies and Procedures are applicable to all Tribal employees and officials of the Legislative Branch, Executive Branch and Judicial Branch who are identified by the Office of Management & Budget (OMB) as providing eligible IDC services that need to be tracked and documented for inclusion in the Nation's IDC Proposal.

2. What are Indirect Costs?

In general, IDC are costs 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.

“Cost Objective” means a function, organizational subdivision, contract, grant, or other activity for which cost data are needed and for which costs are incurred. For example, each externally funded contract or grant is a separate cost objective.

3. What are Indirect Services?

Indirect Services are those services provided by Tribal employees or officials, whose salaries and wages are paid by Navajo Nation General Funds, for the purposes of administration, management, or operation of more than one cost objective, e.g., externally funded contract or grant. Examples of Indirect Services include, but are not limited to, (a) the Office of the Controller's processing of payroll for government employees paid through different external contracts and grants; (b) OMB entering an external contract and the related budget in the Financial Management Information System (FMIS); (c) the work performed by a Division Director to develop policies or rules affecting the operation of an externally funded program; and (d) the time spent by Standing Committee members traveling to and attending a work session concerning an issue that affects the operation of more than one externally funded program.

4. Why do Indirect Services need to be tracked?

The costs of Indirect Services incurred by the Nation are recovered from external funding agencies as IDC. As a general rule, in order for the salaries and wages of Tribal employees and officials to be eligible for recovery, 2 C.F.R. Part 225 require that such salaries and wages be supported with adequate documentation in the form of Personnel Activity Reports (PAR) or equivalent documentation.

5. Who is required to track their Indirect Services?

Not all Tribal employees and officials are required to track their Indirect Services. Only those employees and officials whose salaries and wages are paid by Navajo Nation General Funds and whose job activities meet the criteria of Section 8. h. (4) of 2 C.F.R. Part 225 - Appendix B are required to track their Indirect Services.

Section 8. h. (4) states that

Documentary support will be required where employees work on:

- i. More than one federal award; or
- ii. A federal and a non-federal award; or
- iii. A indirect and a direct cost activity; or
- iv. Two or more indirect activities with different cost allocation bases;
or
- v. An unallowable activity and a direct or indirect cost activity

OMB is responsible for publishing a list that identifies those specific Tribal employees and officials by position title whose time providing Indirect Services must be tracked.

6. How are Indirect Services tracked?

Section 8. h. (4) of 2 C.F.R. Part 225 - Appendix B states that “[w]here employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by Personnel Activity Reports or equivalent documentation . . .” Section 8. h. (5) of 2 C.F.R. Part 225 - Appendix B states that Personnel Activity Reports must meet the following criteria:

- i. Reflect an after-the-fact distribution of the work that has actually been completed by each employee;
- ii. Account for the total activity for which each employee is being compensated;
- iii. Be prepared at least monthly; and
- iv. Be signed by the employee.

Tribal employees and officials identified in Section 5. of these Policies and Procedures are required to prepare a PAR tracking their time spent providing Indirect Services. OMB is responsible for developing instructions on individual employee PARs, quarterly PARs, Standing Committee PARs, and Annual PARs.

Indirect Services provided by Tribal employees and officials vary. Employees of the Executive Branch and Judicial Branch will utilize a PAR distinct from the PAR utilized to track Indirect Services provided by the Standing Committees.

The PARs track both indirect services and non-indirect services in quarter hour (15 minute) increments on a daily basis by payroll period. Hard copies of individual and committee PARs are required to be retained in program files for a period of three years after the relevant Indirect Cost Negotiation Agreement is executed. Hard copies of Division-level and committee summaries are required to be submitted to OMB on a quarterly basis by the 15th day after quarter ending dates December 31, March 31, June 30 and September 30. Detailed instruction sheets for completing the PARs are available on the OMB website at www.omb.navajo.org.

7. What activities qualify as Indirect Services for purposes of the PAR?

In general, work, including travel time, performed for the purposes of administration, management, or operation of one or more Central Government externally funded contract, grant, or program qualifies as Indirect Services when such work is performed by an employee or official that is required to compile a PAR. In addition, work performed to assist programs that themselves provide support services to more than one Central Government externally funded contract, grant, or program, including Central-level support service providers such as OMB or Office of the Controller, as well as Division-level support service offices, qualify as Indirect Services. With the exception of support services programs, most Navajo Nation programs are funded by more than one external contract or grant. Specific examples of Indirect Services include, but are not limited to, the following:

- a. Preparation of rules, policies, procedures, etc. affecting the operation of one or more externally funded contract, grant, or program.
- b. Receiving or reviewing reports concerning the administration, management, or operation of one or more externally funded contract, grant, or program.
- c. Advisory and management activities affecting one or more externally funded contract, grant, or program.
- d. Planning activities affecting one or more externally funded contract, grant, or program.
- e. Monitoring or reviewing activities affecting one or more externally funded contract, grant, or program.
- f. Accounting and budgeting activities affecting one or more externally funded contract, grant, or program.
- g. Information technology activities affecting one or more externally funded contract, grant, or program.
- h. Attendance at training sessions benefitting or affecting one or more externally funded contract, grant, or program.

The PAR tracks activities in three categories: (1) services to Direct Service programs, which are programs that receive external funds and provide services directly to beneficiaries; (2) services to Support Service programs, which are programs that provide services to other programs and do not receive external funds nor provide services directly to beneficiaries; and (3) Non-Indirect Service Activities, which are activities that do *not* qualify as Indirect Services are to be tracked.

8. What activities do *not* qualify as Indirect Services for purposes of the Personnel Activity Report?

Section 19(a) of 2 C.F.R. Part 225 -Appendix B states that:

“[t]he general costs of government are unallowable. These include: . . . salaries and other expenses of a State legislature, tribal council, or similar local governmental body . . . incurred for purposes of legislation or executive direction.”

These unallowable costs include time spent by legislative personnel and officials on the drafting of legislation; the recording of legislation and legislative meetings and events; traveling to and attendance at legislative meetings and events; and immediate acts surrounding the debate and adoption of legislation.

These unallowable costs do not include time spent by a legislative body receiving or studying reports concerning the administration, management, or operation of one or more externally funded contract, grant, or program even when such report is presented during a legislative session. These unallowable costs also do not include time spent by a legislative body outside of a legislative session developing rules, policies, procedures, etc. affecting the operation of one or more externally funded contract, grant, or program.

Work performed strictly for the benefit of non-Central Government entities or Navajo Nation General Funded programs, with the exception of support services programs, also does not qualify as Indirect Services for the purposes of the PAR.

9. Where can a Tribal employee or official get more information about these Policies and Procedures including whether an activity qualifies as an Indirect Services for purposes of the PAR?

Tribal employees and officials may email the OMB and the Department of Justice at IDC@navajo.org with questions concerning these Policies and Procedures.

10. Can These Policies and Procedures be amended?

These Policies & Procedures can be amended by the Budget and Finance Committee upon the recommendation of OMB and the Office of the Controller.

11. What is the effective date of the Policies & Procedures?

These Policies and Procedures shall be effective upon adoption by the Budget and Finance Committee.

End of Policies and Procedures.

RESOLUTION OF THE
BUDGET AND FINANCE COMMITTEE
OF THE NAVAJO NATION COUNCIL

21ST NAVAJO NATION COUNCIL - FOURTH YEAR, 2010

AN ACTION
RELATING TO FINANCE; ADOPTING INDIRECT COST SERVICE TRACKING
POLICIES AND PROCEDURES

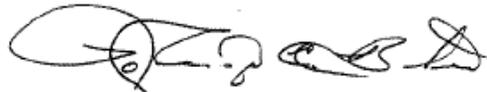
BE IT ENACTED:

1. The Navajo Nation hereby adopts the Indirect Cost Service Tracking Policies and Procedures, attached hereto as Exhibit A.

2. The Navajo Nation hereby directs that all employees and officials of the Navajo Nation Legislative, Executive, and Judicial Branches comply with the Indirect Cost Service Tracking Policies and Procedures until such time as the Indirect Cost Service Tracking Policies and Procedures are repealed or amended by resolution.

CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Budget and Finance Committee of the 21st Navajo Nation Council at a duly called meeting held at Window Rock, Navajo Nation (Arizona), at which a quorum was present and that the same was passed by a vote of 07 in favor, 00 opposed and 00 abstained, on this 4th day of May, 2010.



LoRenzo C. Bates, Chairperson
Budget and Finance Committee

Motion: Ralph Bennett
Second: Nelson Begaye