



AmeriCorps

Indirect Cost Guidance

Office of Audit and Debt Resolution (OADR)

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1.0 Background and Purpose

This guide is designed to provide AmeriCorps applicants and grantees with the foundational knowledge necessary to effectively manage, and consistently allocate and apply indirect costs associated with AmeriCorps awards. AmeriCorps Office of Inspector General has identified a need for better controls and procedures on how to charge indirect costs to Federal awards. This resource aims to foster transparency, efficiency and accountability around indirect costs by identifying:

- the different types of indirect cost rates available to AmeriCorps applicants;
- the conditions under which those costs can be claimed;
- the steps involved in submitting an indirect cost rate proposal;
- the process by which AmeriCorps negotiates and approves indirect cost rate proposals.

The guidance outlined in this document is rooted in Federal statutes, regulations, and other applicable standards. Recognizing the complexity of those standards and the critical nature of accurately determining and applying indirect cost rates, this guidance has been prepared to serve as one-stop-shop to equip grantees with the relevant resources, knowledge, and tools necessary to navigate the complexities of indirect costs, ensuring consistency, and compliance with Federal regulations.

In addition to the information outlined in this resource, AmeriCorps applicants and grantees are encouraged to visit our Grantees and Sponsors [webpage](#) for resources, including eGrants instructions, grant terms and conditions, pre-award requirements, financial reporting requirements, and training and technical assistance.

Any outstanding questions concerning indirect cost rates can be directed to IndirectCostRate@americorps.gov. AmeriCorps' Office of Audit and Debt Resolution (OADR), which is responsible in administering the negotiant and approval of indirect cost rate proposals and extensions, actively manages that inbox.

2.0 Distinguishing Direct from Indirect Costs

According to 2 CFR 200.413, Direct Costs are “costs that can be identified specifically with a particular final cost objective, such as a federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.” In other words, direct costs are costs that are readily allocable to a particular project. They can include costs such as program staff salaries, volunteer stipends, member living allowances, uniforms, and member gear. They are directly allocated to the project and tracked.

Indirect costs are the hidden costs that support a project. They include general expenses for the organization’s administration that are incurred for common or joint objectives, and not readily identifiable to a specific project or cost objective. Typically, indirect costs are the expenses of doing business and include costs such as administrative salaries and wages; accounting and auditing services; rent, leases, and mortgages; basic office supplies and equipment; building maintenance and utilities; and Directors and Officers Insurance. The Uniform Guidance classifies indirect costs into two broad categories: The first category, “Facilities,” is defined as depreciation on buildings, equipment, and capital improvement; interest on debt associated with certain buildings, equipment, and capital improvements; and operations and maintenance expenses. The second category, which is more applicable for AmeriCorps grants and often used interchangeably with indirect costs in eGrants, is “Administration.” These costs are defined as general administration and general expenses such as the director’s office, accounting, personnel, and all other types of expenditures not listed specifically under one of the subcategories of Facilities. However, the Uniform Guidance notes that it is not possible to specify the types of cost which may be classified as indirect (Facilities and Administration) in all situations. Identification with a Federal award rather than the nature of the goods and services involved is the determining factor in distinguishing indirect (Facilities and Administration) costs of Federal awards.

It is imperative to note that any item of cost incurred, either as a direct or an indirect (F&A) cost, be treated consistently across similar circumstances, to avoid possible double charging of Federal awards. A cost may not be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

3.0 Options for Calculating Indirect Costs (choose, A, B, or C)

Based on qualifying factors, applicants may **either** use a Federally approved indirect cost rate or a 10 percent de minimis rate of modified total direct costs or may claim certain costs directly. 2 CFR 200.4133 states that local governments, and Indian Tribes may use previously approved indirect cost allocation plans. All methods must be applied consistently across all federal awards. Applicants that have a federal negotiated indirect cost rate, or that will be using the 10% de minimis rate, must enter that information in the Organization section in eGrants. However, per statute and regardless of the option used, no more than five percent of federal funds awarded by AmeriCorps may be used to recover indirect costs on AmeriCorps State and National grants.

Applicants choose one of three methods to calculate allowable administrative costs – a CNCS-fixed percentage rate method, a federally approved indirect cost rate method, or a de minimis method. Regardless of the option chosen, the CNCS share of administrative costs is limited to 5% of the total CNCS funds actually expended under this grant, per section 121(d) of the National and Community Service Act of 1990, as amended and AmeriCorps’ regulations at 45 CFR 2521.95 and 2540.110.

A. CNCS-Fixed Percentage Method Five/Ten Percent Fixed Administrative Costs Option (Applicable ASN Applicants/Grantees Only):

The CNCS-fixed percentage rate method allows you to charge administrative costs up to a cap without a federally approved indirect cost rate and without documentation supporting the allocation. If you choose the CNCS-fixed percentage rate method (Section III.A. in eGrants), you may charge, for administrative costs, a fixed 5% of the total of the CNCS funds expended. To charge this fixed 5%, the grantee match for administrative costs may not exceed 10% of all direct cost expenditures.

B. Federally Approved Indirect Cost Rate:

If you have a federally approved indirect cost rate, this method must be used, and the rate will constitute documentation of your administrative costs, not to exceed the 5% maximum federal share payable by AmeriCorps. Specify the Cost Type for which your organization has current documentation on file, i.e., Provisional, Predetermined, Fixed, or Final indirect cost (IDC) rate. Supply your approved IDC rate (percentage) and the base upon which this rate is calculated (direct salaries, salaries, and fringe benefits, etc.). AmeriCorps does not restrict the overall indirect cost rate claimed. It is at your discretion whether or not to claim your entire IDC rate to calculate administrative costs. If you choose to claim a lower rate, please include this rate in the Rate Claimed field.

C. De Minimis Rate of 10% of Modified Total Direct Costs:

Organizations who do not currently have a federally negotiated indirect cost rate (except for those non-federal entities described in Appendix VII to Part 200–States and Local Government and Indian Tribe Indirect Cost Proposals, paragraph (d)(1)(B)) and who receive less than \$35 million in direct federal funding may indefinitely use a de minimis rate of 10% of modified total direct costs (MTDC). Additional information regarding what is included in MTDC, and use of this option can be found at 2 CFR 200.414(f) and 200.68. If you elect to use this option, you must use it consistently across all federal awards.

Per 45 CFR 75.2, *Modified Total Direct Cost* (MTDC) means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward (regardless of the period of performance of the subawards under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs.

Options for Calculating Indirect Costs Summary Matrix:

	A: CNCS-Fixed Percentage (5/10% Fixed Method)	B: Federally Approved Indirect Cost Rate	C: De Minimis Rate
Eligibility Rules	AmeriCorps State and National only, per 45 CFR §2521.95	Organization has a negotiated indirect cost rate agreement (NICRA) from cognizant federal agency. Must use this rate	Organization does not currently have a NICRA and receives less than \$35M in direct federal funding. Must use for all federal grants
Maximum Budgeted Amount (less is allowable and should be explained)	5% of direct CNCS costs in CNCS Share (Total CNCS share of direct costs x 0.0526) and 10% of all direct costs in Grantee Share (total direct costs x 0.10) *	Total indirect costs calculation is based on agreement, of which no more than 5% of direct CNCS costs can be in CNCS Share (total CNCS share of direct costs x 0.0526) for ASN and VGF grantees*	10% of Modified Total Direct Costs (MTDC) as defined in 2 CFR §200.1. No more than 5% of direct CNCS costs can be in CNCS Share (total CNCS share of direct costs x 0.0526) for ASN and VGF grantees*

4.0 Negotiating an Indirect Cost Rate

Applicants that choose to pursue a federally negotiated rate must negotiate an indirect cost rate with their cognizant Federal agency. The cognizant Federal agency is the agency that provides the largest amount of direct Federal funds to the organization. See Section 5.0 for additional cognizant agency details. It is the responsibility of the applicant or grantee to obtain a final negotiated rate for each year indirect costs are claimed. Applicants must submit an indirect cost rate proposal immediately after receiving notification that a federal award will be made but in no event, later than three months after the effective date of the Federal award. AmeriCorps negotiates indirect cost rates only with direct grantees. Subrecipients must negotiate their rates with their primary award recipients. Organizations that have previously established an indirect cost rate must submit their subsequent proposal within six months after the close of the organization’s fiscal year unless the organization has been approved for an indirect cost rate extension.

5.0 Who is my Cognizant Agency for Indirect Costs?

Cognizant agency for indirect costs means the Federal agency responsible for reviewing, negotiating, and approving indirect cost proposals on behalf of all Federal agencies. The cognizant agency for indirect cost is not necessarily the same as the cognizant agency for audit.

Each organization is assigned or derived to a single cognizant agency which acts on behalf of all federal agencies by reviewing and accepting indirect cost rates. Once established, a cognizant agency will typically remain cognizant for up to a period of 5 years unless circumstances change, such as a shift in the source of the majority of direct funding in which case the designation of the cognizant agency could potentially be reevaluated. Indirect cost rates approved by cognizant agencies are acceptable by all Federal agencies, unless otherwise stipulated by Federal statute, or regulation, or agency head or delegate, in accordance with 2 C.F.R. § 200.414(c)(1). OMB is responsible for assigning federal agencies to serve as cognizant agencies to review and accept indirect cost rates for organizations receiving financial awards. OMB's Office of Federal Financial Management has been tasked with this responsibility. The chart below helps organizations determine who their cognizant agency for indirect costs is.

Entity Type	Cognizant Agency for Indirect Costs	Reference 2 CFR 200
<u>Institutions of Higher Education (IHEs)</u>	Cost negotiation cognizance is assigned to the Department of Health and Human Services (HHS) or the Department of Defense's Office of Naval Research (DOD), normally depending on which of the two agencies (HHS or DOD) provides more funds directly to the educational institution for the most recent three years. In cases where neither HHS nor DOD provides Federal funding directly to an educational institution, the cognizant agency for indirect costs assignment must default to HHS.	Appendix III Paragraph C.11
<u>Nonprofit organizations</u>	Unless different arrangements are agreed to by the Federal agencies concerned, the Federal agency with the largest dollar value of Federal awards directly funded to an organization will be designated as the cognizant agency for indirect costs for the negotiation and approval of the indirect cost rates. Non-profit organizations must develop and submit a new indirect cost proposal to AmeriCorps no later than six months prior to the expiration of their current rate.	Appendix IV Paragraph C.2.a
<u>Indian tribes</u>	Each Indian tribal government desiring reimbursement of indirect costs must submit its indirect cost proposal to the Department of the Interior (its cognizant agency for indirect costs).	Appendix VII Paragraph. D.1.c
<u>States and local governments</u>	The cognizant agency responsible for review and approval is the Federal agency with the largest dollar value of total Federal awards with a governmental unit. All departments or agencies of the governmental unit desiring to claim indirect costs under Federal awards must prepare an indirect cost rate proposal and related documentation to support those costs and retain the documentation for audit. Departments or agencies receiving less than \$35 million are not required to submit an Indirect Cost Rate Proposal to its cognizant agency unless required by the cognizant agency. However, a governmental department or agency unit that receives more than \$35 million in direct Federal funding must submit its indirect cost rate proposal to its cognizant agency for indirect costs.	Appendix VII Paragraph D.1



6.0 Steps to Submit Indirect Cost Rate Proposal to AmeriCorps

The Indirect Cost Rate Proposal (ICRP) consists of the documentation prepared by an organization to substantiate its request for the establishment of an indirect cost rate, as described in Appendixes to Part 200 of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Appendix IV to 2 C.F.R. Part 200–Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations through Appendix VII to Part 200–States and Local Government and Indian Tribe Indirect Cost Proposals).

The ICRP package normally includes the proposal, related audited financial statements, and other detailed supporting documents (e.g., general ledger, trial balance, etc.) For organizations seeking a negotiated rate from AmeriCorps, submission requirements vary depending on the type of rate an organization chooses to negotiate. Negotiated indirect cost rates approved by AmeriCorps are normally valid for one year.

ICRPs must be submitted no later than six months prior to the current rate's expiration date when request a new rate. Your organization can seek prior approval from AmeriCorps, by submitting a request to IndirectCostRate@americorps.gov, to use the rate proposed in your ICRP as your provisional rate until AmeriCorps has notified you of the accepted rate.

Note that AmeriCorps will review all ICRPs against the provisions codified in 2 CFR 200 Subpart E.

An indirect cost proposal checklist has been provided via attachments 1, 2, and 3 to assist organizations interested in pursuing an indirect rate. Further, the key procedures for pursuing a federally negotiated indirect rate when AmeriCorps is the designated cognizant agency have been outlined below.

1. Grantees prepare and submit an indirect cost rate proposal to AmeriCorps via the indirect cost rate mailbox maintained by OADR (IndirectCostRate@americorps.gov).
2. Proposals must be prepared in accordance with 2 CFR Part 200.414.
3. OADR verifies that AmeriCorps is the cognizant agency for indirect costs for the applicant and reviews the indirect cost proposal for completeness.
4. OADR initiates negotiation process through its partnering Federal agency, the Department of Veterans Affairs, Office of Budget Oversight (VA/OBO), to verify the proposed rate.
5. VA/OBO completes the ICRP final review within the established timelines. VA/OBO typically completes final validation of ICRPs within three months of receipt of the ICRP package.
6. Upon VA/OBO's validation of the rate, OADR submits a draft of the NICRA to the applicant for their review.

7. Following the applicant's review of the NICRA, OADR formally issues the NICRA.
8. The applicant inputs their indirect cost rate information into the AmeriCorps online grants management system and performs any necessary adjustments based on the rate agreement issued by VA/OBO. For instructions on how to enter indirect cost rate information into an eGrants account, refer to [eGrants Indirect Cost Rate \(IDCR\) User Instructions](#).
9. Applicants are required to perform all necessary adjustments to their internal accounting records, FFRs, and other financial reports, including repaying any indirect costs billed to the award that exceeded the final rate agreement issued by AmeriCorps' Office of Audit and Debt Resolution.

7.0 Requesting a Federally Negotiated Indirect Cost Rate Extension

Organizations that have a current federally negotiated cost rate may apply for a one-time extension of that rate agreement for a period of up to four years. Extension requests are subject to the review and approval of the cognizant agency for indirect costs. If the extension is granted the organization may not request a rate review until the extension period ends. At the end of the extension period, the organization must re-apply to negotiate a rate. If AmeriCorps is your cognizant agency for indirect cost negotiation, and you would like to request an extension, your organization should prepare an extension request, per the requirements below, and submit your request to IndirectCostRate@americorps.gov. See steps under Section 6.0 on how to submit your indirect cost rate proposal. If AmeriCorps is not your cognizant agency for indirect cost negotiation, and you would like to request an extension, you should contact your Grants Officer at your cognizant agency for more information.

Extension Request Requirements

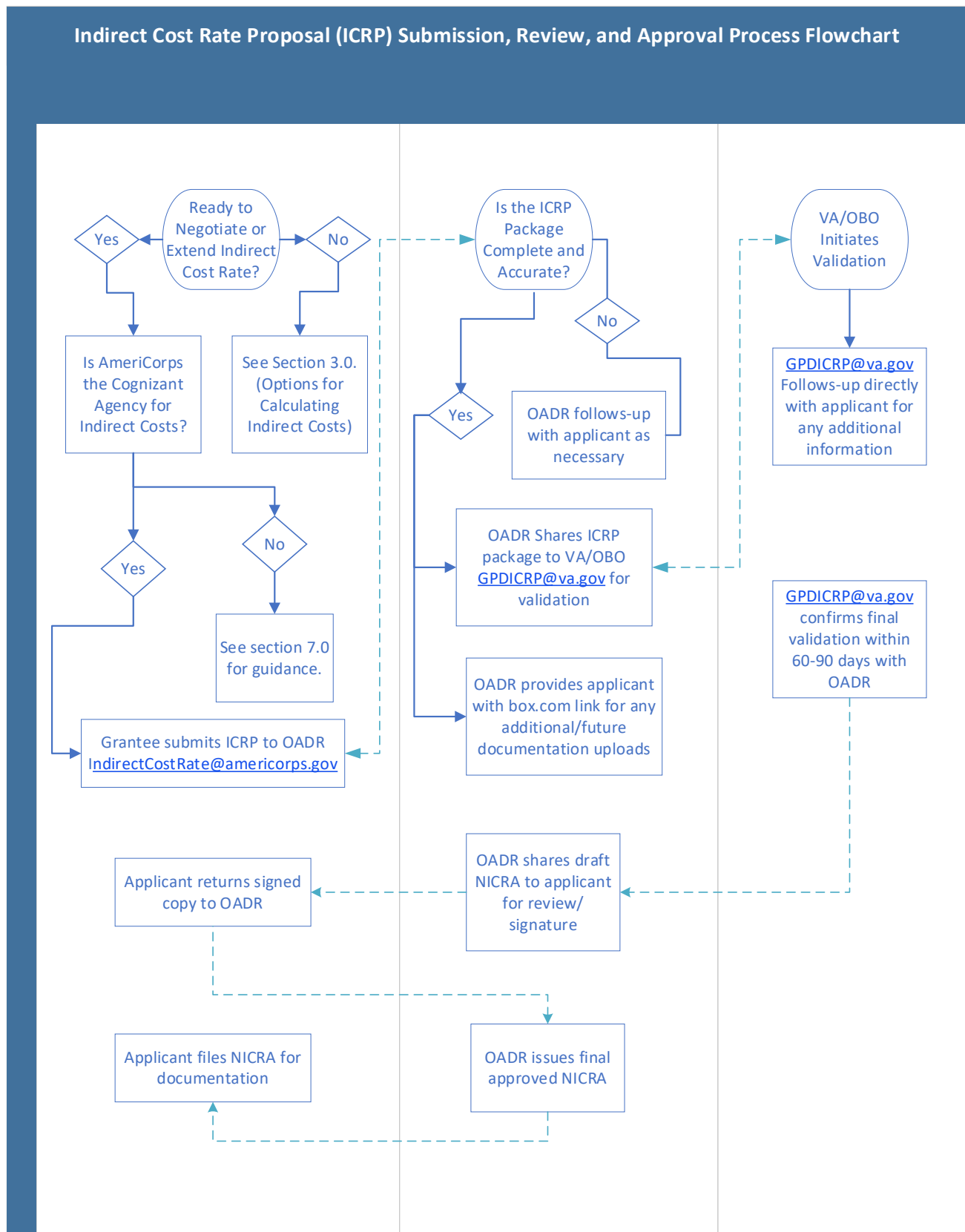
AmeriCorps will consider extension requests from organizations that have held an indirect cost rate through AmeriCorps for at least three years. AmeriCorps can only consider extensions of final or predetermined rates (not provisional or fixed). The extension request must include the following:

1. A written request on organizational letterhead for an extension of the current indirect cost rate agreement. The written request must indicate the rate and fiscal periods requested in the extension (1-4 years). It must be signed by the authorized representative for your organization.
2. A copy of the indirect cost rate agreement for which your organization is seeking an extension. The rate agreement must be current (i.e., not expired).

Criteria for Evaluation for Extension Requests

Each extension request will be assessed based on consistency of the rate over the last three years, timeliness of previous submissions, delinquent debts, and fiscal findings identified through compliance monitoring, single audits, and OIG audits.

8.0 ICRP Submission, Review and Approval Process Summary



9.0 Key References to Trainings and Resources:

- **Best Practices in Budget Development Training:**

For each competition, AmeriCorps provides an overview of the function of AmeriCorps budget, the budget management process, and the keys for submitting a compliant and competitive AmeriCorps budget and budget narrative. Refer to Information Session section of the [Funding Opportunities Page](#) under each respective funding opportunity for relevant recorded trainings. These trainings also include other relevant topics including sample budget narratives for cost reimbursement grant budget narrative and planning grant budget narratives.

- **References to 2 CFR 200 (Uniform Guidance)**

Title	Part Section
Subpart A - Acronyms and Definitions	200.0 - 200.1
Subpart B - Pre-Federal Award Requirements and Contents of Federal Awards	200.100 - 200.113
Subpart C - Post Federal Award Requirements	200.200 - 200.216
Subpart D - Post Federal Award Requirements	200.300 - 200.346
Subpart E - Cost Principles	200.400 - 200.476
Subpart F - Audit Requirements	200.500 - 200.521
Full Text of Notice of Funding Opportunity	Appendix I
Contract Provisions for Non-Federal Entity Contracts Under Federal Awards	Appendix II
Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs)	Appendix III
Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations	Appendix IV
State/Local Governmentwide Central Service Cost Allocation Plans	Appendix V
Public Assistance Cost Allocation Plans	Appendix VI
States and Local Government and Indian Tribe Indirect Cost Proposals Note* A cost allocation plan explains which costs are determined to be direct or indirect. Rather than being an indirect cost rate itself, it explains why the entity classifies specific costs as direct or indirect. The cost allocation plan also addresses direct costs that may be shared among different programs. AmeriCorps does not accept cost allocation plans from non-governmental entities as an acceptable method for charging indirect costs unless such alternative methodology has been approved in writing by the cognizant agency for indirect costs.	Appendix VII
Nonprofit Organizations Exempted From Subpart E of Part 200	Appendix VIII
Hospital Cost Principles	Appendix IX
Data Collection Form (Form SF-SAC)	Appendix X
Compliance Supplement	Appendix XI
Award Term and Condition for Recipient Integrity and Performance Matters	Appendix XII

Attachment 1. Indirect Cost Proposal Checklist for Non-profit and Commercial Organizations

- a. Submit once unless changes are observed:
 - ___ 1a. Organizational chart,
 - ___ 1b. Nonprofits - Narrative explaining compliance with 2 CFR §200.430(a)(1)(2) & (3) and the standards for documentation of personnel expenses.
 - ___ 1c. Signed Cost Policy Statement.
- b. An indirect cost rate proposal(s) providing the following:
 - ___ 2a. Personnel Costs Worksheet, including fringe benefits breakdown.
 - ___ 2b. Allocation of Personnel Worksheet, providing indirect/direct time charges.
 - ___ 2c. Fringe Benefits Worksheet,
 - ___ 2d. Statement of Total Costs, supporting the indirect and direct costs incurred by expense category, identified by Federal agency, specific government grant, contract, and other non-government activities.
 - ___ 2e. Statement of Indirect Costs, including indirect cost pool(s), allocation base(s), and indirect cost rate(s) proposed.
- c. ___ Audited financial statements, if available. If audited financial statements are not available, IRS Form 990 (non-profits) or compilation/review financial statements (for-profits) for the final rate proposal. Approved budget for provisional proposal, if needed. Note: The Statement of Total Costs (2d. above) must reconcile to Financial Statements. If not, please provide a reconciliation statement.
- d. ___ Certification that the indirect cost rate proposal was prepared in a manner consistent with the applicable cost principles set forth in 2 CFR Part 200, Subpart E & Appendix IV for non-profits, or the Federal Acquisition Regulation (Part 31) for commercial organizations. The certifications should be signed by the President/Executive Director, or Comptroller/ CFO.
- e. ___ A listing of grants and contracts by Federal agency, subagency, program office funding source, award amount, period of performance, and the indirect cost (overhead) limitations (if any) applicable to each, such as, ceiling rates or amounts restricted by administrative or statutory regulations, applicable to the period(s) of the proposal(s). This listing must be supported with copies of the approved federal grants or contracts notification awards (1st page).

Attachment 2. Indirect Cost Rate Proposal Checklist for State Workforce Agencies

1. Submit once unless changes are observed:
 - ___ 1a. Organizational chart,
 - ___ 1b. Employee time sheet sample, providing for distribution of hours to direct/indirect functions. Narrative explaining compliance with 2 CFR §200.430(a)(1)(2) & (3) and the standards for documentation of personnel expenses.
 - ___ 1c. Cost Policy Statement signed by a duly authorized official.

2. An indirect cost rate proposal providing the following schedules:
 - ___ 2a. Personnel Costs Worksheet, including fringe benefits breakdown. Agencies may aggregate salary expense by department such as accounting, human resources, office of director, etc.
 - ___ 2b. Allocation of Personnel Worksheet, providing indirect/direct time charges.
 - ___ 2c. Fringe Benefits Worksheet if fringes are not directly and indirectly identified.
 - ___ 2d. Statement of Total Costs, segregated between the indirect and direct costs incurred by line item of expense (salaries, fringes, rent, etc.), identified by Federal agency, specific government grant, contract, and other non-Federal activities. Note that the allocation base and the amount of indirect costs allocated to each funding source should be identified.
 - ___ 2e. Statement of Indirect Costs, including indirect line item of expenses, allocation base, and indirect cost rate proposed.

3. ___ Financial statements (audited if available) for the applicable fiscal year. Note: The Statement of Total Costs (2d. above) must reconcile to Financial Statements. If not, please provide a reconciliation statement.

4. ___ A listing of grants and contracts by Federal agency, subagency, program office funding source, total dollar amount, period of performance, and the indirect cost limitations (if any) applicable to each, such as amounts restricted by administrative or statutory regulations, applicable to the period(s) of the proposal(s). This listing should also be supported by the approved Federal grant or contract notification award(s).

5. ___ A schedule listing any funding sources excluded from indirect cost allocation base and the reason for the exclusion.

6. ___ Copy of HHS approved SWCAP, if SWCAP costs are allocated to federal programs.

7. ___ Review letter of State Department of Finance approval of grantee's ICRP submission documents.

8. ___ Signed and dated Certificate of Indirect Costs.

Attachment 3. Sample: Cost Policy Statement

1. General Accounting Policies

- o Basis of Accounting – (Accrual, Cash or Modified Cash)
- o Fiscal Period – (Insert your 12-month fiscal year)
- o Allocation Basis – (Specify Simplified or Direct Allocation Basis)
- o Indirect Cost Rate Allocation Base – (Describe allocation base)
- o (Name of Agency) maintains adequate internal controls to ensure that no cost is charged both directly and indirectly to Federal contracts or grants.
- o (Describe any other accounting policies utilized)

2. Description of Cost Allocation Methodology

- o Salaries and Wages
 1. Direct Costs – (General statement describing the criteria in which employees direct charge their time, such as "The majority of the employees direct charge their salary costs since their work is specifically identifiable to specific grants, contracts, or other activities of the organization. The charges are supported by auditable labor distribution reports which reflect the actual activities of employees".)
 2. Indirect Costs – The following staff members charge 100% of their salary costs indirectly.
List Appropriate Positions
 3. Mixed Charges – The following employees may charge their salary costs to both direct and indirect activities.
List Appropriate Positions
The distinction between direct and indirect is primarily based on functions performed. For example, when the positions shown are performing functions that are necessary and beneficial to all programs, they are indirect. When functions are specific to one or more programs, they are direct because they do not benefit all programs.
Auditable labor distribution records which reflect the actual activities of employees are maintained to support the mix of direct/indirect charges.
 4. Describe how release time (vacation, sick leave, holiday pay, etc.) is treated. Include information on whether vacation time is accrued and charged to programs when earned or charged when taken; whether allocated the same as the related salary cost or some other methodology; and whether treated as a fringe benefit or same as normal salary charges.
- o Fringe Benefits. Describe all fringe benefits and whether a fringe benefit is tracked by the agency's accounting system or whether a fringe benefit rate needs to be established:
 - Travel
 - Occupancy Expenses
 - Supplies and Materials
 - Communications
 - Photocopying and Printing
 - Outside Services
 - Depreciation and Use Allowances
 - Repairs and Maintenance
 - Charges allocated down from the State such as SWCAP costs.
 - Capital Items
 - Legal Fees
 - Audit Fees

Signature _____ Date _____