# Welcome to Developing DCAA-Compliant Indirect Rates

*Presented by: Gelman, Rosenberg & Freedman CPAs and Aldebaron, Inc. (SYMPAQ)*

The program will start promptly at 12:00 PM ET

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## *Webinar Objectives*

| | |
|---|---|
| **Learning Objective**<br>*To understand the developing DCAA-Compliant Indirect Rates* | **Instructional Delivery Methods**<br>*Group Internet-based* |
| **Recommended CPE**<br>*1.5 CPE Credit* | **Recommended Fields of Study**<br>*Accounting* |
| **Prerequisites**<br>*None required* | **Advance Preparation**<br>*None* |
| **Program Level**<br>*Basic* | **Course Registration Requirements**<br>*None* |
| **Refund Policy**<br>*No fee is required to participate in this session.* | **Cancellation Policy**<br>*In the event that the presentation is cancelled or rescheduled, participants will be contacted immediately with details.* |
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# Developing DCAA-Compliant Indirect Rates

## GovCon Webinar Series: Part 1 of 5

January 23, 2019


*Presenters*

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*Principal, Outsourced Accounting and Advisory Services*
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*Gelman, Rosenberg & Freedman CPAs*

# Our Team

## *Meet Your Instructors*

Paul H. Calabrese

*Principal, Outsourced Accounting and Advisory Services*

*Gelman, Rosenberg & Freedman CPAs*

G. Chris Brown

*President*

*Aldebaron, Inc. (SYMPAQ)*

# Source

- DCAA ICE Template: www.dcaa.mil
- Output reports from SYMPAQ job cost software
  - Fringe Benefits slide 18
  - Overhead report slide 24
  - G&A report slide 32

# Overview

- Single Burden Rate
- Multi-Tired Indirect Rates
  - Service Centers: Fringe, Occupancy
  - Overhead, G&A, Subcontract Administration
- Uniqueness of Bid & Proposal (B&P) and IR&D
- What does the FAR say about rates
- Order in allocations (step-down)
- Analysis of Indirect Rates

# Poll Question #1

My level of understanding regarding FAR Part 31, CAS, OMB Circulars and special contract requirements is _____.

*A) excellent*
*B) good*
*C) fair*
*D) in need of improvement*

# Basic Indirect Rate Model

$$\frac{150}{1{,}000} = 15\%$$

What are indirect rates? The fraction is a mathematical expression of your administrative infrastructure at the contract level oversight (overhead), overall entity (G&A), or specialized self-liquidating pools for fringe benefits on labor or occupancy on square feet, or IT on hours (not discussed in this presentation).

# Single Burden Rate

The Uniqueness of One Indirect Rate

# Single Burden Structure

- 1 cost pool with components of fringe and G&A (General & Administrative) – type expenses
- Allocation base includes only direct labor dollars
- Presented indirect rate for negotiation

# Single Overhead – Pool & Base Summary

SCHEDULE A

Schedule A is linked to the following schedules:
Schedule C, Overhead
Schedule E, Bases

**ABC Corp**
**Anywhere, USA**

**ICE (version 2.0.1a)**

**Summary of Claimed Indirect Rates**
**FYE 12/31/2017**

ICE MANUAL

| COST ELEMENT | CLAIMED | REFERENCE |
|---|---|---|
| **Overhead*** | | |
| POOL | 312,240 | SCHED C (1) |
| BASE | 230,000 | SCHED E |
| O/H RATE | **135.76%** | |

Imported from Other Worksheet

Cell Contains a Formula

**Explanatory Notes:**

***=ABC Corp. uses a single overhead pool without a G&A pool as proposed in their contracts.**

# Single Overhead Cost Pool – Detail

Schedule C is linked to the following schedules:
Schedule D(x)

ICE MANUAL

**ABC Corporation**
**Anywhere, USA**

**Overhead***
**FYE 12/31/2017**

**SCHEDULE C (1)**
**ICE (version 2.0.1a)**

| ACCOUNT NUMBER | DESCRIPTION | Acct Balances Amount | TOTAL PER G/L & TRIAL BAL/FS | ADJUSTMENTS | CLAIMED | Notes | Ref. |
|---|---|---|---|---|---|---|---|
| 61100 | Incentive Compensation | 5,000.00 | 5,000 | | 5,000 | | |
| 61200 | PTO | 20,000.00 | 20,000 | | 20,000 | | |
| 61300 | Holiday Leave | 4,200.00 | 4,200 | | 4,200 | | |
| 61500 | Group Health Insurance | 18,500.00 | 18,500 | - | 18,500 | | - |
| 61600 | Life Insurance | 8,000.00 | 8,000 | | | | |
| 61700 | Disability Insurance | 2,000.00 | 2,000 | | 2,000 | | |
| 61800 | Pension | 40,000.00 | 40,000 | | 40,000 | | |
| 61900 | Payroll Taxes | 25,000.00 | 25,000 | | 25,000 | | |
| 71100 | Business Meals | 400.00 | 400 | | 400 | | |
| 71300 | Computer Hardware | 876.00 | 876 | | 876 | | |
| 71400 | Computer Software | 350.00 | 350 | | 350 | | |
| 71500 | Conferences & Meetings | 365.00 | 365 | | 365 | | |
| 71600 | Delivery Fee | 231.00 | 231 | | 231 | | |
| 71900 | Electricity | 7,000.00 | 7,000 | | 7,000 | | |
| 72100 | Equipment Rental Fee | 450.00 | 450 | | 450 | | |
| 72300 | General Insurance | 2,300.00 | 2,300 | - | 2,300 | | |
| 72600 | Internet Expense | 888.00 | 888 | | 888 | | |
| 72700 | Labor - Bid & Proposal | 26,000.00 | 26,000 | | 26,000 | | |
| 72800 | Labor - IR&D | 0.00 | - | | - | | |
| 72900 | Labor - Overhead | 80,000.00 | 80,000 | | 80,000 | | |
| 73000 | Laboratory Supplies | 16,620.21 | 16,620 | | 16,620 | | |

# Single Overhead Cost Pool – Detail *(continued)*

| | | | | | | |
|---|---|---|---|---|---|---|
| 73200 | Local Travel | 46.00 | 46 | | 46 | |
| 73300 | Meals & Entertainment | 555.00 | 555 | | 555 | |
| 73400 | Temp / Contract Labor | 7,759.00 | 7,759 | | 7,759 | |
| 73500 | Office Supplies | 1,123.62 | 1,124 | | 1,124 | |
| 73800 | Professional Expenses | 3,000.00 | 3,000 | | 3,000 | |
| 74200 | Rent | 30,000.00 | 30,000 | | 30,000 | |
| 74300 | Taxes and Licenses | 2,499.00 | 2,499 | | 2,499 | |
| 74400 | Telephone Expense | 4,447.00 | 4,447 | | 4,447 | |
| 74500 | Travel Expense | 800.00 | 800 | | 800 | |
| 81000 | Bank Service Charges | 230.00 | 230 | | 230 | |
| 81100 | Depreciation Expense | 5,600.00 | 5,600 | | 5,600 | |
| 81600 | Accounting Fees | 6,000.00 | 6,000 | | 6,000 | |
| 91200 | Charitable Contributions | 455.00 | 455 | (455) | - | Unallowable |
| 91400 | Interest | 700.00 | 700 | (700) | - | Unallowable |
| 91500 | Keyman Insurance | 300.00 | 300 | (300) | - | Unallowable |
| 93200 | Salaries | 0.00 | - | - | - | Unallowable |
| 93000 | Miscellanous | 339.00 | 339 | (339) | - | Unallowable |
| 94000 | | 0.00 | - | | - | |
| | Subtotal | 322,034 | 322,034 | (1,794) | 312,240 | |
| | Total Overhead Pool | | 322,034 | (1,794) | 312,240 | |

**Explanatory Notes:**

***=ABC Corp. uses a single overhead pool without a G&A pool as proposed in their contracts.**

# Multiple-Tier Indirect Rates

Typically Used by Government Contractors

# Multi-Tiered Indirect Rates

Level 5 – G&A Applied to Total Cost Input

Level 4 – Overhead (O/H) to (D/L + Fringe)

Level 3 – Occupancy Allocated to O/H and G&A sq/ft

Level 2 – Fringe Allocated to Direct and Indirect Labor (O/H and G&A)

Level 1 – Direct costs

# Presentation of Typical Negotiated Rates

Schedule A is linked to the following schedules:
Schedule C, Overhead
Schedule B, G&A
Schedule D, Occupancy
Schedule F, Cost of Money
Schedule E, Bases

**XYZ Corporation**
**Anywhere, USA**

**ICE (version 2.0.1c)**

**Summary of all Claimed Indirect Rates**
**Fiscal Year End - 12/31/2017**

ICE MANUAL

| COST ELEMENT | CLAIMED | REFERENCE |
|---|---|---|
| **Overhead** | | |
| POOL | 499,174 | SCHED C (1) |
| BASE | 832,002 | SCHED E |
| O/H RATE | 60.00% | |
| **General and Administrative (G&A) Expenses** | | |
| POOL | 330,298 | SCHED B |
| BASE | 3,310,318 | SCHED E |
| G& A RATE | 9.98% | |
| **Fringe Pool** | | |
| POOL | 208,000 | FRINGE |
| BASE | 779,891 | |
| FRINGE RATE | 26.67% | |
| **Occupancy Pool** | | |
| POOL | 154,803 | |
| BASE - (i.e. Sq. Ft.) | 18,492 | |
| Cost per Square Foot | $ 8.37 | |

# Service Centers

## Fringe and Occupancy

# Definitions

- Service Centers are intermediate cost objectives since they are indirect cost pools that retain cost to be further allocated to both direct and indirect components within a final cost objective until there are zero dollars remaining in the pool.
- Types of Service Centers
  - Fringe benefits allocated to productive labor: direct, overhead and G&A
  - Occupancy is apportioned to both G&A and overhead cost pools based on the cost centers' square footage or labor dollars.
  - Human resources is apportioned to both G&A and overhead cost pools based on the number of employees (headcount) assigned to those particular cost centers. (No example provided in this session.)

# Definitions *(continued)*

- Benefits Provided To Employees
- Paid Absence (Vacation, Holiday & Sick Leave)
- Payroll Taxes
- Pension Plan
- Group Ins (Health, Life & Disability)
- Tuition Assistance
- Public transportation

# Fringe Benefits Report

**Analysis of Indirect Rates**

For Period 01-2016

**Tier: Fringe Benefits** **Pool/Base: Company Fringe Benefits**

| CC | Account ID | Account Name | PTD Actual | PTD Budgeted | YTD Actual | YTD Budgeted |
|---|---|---|---|---|---|---|
| 00 | 6210.00 | VACATION LEAVE-EARNED | $3,399.86 | $5,000.00 | $3,399.86 | $5,000.00 |
| 00 | 6220.00 | OTHER LEAVE-USED | $1,445.65 | $5,000.00 | $1,445.65 | $5,000.00 |
| 00 | 6300.00 | INSURANCE | $2,828.00 | $3,000.00 | $2,828.00 | $3,000.00 |
| | | Unadjusted Pool Total | $7,673.51 | $13,000.00 | $7,673.51 | $13,000.00 |
| | | Adjusted Pool Total | $7,673.51 | $13,000.00 | $7,673.51 | $13,000.00 |
| 00 | 8000.00 | G&A LABOR | $2,306.31 | $3,000.00 | $2,306.31 | $3,000.00 |
| 10 | 5000.00 | DIRECT LABOR | $28,753.92 | $100,000.00 | $28,753.92 | $100,000.00 |
| 10 | 5000.BP | B&P LABOR | $1,638.41 | $2,500.00 | $1,638.41 | $2,500.00 |
| 10 | 5005.00 | DIRECT LABOR OVERTIME | $75.00 | $500.00 | $75.00 | $500.00 |
| 10 | 7000.00 | OVERHEAD LABOR | $2,248.57 | $30,000.00 | $2,248.57 | $30,000.00 |
| 20 | 5000.00 | DIRECT LABOR | $42,604.36 | $45,000.00 | $42,604.36 | $45,000.00 |
| 20 | 5000.BP | B&P LABOR | $807.50 | $1,500.00 | $807.50 | $1,500.00 |
| 20 | 5005.00 | DIRECT LABOR OVERTIME | $1,643.21 | $2,500.00 | $1,643.21 | $2,500.00 |
| 20 | 7000.00 | OVERHEAD LABOR | $1,994.82 | $2,000.00 | $1,994.82 | $2,000.00 |
| | | Unadjusted Base Total | $82,072.10 | $187,000.00 | $82,072.10 | $187,000.00 |
| | | Adjusted Base Total | $82,072.10 | $187,000.00 | $82,072.10 | $187,000.00 |
| | | Rate | 9.35% | 6.95% | 9.35% | 6.95% |

# Fringe Cost Pool Detail

Schedule Fringe is linked to the following schedule(s):
Schedule D(x)
ICE MANUAL

**XYZ Corporation**
**Anywhere, USA**

**Fringe Pool**
**Fiscal Year End - 12/31/2017**

| ACCOUNT NUMBER | DESCRIPTION | PER G/L & TRIAL BAl | ADJUSTMENT | CLAIMED |
|---|---|---|---|---|
| 6000 | Vacation Leave | 45,000 | | 45,000 |
| 6001 | Sick Leave | 5,000 | | 5,000 |
| 6002 | Holiday Leave | 13,000 | | 13,000 |
| 6010 | Payroll Taxes | 40,000 | | 40,000 |
| 6020 | Group Health/Life Insurance | 52,000 | | 52,000 |
| 6021 | Disability Insurance | 2,000 | | 2,000 |
| 6022 | Workers Compensation | 7,500 | | 7,500 |
| 6030 | 401k Contribution | 37,500 | | 37,500 |
| 6040 | Tuition Reimbursement | 5,000 | | 5,000 |
| 6050 | Metro Allowance | 1,000 | | 1,000 |
| | **Total** | 208,000 | - | 208,000 |

# Fringe Allocation Base Detail

Schedule Fringe is linked to the following schedule(s):
Schedule D(x)
ICE MANUAL

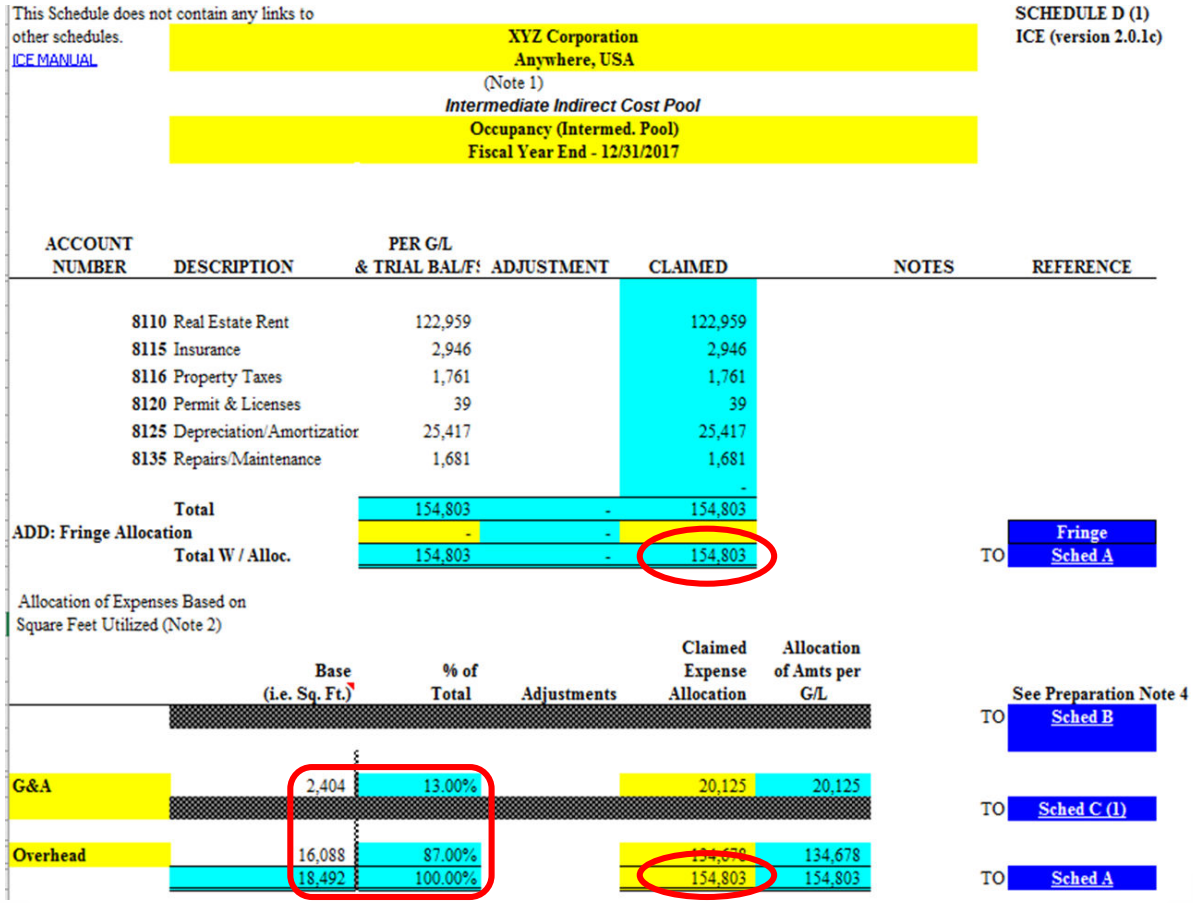
**XYZ Corporation**
**Anywhere, USA**

**Fringe Pool**
**Fiscal Year End - 12/31/2017**

**SCHEDULE Fringe**
**ICE (version 2.0.1c)**

| ACCOUNT NUMBER | DESCRIPTION | PER G/L & TRIAL BAL | ADJUSTMENT | CLAIMED | | APPLIED FRINGE | NOTES | REFERENCE |
|---|---|---|---|---|---|---|---|---|
| Fringe Allocation Base: | Base Labor Dollars | % of Total | Adjustments | Claimed Expense Allocation | Allocation based on Per GL Amts | | | See Preparation Note 4 |
| G & A | | | | | | | | TO Sched B |
| G&A Labor | 90,007 | 11.54% | | 24,005 | 24,005 | | | |
| IR&D Labor | 14,287 | 1.83% | | 3,810 | 3,810 | 3,810 | | |
| B&P Labor | 9,525 | 1.22% | | 2,540 | 2,540 | 2,540 | | |
| | | | | | | | | TO Sched C (1) |
| Overhead Labor | 33,060 | 4.24% | | 8,817 | 8,817 | | | |
| Direct Labr | 633,012 | 81.17% | | 168,827 | 168,827 | 168,827 | | |
| | | | | | | | | TO Sched C (6) |
| Occupancy Labor | - | 0.00% | | - | - | | | |
| Fringe Allocation Base | 779,891 | 100.00% | | 208,000 | 208,000 | 175,178 | | |

# Occupancy Pool & Base Detail



This Schedule does not contain any links to other schedules.
ICE MANUAL

SCHEDULE D (1)
ICE (version 2.0.1c)

**XYZ Corporation**
**Anywhere, USA**
(Note 1)
***Intermediate Indirect Cost Pool***
**Occupancy (Intermed. Pool)**
**Fiscal Year End - 12/31/2017**

| ACCOUNT NUMBER | DESCRIPTION | PER G/L & TRIAL BAL/FS | ADJUSTMENT | CLAIMED | NOTES | REFERENCE |
|---|---|---|---|---|---|---|
| 8110 | Real Estate Rent | 122,959 | | 122,959 | | |
| 8115 | Insurance | 2,946 | | 2,946 | | |
| 8116 | Property Taxes | 1,761 | | 1,761 | | |
| 8120 | Permit & Licenses | 39 | | 39 | | |
| 8125 | Depreciation/Amortizatior | 25,417 | | 25,417 | | |
| 8135 | Repairs/Maintenance | 1,681 | | 1,681 | | |
| | | | | - | | |
| | Total | 154,803 | - | 154,803 | | |
| ADD: Fringe Allocation | | - | - | | | Fringe |
| | Total W / Alloc. | 154,803 | - | 154,803 | | TO Sched A |

Allocation of Expenses Based on Square Feet Utilized (Note 2)

| | Base (i.e. Sq. Ft.) | % of Total | Adjustments | Claimed Expense Allocation | Allocation of Amts per G/L | |
|---|---|---|---|---|---|---|
| | | | | | | See Preparation Note 4 |
| | | | | | | TO Sched B |
| G&A | 2,404 | 13.00% | | 20,125 | 20,125 | |
| | | | | | | TO Sched C (1) |
| Overhead | 16,088 | 87.00% | | 134,678 | 134,678 | |
| | 18,492 | 100.00% | | 154,803 | 154,803 | TO Sched A |

# Poll Question #2

We have assessed our indirect cost rate structure and identified areas of potential non-compliance _____.

*A) within the last month*
*B) within the last year*
*C) not yet but we anticipate the need soon*

# Overhead

## Under a Multi-Tired Rate Structure

# Overhead

- Overhead is a cost pool often predicated on a direct labor plus B&P labor allocation base including applied fringe benefits to both.
- A local overhead relates to smaller segments of the company based on:
  - Business line or type of contractual services,
  - Manufacturing or engineering,
  - On-site or off-site overheads, or
  - Geographic rates
- Presented indirect rate for negotiation

# Overhead Report

**Analysis of Indirect Rates**

For Period 01-2016

**Tier: Overhead - MC** **Pool/Base: Overhead - MC**

| CC | Account ID | Account Name | PTD Actual | PTD Budgeted | YTD Actual | YTD Budgeted |
|---|---|---|---|---|---|---|
| 20 | 7000.00 | OVERHEAD LABOR | $1,994.82 | $2,000.00 | $1,994.82 | $2,000.00 |
| 20 | 7100.00 | TRAVEL | $150.00 | $500.00 | $150.00 | $500.00 |
| 20 | 7300.00 | SUPPLIES | $1,175.00 | $1,000.00 | $1,175.00 | $1,000.00 |
| 20 | 7515.00 | DEP EXP FURNITURE & | $50.00 | $50.00 | $50.00 | $50.00 |
| 20 | 7525.00 | DEP EXP EQUIPMENT | $100.00 | $50.00 | $100.00 | $50.00 |
| | | Unadjusted Pool Total | $3,469.82 | $3,600.00 | $3,469.82 | $3,600.00 |
| | | Fringe Allocation | $186.51 | $139.04 | $186.51 | $139.04 |
| | | Adjusted Pool Total | $3,656.33 | $3,739.04 | $3,656.33 | $3,739.04 |
| 20 | 5000.00 | DIRECT LABOR | $42,604.36 | $45,000.00 | $42,604.36 | $45,000.00 |
| 20 | 5000.BP | B&P LABOR | $807.50 | $1,500.00 | $807.50 | $1,500.00 |
| 20 | 5005.00 | DIRECT LABOR OVERTIME | $1,643.21 | $2,500.00 | $1,643.21 | $2,500.00 |
| | | Unadjusted Base Total | $45,055.07 | $49,000.00 | $45,055.07 | $49,000.00 |
| | | Fringe Allocation | $4,212.52 | $3,406.42 | $4,212.52 | $3,406.42 |
| | | Adjusted Base Total | $49,267.59 | $52,406.42 | $49,267.59 | $52,406.42 |
| | | Rate | 7.42% | 7.13% | 7.42% | 7.13% |

# Overhead Cost Pool - Detail

Schedule C is linked to the following schedules:
Schedule D(x)

ICE MANUAL

**SCHEDULE C (1)**
**ICE (version 2.0.1c)**

**XYZ Corporation**
**Anywhere, USA**

***Overhead Expenses (final indirect cost pool)***

**Overhead**
**Fiscal Year End - 12/31/2017**

**RECHECK FORMULAS AND LINKS AFTER COMPLETING SCHEDULE**

| ACCOUNT NUMBER | DESCRIPTION | TOTAL PER G/L & TRIAL BAL/FS | ADJUSTMENTS | CLAIMED | Notes | Ref. |
|---|---|---|---|---|---|---|
| 7003 | Office Supplies | 6,461 | | 6,461 | | |
| 7004 | Small Equipment | 878 | | 878 | | |
| 7005 | Temp Help | 1,816 | | 1,816 | | |
| 7006 | Other Outside Services | 30,281 | | 30,281 | | |
| 7007 | Relocation | 1,216 | (777) | 439 | 1 | |
| 7008 | Business Meals | 2,702 | | 2,702 | | |
| 7009 | Telephone | 45,552 | | 45,552 | | |
| 7010 | Telcopier | 2,434 | | 2,434 | | |
| 7011 | Equipment Rental | 27,150 | | 27,150 | | |
| 7012 | Recruitment | 285 | | 285 | | |
| 7013 | Dues/Memberships | 2,112 | (500) | 1,612 | 2 | |
| 7014 | Insurance | 738 | | 738 | | |
| 7015 | Security systems | 2,824 | | 2,824 | | |
| 7016 | Repairs/Maintenance | 1,681 | | 1,681 | | |
| 7017 | Periodicals | 20,181 | | 20,181 | | |
| 7018 | Conventions/Seminars | 25,440 | | 25,440 | | |
| 7019 | Travel Expenses | 14,318 | | 14,318 | | |

# Overhead Cost Pool – Detail *(continued)*

| | | | | | |
|---|---|---|---|---|---|
| 7020 | Auto Expense | 32,419 | (23,023) | 9,396 | 3 |
| 7021 | Internet - website fees | 23,612 | | 23,612 | |
| 7022 | Taxes / Licenses | 1,210 | | 1,210 | |
| 7023 | Non-Capital Tools | 5,812 | | 5,812 | |
| 7024 | Computer Supplies | 3,311 | | 3,311 | |
| 7025 | Employee Training / Certifications | 31,097 | | 31,097 | |
| 7026 | OSHA Physicals | 6,833 | | 6,833 | |
| 7027 | Marketing | 58,320 | (8,612) | 49,708 | 4 |
| 7028 | Miscellaneous | 612 | | 612 | |
| | | - | | - | |
| | | - | | - | |
| | **Subtotal** | 388,590 | (32,912) | 355,678 | |
| **Intermediate Allocations (Claimed Amounts):** | | | | | |
| | Occupancy | 134,678 | - | 134,678 | Sched D (1) |
| **ADD: Fringe Allocation** | | 8,817 | - | 8,817 | Fringe |
| | **Total Overhead Pool** | 532,086 | (32,912) | 499,174 | |

**Explanatory Notes:**

1. Moving expenses in excess of those allowed by FAR 31.205-35.
2. Membership Fees and Tennis Dues for one individual - not allowable per FAR 31.205-14
3. Personnal use of auto per travel cost principle FAR 31.205-46(d)
4. Public relations & advertising: general purpose trade shows per FAR 31.205-1(f)(2)

# Components of Overhead Base

| Overhead | PER G/L, F/S & TRIAL BAL/FS | PER G/L ADJUSTMENTS | CLAIMED | Notes | Ref. |
|---|---|---|---|---|---|
| Total Contract Labor | $ 633,012 | | $ 633,012 | | Summary Sched H |
| IR&D Labor | 14,287 | | 14,287 | 1 | " |
| B&P Labor | 9,525 | | 9,525 | 1 | |
| Fringe on D/L (before adjustments) | 175,178 | | 175,178 | | " |
| **Total Overhead Base** | $ 832,002 | $ - | $ 832,002 | | |
| **Overhead Rate** | 63.95% | | 60.00% | | |

**Overhead Base* - Straight time direct labor dollars of all contracts and projects including labor costs of IR&D/B&P projects plus fringe on direct labor.**

# General & Administration (G&A)

Benefits the Entire Company

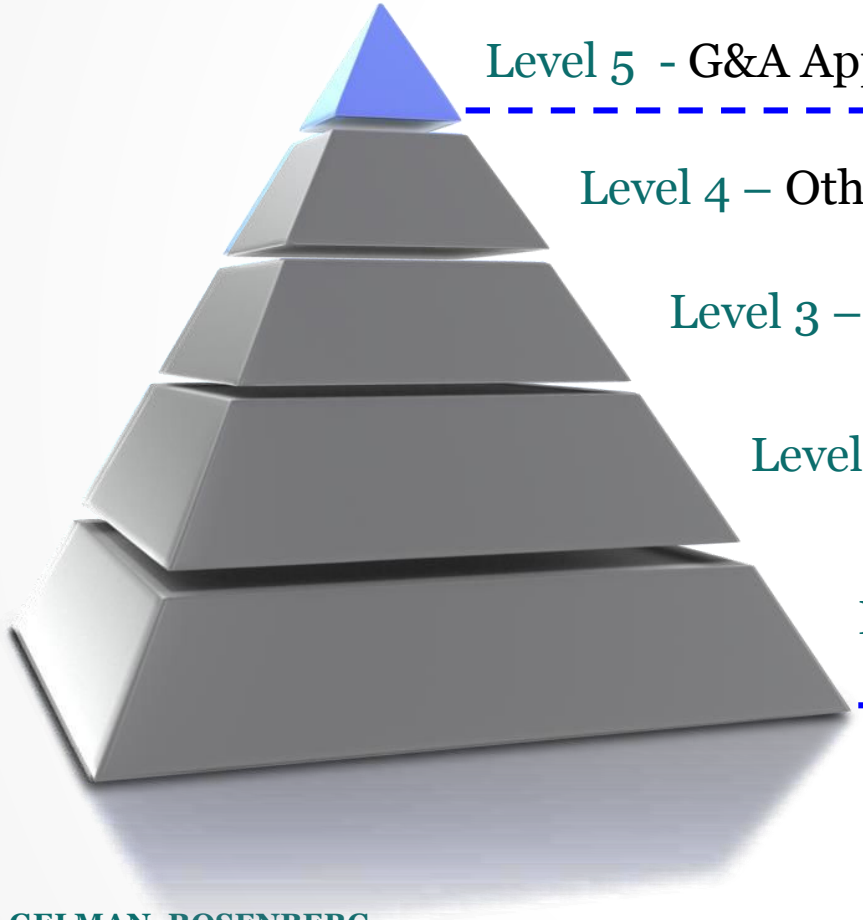
# G&A Cost Pool

- Overall general executive and administrative offices that do not solely relate to any major function of contractor.
- Include allocable portion of fringe on indirect labor
- Executive staff (CEO, COO, VPs)
- Finance (CFO, Controller)
- HR, safety and risk management
- Budget and planning, bid & proposal, facilities
- Legal/General counsel
- Information Technology
- Sometimes fringe, occupancy resides in G&A

# G&A Allocation Base

- G&A Total Cost Input Base:
- Direct labor + applied fringe
- Other Direct Cost (travel, supplies, misc.)
  - Subcontracts
  - Material & Consultants
- Value added G&A Base may exclude:
- Subcontracts/Material/Consultants
- Presented indirect rate for negotiation

# G&A Allocation to TCI



Level 5 - G&A Applied to Total Cost Input Base

Level 4 – Other Direct Cost (ODC)

Level 3 – Overhead (O/H) to (D/L + Fringe)

Level 2 – Fringe Applied to Direct Labor (D/L)

Level 1 – Direct Labor

# G&A Report

**Analysis of Indirect Rates**

For Period 01-2001

**Tier: General & Administrative Pool/Base: General & Administrative**

| CC | Account ID | Account Name | PTD Actual | PTD Budgeted | YTD Actual | YTD Budgeted |
|---|---|---|---|---|---|---|
| 00 | 8000.00 | G&A LABOR | $2,306.31 | $3,000.00 | $2,306.31 | $3,000.00 |
| 00 | 8100.00 | TRAVEL | $700.00 | $1,000.00 | $700.00 | $1,000.00 |
| 00 | 8200.00 | OCCUPANCY | $2,575.00 | $2,575.00 | $2,575.00 | $2,575.00 |
| 00 | 8300.00 | SUPPLIES | $400.00 | $550.00 | $400.00 | $550.00 |
| 00 | 8400.00 | OUTSIDE PROFESSIONAL | $1,750.00 | $2,500.00 | $1,750.00 | $2,500.00 |
| 00 | 8515.00 | DEP EXP FURNITURE & | $25.00 | $100.00 | $25.00 | $100.00 |
| | | Unadjusted Pool Total | $7,756.31 | $9,725.00 | $7,756.31 | $9,725.00 |
| | | Fringe Allocation | $220.47 | $412.70 | $220.47 | $412.70 |
| | | B&P | $3,337.51 | $3,800.72 | $3,337.51 | $3,800.72 |
| | | Adjusted Pool Total | $11,314.29 | $13,938.42 | $11,314.29 | $13,938.42 |
| 00 | 6210.00 | VACATION LEAVE-EARNED | $3,399.86 | $5,000.00 | $3,399.86 | $5,000.00 |
| 00 | 6220.00 | OTHER LEAVE-USED | $1,445.65 | $5,000.00 | $1,445.65 | $5,000.00 |
| 00 | 6300.00 | INSURANCE | $3,000.00 | $3,000.00 | $3,000.00 | $3,000.00 |
| 10 | 5000.00 | DIRECT LABOR | $28,753.92 | $30,000.00 | $28,753.92 | $30,000.00 |
| 10 | 5000.BP | B&P LABOR | $1,638.41 | $2,500.00 | $1,638.41 | $2,500.00 |
| 10 | 5005.00 | DIRECT LABOR OVERTIME | $75.00 | $500.00 | $75.00 | $500.00 |
| 10 | 5100.00 | TRAVEL | $2,400.00 | $5,000.00 | $2,400.00 | $5,000.00 |
| 10 | 5100.BP | TRAVEL-B&P | $300.00 | $0.00 | $300.00 | $0.00 |
| 10 | 5200.00 | OTHER DIRECT COSTS | $2,325.00 | $10,000.00 | $2,325.00 | $10,000.00 |
| 10 | 5300.00 | CONSULTANTS | $0.00 | $1,000.00 | $0.00 | $1,000.00 |
| 10 | 5400.00 | SUBCONTRACTS | $26,000.00 | $20,000.00 | $26,000.00 | $20,000.00 |
| 10 | 7000.00 | OVERHEAD LABOR | $2,248.57 | $3,500.00 | $2,248.57 | $3,500.00 |
| 10 | 7100.00 | TRAVEL | $225.00 | $1,000.00 | $225.00 | $1,000.00 |
| 10 | 7300.00 | SUPPLIES | $1,200.00 | $1,000.00 | $1,200.00 | $1,000.00 |
| 10 | 7515.00 | DEP EXP FURNITURE & | $50.00 | $100.00 | $50.00 | $100.00 |
| 10 | 7525.00 | DEP EXP EQUIPMENT | $100.00 | $100.00 | $100.00 | $100.00 |
| 20 | 5000.00 | DIRECT LABOR | $42,604.36 | $45,000.00 | $42,604.36 | $45,000.00 |
| 20 | 5000.BP | B&P LABOR | $807.50 | $1,500.00 | $807.50 | $1,500.00 |
| 20 | 5005.00 | DIRECT LABOR OVERTIME | $1,643.21 | $2,500.00 | $1,643.21 | $2,500.00 |
| 20 | 5100.00 | TRAVEL | $1,800.00 | $500.00 | $1,800.00 | $500.00 |
| 20 | 5100.BP | TRAVEL-B&P | $75.00 | $0.00 | $75.00 | $0.00 |
| 20 | 5200.00 | OTHER DIRECT COSTS | $175.00 | $500.00 | $175.00 | $500.00 |
| 20 | 5400.00 | SUBCONTRACTS | $11,500.00 | $8,000.00 | $11,500.00 | $8,000.00 |
| 20 | 7000.00 | OVERHEAD LABOR | $1,994.82 | $2,000.00 | $1,994.82 | $2,000.00 |
| 20 | 7100.00 | TRAVEL | $150.00 | $500.00 | $150.00 | $500.00 |
| 20 | 7300.00 | SUPPLIES | $1,175.00 | $1,000.00 | $1,175.00 | $1,000.00 |
| 20 | 7515.00 | DEP EXP FURNITURE & | $50.00 | $50.00 | $50.00 | $50.00 |
| 20 | 7525.00 | DEP EXP EQUIPMENT | $100.00 | $50.00 | $100.00 | $50.00 |
| | | Unadjusted Base Total | $135,236.30 | $149,300.00 | $135,236.30 | $149,300.00 |
| | | Fringe Allocation | ($220.47) | ($412.70) | ($220.47) | ($412.70) |
| | | B&P | ($3,337.51) | ($3,800.72) | ($3,337.51) | ($3,800.72) |
| | | Adjusted Base Total | $131,678.32 | $145,086.58 | $131,678.32 | $145,086.58 |
| | | Rate | 8.59% | 9.61% | 8.59% | 9.61% |

# G&A Cost Pool Detail

Schedule B is linked to the following schedules:
Sched D (x), Intermediate Allocations
Sched E, Bases
Sched H, Contract Costs
Summary Sch H
Sched P, IR&DIB&P
ICE MANUAL

**SCHEDULE B**
**ICE (version 2.0.1c)**

**XYZ Corporation**
**Anywhere, USA**

**General and Administrative (G&A) Expenses**
**Fiscal Year End - 12/31/2017**

RECHECK FORMULAS AND LINKS AFTER COMPLETING SCHEDULE

| ACCOUNT NUMBER | DESCRIPTION | G/L, F/S & TRIAL BAL. | ADJUSTMENT | CLAIMED | NOTES | Reference |
|---|---|---|---|---|---|---|
| | | - | | - | | |
| 8310 | Salaries & Wages | 90,007 | | 90,007 | 1 | |
| 8320 | Legal Fees | 1,744 | | 1,744 | | |
| 8330 | Audit Fees | 32,361 | | 32,361 | | |
| 8340 | Accounting Fees | 32,361 | | 32,361 | | |
| 8501 | Travel | 12,987 | (1,295) | 11,692 | 2 | |
| 8503 | Entertainment | 484 | (484) | - | 3 | |
| 8505 | Advertising & Promotion | 354 | (287) | 67 | 4 | |
| 8522 | Bad Debts | 3,018 | (3,018) | - | 5 | |
| 8520 | Periodicals | 6,435 | | 6,435 | | |
| 8523 | Conventions/Seminars | 7,936 | (319) | 7,617 | 4 | |
| 8527 | Interest Expense | 1,001 | (1,001) | - | 6 | |
| 8528 | Equipment Rental | 2,321 | | 2,321 | | |
| 8540 | Insurance | 5,812 | | 5,812 | | |
| 8530 | Outside Clerical | 987 | | 987 | | |
| 8531 | Office Supplies & Expenses | 1,082 | | 1,082 | | |
| 8532 | Computer Supplies | 3,815 | | 3,815 | | |
| 8535 | Postage / Courier | 183 | | 183 | | |
| 8536 | Reproduction / Printing | 910 | | 910 | | |
| 8537 | Taxes / Licenses | 515 | | 515 | | |
| 8549 | Long Distance Telephone | 8,912 | | 8,912 | | |
| 8550 | Local Telephone | 1,087 | | 1,087 | | |
| 8551 | Marketing | 12,318 | (1,883) | 10,435 | 7 | |
| 8552 | Miscellaneous | 3,357 | | 3,357 | | |

# B&P/IR&D Detail within G&A Cost Pool

| | | | | | | |
|---|---|---|---|---|---|---|
| SUBTOTAL | 229,987 | (8,287) | 221,700 | | | |
| Intermediate Allocations: | | | | | | |
| Occupancy | 20,125 | (0) | 20,125 | | Sched D (1) | |
| ADD: Fringe Allocation | 24,005 | - | 24,005 | | Fringe | |
| SUBTOTAL | 274,117 | (8,287) | 265,830 | | | |
| IR & D Mat'l,Trvl,ODC(Sum SCH H) | 9,724 | | 9,724 | | SUM SCHED H | |
| IR & D Labor (Sum SCH H) | 14,287 | | 14,287 | | SUM SCHED H | |
| IR&D Fringe | 3,810 | - | 3,810 | | | |
| IR & D Overhead(Sum SCH H & SCH E) | 11,573 | (715) | 10,858 | 8 | SUM SCHED H | SCHED E |
| B & P Mat'l,Trvl, ODC(Sum SCH H) | 6,485 | | 6,485 | | SUM SCHED H | |
| B & P Labor (Sum SCH H) | 9,525 | | 9,525 | | SUM SCHED H | |
| B&P Fringe | 2,540 | - | 2,540 | | | |
| B & P Overhead(Sum SCH H & SCH E) | 7,716 | (477) | 7,239 | 8 | SUM SCHED H | SCHED E |
| Subtotal IR&D + B&P | 65,660 | (1,192) | 64,468 | | | |
| TOTAL G & A EXPENSE POOL | 339,777 | (9,479) | 330,298 | | | |

**Explanatory Notes:**

1 Executive Compensation claimed is less than limitations established per FAR 31.205-6 and DFARS 231.205-6
2. Expense of President Vice President, and wives on a personal trip not claimed.
3. Unallowable cost per FAR 31.205-14, entertainment.
4. Unallowable cost per FAR 31.205-1(f)(5) advertising and general promotional materials about the company, distributed to the general public.
5. Unallowable cost per FAR 31.205-3, bad debts.
6. Unallowable cost per FAR 31.205-20, interest.
7. Unallowable cost per FAR 31.205-1(f)(2), trade shows.
8. Adjustments reflect the difference between the G/L overhead rate of 63.95% and the claimed rate of 60.00%.

NOTE: Although IR&D and B&P are technically not G&A expenses, they are normally allocated using the same cost input base as used for G&A. The term G&A used in this model includes IR&D and B&P. In the event that the base used to allocate IR&D and B&P is different than the base used to allocate G&A, a separate schedule for IR&D and B&P would be required.

# G&A Allocation Base (TCI)

| | | |
|---|---|---|
| **G & A Base:** | | |
| Contract Labor | $ 633,012 | |
| Contract Travel | 34,563 | |
| Contract Material | 842,981 | |
| Other Direct Costs | 172,105 | |
| Subcontracts | 944,841 | |
| **Subtotal = DIRECT COSTS** | $ 2,627,502 | |
| General Ledger Overhead (before adjustments) | 532,086 | 2 |
| Fringe on Direct Labor (before adjustments) | 175,178 | |
| Less: IR&D/B&P Fringe transferred to G & A pool. | | |
| IR &D Fringe (at G/L rate) | (3,810) | |
| B&P Fringe (at G/L rate) | (2,540) | |
| Less: IR&D/B&P O/H transferred to G & A pool. | | |
| IR &D O/H (at G/L rate) | (10,858) | 3 |
| B&P O/H (at G/L rate) | (7,239) | 3 |
| Other Misc Adjustments to G&A Base (**provide detailed support**) | - | |
| **G&A Base - Total Cost Input (exludes IR&D/B&P and COM)** | $ 3,310,318 | 4 |
| **G&A Rate** | 9.98% | |

**Notes:**

**(2) The claimed G & A base must include both the Schedule C claimed overhead $499,174 plus unallowable overhead costs incurred but not claimed of $32,912.**

**(3) Overhead on the IR&D/B&P labor at the General Ledger rate of 63.95% is used instead of 60.00% because the unallowable portion from overhead pool (543,522) must also be deducted from the G & A base. The G&A base does not include G&A unallowable.**

**(4) In summary, the total cost input base consists of contract direct costs plus overhead (claimed and unclaimed) less overhead on IR&D/B&P transferred to the G & A pool. The base does not include IR&D direct costs which are usually recovered through the G&A pool.**

# Poll Question #3

Does your organization have appropriate accounting practices for identifying and removing unallowable costs from indirect cost proposals?

*A) Yes*
*B) No*
*C) I am not sure*

# The Uniqueness of Bid & Proposal Cost

As a Part of the G&A Cost Pool

# Bid & Proposal (B&P)

- Treated like a direct project, i.e. an intermediate cost objective per CAS 420
- Establish a special job or project number for each B&P project, if applicable.
- B&P direct labor receives an application of the fringe and overhead.
- B&P ODC's are also tracked by B&P job no.
- Independent Research & Development (IR&D) cost is treated the same as B&P

# Bid & Proposal (B&P) *(continued)*

- Total B&P project cost is comprised of:
  - Direct labor
  - Applied fringe to direct labor
  - Applied overhead to [direct labor + fringe]
  - Other Direct Costs
- B&P is transferred in total to G&A pool
- Allocated over the TCI or G&A base

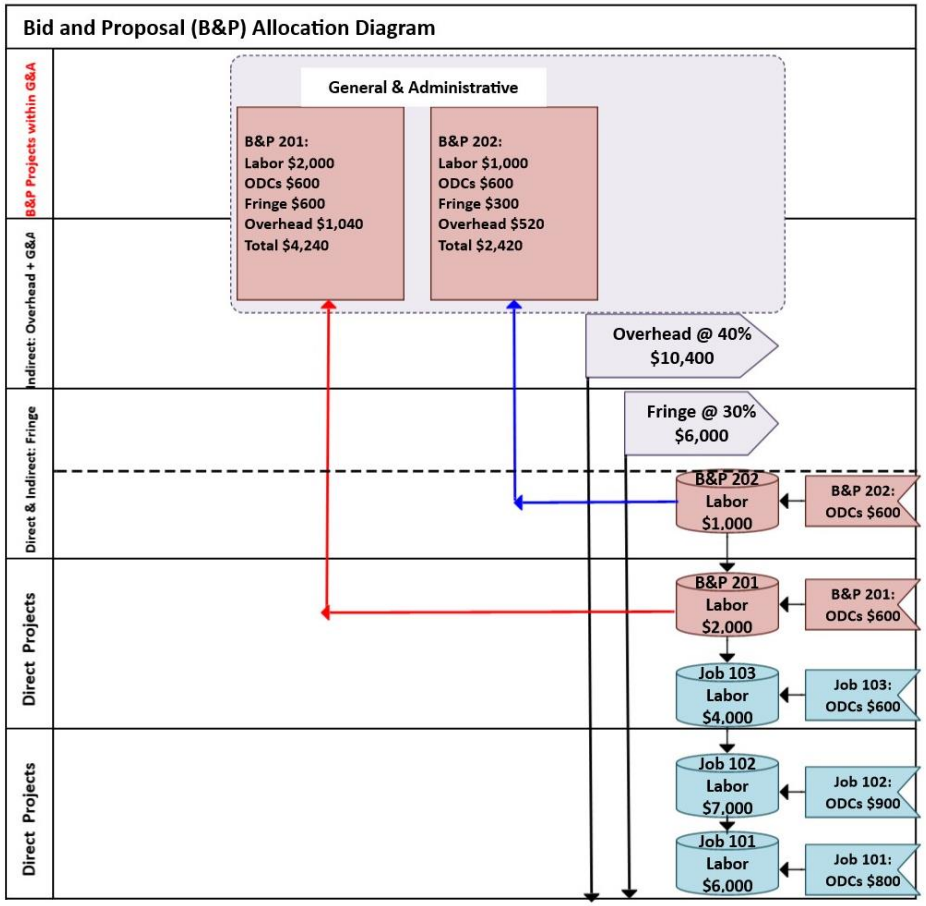
# Bid & Proposal (B&P) *(continued)*

- B&P is incurred after a bid/no-bid decision has been made by management.
- Up to the bid/no-bid decision, the initial effort is considered direct selling assigned to overhead and/or G&A.
- Idea: define business development as direct selling
- B&P includes technical volume of a proposal.
- Usually the effort to prepare the cost volume requires G&A personnel and as such, since B&P will reside in G&A, G&A personnel do not track their labor to a B&P job number.

# Bid & Proposal (B&P) *(continued)*

- Includes the cost in preparing, submitting, or supporting any bid or proposal which effort is neither sponsored by a grant, nor required in the performance of a contract.

# Bid & Proposal (B&P) *(continued)*



# Material Handling

## & Subcontract Administration

# Subcontract/Material Handling

- Subcontract Administration is the administration of subcontractors and consultants where the direct subcontract and consultant costs are the allocation base.
- Material Handling pool pertains to the administration of the distribution and receipt of product
  - Handling pool includes distribution, purchasing, receiving, inspection, packaging, freight in/out
  - Material or products allocation base
- Presented indirect rate for negotiation

# Subcontract/Material Handling Rate

Schedule C is linked to the following schedules:
Schedule D(x)

ICE MANUAL

**SCHEDULE C (6)**
**ICE (version 2.0.1a)**

**XYZ Corporation**
**Anywhere, USA**

**Subcontract Administration Pool**
**Fiscal Year End December 31, 2017**

| ACCOUNT NUMBER | DESCRIPTION | Acct Balances Amount | TOTAL PER G/L & TRIAL BAL/FS | ADJUSTMENTS | CLAIMED | Notes | Ref. |
|---|---|---|---|---|---|---|---|
| 8610 | Salaries and Wages | 20,000 | 20,000 | | 20,000 | | |
| 8620 | Periodicals | 1,500 | 1,500 | | 1,500 | | |
| 8630 | Dues & Subscriptions | 2,400 | 2,400 | | 2,400 | | |
| | **Subtotal** | 23,900 | 23,900 | - | 23,900 | | |
| | Occupany Pool | 2,000 | 2,000 | - | 2,000 | | Sched D (1) |
| **ADD: Fringe Allocation** | | | 5,334 | - | 5,334 | | Fringe |
| | **Total Subcontract Administrative Pool** | | 31,234 | - | 31,234 | | |

| Subcontract Cost Pool | PER G/L, F/S & TRIAL BAL/FS | PER G/L ADJUSTMENTS | CLAIMED | Notes | Ref. |
|---|---|---|---|---|---|
| **Subk Adm Pool** | $ 31,234 | $ - | $ 31,234 | | Sched C (6) |
| **Subk Adm Base:** | | | | | |
| Subcontracts | $ 30,000 | | $ 30,000 | | Summary Sched H |
| Materials | 400,000 | | 400,000 | | Sched H |
| Consultants | 50,000 | | 50,000 | | |
| **Total Subk Adm Base** | $ 480,000 | $ - | $ 480,000 | | |
| **Subk Adm Rate** | 6.51% | | 6.51% | | |

# FAR on Indirect Cost

What are the Rules

# FAR 31.203

- Logical cost groupings 203(c)
  - Select an allocation base that is common for all cost objectives (contracts)
  - The base selected shall allocate the grouping basis of the benefits accruing to intermediate and final cost objectives
  - When the outcome can be achieved by less precise methods, the number and composition of cost groupings should not unduly complicate the allocation

# FAR 31.203 *(continued)*

- Do not fragment the base 203(d)
- Once the appropriate base for allocating indirect costs has been accepted
- The contractor shall not fragment the base by removing individual elements
  - TCI vs. Value-Added
  - If Total Cost Input Base is used to allocate G&A costs, the base shall include all items that bear a pro rata share of G&A cost, whether allowable or unallowable, commercial or federal work

# FAR 31.203 *(continued)*

- Separate cost groupings for offsite locations may be necessary 203(f)
- Base period for allocating indirect costs is their fiscal period for incurring and accumulating costs to be allocated to work performed in that period 203(g)
- Indirect costs that meet the definition of excessive pass-through charge in 52.215-53 are unallowable 203(i), i.e. subcontractor costs

# Order of Allocating Cost

## Step-Down Method

# FAR 31.203

- Allocation order 203(b)
- After direct costs have been charged directly to the contract
- Indirect costs are those remaining to be allocated to
- Intermediate cost objectives: fringe, occupancy
- 2 or more final cost objectives via overhead, G&A
- No final cost objective will have indirect costs allocated if other costs for the same purpose have been included as a direct cost

# FAR 31.201-4 – Allocation Order

- Incurred specifically for the contract
- Benefits both the contract and other work
- Can be distributed to them in a reasonable proportion to the benefits received
- Necessary to the overall operation of the business
- Though a direct relationship to any particular cost objective cannot be shown

# XYZ GovCon Multiple Rate Structure *(FYE 12/31/15)*

| 10000 | Overhead at Headquarters: McLean, VA |
|---|---|
| 10000 | Overhead at Facility (Off - Gov't Site) |
| 10100 | ABC Contract |
| 10101 | 123 Contract |
| 10102 | XYZ Contract |
| 10103 | ..... Contract |
| 1010X | ..... Contract |
| 1010X | ..... Contract |
| 1010X | ..... Contract |
| 1010X | ..... Contract |
| 1010X | ..... Contract |
| 1010X | ..... Contract |
| 101XX | ..... Contract |
| 101XX | ..... Contract |
| 101XX | ..... Contract |
| 101XX | ..... Contract |
| 101XX | ..... Contract |

| 20000 | Onsite Overhead |
|---|---|
| 20000 | Overhead Onsite at Government Offices |
| 20100 | ..... Contract |
| 20200 | ..... Contract |
| 20300 | ..... Contract |
| 20400 | ..... Contract |
| 20500 | ..... Contract |
| 20600 | ..... Contract |
| 20700 | ..... Contract |
| 20800 | ..... Contract |

| 30000 | FAMILY RESEARCH CENTER |
|---|---|
| 30000 | Functional Overhead |
| 30001 | Media Conferences and Training |
| 30100 | Research Project ... |
| 30101 | Research Project ... |
| 30200 | Research Project ... |
| 20300 | Research Project ... |

| 40000 | FAMILY COUNSELING CENTER |
|---|---|
| 40000 | Functional Overhead |
| 40100 | Case Management |
| 40200 | Social Services |
| 40300 | Media Outreach |

| 50000 | MEDIA OUTREACH |
|---|---|
| 50000 | Reserved |
| 50010 | Studio |
| 50020 | Website |
| 50030 | Reserved |

| 80000 | BUSINESS DEVELOPMENT |
|---|---|
| 80000 | Reserved |
| 80010 | Unallowable Advertising & Public Relations |
| 80020 | Direct Selling: 1 to 1 B-2-G |
| 80030 | Bid & Proposal - Each B&P project is a task |

| 90000 | GENERAL ADMINISTRATION: McLean, VA HDQTRS |
|---|---|
| 90000 | Executive Officers |
| 90100 | Finance & Administration |
| 90200 | Human Resources |
| 90300 | General Counsel |
| 90400 | IT |
| 90800 | Benefits |
| 90900 | Occupancy |

= Direct Contracts & Other + Indirect Projects

= Fringe Benefits (Direct & Indirect Labor Dollars)

= Occupany (Direct & Indirect Labor Dollars)

= Studio Time (Engineer Hours)

= Onsite / Offsite & Functional Overheads

= G&A (All Departments Excluding G&A)

# Analysis of Indirect Cost

## Final Thoughts

# Percent of Base Analysis – Fringe Pool Example

| FY 2017 | | FY2018 | | Account |
|---|---|---|---|---|
| $1,500 | 15% | $1,500 | 20% | Leave |
| 1,500 | 15% | 2,500 | 33% | Medical |
| 500 | 5% | 500 | 7% | Payroll |
| $3,500 | 35% | $4,500 | 60% | Fringe Pool |
| $10,000 | | $7,500 | Total Labor Base | |

# Indirect Rate Multiplier

- Indirect Rate Loading Factor:
- Fringe (1.35) x Overhead (1.25) x G&A (1.12) = 1.89
- For every D/L $1.00 spent, there will be an additional cost of 89¢ in burden cost.

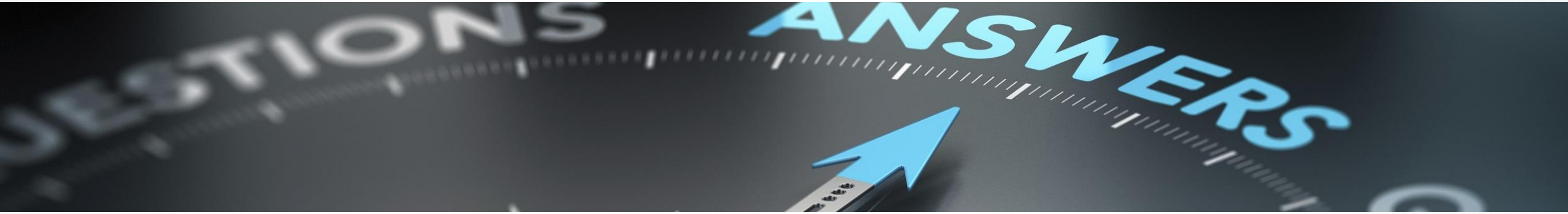
# Final Thoughts

- Emerging structures
  - Single overhead
  - Fringe and G&A, too small for overhead
- Secrets, tips and tricks: competitiveness
  - Low multipliers – drive cost direct
  - Consultant market driven > actual wrap rates
- Proper design & set up per FAR 31.2
  - Full cost recovery – cost buildup
  - Best model – DCAA ICE template

# Questions?

*We would like to hear from you!*

# Get in Touch

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