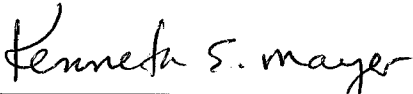


NEVADA DEPARTMENT OF WILDLIFE POLICY AND PROCEDURE	Pages: 5 Effective: May 1, 2007 Approved: 
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TITLE: Indirect Costs Composition

REFERENCE: OMB Circular A-87, Revised (06/9/2004), A102

AFFECTED EMPLOYEES:

PURPOSE: To provide guidelines in the computation and application of indirect costs.

POLICY: The Department will bill for indirect costs when it is determined that adequate federal funds are available to fulfill both the grant objectives and associated indirect costs. When it is determined that there is not enough federal funds to do both, the federal funds will be applied to the completion of the grant objective first, with the balance applied to indirect costs.

DEFINITIONS:

Award means grants, cost reimbursement contracts and other agreements between a state and federal government.

Cost means an amount as determined on cash, accrual, or other basis acceptable to the federal awarding or cognizant agency. It does not include transfers to a general or similar fund.

Cost allocation plan means central service cost allocation plan or indirect cost rate proposal.

Cost objective means a function, organizational subdivision, contract, or other activity for which cost data are needed and for which costs are incurred.

Indirect cost rate proposal means the documentation prepared by the Department to substantiate its request for the establishment of an indirect cost rate.

PROCEDURE:

Indirect costs are those that have been incurred for common or joint purposes. These costs benefit more than one cost objective and cannot be readily identified with a particular final cost objective without effort disproportionate to the results achieved. After direct costs have been determined and assigned directly to federal awards and other activities as appropriate, indirect costs are those remaining to be allocated to benefited cost objectives. A cost may not be allocated to a federal award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to a federal award as a direct cost.

Indirect costs are normally charged to federal awards by the use of an indirect cost rate. A separate indirect cost rate(s) is usually necessary for each agency of the governmental unit claiming indirect cost under federal awards. Because of the diverse characteristics and accounting practices of governmental units, the types of costs which may be classified as

indirect costs cannot be specified in all situations. However, typical examples of indirect costs may include certain statewide central service costs, general administration of the grantee department or agency, accounting and personnel services performed within the grantee department or agency, depreciation or use allowances on buildings and equipment, the costs of operating and maintaining facilities, etc.

Composition of Indirect Costs (Rate Proposal)

Direct Costs:

Direct costs are those that can be identified specifically with a particular final cost objective. Typical direct costs chargeable to federal awards are:

1. Compensation of employees for the time devoted and identified specifically to the performance of those awards.
2. Cost of materials acquired, consumed, or expended specifically for the purpose of those awards.
3. Equipment and other approved capital expenditures.
4. Travel expenses incurred specifically to carry out the award.

Any direct cost of a minor amount may be treated as an indirect cost for reasons of practicality where such accounting treatment for that item of cost is consistently applied to all cost objectives.

For the indirect cost proposal, the direct cost centers for the Department are considered to be the following.

1. Wildlife Management
2. Fish Management
3. Habitat Management
4. Conservation/Hunter & Aquatic Education
5. Boating Access
6. Boating Education/Safety
7. Wildlife Diversity
8. Boating Registration/Enforcement
9. Licensing
10. Law Enforcement

Boating Registration/Enforcement, Licensing, and Law Enforcement are, for the most part, excluded from the indirect cost computation, but are included for allocation of a portion of indirect costs.

Indirect Costs:

Indirect costs are costs expended for a common or joint purpose that cannot easily be directly allocated to a benefited project. These costs for the Department include the following:

1. Director
2. Administrative Services
3. Vehicle Operation Costs not directly assigned
4. Statewide Cost Allocation
5. Attorney General (AG) Cost Allocation
6. State Purchasing Cost Allocation
7. Board of Wildlife Commissioners
8. Public Affairs
9. Engineering
10. Air Operations
11. Safety Team
12. Communications/Dispatch
13. Volunteer Coordination
14. Publications

Indirect Cost Rate Application

The current indirect cost rate will be applied to grants as applicable. Some federal aid grants are capped or are limited in nature. That is, limited to a fixed amount like the hunter education grant. In order to maximize program needs on these types of grants the director may at his discretion (when supported by documentation from the program manager) reduce the indirect cost rate charged to these grants.

Indirect Cost Rate Computation:

Direct and indirect costs are computed for the year being presented as “actual”, based on all expenditures in all of NDOW’s budgets. Equipment, capital improvements, non-administrative government contracts, program income, miscellaneous reimbursements and flow through are deducted from the costs.

The resulting balance of indirect costs are allocated to the major direct cost centers, based on various allocation methods appropriate to the indirect cost itself (e.g., Operations costs are allocated based on percent of salaries paid to each direct cost center; Attorney General (AG) and engineering costs are spread based on estimated time spent by cost center, provided from the AG and Engineering).

A new cost emerges for each direct cost center composed of the original direct cost and the allocated indirect cost. Total indirect costs allocated to the eligible direct cost centers (numbers 1 - 7) are divided by total direct costs of the eligible direct cost centers, yielding an average indirect cost rate.

The indirect cost rate is applied to the proposed year's budget, which is the subject of the cost proposal, yielding an estimate of the proposed indirect and direct costs.

The agency uses the fixed rate carry-forward method of rate calculation. The proposed costs are in place, but the comparison between the prior proposed rate and the actual costs must be compared and accounted for. The computed "actual" rate, if for an even year, is compared to the proposed rate of the preceding even year. If for an odd year, the "actual" rate is compared to the proposed rate of the preceding odd year. If the actual costs were higher, the proposed indirect cost rate is adjusted up accordingly. If the actual costs were lower, the proposed indirect cost rate is adjusted down.

The cost rate proposal and fixed rate carry-forward computation, with accompanying documentation is sent to the Indirect Cost Coordinator, USDI National Business Service, Indirect Cost Services, for approval.

Allocation of Indirect Costs (Federal Grant Draws)

Each month, total costs of each federal grant project is computed, equipment with a cost greater than \$5,000, flow through, contract payments to universities and other government contractors, capital improvements, program income, and miscellaneous reimbursements are subtracted from the total expenditures. The resulting expense is eligible for indirect cost allocation.

If in-kind match and external match are being used to supplement cost, if the agency can demonstrate that they incurred administrative expense, such as for the volunteer program, those costs are eligible for the current allocation rate as well. If indirect costs are claimed for in-kind, the agency must also report the value of in-kind as direct cost on the cost proposal.

CERTIFICATE OF INDIRECT COSTS

This is to certify that I have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief:

(1) All costs included in this proposal [identify date] to establish billing or final indirect costs rates for [identify period covered by rate] are allowable in accordance with the requirements of the federal award(s) to which they apply and OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments." Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.

(2) All costs included in this proposal are properly allocable to federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently and the federal government will be notified of any accounting changes that would affect the predetermined rate.

I declare that the foregoing is true and correct.

Governmental Unit: _____

Signature: _____

Name of Official: _____

Title: _____

Date of Execution: _____