

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

To understand the developing DCAA-Compliant Indirect Rates

Instructional Delivery Methods

Group Internet-based

Recommended CPE

1.5 CPE Credit

Recommended Fields of Study

Accounting

Prerequisites

None required

Advance Preparation

None

Program Level

Basic

Course Registration Requirements

None

Refund Policy

No fee is required to participate in this session.

Cancellation Policy

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

Moderator



Paul H. Calabrese

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Our Team

Meet Your Instructors



Paul H. Calabrese

Principal, Outsourced Accounting and Advisory Services

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G. Chris Brown

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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-Tiered 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

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 is linked to the following schedules:
Schedule C, Overhead

ABC Corp
Anywhere, USA

SCHEDULE A
ICE (version 2.0.1a)

Schedule E, Bases

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](#)

SCHEDULE C (1)
ICE (version 2.0.1a)

ABC Corporation
Anywhere, USA

Overhead*
FYE 12/31/2017

ACCOUNT NUMBER	DESCRIPTION	Acct Balances	TOTAL PER G/L	CLAIMED	Notes	Ref.
		Amount	& TRIAL BAL/FSADJUSTMENTS			
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	Miscellaneous	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) SCHED E
BASE	832,002	
O/H RATE	60.00%	
General and Administrative (G&A) Expenses		
POOL	330,298	SCHED B SCHED E
BASE	3,310,318	
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	

A close-up photograph of a person's hands pointing at a spreadsheet on a laptop screen. The person is wearing a white shirt. The spreadsheet contains columns of numbers and text. The background is blurred, showing other parts of the laptop and the person's arms. The text 'Service Centers' is overlaid in a large, teal, serif font, and 'Fringe and Occupancy' is overlaid in a smaller, black, serif font below it.

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		YTD	
			Actual	Budgeted	Actual	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):		XYZ Corporation	
Schedule D(x)		Anywhere, USA	
ICE MANUAL			
		Fringe Pool	
		Fiscal Year End - 12/31/2017	
ACCOUNT NUMBER	DESCRIPTION	PER G/L & TRIAL BAI 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):		XYZ Corporation				SCHEDULE Fringe	
Schedule D(x)		Anywhere, USA				ICE (version 2.0.1c)	
ICE MANUAL		Fringe Pool					
		Fiscal Year End - 12/31/2017					
ACCOUNT NUMBER	DESCRIPTION	PER G/L & TRIAL BAI	ADJUSTMENT	CLAIMED	APPLIED FRINGE	NOTES	REFERENCE
	Base Labor Dollars	% of Total	Adjustments	Claimed Expense Allocation	Allocation based on Per GL Amts		
Fringe Allocation Base:							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	
Overhead Labor							TO Sched C (1)
Overhead Labor	33,060	4.24%		8,817	8,817		
Direct Labor							TO Sched C (6)
Direct Labor	633,012	81.17%		168,827	168,827	168,827	
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 (I)
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/F!	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/Amortization	25,417		25,417		
8135	Repairs/Maintenance	1,681		1,681		
	Total	154,803	-	154,803		
ADD: Fringe Allocation		-	-	-		
	Total W / Alloc.	154,803	-	154,803		TO Fringe 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	REFERENCE
G&A	2,404	13.00%		20,125	20,125	TO See Preparation Note 4 Sched B
Overhead	16,088	87.00%		134,678	134,678	TO Sched C (I)
	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*

A person in a white shirt is working at a desk. They are using a laptop and a calculator on a clipboard. The background is blurred, showing a typical office environment. The text is overlaid on the image.

Overhead

Under a Multi-Tiered 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		YTD	
			Actual	Budgeted	Actual	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. Personal 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.

The background features large, 3D-style numbers '15%' in a light red/pink color. The numbers have a slight shadow and are positioned behind the main text.

General & Administration (G&A)

Benefits the Entire Company

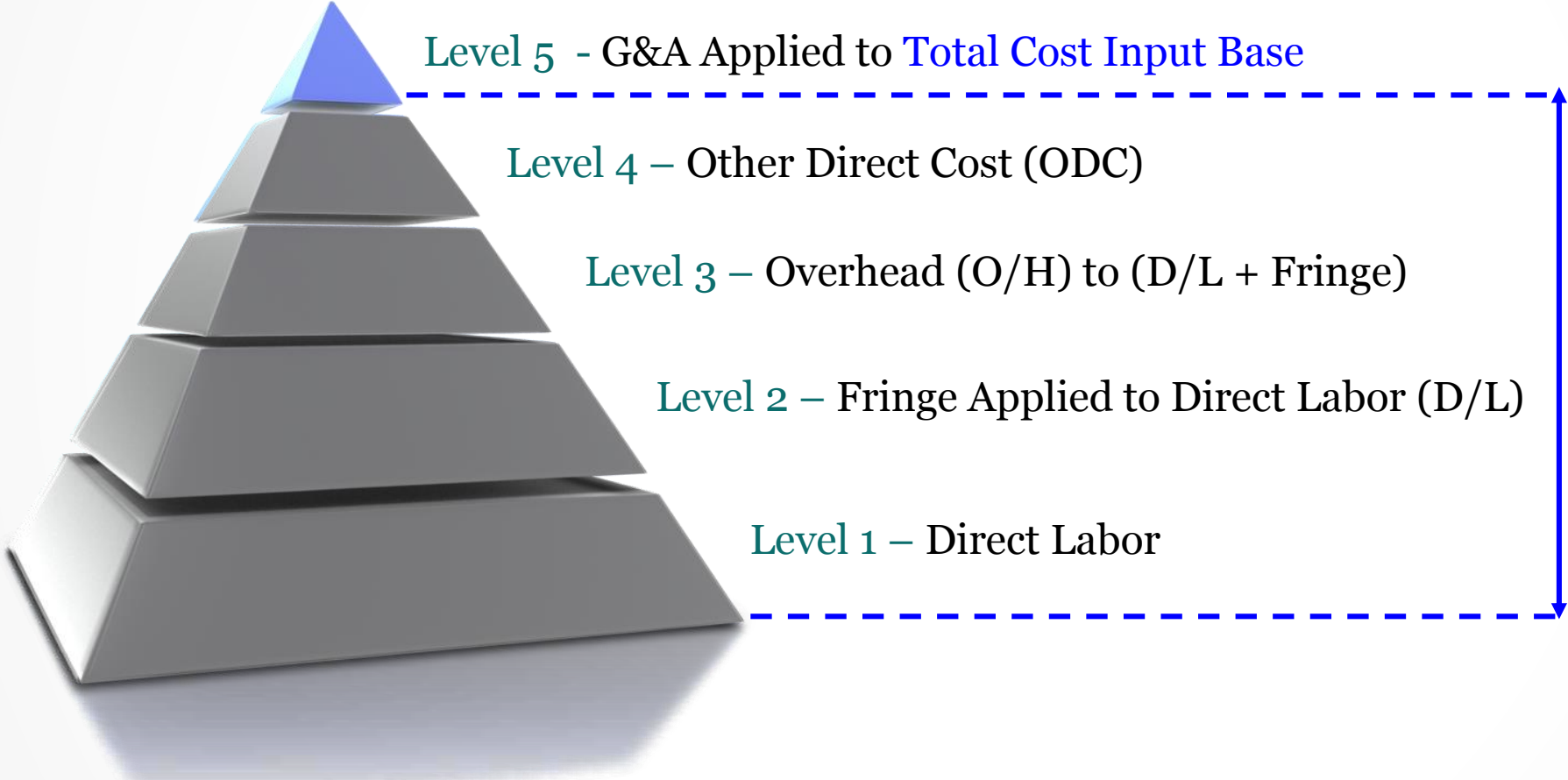
G&A Cost Pool

- 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



G&A Report

Analysis of Indirect Rates For Period 01-2001

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

CC Account ID	Account Name	PTD		YTD	
		Actual	Budgeted	Actual	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](#)

XYZ Corporation
Anywhere, USA

SCHEDULE B
ICE (version 2.0.1c)

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	
ADD: Fringe Allocation	24,005	-	24,005	Sched D (1) Fringe
SUBTOTAL	274,117	(8,287)	265,830	SUM SCHED H SUM SCHED H
IR & D Mat'l, Trvl, ODC(Sum SCH H)	9,724		9,724	
IR & D Labor (Sum SCH H)	14,287		14,287	
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	SUM SCHED H
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 GIL 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 (excludes 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*

A person in a white shirt is shown from the chest down, sitting at a desk. They are holding a silver calculator over a clipboard that has a spreadsheet on it. The spreadsheet has columns and rows of numbers. The person's hands are visible, and they appear to be focused on the task. The background is slightly blurred, showing what looks like a computer monitor and other office equipment. The overall scene is professional and business-oriented.

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

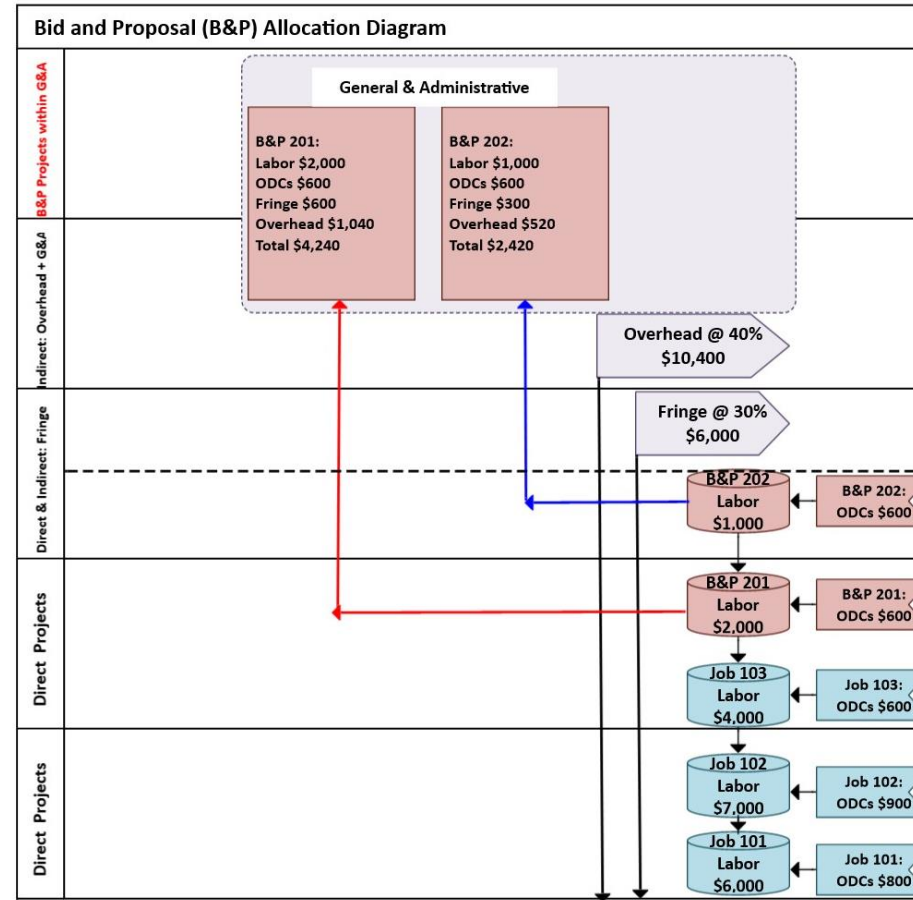
Bid & Proposal (B&P) *(continued)*

- 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)

XYZ Corporation
Anywhere, USA

SCHEDULE C (6)
ICE (version 2.0.1a)

[ICE MANUAL](#)

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		

	PER G/L, F/S	PER G/L	CLAIMED	Notes	Ref.
Subcontract Cost Pool					
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%		

A person wearing a white lab coat is seated at a desk. They are using a laptop with their right hand on the mouse and their left hand pointing at a document on a clipboard. The document is a spreadsheet with columns and rows of data. The background is a blurred office setting.

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

A person in a white shirt is working at a desk. They are using a laptop and a calculator on a clipboard. The background is blurred, showing office equipment and papers. The text is overlaid on the image.

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
1010X	..... Contract
1010X	..... 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)
-  = Occupancy (Direct & Indirect Labor Dollars)
-  = Studio Time (Engineer Hours)
-  = Onsite / Offsite & Functional Overheads
-  = G&A (All Departments Excluding G&A)

A person in a white shirt is working at a desk. They are using a laptop and a calculator on a clipboard. The background is blurred, showing a desk with various items. The text is overlaid on the image.

Analysis of Indirect Cost

Final Thoughts

Percent of Base Analysis – Fringe Pool Example

<u>FY 2017</u>		<u>FY2018</u>		<u>Account</u>
\$1,500	15%	\$1,500	20%	Leave
1,500	15%	2,500	33%	Medical
<u>500</u>	<u>5%</u>	<u>500</u>	<u>7%</u>	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

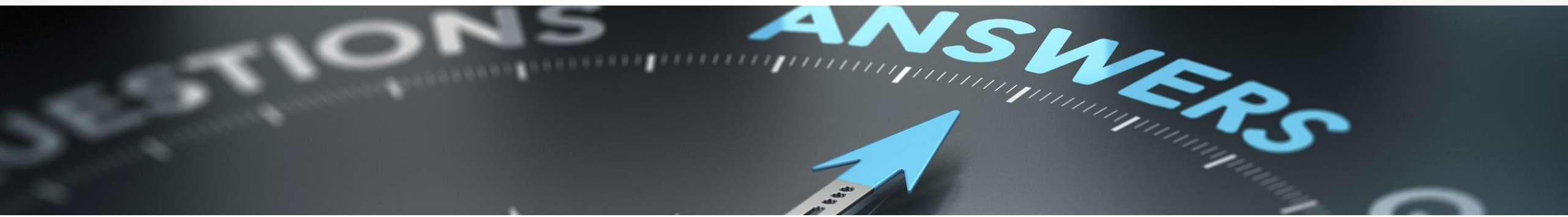
- Emerging structures
 - Single overhead
 - Fringe and G&A, too small for overhead
- Secrets, tips and tricks: competitiveness
 - Low multipliers – drive cost direct
 - Consultant market driven > actual wrap rates
- Proper design & set up per FAR 31.2
 - Full cost recovery – cost buildup
 - Best model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



Questions?

We would like to hear from you!

Get in Touch



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