

<b>Metropolitan Government of Nashville Davidson Co.</b>	<b>Subject:</b> Indirect Cost Planning and Recovery	<b>Revision Date:</b>
<b>Finance Dept. Policy:</b> OMB #1 <b>Effective Date:</b> Sept. 26, 2003	<b>Sponsor:</b> Finance OMB	Pg. 1 of 3

## Purpose

The purpose of this Policy Statement – is to establish uniform guidelines to ensure compliance with Federal, State and Metro laws and regulations governing indirect cost planning and recovery from grantors.

## Definitions

Definitions – The following definitions shall apply to this Policy Statement:

1. Federal OMB Circular A-87 – The Federal, Office and Management and Budget (OMB), “Cost Principles for State and Local Governments”. This circular provides principles and standards for treatment of costs.
2. 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.
3. Departmental Cost Allocation Plan – A department’s plan for cost identification, accumulation, and distribution. See the Metro Cost Accounting Manual page 2 section 4 for additional information. [ [http://www.nashville.gov/finance/Management\\_and\\_Budget/cost\\_accounting.htm](http://www.nashville.gov/finance/Management_and_Budget/cost_accounting.htm) ]
4. 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, State, Corporate, Foundation, private grants and other assistance.
5. 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.
6. 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 Policies

Where allowable under Federal, State and Local statutes and grant regulations, Metro departments and agencies shall develop an annual indirect cost recovery plan. This plan must include both cost identified in the (LOCAP) and departmental indirect cost allocations. Indirect costs must be recovered when funding is made available through reimbursement or draw-down processes, in accordance with the terms of each departmental indirect cost rate proposal or cost allocation plan and applicable Federal, State and Local grantor’s regulations. Departments and agencies shall make provisions for indirect costs in their grant budgets both during the application submission and in the general ledger.

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Departmental indirect cost rate proposals and cost allocation plans must be updated annually to reflect changes in the LOCAP and departmental cost. Updated proposals and plans should be submitted to the Department of Finance, Office of Management and Budget for approval within 90 days of the issuance of the Metro LOCAP Schedule A. A copy of the departmental cost allocation plan shall be retained on file in the department for audit purposes.

Funding requests shall be processed in a timely manner, in accordance with the terms of each grantor's regulations. Grantor financial status reporting - must specifically identify indirect cost recovery amounts in all submissions to the grantor. For all current grants, any amendments shall include indirect cost recovery plans where permissible.

Funds collected from grantors for indirect cost recovery shall be deposited into the General Fund based on guidance provided by the Finance Director or his designee.

### **Applicable Federal & State Regulations**

Federal OMB Circular A-87 – Cost Principles for State and Local Governments, Federal ASMB C-10 - Cost Principles and Procedures for Establishing Cost Allocations Plans and Indirect Cost Rates for Agreements with the Federal Government and other applicable Federal and State regulations.

### **Effective Date**

This Policy Statement - shall become effective upon issuance and shall be applied to all Metro departments and agencies.

### **Exceptions**

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

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## Approvals

Approval of the Director of Finance – I, David Manning, hereby approve this Policy Statement – of the Department of Finance and as such agrees with and authorizes the actions necessary to implement its requirements.



David Manning  
Director of Finance

Date October 1, 2003