

**2 CFR 200**  
**"OMB Super**  
**Circular"**

**Indirect Cost**  
**Rate**  
**Requirements**  
**for Non-Profit &**  
**Governmental**  
**Organizations**

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## **Objective:**

**Provide outreach to Governmental Organizations and Non-Profit Organizations in understanding and meeting the criteria necessary for Federal award.**

### OMB Super Circular:

The reform of Office of Management and Budget (OMB) guidance will reduce administrative burden for non-federal entities receiving Federal awards while reducing the risk of waste, fraud, and abuse.

Supersedes OMB Circulars A-21, A-87, A-110, A-122, A-89, A-102, A-133, Circular A-50

Effective Date: December 26, 2013

# 2 Code of Federal Regulations (CFR) 200 Chapter 1 & 2

- Streamlining existing OMB guidance will increase the efficiency and effectiveness of Federal awards to ensure best use of the more than \$500 billion dollars expended annually.
- Entity's must develop and implement systems to ensure proper stewardship of funds
  - Financial management systems
  - Procurement systems
  - Time and effort reporting systems
  - Monitoring activities
  - Adherence to terms and conditions of award

# MoDOT Requires the following documents prior to Indirect Cost Rate Approval

- Item A Cost Allocation Plan
- Item B Organization Chart
- Item C Employee Time Sheet Sample  
Allocation of Direct & Indirect Labor Hours
- Item D Audited Schedules of Indirect Costs  
& Fringe Benefits
- Item E Audited, Reviewed or Compiled Financial Statements
- Item F Certification of Indirect Costs
- Item G Listing of Grants/Contracts with MoDOT

# Requirements for Compliance

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### Item A - Cost Allocation Plan

- Written methodology describing the process, policies and procedures used to segregate direct and indirect costs, as well as, identify unallowable costs.
- It is essential that each item of costs incurred for the same purpose be treated consistently in like circumstances either as a direct or an indirect cost in order to avoid possible double-charging of Federal awards.
- Ensures the entity has establish and maintains effective internal controls over the Federal award that provides reasonable assurance the entity is managing the Federal award in compliance with Federal statues, regulations, and the Federal award.

# Requirements for Compliance-2 CFR 200

## Appendix V-Section E.4.

Required for State, Local Gov. & Indian Tribes - excludes non-profit org.

### CERTIFICATE OF COST ALLOCATION PLAN

This is to certify that I have reviewed the cost allocation plan submitted herewith and to the best of my knowledge and belief:

- (1) All costs included in this proposal **[identify date]** to establish cost allocations or billings for **[identify period covered by plan]** are allowable in accordance with the requirements of this Part and the Federal award(s) to which they apply. 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 Federal awards 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.

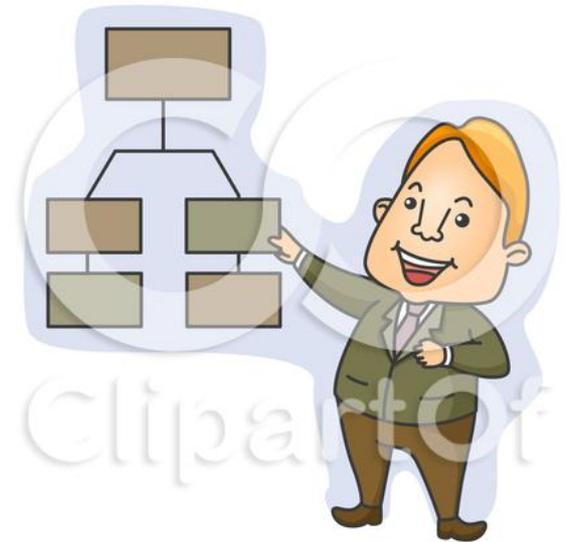
I declare that the foregoing is true and correct.

Governmental Unit: \_\_\_\_\_  
Signature: \_\_\_\_\_  
Name of Official: Title: \_\_\_\_\_  
Date of Execution: \_\_\_\_\_

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## Item B - Organizational Chart

- Functional statement(s) noting the duties and/or responsibilities of all units that comprise the agency.
- Once this is submitted, only revisions need be submitted with subsequent proposals.



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# Requirement for Compliance

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### Item C - Sample Employee Time Sheet

- Establish timekeeping policies, processes or procedures to adequately track project (direct) and non-project (indirect) related labor and overtime.
- Consistently track all billable and non-billable labor hours
- Consistently track unallowable labor costs activities

**Field Employee Worksheet**

<u>Employee Name &amp; Classification</u>	<u>Direct Labor</u>	<u>Indirect Labor (general)</u>	<u>Bonuses (fringe benefit)</u>	<u>401(k) (fringe benefit)</u>	<u>Paid Time Off (fringe benefit)</u>
Name 1 - Project Manager	-	10,920	-	-	-
Name 2 - Senior Engineer	50,176	3,136	7,500	2,620	4,928
Name 2 - Project Engineer	41,216	2,576	3,500	1,966	4,048
Name 4 - Technician 1	32,256	2,016	1,500	1,685	3,168
	<u>123,648</u>	<u>18,648</u>	<u>12,500</u>	<u>6,270</u>	<u>12,144</u>

# Requirement for Compliance

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### Item D & E

**D - Audited Schedule of Indirect Cost to include Fringe Benefits- submitted annually within six months of entities fiscal year end.**

**E – Audited, Reviewed, or Compiled Financial Statements - submitted annually within six months of entities fiscal year end.**

- Performed in accordance to Generally Accepted Government Auditing Standards (GAGAS)
- Include a Federal Acquisition Regulations (FAR) Part 31 references to identify unallowable costs

# Requirements for Compliance

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### *Required Schedule of Indirect Cost Rate (Overhead) Format*

**Direct Costs:** Typical costs charged directly to a Federal award are the compensation of employees who work on that award and their related fringe benefits.

**Statement of Direct Labor, Fringe Benefits, and General Overhead**  
For the Year Ended December 31, 201x

<u>Account Number &amp; Description</u>	<u>General Ledger Account Balance</u>	<u>Direct Costs</u>	<u>Disallowed Costs</u>	<u>Proposed Company Wide</u>	<u>% of Direct Labor</u>
DIRECT LABOR	\$ 1,950,501	\$ 1,950,501	\$ -	\$ 1,950,501	100.00%
INDIRECT COSTS:					
FRINGE BENEFITS					
6300 Benefits: Bonuses.....	\$ 234,060	\$ -	\$ (28,560) (a)	\$ 205,500	10.54%
6310 Benefits: 401(k).....	97,525	-	-	97,525	5.00%
6320 Benefits: PTO (vac., sick, and holiday).....	253,565	-	-	253,565	13.00%
6820 Insurance: Disability.....	58,515	-	-	58,515	3.00%
6830 Insurance: Life.....	21,846	-	(800) (b)	21,046	1.08%
6840 Insurance: Medical.....	136,535	-	-	136,535	7.00%
6850 Insurance: Workers' Comp.....	15,799	-	-	15,799	0.81%
7500 Payroll Taxes: FICA and Med.....	180,421	-	-	180,421	9.25%
7510 Payroll Taxes: FUTA and SUTA.....	78,020	-	-	78,020	4.00%
TOTAL FRINGE BENEFITS	\$ 1,076,286	\$ -	\$ (29,360)	\$ 1,046,926	53.67%

# Requirement for Compliance

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Know your Federal award if you provided for it as a deliverable in a workplan, estimate, grant application or contract, it is probably a direct cost

# Requirements for Compliance

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### Indirect Costs:

- Typical examples of indirect cost include depreciation on buildings and equipment, the costs of operating and maintaining facilities, and general administration and general expense, such as the salaries and expense of executive officers, personnel administration and accounting
- Cost must be reasonable and actual

#### GENERAL OVERHEAD

6700 Indirect Labor.....	\$ 741,190	\$ -	\$ (3,300) (c)	\$ 737,890	37.83%
5010 Direct: Lodging, Meals, and Travel.....	122,101	(122,101)	- (d)	-	0.00%
5020 Direct: Employee Mileage Reimbursements....	159,941	(159,941)	- (d)	-	0.00%
5030 Direct: Rentals and Supplies.....	21,651	(21,651)	- (d)	-	0.00%
5040 Direct: Subconsultants.....	44,862	(44,862)	- (d)	-	0.00%
6000 Advertising and Marketing.....	23,991	-	(6,750) (e)	17,241	0.88%
6100 Automobile Expense.....	68,268	-	(13,580) (f)	54,688	2.80%
6200 Bank Service Charges.....	9,753	-	-	9,753	0.50%
6400 Contributions and Gifts.....	14,629	-	(14,629) (g)	-	0.00%
6500 Depreciation Expense.....	117,030	-	-	117,030	6.00%
6600 Dues and Subscriptions.....	16,189	-	(350) (h)	15,839	0.81%
6800 Insurance: Automotive.....	15,409	-	-	15,409	0.79%
6810 Insurance: Business Liability.....	23,406	-	-	23,406	1.20%
6900 Interest Expense.....	36,084	-	(36,084) (i)	-	0.00%
7000 Licenses and Permits.....	21,456	-	-	21,456	1.10%
7100 Maintenance and Repairs.....	97,135	-	-	97,135	4.98%
7200 Meals & Entertainment.....	19,310	-	(1,050) (j)	18,260	0.94%
7300 Misc. Fees, Fines, Penalties.....	6,827	-	(6,827) (k)	-	0.00%
7400 Office Expense: Cleaning.....	8,192	-	-	8,192	0.42%
7410 Office Expense: Postage and Delivery.....	4,486	-	-	4,486	0.23%
7420 Office Expense: Office Supplies.....	32,183	-	-	32,183	1.65%
7430 Office Expense: Other Office Expense.....	35,889	-	-	35,889	1.84%
7600 Personal Property Tax.....	42,911	-	-	42,911	2.20%
7700 Prof Fees: Accounting and Legal.....	30,428	-	-	30,428	1.56%
7800 Rent.....	180,049	-	(2,400) (l)	177,649	9.11%
7900 Telephone.....	60,466	-	-	60,466	3.10%
8000 Utilities.....	29,472	-	-	29,472	1.51%
Credit for Internal Allocations.....	-	-	(107,278) (m)	(107,278)	-5.50%
<b>TOTAL GENERAL OVERHEAD</b>	<b>\$ 1,983,306</b>	<b>\$ (348,555)</b>	<b>\$ (192,247)</b>	<b>\$ 1,442,505</b>	<b>73.96%</b>
<b>TOTAL INDIRECT COSTS &amp; OVERHEAD RATE</b>	<b>\$ 3,059,593</b>	<b>\$ (348,555)</b>	<b>\$ (221,607)</b>	<b>\$ 2,489,431</b>	<b>127.63%</b>

# Reasonableness of Cost?

Ask yourself these questions when determining reasonableness of costs

- Would your mission benefit from the expense
- Can you defend the purpose?

First Class Airfare vs Coach

Or

Mercedes vs Metro Geo



VS



# Overhead rate calculation



# Requirements for Compliance

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### FAR References

Must include FAR References to identify unallowable costs

#### FAR References and Notes:

- (a) 31.205-6(a)(6)(ii)(B): Owners' compensation in excess of reasonable amount is disallowed (distribution of profits).
- (b) 31.205-19(e)(2)(v): Officers' life insurance is disallowed.
- (c) 31.201-6(e)(2): Marketing, lobbying, and any labor associated with unallowable activities is disallowed.
- (d) 31.202: Excluded direct project costs (both billable & non-billable costs) from indirect cost pool.
- (e) 31.205-1: Costs for general marketing materials are disallowed.
- (f) 31.205-6(m)(2) & 31.205-46(d): Personal use of a company asset (automobile) is disallowed.
- (g) 31.205-8 & 31.205-13(b): Contributions and gifts are disallowed.
- (h) 31.205-22: Lobbying costs, paid as a percentage of professional dues, are disallowed.
- (i) 31.205-20: Interest is disallowed.
- (j) 31.205-14 & 31.205-51: Costs for entertainment and alcoholic beverages are disallowed. (The entertainment cost principle supersedes all others.)
- (k) 31.201-4, 31.205-15, & 31.205-20: Disallowed late fees; Government-imposed fines and penalties; and credit card interest.
- (l) 31.205-36(b)(3): Related-party rent (not an arm's-length transaction) is limited to actual cost of ownership, net of interest and other unallowable items.
- (m) 31.202: Direct costs segregated and removed from indirect cost pool.

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## Unallowable Costs

- Reference: Subpart E Cost Principles of Part 200
- Review Federal award
- Additional determination of unallowable costs with FAR references can be found on Appendix C in the AASHTO Uniform Audit and Accounting Guide.

**Key**  
† - See Exceptions. (\*) - Requires advance agreement or verifiable methodology.

**KEYWORD INDEX: 48 CFR Chapter 1, Part 31 (Federal Acquisition Regulation Part 31)**

Citation	Key Words	Generally Allowable?
31.205-8(d)(1)	Accrual of Compensation Expenses (allowable).	YES†
31.201-2(d)	Adequate Recordkeeping (requirement for, and Contracting Officer's authority to disallow unsupported costs).	--
31.109	Advance Agreements: defined and requirements of (in writing, executed by both parties, stated duration).	--
31.205-1(b)	Advertising defined (generally, allowability is limited to recruitment costs).	YES - help wanted
31.205-1(d)	Advertising (allowable types of).	YES
31.205-1(f)	Advertising (unallowable types of).	NO
31.205-38(b)(1)	Advertising as a part of selling costs.	NO
31.205-51	Alcoholic Beverages.	NO
31.205-48(b)	Airfare, generally.	YES
31.205-48(c)	Aircraft owned by consultants.	YES†
31.201-4	Allocability (allowability, reasonableness, and allocability).	--
31.201-2 & 31.204	Allowability (reasonable, allocable, CAS Compliant, meets terms of contract, & not otherwise unallowable).	--
31.205-52	Asset Valuations Resulting from Business Combinations.	--
31.201-8(a)	Associated Costs, defined (costs associated with unallowables). See also CAS 405.	NO
31.205-48(a)(1)	Automobile: Mileage Costs.	YES
31.205-8(m)(2)	Automobile: Personal Use of (see also 31.205-48(d)). Includes commuting and other personal costs.	NO
31.205-8(f)(1)	Awards for Employees (Performance-Based Awards--bonus and incentive compensation).	YES
31.205-18(c)	B&P: Bid and Proposal Costs (allowability of).	YES
31.205-8(h)	Back pay (generally unallowable).	NO
31.205-3	Bad Debts (and directly-associated costs).	NO
31.205-8(p)	BCA (Benchmark Compensation Amount) - statutory limit on executive compensation. (Not a safe harbor or guaranteed amount of cost recovery.)	--
31.205-4	Bonding Costs (e.g., bid, performance, payment, infringement, and fidelity).	YES
31.205-0(f)	Bonuses and Incentive Pay, generally. (See 31.205-0(f)(1)(ii) for required basis and support.)	YES

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## Appendix VII to Part 200-States and Local Government and Indian Tribe Indirect Cost Proposals-Section D.2.

### Item F - Certification of Indirect Costs – Gov. Org.

#### Certification 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 the provisions of this Part. Unallowable costs have been adjusted for in allocating costs as indicated in the indirect cost proposal
- (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: \_\_\_\_\_

# Requirements for Compliance-2 CFR 200

Appendix IV to Part 200-Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations-Section D.4.

## Item F - Certification of Indirect Costs-NonProfit Org.

### Certification 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) I have reviewed the indirect cost proposal submitted herewith;
- (2) All costs included in this proposal **[identify date]** to establish billing or final indirect costs rate for **[identify period covered by rate]** are allowable in accordance with the requirements of the Federal awards to which they apply and with Subpart E-Cost Principles of Part 200.
- (3) This proposal does not include any costs which are unallowable under Subpart E-Cost Principles of Part 200 such as (without limitation): public relations costs, contributions and donations, entertainment costs, fines and penalties, lobbying costs, and defense of fraud proceedings; and
- (4) All costs included in this proposal are properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expense incurred and the Federal awards to which they are allocated in accordance with applicable requirements

I declare that the foregoing is true and correct.

Nonprofit Organization: \_\_\_\_\_

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

Name of Official: Title: \_\_\_\_\_

Date of Execution: \_\_\_\_\_

# Requirements for Compliance

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### Item G: Listing of Grants and Contracts with MoDOT

- Federal Award Identification Number
- Sub recipient name
- Federal Award Date
- Period of Performance Start and End Date
- Total Amount of the Federal Award
- Project description

**This information assists Pass-Through agencies, like MoDOT, to reconcile your entities Federal award expenditures with reimbursement paid to your entity.**

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### References:

- 2 CFR Chapter 1, Chapter II, Part 200
- Certification of Cost Allocation Plan
- Certification of Indirect Cost – Gov. Org.
- Certification of Indirect Cost – Non Profit

# Single Audit Requirements

- A non-Federal entity that expends \$750,000 or more during the non-federal entity's fiscal year in Federal awards must have a single or program specific audit conducted for that year in accordance with the provisions of 200.501 of the Super Circular

# Questions?

**Contact:**

**MoDOT**

**Audits and Investigations Division**

**573-751-7446**

**[Sandra.Riley@modot.mo.gov](mailto:Sandra.Riley@modot.mo.gov)**