

What activities does GMS perform when an indirect cost proposal is prepared?

A GMS field staff member spends 2 to 3 days on-site working with you and your staff to:

Review indirect cost procedures:

- collect information to describe and document policies and proposed rates
- review the annual budget for the year of plan implementation
- examine accounting policies for leave costs, fringe benefit costs, common costs and indirect costs
- classify costs as direct or indirect costs
- identify cost pools and bases for allocating pooled costs to programs.

A formal indirect cost proposal is written:

- a draft proposal is prepared for your review
- the proposal is reviewed via telephone for changes and corrections
- the proposal is finalized and sent to you

Perform optional additional activities if requested:

- assisting with rate negotiations either via telephone
- Advising staff on plan implementation in accounting and budgeting after the plan is finalized
- training for staff and Boards of Directors

Quoting OMB Circular A-122

Here are some quotes from OMB Circular A-122, Cost Principles for Nonprofit Organizations.

“These principles shall be used by all Federal agencies in determining the costs of work performed by nonprofit organizations under grants, cooperative agreements, cost reimbursement contracts, and other contracts in which costs are used in pricing, administration or settlement.” (*Appendix A,3,a.*)

“All cost reimbursement subawards (subgrants, subcontracts, etc.) are subject to those Federal cost principles applicable to the particular organization concerned. Thus if a subaward is to a nonprofit organization, this circular shall apply....” (*Appendix A,3,b.*)

“The total cost of an award is the sum of the allowable direct and allocable indirect costs less any applicable credits.” (*Attachment A,A,1.*)

“Any cost allocable to a particular award or other cost objective under these principles may not be shifted to other Federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or terms of the award.” (*Attachment A,A,4,b.*)

“Any direct costs of a minor amount may be treated as an indirect cost for reasons of practicality where the accounting treatment for such cost is consistently applied to all financial cost objectives.” (*Attachment A,B,2*)

“Because of the diverse characteristics and accounting practices of nonprofit organizations, it is not possible to specify the types of costs which may be classified as indirect costs in all situations.” (*Attachment A,C,2*)

“The base period for the allocation of indirect costs is the period in which such costs are incurred and accumulated for the allocation to work performed in that period. The base period normally should coincide with the organization’s fiscal year, but in any event, shall be so selected as to avoid inequities in the allocation of costs.” (*Attachment A,D,1,3.*)



GMS

10559 Metropolitan Avenue
Kensington, MD 20895
(800)933-3501 • (301)933-3502 (Fax)
www.gmsactg.com

You don't need a crystal ball to know how important indirect cost rates are to the recovery of administrative costs....

to being certain that your organization complies with federal Management Circulars...to reporting and understanding the actual costs of programs...to assure that all programs are allocated their fair share of indirect and common costs...to true activity accounting...to meet OMB Circular A-133 cost allocation audit procedures...

Experienced GMS staff members are available to develop and prepare an indirect cost proposal. We work closely with you, on-site, documenting your cost allocation procedures and collecting plan information. Should you choose, we help define the cost allocation policies and procedures most suited for your organization.

Then, we prepare a written indirect cost proposal, detailing cost allocation policies, in a format ready to submit to your cognizant agency or funding sources for approval as may be required.

What is the Cost?

For organizations using the GMS Accounting and Financial Reporting System our fee is normally \$3,500 plus actual travel expenses associated with the on-site visit.

For other organizations our fee is normally \$4,300 plus actual travel expenses.

Requested optional activities are billed at the rate of \$75 per hour plus any actual travel expenses that may be incurred.

How do you arrange for GMS to prepare your indirect cost proposal?

Call our Sales and Marketing staff at (800) 933-3501 ext. 2 to arrange for a contract.

Once signed and returned, field work will be scheduled. Generally, the on-site visit will take place within 4-8 weeks. If all necessary information is available, plans are normally completed within 2 weeks of the on-site visit.



Do You Need to Develop an Indirect Cost Proposal?



10559 Metropolitan Avenue
Kensington, MD 20895
(800)933-3501
www.gmsactg.com