



CONTRACT ACCOUNTING  
OFFICE OF THE CONTROLLER

# INDIRECT COST

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FEDERAL, STATE AND OTHER PROGRAMS

FEBRUARY 04, 2014

# INDIRECT COST

## ❖ Policies and Procedures

Under #5. The Office of the Controller Accounting Policies and Procedures Manual, under tasks for each accountant to accomplish their monthly journal entries, are the following guidelines on Indirect cost Entries:

#5. Indirect cost entries (with & without the match and/or retainages).

- a) Establish, if not already, the Indexed Allocation for the Indirect cost Entries.
- b) Make certain the correct line items are “built” into the Indexed Allocations.
- c) Generate the indexed allocation for the Indirect Cost entry for the month.
- d) Submit supporting documentation to Supervisor for their review/approval.
- e) Post the Indirect Cost.
- f) Advise General Accounting that we are done with our Indirect Cost entries.

See **Exhibit A:** Accounting Policies and Procedures

# INDIRECT COST

## ❖ Exhibit A: Policies and Procedures



### **THE NAVAJO NATION – Office of the Controller**

#### Accounting Policies and Procedures Manual

DESCRIPTION:	Contract Accounting -	INDEX:	8.4
	Monthly JE Procedures	POLICY:	PROCEDURE: X
		EFFECTIVE DATE:	

Tasks for each accountant to accomplish their monthly journal entries:

1. Budget Setup
  - a. Double check the Balance Sheet Information to ensure it is established appropriately
    - Company set up - New Company required for each new contract; Fiscal Dates; HRS/FRS Account Number for Personnel
    - Company Business Unit
  - b. Double check the Income Statement Information to ensure it is established appropriately
    - Appropriate # of Business Units set up for the Contract (components)
    - Review Budgets to ensure they are set up correctly
    - Revenue Budget Carryover or New Fiscal Budget Allocations
    - Expense Budget Line Items to the NOGA
    - Both added together must net to ZERO
    - Coordinate with OMB to correct or balance entries+D46

## ❖ Exhibit A: Policies and Procedures

2. Labor distributions for each account that has personnel expenses
  - a. Update Labor Distributions to your excel worksheet - Salary/Wages per individual
  - b. Labor Distributions to be reconciled against the month to date personnel expenses (fringe follows wages..)
  - c. Make necessary correcting/adjusting entries to personnel as needed
  - d. Submit support documentation to Supervisor for their review/approval
  - e. Post the Correcting/Adjusting Entries
  
3. Operating expenses for each account
  - a. Run a Job Cost Summary Report (Inquiry or otherwise)
  - b. Through a cursory review, double check the Budget Line Items for appropriateness
  - c. Review Line Item Expenses for "odd looking" items (you know your account SOW's) and drill in as needed for research
  - d. Check to ensure SubContracts have been properly accounted for in 6990 and not in particular line items
  - e. Research transactions for possible correcting/adjusting entries
  - f. Make necessary correcting/adjusting entries for operating expenses
  - g. Submit support documentation to Supervisor for their review/approval
  - h. Post the Correcting/Adjusting Entries
  
4. Matching entries
  - a. Establish, if not already, the Indexed Allocation for the Match Entries, which should be a % basis
  - b. Make certain the matching entries have the appropriate % and/or the correct match line items are "built" into the Indexed Allocations
  - c. Generate the Matching Entries for the month
  - d. Submit support documentation to Supervisor for their review/approval

## ❖ Exhibit A: Policies and Procedures

5. Indirect cost entries (with & without the match and/or retainages)
  - a. Establish, if not already, the Indexed Allocation for the Indirect Cost Entries
  - b. Make certain the correct line items are "built" into the Indexed Allocations
  - c. Generate the indexed allocation for the Indirect Cost entry for the month
  - d. Submit support documentation to Supervisor for their review/approval
  - e. Post the Indirect Cost
  - f. Advise General Accounting that we are done with our Indirect Cost entries
  
6. Posting revenue earned "Annual Close" (net revenue of expenses to get Fund Balance)
  - a. Make certain all Pending Journal Entries are Posted
  - b. Run Job Cost Summary Report
  - c. Generate Entries for Revenue
  - d. Submit support documentation to Supervisor for their review/approval
  - e. Post the Revenue Earned
  
7. Closing the month
  - a. Accounting Supervisors will coordinate with Job Cost Power User in determining the final closure
  - b. Job Cost Power User will notify General Accounting that we are ready for closure
  - c. Close the Books for the Month
  
8. Rolling over any expired accounts
  - a. Provide a listing to the respective Departments notifying them of accounts that expired the previous month
  - b. General Accounting Power User to Roll Over accounts as necessary
  
9. Financial reports and/or drawdowns to the funding agency & set up the receivables
  - a. Generating Periodic Financial Reports and/or Invoices for drawdown or invoicing & set up the Receivables
    - Run the Financial (Company) Report that provides information on the Due to General Fund (Balance Sheet)
    - Generate the required financial report format for financial reporting and/or the drawdown information to be recorded
    - Generate the invoices for request for reimbursement to the respective funding agencies
    - Generate the Receivables Entry and submit with support documentation for Review/Approval/Initial by the Supervisor
    - Submit with support documentation for Review/Approval/Initial by the Supervisor
    - Post the "Receivable"

## ❖ Exhibit A: Policies and Procedures

- b. Drawdown the Funds as necessary
    - Perform the required Drawdown and make a Copy of the transmission for record
  - c. Submission of Financial Reports and/or Invoices to Funding Agencies
    - Submit the initialed Financial Report to the Accounting Manager for final Signature
    - Submit the Financial Report to the Funding Agency and obtain fax transmittal for record, if so transmitted
10. Financial reports to programs, management and/or administration (eb & lb)
- a. Programs - Accountants will perform the following;
    - Run Job Cost Summary for the Respective Programs (by Business Units)
    - Run the Outstanding Commitments Listing for the Respective Programs (by Business Units)
    - Send to the respective Division Representative via Email
  - b. Management & administration - Management Analyst will perform the following;
    - Run the customized NN Quarterly Financial Reports and sort as follows;
      - 1) Funding Agency/CFDA
      - 2) Branch
      - 3) Division
      - 4) Contract Ending
      - 5) Accountant

# INDIRECT COST

## ❖ Exhibit A: Policies and Procedures

5. Indirect cost entries (with & without the match and/or retainages)
  - a. Establish, if not already, the Indexed Allocation for the Indirect Cost Entries
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# INDIRECT COST

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      - 5) Accountant

# INDIRECT COST

## ❖ Object Codes Used for Indirect Cost Entries

Level of Detail 7 is used to record what is expensed for indirect cost.

- 9720 INDIRECT COST CHARGED Level of Detail 7
- 9730 INDIRECT COST IN EXCESS OF FA Level of Detail 7

**9720** is used when the indirect cost rate has been accepted by the funding agency. It records indirect cost as an expense against the award. The offset to this entry is 0279 IDC CLEARING ACCOUNT.

K100600.9720	\$6,367.21DR
10.0279	\$6,367.21CR

**9730** is used when the indirect cost rate has not been accepted by the funding agency. It records what is due to the Navajo Nation but is not collectable. The offset to this entry is 1994 INDIRECT IN EXCESS OF FA.

K100600.9730	\$6,367.21DR
K100600.1994	\$6,367.21CR

# INDIRECT COST

## ❖ INDEX COMPUTATIONS – COMPUTATIONS – INDEX COMPUTATIONS

Expenditures less pass through/less matching/less equipment is entered under the FMIS Index Computations to create the form that will calculate the Indirect Cost. Attached (**Exhibit B**) is an example of this form..

### All pertinent information is entered

Select - Period to Date

Special Period 3

Fiscal Year 13

Status Code - Approved

Method – Balances

Business Unit - K100600

From OBJ - 2100

Thru OBJ - 7999

From LT - A

To Bus Unit – 10

To OBJ – 0279

To LT – AA

Explanation – DEC 2013



# INDIRECT COST

- ❖ INDEX COMPUTATIONS – COMPUTATIONS – INDEX COMPUTATIONS

Proposed Indexed Computations Journal is prepared and given to the Contract Accounting Supervisor for review. Attached (**Exhibit C**) is an example of this. It is reviewed/approved/posted.

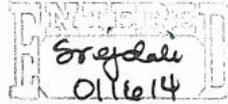
# ❖ Exhibit C

R093021

NAVAJO NATION  
Indexed Computations Journal

1/15/2014 16:26:55  
Page - 4

Batch Number 800170  
Batch Date 1/15/2014  
Document/ Type 1055250 JA



IDC K110600 DEC 13 Using MTD or YTD (M/Y): M Thru Period/Year: 3 \* 13 Method: B Company: 02376 Frequency: MO Sequence: Status Code: A Reverse:

Business Unit	Object	Subsidiary	LT	Document	Ty	G/L Date OR FY	Explanation	BF	Basis Amount	Rate Factor	BT	Journal Entry Amount
K110600	2120		AA			12/31/2013	Person-Regular FT DEC 2013		23,792.68			
K110600	2320		AA			12/31/2013	Person-Temporary FT DEC 2013		2,403.08			
K110600	2912		AA			12/31/2013	FICA DEC 2013		1,624.14			
K110600	2914		AA			12/31/2013	Medicare DEC 2013		379.86			
K110600	2921		AA			12/31/2013	Medical DEC 2013		1,867.20			
K110600	2926		AA			12/31/2013	Life DEC 2013		388.92			
K110600	2928		AA			12/31/2013	Short-Term Disabilit DEC 2013		65.60			
K110600	2942		AA			12/31/2013	401K-Nihibeeso Saving P DEC 2013		329.40			
K110600	2944		AA			12/31/2013	NN Retirement DEC 2013		5,805.42			
K110600	2951		AA			12/31/2013	SUTA-AZ DEC 2013		730.35			
K110600	2971		AA			12/31/2013	Annual Leave Pay DEC 2013		111.84			
K110600	6140		AA			12/31/2013	Furn & Equip R&M Servic DEC 2013		66.16			
10	0279		AA	1055250	JA	12/31/2013	IDC K110600 DEC 13 DEC 2013		37,564.65	.16950000-		6,367.21- ✓
K110600	9720		AA	1055250	JA	12/31/2013	IDC K110600 DEC 13		6,367.21	1.00000000		6,367.21

Contra/Clearing Offset

# INDIRECT COST

## ❖ INDEX COMPUTATIONS – COMPUTATIONS – INDEX COMPUTATIONS

The indirect cost entry will appear on the FMIS Job Status Inquiry. See attached (**Exhibit D**) which shows the indirect cost charged for the month of December 2013.

# ❖ Exhibit D (I)

R5551200P

NAVAJO NATION  
Job Status Inquiry Print

2/4/2014 14:47:33

Page - 1

Job K110600 HUD/CHID B-10

From Date 12/1/2013 Thru Date 12/31/2013

Project

Cost Code	Cost Type	Description	L P M DE C U M	Original Budget Amt	Revised Budget Amt	Actual Amount	Open Commit Amount	Budget Balance	% Revised Spent	% Revised Remaining
1710		Program Revenue	6 B N	3,722,152.00-	3,722,152.00-			3,722,152.00-		1.00
1717		Prg Rev Earned-Fed Non-	7 N			43,931.86-		43,931.86		
1710		Program Revenue	6 T	3,722,152.00-	3,722,152.00-	43,931.86-		3,678,220.14-	.01	.99
1705		CG Revenue	5 T	3,722,152.00-	3,722,152.00-	43,931.86-		3,678,220.14-	.01	.99
1700		External C/G Revenue Sourc	4 T	3,722,152.00-	3,722,152.00-	43,931.86-		3,678,220.14-	.01	.99
1000		Revenues	3 T	3,722,152.00-	3,722,152.00-	43,931.86-		3,678,220.14-	.01	.99
2110		Regular	6 B N	276,742.00	276,742.00			276,742.00		1.00
2120		Person-Regular FT	7 N			23,792.68		23,792.68-		
2110		Regular	6 T	276,742.00	276,742.00	23,792.68		252,949.32	.09	.91
2200		Salary Adj	6 B N	8,302.00	8,302.00			8,302.00		1.00
2200		Salary Adj	6 T	8,302.00	8,302.00			8,302.00		1.00
2100		Permanent	5 T	285,044.00	285,044.00	23,792.68		261,251.32	.08	.92
2310		Temporary	6 B N	40,000.00	40,000.00			40,000.00		1.00
2320		Person-Temporary FT	7 N			2,403.08		2,403.08-		
2310		Temporary	6 T	40,000.00	40,000.00	2,403.08		37,596.92	.06	.94
2300		Temporary	5 T	40,000.00	40,000.00	2,403.08		37,596.92	.06	.94
2900		Fringe Benefits	5 B N	121,372.00	121,372.00			121,372.00		1.00
2912		FICA	7 N			1,624.14		1,624.14-		
2914		Medicare	7 N			379.86		379.86-		
2910		FICA	6 T			2,004.00		2,004.00-		
2921		Medical	7 N			1,867.20		1,867.20-		
2926		Life	7 N			388.92		388.92-		
2928		Short-Term Disabilit	7 N			65.60		65.60-		
2920		Group Insurance	6 T			2,321.72		2,321.72-		
2942		401K-Nihibeeso Saving P	7 N			329.40		329.40-		
2944		NN Retirement	7 N			5,805.42		5,805.42-		
2940		Retirement	6 T			6,134.82		6,134.82-		
2951		SUTA-AZ	7 N			730.35		730.35-		
2950		Unemployment Benefits	6 T			730.35		730.35-		
2971		Annual Leave Pay	7 N			111.84		111.84-		
2970		Annual Leave	6 T			111.84		111.84-		
2900		Fringe Benefits	5 T	121,372.00	121,372.00	11,302.73		110,069.27	.09	.91
2001		Personnel Expenses	4 T	446,416.00	446,416.00	37,498.49		408,917.51	.08	.92
3110		Fleet	6 B N	17,280.00	17,280.00			17,280.00		1.00
3110		Fleet	6 T	17,280.00	17,280.00			17,280.00		1.00
3100		Vehicle Use	5 T	17,280.00	17,280.00			17,280.00		1.00
3230		Personal Travel	6 B N	73,928.00	73,928.00			73,928.00		1.00
3230		Personal Travel	6 T	73,928.00	73,928.00			73,928.00		1.00
3200		Personal Travel Expenses	5 T	73,928.00	73,928.00			73,928.00		1.00

# ❖ Exhibit D (2)

R5551200P

NAVAJO NATION  
Job Status Inquiry Print

2/4/2014 14:47:33

Page - 2

Job K110600 HUD/CHID B-10

From Date 12/1/2013 Thru Date 12/31/2013

Project

Cost Code	Cost Type	Description	L P M DE C U M	Original	Revised	Actual	Open Commit	Budget	% Revised	% Revised
				Budget Amt	Budget Amt	Amount	Amount	Balance	Spent	Remaining
3310	Air		6 BN	8,000.00	8,000.00			8,000.00		1.00
3310	Air		6 T	8,000.00	8,000.00			8,000.00		1.00
3300	Commercial/Charter Fares		5 T	8,000.00	8,000.00			8,000.00		1.00
3000	Travel Expenses		4 T	99,208.00	99,208.00			99,208.00		1.00
4120	Office Supplies		6 BN	5,000.00	5,000.00			5,000.00		1.00
4120	Office Supplies		6 T	5,000.00	5,000.00			5,000.00		1.00
4200	Non Capital Assets		6 BN	6,000.00	6,000.00			6,000.00		1.00
4200	Non Capital Assets		6 T	6,000.00	6,000.00			6,000.00		1.00
4100	Office Supplies & Equipme		5 T	11,000.00	11,000.00			11,000.00		1.00
4410	Operating Supplies		6 BN	5,000.00	5,000.00			5,000.00		1.00
4410	Operating Supplies		6 T	5,000.00	5,000.00			5,000.00		1.00
4400	Operating Supplies		5 T	5,000.00	5,000.00			5,000.00		1.00
4000	Supplies		4 T	16,000.00	16,000.00			16,000.00		1.00
5160	Equipment		6 BN	5,000.00	5,000.00			5,000.00		1.00
5160	Equipment		6 T	5,000.00	5,000.00			5,000.00		1.00
5100	Lease		5 T	5,000.00	5,000.00			5,000.00		1.00
5310	Building/Space		6 BN	7,597.00	7,597.00			7,597.00		1.00
5310	Building/Space		6 T	7,597.00	7,597.00			7,597.00		1.00
5300	Rental		5 T	7,597.00	7,597.00			7,597.00		1.00
5000	Lease & Rental		4 T	12,597.00	12,597.00			12,597.00		1.00
5520	Telephone		6 BN	5,000.00	5,000.00			5,000.00		1.00
5520	Telephone		6 T	5,000.00	5,000.00			5,000.00		1.00
5570	Internet		6 BN	5,000.00	5,000.00			5,000.00		1.00
5570	Internet		6 T	5,000.00	5,000.00			5,000.00		1.00
5510	Communications		5 T	10,000.00	10,000.00			10,000.00		1.00
5500	Communications & Utilities		4 T	10,000.00	10,000.00			10,000.00		1.00
6110	Supplies		6 BN	6,000.00	6,000.00			6,000.00		1.00
6110	Supplies		6 T	6,000.00	6,000.00			6,000.00		1.00
6130	Services		6 BN	6,000.00	6,000.00			6,000.00		1.00
6140	Fun & Equip R&M Servic		7 N			66.16	66.16-			
6130	Services		6 T	6,000.00	6,000.00	66.16	66.16-	6,000.00		1.00
6300	Technology		6 BN	5,000.00	5,000.00			5,000.00		1.00
6300	Technology		6 T	5,000.00	5,000.00			5,000.00		1.00
6100	Plant, Property & Equipme		5 T	17,000.00	17,000.00	66.16	66.16-	17,000.00		1.00
6000	Repairs & Maintenance		4 T	17,000.00	17,000.00	66.16	66.16-	17,000.00		1.00
7410	Media		6 BN	8,000.00	8,000.00			8,000.00		1.00
7410	Media		6 T	8,000.00	8,000.00			8,000.00		1.00
7400	Media		5 T	8,000.00	8,000.00			8,000.00		1.00
7510	Training & Professional		6 BN	8,000.00	8,000.00			8,000.00		1.00

# ❖ Exhibit D (3)

R5551200P

NAVAJO NATION  
Job Status Inquiry Print

2/4/2014 14:47:33

Page - 3

Job K110600 HUD/CHID B-10

From Date 12/1/2013 Thru Date 12/31/2013

Project

Cost Code	Cost Type	Description	L P M DE C U M	Original Budget Amt	Revised Budget Amt	Actual Amount	Open Commit Amount	Budget Balance	% Revised Spent	% Revised Remaining
	7510	Training & Professional	6 T	8,000.00	8,000.00			8,000.00		1.00
	7500	Employee Special Transact	5 T	8,000.00	8,000.00			8,000.00		1.00
	7710	Insurance Premiums	6 BN	3,598.00	3,598.00			3,598.00		1.00
	7710	Insurance Premiums	6 T	3,598.00	3,598.00			3,598.00		1.00
	7700	Insurance & Benefits	5 T	3,598.00	3,598.00			3,598.00		1.00
	7000	Special Transactions	4 T	19,598.00	19,598.00			19,598.00		1.00
	8500	Infrastrure (non cap)	6 BN	2,989,275.00	2,989,275.00			2,989,275.00		1.00
	8500	Infrastrure (non cap)	6 T	2,989,275.00	2,989,275.00			2,989,275.00		1.00
	8010	Public	5 T	2,989,275.00	2,989,275.00			2,989,275.00		1.00
	8000	Assistance	4 T	2,989,275.00	2,989,275.00			2,989,275.00		1.00
	9710	IDC	6 BN	112,058.00	112,058.00			112,058.00		1.00
	9720	Indirect Cost Charged	7 N			6,367.21		6,367.21-		
	9710	IDC	6 T	112,058.00	112,058.00	6,367.21		105,690.79	.06	.94
	9700	Indirect Cost (Overhead)	5 T	112,058.00	112,058.00	6,367.21		105,690.79	.06	.94
	9500	Matching & Indirect Cost	4 T	112,058.00	112,058.00	6,367.21		105,690.79	.06	.94
	2000	Expenses	3 T	3,722,152.00	3,722,152.00	43,931.86	66.16-	3,678,286.30	.01	.99
K110600		HUD/CHID B-10	2 T				66.16-	66.16		
		Total:	1 T				66.16-	66.16		

# INDIRECT COST

## ❖ INDIRECT COST RATE – CURRENT

The Navajo Nation accepted the Indirect Cost Negotiation Agreement with the U.S. Department of the Interior/Nation Business Center. The effective period for the most current indirect cost rate is October 01, 2012 to September 30, 2013. The established rate is 16.95%. See attached (**Exhibit E**) for your reference.

# ❖ Exhibit E: INDIRECT COST RATE – CURRENT

## Indian Organizations Indirect Cost Negotiation Agreement

EIN: 86-0092335

Organization:	Date: October 22, 2013
The Navajo Nation	Report No(s): 14-A-0061(09)
P.O. Box 646	14-A-0062(10) 14-A-0064(12)
Window Rock, AZ 86515	14-A-0063(11) 14-A-0065(13)
	Filing Ref.:
	Last Negotiation Agreement dated May 18, 2012

The indirect cost rate contained herein is for use on grants, contracts, and other agreements with the Federal Government to which Public Law 93-638 and 2 CFR 225 (OMB Circular A-87) apply, subject to the limitations contained in 25 CFR 900 and in Section II.A. of this agreement. The rate was negotiated by the U.S. Department of the Interior, Interior Business Center, and the subject organization in accordance with the authority contained in 2 CFR 225.

### Section I: Rate

Type	Effective Period		Rate*	Locations	Applicable To
	From	To			
Fixed Carryforward	10/01/08	09/30/09	19.64%	All	All Programs
Fixed Carryforward	10/01/09	09/30/10	20.02%	All	All Programs
Fixed Carryforward	10/01/10	09/30/11	16.83%	All	All Programs
Fixed Carryforward	10/01/11	09/30/12	16.95%	All	All Programs
Fixed Carryforward	10/01/12	09/30/13	16.95%	All	All Programs

\*Base: Total direct costs, less capital expenditures and passthrough funds. Passthrough funds are normally defined as major subcontracts, payments to participants, stipends to eligible recipients, and subgrants, all of which normally require minimal administrative effort.

Treatment of fringe benefits: Fringe benefits applicable to direct salaries and wages are treated as direct costs; fringe benefits applicable to indirect salaries and wages are treated as indirect costs.

### Section II: General

Page 1 of 3

A. Limitations: Use of the rate contained in this agreement is subject to any applicable statutory limitations. Acceptance of the rate agreed to herein is predicated upon these conditions: (1) no costs other than those incurred by the subject organization were included in its indirect cost rate proposal, (2) all such costs are the legal obligations of the grantee/contractor, (3) similar types of costs have been accorded consistent treatment, and (4) the same costs that have been treated as indirect costs have not been claimed as direct costs (for example, supplies can be charged directly to a program or activity as long as these costs are not part of the supply costs included in the indirect cost pool for central administration).

B. Audit: All costs (direct and indirect, federal and non-federal) are subject to audit. Adjustments to amounts resulting from audit of the cost allocation plan or indirect cost rate proposal upon which the negotiation of

## ❖ Exhibit E: INDIRECT COST RATE – CURRENT

this agreement was based will be compensated for in a subsequent negotiation agreement.

C. **Changes:** The rate contained in this agreement is based on the organizational structure and the accounting system in effect at the time the proposal was submitted. Changes in organizational structure, or changes in the method of accounting for costs that affect the amount of reimbursement resulting from use of the rate in this agreement, require the prior approval of the responsible negotiation agency. Failure to obtain such approval may result in subsequent audit disallowance.

D.

1. **Fixed Carryforward Rate:** The fixed carryforward rate is based on an estimate of costs that will be incurred during the period for which the rate applies. When the actual costs for such period have been determined, an adjustment will be made to the rate for a future period, if necessary, to compensate for the difference between the costs used to establish the fixed rate and the actual costs.

2. **Provisional/Final Rate:** Within 6 months after year end, the final rate must be submitted based on actual costs. Billings and charges to contracts and grants must be adjusted if the final rate varies from the provisional rate. If the final rate is greater than the provisional rate and there are no funds available to cover the additional indirect costs, the organization may not recover all indirect costs. Conversely, if the final rate is less than the provisional rate, the organization will be required to pay back the difference to the funding agency.

E. **Agency Notification:** Copies of this document may be provided to other federal offices as a means of notifying them of the agreement contained herein.

F. **Record Keeping:** Organizations must maintain accounting records that demonstrate that each type of cost has been treated consistently either as a direct cost or an indirect cost. Records pertaining to the costs of program administration, such as salaries, travel, and related costs, should be kept on an annual basis.

G. **Reimbursement Ceilings:** Grantee/contractor program agreements providing for ceilings on indirect cost rates or reimbursement amounts are subject to the ceilings stipulated in the contract or grant agreements. If the ceiling rate is higher than the negotiated rate in Section I of this agreement, the negotiated rate will be used to determine the maximum allowable indirect cost.

## ❖ Exhibit E: INDIRECT COST RATE - CURRENT

H. Use of Other Rates: If any federal programs are reimbursing indirect costs to this grantee/contractor by a measure other than the approved rate in this agreement, the grantee/contractor should credit such costs to the affected programs, and the approved rate should be used to identify the maximum amount of indirect cost allocable to these programs.

I. Central Service Costs: Where central service costs are estimated for the calculation of indirect cost rates, adjustments will be made to reflect the difference between provisional and final amounts.

J. Other:

1. The purpose of an indirect cost rate is to facilitate the allocation and billing of indirect costs. Approval of the indirect cost rate does not mean that an organization can recover more than the actual costs of a particular program or activity.

2. Programs received or initiated by the organization subsequent to the negotiation of this agreement are subject to the approved indirect cost rate if the programs receive administrative support from the indirect cost pool. It should be noted that this could result in an adjustment to a future rate.

3. New indirect cost proposals are necessary to obtain approved indirect cost rates for future fiscal or calendar years. The proposals are due in our office 6 months prior to the beginning of the year to which the proposed rates will apply.

### Section III: Acceptance

Listed below are the signatures of acceptance for this agreement:

By the Indian Organization:

The Navajo Nation  
Tribal Government



Signature

Ben Shelly

Name (Type or Print)

President

Title

OCT 21 2013

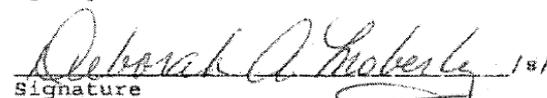
Date

By the Cognizant Federal Government  
Agency:

U.S. Department of the Interior

Interior Business Center

Agency



Signature

Deborah A. Moberly

Name

Assistant Director

Indirect Cost Services Directorate

Title

OCT 22 2013

Date

Negotiated by Sujoy Mukhopadhyay

Telephone (916) 566-7009

# INDIRECT COST

## ❖ INDIRECT COST RATE – CURRENT

There are instances that the indirect cost agreement could be less than the established rate. In the case of the State of New Mexico, they have limitation on the rate as established by approved New Mexico laws. There are contracts that have statutory regulations that limit the indirect cost to a lower rate or do not allow indirect cost because of the type of funding awarded. In these cases, the OMB office should have information on the rates for these types of funding.

# INDIRECT COST

## ❖ INDIRECT COST ADJUSTMENTS

There are several reason(s) that indirect cost adjustments are done.

- a) Indirect Cost was expensed on budget when no indirect cost was approved by the funding agency.
- b) Indirect Negotiated Agreement is approved several years late as in the case of Fiscal Year 2009 to Fiscal Year 2013 Indirect Cost Negotiation Agreement.
- c) The funding agency included indirect cost in the budget but later disapproved the Indirect Cost Rate.

# INDIRECT COST

## ❖ FINANCIAL REPORTING

When we submit to the funding agency, the SF-425 Financial Status Report for the quarterly report for the period ending December 31, 2013, under Line #11, the indirect cost totals are reported. See attached (**Exhibit F**) that reflects what has been reported.

Line 11: Indirect Cost. The following information is requested.

- Type of Indirect
- Rate of Indirect Cost
- Period from
- Period to
- Base for Indirect Cost
- Total amount charged
- Federal Share

❖ **Exhibit F:**  
**FINANCIAL**  
**REPORTING**

**FEDERAL FINANCIAL REPORT**

(Follow form instructions)

1. Federal Agency and Organizational Element to Which Report is Submitted U.S. Department of Housing & Urban Development		2. Federal Grant or Other Identifying Number Assigned by Federal Agency (To report multiple grants, use FFR Attachment) B-09-SR-06-0281		Page 1	of 2
3. Recipient Organization (Name and complete address including Zip code) The Navajo Nation - Office of the Controller P.O. Box 3150 Window Rock, Arizona 86515					
4a. DUNS Number 9001702	4b. EIN 86-0092335	5. Recipient Account Number or Identifying Number (To report multiple grants, use FFR Attachment) K100600 Co#: 3647		6. Report Type <input checked="" type="checkbox"/> Quarterly <input type="checkbox"/> Semi-Annual <input type="checkbox"/> Annual <input type="checkbox"/> Final	
8. Project/Grant Period From: (Month, Day, Year) 12/31/2009				9. Reporting Period End Date (Month, Day, Year) 12/31/13	
10. Transactions					Cumulative

(Use lines a-c for single or multiple grant reporting)

Federal Cash (To report multiple grants, also use FFR Attachment):		3,251,582.39
a. Cash Receipts		3,844,479.59
b. Cash Disbursements		(592,897.19)
c. Cash on Hand (line a minus b)		

(Use lines d-o for single grant reporting)

Federal Expenditures and Unobligated Balance:		5,500,000.00
d. Total Federal funds authorized		3,844,479.58
e. Federal share of expenditures		800,753.90
f. Federal share of unfiquidated obligations		4,645,233.48
g. Total Federal share (sum of lines e and f)		854,766.52
h. Unobligated balance of Federal funds (line d minus g)		

Recipient Share:

i. Total recipient share required		
j. Recipient share of expenditures		
k. Remaining recipient share to be provided (line i minus j)		

Program Income:

l. Total Federal program income earned		
m. Program income expended in accordance with the deduction alternative		
n. Program income expended in accordance with the addition alternative		
o. Unexpended program income (line l minus line m or line n)		

11. Indirect Expense	a. Type	b. Rate	c. Period From	Period To	d. Base	e. Amount Charged	f. Federal Share
	FIXED	15.95%	9/1/2010	12/31/2013	626,542.21	106,198.90	106,198.90
					q. Totals:	626,542.21	106,198.90

12. Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation.

13. Certification: By signing this report, I certify that it is true, complete, and accurate to the best of my knowledge. I am aware that any false, fictitious, or fraudulent information may subject me to criminal, civil, or administrative penalties. (U.S. Code, Title 28, Section 1001)

a. Typed or Printed Name and Title of Authorized Certifying Official  Laura Johnson, Accounting Manager	c. Telephone (Area code, number and extension) (928) 871-6510
	d. Email address ljohnson@navajonations.org
b. Signature of Authorized Certifying Official <i>Laura Johnson</i> 01/23/14	e. Date Report Submitted (Month, Day, Year) 01/23/14

14. Agency use only:

Standard Form 425  
OMB Approval Number: 0348-0061  
Expiration Date: 10/31/2011

**Paperwork Burden Statement**  
According to the Paperwork Reduction Act, as amended, no persons are required to respond to a collection of information unless it displays a valid OMB Control Number. The valid OMB control number for this information collection is 0348-0061. Public reporting burden for this collection of information is estimated to average 1.5 hours per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0061), Washington, DC 20503.

# INDIRECT COST

## ❖ SUMMARY

POLICIES AND PROCEDURES

OBJECT CODES USED FOR INDIRECT COST

INDEX COMPUTATIONS – COMPUTATIONS – INDEX COMPUTATIONS

INDIRECT COST RATE CURRENT

INDIRECT COST ADJUSTMENTS

FINANCIAL REPORTING