**Workforce 3One**

**Transcript of Webinar**

**Overview of Indirect Costs for State & Local Governmental Grantees**

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BRIAN KEATING: Welcome everyone to today's "Overview Of Indirect Costs For State And Local Governmental Grantees." And to kick things off content-wise, I'm going to turn things over to Debbie Galloway, fiscal policy team lead with the Office of Grants Management. Debbie?

DEBBIE GALLOWAY: Thank you. Good afternoon, everyone. On behalf of the employment and training administration we welcome you to this afternoon's webinar on indirect costs for states and local governments. This is the last webinar of a three part series on indirect costs. Joining me today will be Victor Lopez, and he's the division chief of the Division of Cost Determination that is also part of the U.S. Department of Labor.

Just to give you a brief background on Victor, he started working with the Department of Labor in 1987. He joined the division of cost determination as a cost negotiator in 1995. He was then promoted to DCD's chief position in 2003. Currently he supervises seven cost negotiators across the country that are responsible for reviewing the indirect cost proposals and SWCAPs of the states and territories.

Victor has also been involved in the development of the uniform guidance training that ETA has hosted in a series of conferences that have taken place in different parts of the country over the course of the last 15 months. Thank you, Victor, for participating today and helping us with each of these webinars.

As we get started, as Brian had indicated, we do have a poll that is posted to the webinar. And we just wanted to get an idea as to who is out there and to see – we wanted to gauge the audience in their experience in handling or their knowledge in cost allocation plans, SWCAPs, and all good things related to indirect costs.

MR. KEATING: All right. Great. And that is up on your screen now. So go ahead and choose one of these options. So go ahead and let us know if your role is statewide cost allocation plan, indirect cost proposal, both, ancillary, or none. And it looks like many of you have already voted. But if you haven't, you're going to vote by clicking the radio button on your screen that reflects your choice. So please go ahead and do that now.

Give you another minute or so to do that. So looks like you're voting. Debbie, I'll turn it back to you to comment on what you're seeing and then we can go ahead and move on.

MS. GALLOWAY: OK. Great. Thank you, Brian. OK. So it looks like the majority of the people attending today's webinar pretty much have – they're not involved in the indirect cost process that is in place at a state or local government. And they're here to learn more about it. And all the things that we'll be discussing today will give you some general guidelines and principles regarding indirect costs and cost allocation, as well as going into some of the weeds of things, such as what is the difference between a statewide cost allocation plan versus an indirect cost proposal.

So with that being said, we are also taking in some questions. So if you do have questions, we will try to answer as many as possible at the end of Victor's presentation. For the questions that we received during this webinar as well as the webinars that we have hosted over the course of the last few weeks, Victor has graciously agreed to post all of those questions along with answers to his website.

And so after the end of this webinar, please return or take a look at his website. So we will have those questions and answers posted probably within the next couple weeks. So now I will turn it over to Victor so he can begin his presentation. Thank you, Victor.

VICTOR LOPEZ: Thank you, Debbie and Brian. Moving along, these are the topics that we will cover this afternoon. We're going to get you the address where you can access resources related to indirect costs and how to put a proposal together.

Why do you need a federally approved rate or cost allocation plan? What are the methodologies to charge indirect costs for state and local governments? How often are proposals are due? What is the difference between total direct, indirect, direct and shared direct costs? What is an indirect cost rate, common allocation bases? Types of indirect cost rates? What is involved in the DCD negotiation process? Who approves indirect costs when receiving a federal aware as a subrecipient? And what are the requirements of state in reviewing and approving indirect costs of its subrecipients such as local areas?

This is just a screenshot of our website. I like people to actually visit that website because it has links – first of all, it has contact information for this office. It has a phone number, email addresses and so on, where you can contact us, you can get somebody else on the other line to answer the phone, or send them an email. My name and address is there.

In that website you also have copies of the regulations and the applicable after December 26, 2014 and before that; and guidance and a checklist applicable to state and locals so they can cross-reference what they're submitting versus what's needed. And we also have a partial list of other federally cognizant agencies and other guidance that you can see and get access to.

I mentioned already that in the first slide, going to this one, this one has guidance for state and locals, applicable cost principles to follow, and checklists that whether or not you're in state workforce agency or not, it will be applicable to either one or the other. I mentioned this in the prior slide. That shows the actual regulations that grantees have to follow. Like I said, there's a link there to 2 CFR Part 200, also to exceptions to the Department of Labor in 2900.

There is a link also to frequently asked questions from 2 CFR. And whenever there is a question related to 2 CFR Part 200, quite frankly I refer back to that. Those Q&As were already put together by the Council of Financial Federal Assistance and Reform, and they're blessed by OMB, and they really follow guidance on those FAQs when the regulations are not very clear. So on the subjects that you have, you can look at that as another resource to hopefully get answers to the questions that you have.

There's links to the prior regulations, OMB circular A-122 and A-87 for the nonprofits and state and local. Those regulations will still need to follow prior to December 26, 2014. That's related to fiscal years tied up to the organization that you have. And also links to the – recently put those on the website – links to ETA TEGLs, technical employment guidance letters, that ETA have issued.

I mean, they have plenty. But the ones that we work with are related to the ETA TEGL 5-06 related to salaries and wages. There's max compensation that employees cannot earn more than executive level II, if I remember. There's an OPM guidance on salaries and wages. And I think the threshold is $169,000 and change, if I recall, but we can double check that. There's also guidance related to the unemployment insurance, for those state workforce agencies related to state taxes and penalties and interest.

So why does state and local needs to have a federally approved indirect cost rate or a CAP? Well, first of all it's compliance with federal regulations. Regulations say that if you want to claim indirect costs, you've got to basically support them somehow. So those regulations – sorry, that's tied up to the regulations and how – why you need to follow them. You need to put proposals together in order to claim indirect costs. Management information, most organizations like to know how much overhead do they have. Documentation for auditors, the auditors may require where's your proof of indirect cost rate, for example, or where is your cost location plan approval letter.

So having that information is useful when you get those type of questions. And also for closeout purposes. When you closeout grants, you need to have federally approved rates reconciled back to the fiscal years that you had the award, so they can do proper closeout, and post closeout. There's also post closeout requirements for indirect costs.

Which regulations do I follow for state and local governments? We mentioned 2 CFR Part 200. And 2 CFR Part 200 really applies to nonprofits, state and local educational institutions and so on. But Appendix V, that Appendix V applies to central service or public cost allocation plans. Appendix VII will be the proposals that you most likely will be involved with, Appendix VII again, for state and local governments. OMB A-87 is the prior regulation, prior to December 26, 2014. And like I said previously, those web links are available in the website.

I get these questions multiple times when we're in the office. And there's methodologies to charge indirect costs applicable to state and local governments. And we wanted to contrast indirect cost rate versus cost allocation plan. On both you are allocating indirect costs to grants on the indirect cost rate side. You approve indirect costs to the grant or grants through an approved rate. Allocation base could be direct salaries and wages, MTDCs, etc., typically adjusted on a yearly basis.

And I highly yearly basis to account for actual costs incurred when using provisional final rates. You got to fix the carry forward; we're going to get into that. We don't adjust on a yearly basis, but they're adjusted two years later. But I want to get into that when we get there. The rate agreement completes that negotiation.

Now when we contrast that with the cost allocation plan, it's similar. The organization allocates indirect costs to grants through an approved cost allocation methodology. The allocation base, rather than total direct salaries and wages or total direct costs, could be direct hours paid, or direct FTEs, etc. Typically adjusted and charged on grants on a monthly basis based on actual costs, as opposed to yearly, compared to the rate.

A CAP letter with supplemental schedule, in 2015, late in 2015, we're asking now all state and local governments that get this cost allocation plan letters to actually provide a supplemental schedule reconciled back to the proposal, showing allocated indirect costs by grant ID. And getting that support will help out the closeout folks reconcile numbers back to the claimed costs that you did in your grant.

Similarities between both, both methods achieve the same result when allocating indirect cost, require similar documentation, includes narrative as well as financial schedules to support the costs certification of compliances, and so on. The federal funding agencies prefer having the rate. And it's most common accepted across the federal government. Related to 2 CFR Part 200, Appendix VII, guidance on CAPs, there's some support there to use cost allocation plans for state and local governments.

This is language in the Appendix VII again. It says, "in certain situations governmental departments or agencies (components of the governmental unit), because of the nature of their federal awards, may be required to develop a cost allocation plan that distributes indirect (and, in some cases, direct) costs to the specific funding sources. In these cases, a narrative cost allocation methodology should be developed, documented, maintained for audit, or submitted, as appropriate, to the cognizant agency for indirect costs for review, negotiation, and approval."

So for cost allocation plans we require not only the methodology in narrative format, but also cost schedules to see how indirect costs were allocated to the funding sources.

How often proposals are due? There's guidance in the nonprofit guidance, Appendix IV, again how often proposals are due, indirect cost proposals. There's guidance in Appendix IV that proposals should be submitted within 90 days of the grant award. Now we use that guidance as well for profit organizations and state and locals, because it's really the cost principles are really silent on that. But it's also requiring the grant documentation to submit proposals within 90 days of the grant award.

So when I say a proposal within 90 days of the grant award, obviously it wouldn't be based on actual costs, but will be based on budgetary information in the beginning, which is then settled through actual costs in a later proposal, which I'm going to cover in the next slide. But again, this is for the initial proposal. After you get the grant award, you have to provide a proposal to the federal cognizent agency, in this case us, within 90 days. We can establish something in the beginning of the grant. So you can support allocating indirect costs to the grant initially.

This next slide says, how often are indirect cost proposals due? I just want to highlight they must be retained there for audit. And then the next slide says that when the proposals are due based on actual. Proposals are due based on actual within six months after the end of the fiscal year. Now I just want to highlight also guidance in there that talks about proposals that – organizations that receive more than $35 million in direct federal funding.

For those that get more than $35 million of federal funding, they have to submit proposals of indirect costs to the federal cognizant agency. Now those are not – those organizations that get under $35 million, they don't have to submit proposals, but the Department of Labor is requiring those proposals for review.

So to make a long story short, if you get a federal award, we're asking if Department of Labor is the federal agency giving you most of the direct federal dollars, Department of Labor, this office is requiring proposals to be submitted for review and approval.

MS. GALLOWAY: Hey, Victor?

MR. LOPEZ: Yes.

MS. GALLOWAY: Can you just expand as to what other federal cognizant agencies do? Because we often get a question that comes in to say, well, my cognizant agency is HHS and they're telling me I don't have to do it.

MR. LOPEZ: This issue has come up before. And this is the practice that Department of Labor has accepted to move forward with. This guidance was issued back in December 26, 2014, so it's fairly recent. And if you follow the regulations to the tee (sic), they really don't have to submit the proposal and keep it for audit.

What I want to get at is the Department of Labor's practice and the – for example we're not stopping to review the proposals that we get, even though proposals may be under $35 million. And ETA's preference to receive proposals under that threshold as well, so make sure that we can reconcile indirect costs that they're proposing. So that's where I'm coming from. So to make a long story short, we're requiring more proposals to be submitted regardless of the threshold.

MS. GALLOWAY: Got it. So then if the cognizant agency is Department of Labor and I receive a new grant, even if I have something under $35 million, a proposal must be submitted to your office.

MR. LOPEZ: Yeah. That's per the discussions that we have had – (inaudible) – proposals. Againm that may change in the future. The guidance is what the guidance says. And I'm not stopping my reviews because there's a threshold that – because of the threshold being 35 (million dollars) under, unless I – I guess we could talk about this internally with the policy shop and see what – but that's – I'm not stopping proposals. We're not waiving proposals, so to speak. We review all proposals that we get.

MS. GALLOWAY: Thank you, Victor, for that clarification. I think it's very helpful to understand how the Department of Labor treats their cognizant role versus other agencies, so that it's clear for people that do receive a new grant, that you would accept any proposal that would come in.

MR. LOPEZ: Yes.

MS. GALLOWAY: Thank you.

MR. LOPEZ: And that could change in the future. But as of today, we want to see those proposals. And I think the Department of Labor wants that too as well. It's less work for this office. But at the same time I'm not prepared to say – I don't want to – I think it's beyond my call, beyond where my position is. But we can talk about that later. If that changes, we'll notify definitely the grantees. But OK?

MS. GALLOWAY: OK. Sure.

MR. LOPEZ: Some of what Debbie was talking about, we touched on this. One of the questions that we get is, who do we submit the proposals to? So there's a list of agencies where you can send proposals. Well, that's not well-stated, I'm sorry.

The guidance that we get from the cost principles is that the federal agency that's giving you most of the federal dollars will be your cognizant federal agency. That federal agency has to review and approve your indirect costs. So it could be the Department of Labor, it could Education, it could be HHS. The organization could be multi-funded from several federal agencies.

So if Department of Labor is the primary source of direct federal funds, my office should be reviewing those proposals. Similar to Education. If Education is doing – if you're getting most of the funds from Department of Education, Department of Education should be cognizant.

And then what that means is that the approved rate agreement that we do our cost allocation plan letter will be applicable to all other federal funding that you have. So you don't have to repeat this with other federal agencies. Only one federal agency could do this.

We touched this in the first webinar. We talked about definitions; what is reasonable, allowable and allocable. There's definitions of those in 200.403-405. There's definitions also for unallowable costs. There's certain costs cannot be charged to federal grants and contracts, such as advertising and public relations, bad debts, contributions, entertainment costs, fundraising and lobbying. We define there what total costs are, which equals direct costs plus indirect costs less applicable credits. There's a definition for that in 2 CFR Part 200.402.

Also we go through definitions and we're going to lead to examples. But first we need to cover definitions. What are direct costs? And I highlight direct costs, costs that are readily identified to a particular cost objective. And that could be direct salaries, space, supplies, communications used by direct staff.

There's a definition for direct costs in 200.413. Examples of direct shared costs, costs that benefit more than one program or grant. Could be salaries for a case manager who only works with adult, dislocated workers and youth participants. Square footage shared by the funding sources – I'm sorry, square footage of space occupied by the case manager; communications devices, such as a cellphone by the case manager, and so on; supplies by the case manager or managers.

And I highlighted there in the asterisk, these are not to be confused with typical indirect costs such as executive direction, type of cost, accounting and fiscal, HR, payroll, and so on. So again, you can have a case manager who work in multiple activities on the direct side. And those would be considered "direct," quote-unquote, shared costs.

Direct versus indirect, that's something that's really necessary to clear up. Costs must be consistently allocated between direct and indirect. And as part of the cost proposals that we get, we ask grantees to submit cost policy statements, which is submitted with the proposal. And that explains how costs are allocated directly and indirectly within the accounting system.

This is a oversimplified structure or organizational chart presenting where the direct costs are in, in a grantee setting, and where the direct costs are. The top side of the arrow, that shows executive direction, fiscal, secretary/receptionist. And so on the left side upper, that's typically would be the overhead indirect costs, so to speak. At the bottom of the spreadsheet, on the right side of the bottom, that will be the operating programs. So all costs related to those operating programs will be considered direct.

Definitions, we're still going with definitions. What is an indirect cost rate? It's a ratio whereby an indirect cost pool is divided by a direct cost base, which is then expressed as a percentage. So what we call the pool is the indirect cost pool, over the allocation base whatever that is. It has to be all typical related to some type of direct cost base. And that equals the rate. So pool divided by case equals the rate. What are common indirect cost allocation bases? We talked about this before in the previous slides, but it could be direct salaries and wages including or excluding fringes, total direct costs, or modified total direct costs.

We want to show an example here of calculating the rate using total direct salaries. Also one with total direct costs. I want to show a cost allocation plan methodology or method to using total direct hours. So you can see again bottom line is we have a certain cost of indirect costs that cannot be readily identified when any grant or contract. Someone those costs need to be allocated based on benefits received.

If we benefit out of it, the costs are reasonable, the costs are allowable. Each funding source or each grant should pick up a fair share of indirect costs. So in this case it's a very simple schedule presenting at the top an estimate of total costs. Again, this is consolidated because of the size of the spreadsheet and the space that we have.

But if you focus on the top, you go from right to left, you got costs, direct costs related to all other funding sources, direct costs related to ETA products in column E, and you got total direct costs. So think about the right side of that schedule as total direct costs. Then on green you have indirect costs; costs like I said, costs not readily identified with any grant or contract. And that could be for executive direction, IT, HR, accounting, payroll, those type of costs.

Those costs are not readily identifiable with any grant or contract, and that example, that totals $150,000. Next to that we got column B, $10,000 for unallowable costs. Contractors may incur unallowable costs like we explained, advertising, entertainment costs and the like. So those costs will be presented in column B. And then we got the total of all those columns from the right, showing salaries, benefits and other costs. Again, this is consolidated, over simplistic.

So next just to calculate the indirect cost rate. We know that we cannot directly identify $150,000 that goes to the pool – or the numerator in green – when you see the arrow coming down. That's divided by total direct salaries, $519,000. That feeds from the yellow side of the direct costs. And you divide one over the other and that shows you 28.9 percent. Then what that means, you take the 28 percent and multiply it times each one of the allocation bases.

And that's going to give you the ratio of indirect costs to each – (inaudible) – funding source or grant. Again, that right side of the schedule could be expanded, but this is for purposes of this schedule it's all consolidated. In the example ETA is picking up $63,000 of the $150,000 of allowable, allocable, and reasonable costs that the entity has. Then the difference of that is picked up by all of the funding sources.

So again, think about this, about a method to distribute indirect cost, somehow, some way, in that case using the total direct salaries and wages. Again, that total must reconcile to financial statements.

This example it's similar to the previous example, but rather than using total direct salaries, it's using the denominator of total direct costs. The rate drops down to 19 percent and the $150,000 again, that same direct cost pool, divided by total direct costs, 776 (thousand dollars). That gives you 19 percent on the indirect cost rate. And we multiple the 19 percent to the federal funding programs, grants and so on. And that will give you the share of indirect costs added to total 150.

If you notice the rate from the previous slide was 28 percent. This rate is 19 percent. And I get a lot of questions all the time, well I'd like to go with the 19 percent because it's better. Or I like it better because it's lower or it cosmetically looks good. Frankly, it doesn't matter to me or to us. What we see is the ratio of indirect costs distributed between both methodologies.

Using total direct salaries or total direct costs, if we go back to the previous slide, the allocating indirect costs to ETA is $63,000 in this example. In this example though it's $62,708. So it's literally less than $1,000 allocated using either methodology. Up or down it's going to go up or down less than $1,000.

So I just want to get that across because this is important. It's the most important slide of the presentation, I would say. The whole purpose of doing indirect costs, again, is to determine an allocable, allowable and reasonable share that each funding source should get for indirect costs that the entity has.

Now going back to using – this is a similar example to the other two, but rather than using the rate, we're using the rate hours, using a cost allocation plan methodology to contrast that. As you see this methodology in column A, we got direct hours to each funding source. ETA has direct hours. Again, these are direct hours for the applicable employees working under that program. So you got direct hours, 4,576, and then 6,240 for all other funding. So that gives you 10,816 hours.

So the ratio of hours, ETA versus all other, is 42 percent versus 58 (percent). We multiply times that the indirect cost pool and that will give you the ratio of indirect costs, 63,000 (dollars) and change versus 86,000 (dollars) and change. So you can see all three methodologies more or less give you the same result in allocating indirect costs. Hopefully that was clear.

Moving to types of indirect cost rates. Again, we were talking about the indirect cost rate methodology and we jumped to a cost allocation plan methodology. Now these type of indirect cost rates deals with the indirect cost rate methodology. We have what we call the billing rate. Billing rate is stated in the grant award. This is to allow recovery of indirect costs until a cost proposal is completed and submitted and reviewed. And that's typically valid for 90 days.

So when you get a grant award, assuming that you don't have a rate agreement or cost allocation plan approved, federally approved, this is something that could be negotiated as part of the grant award. So you can get indirect costs while you get an approved indirect cost proposal.

As you recall a few slides back, organizations have to submit a proposal within 90 days of the grant award. So in a way the function that we do is post-award. So this is at the grant award, if you don't have any federally approved rate at the time of awarding the award, you need something to build out indirect costs between now and then. That gives you that flexibility to recover indirect costs. That's negotiated at the grant award – during the grant award stage.

Budgetary rate. When we approving this, we did this in alphabetical order. But this is tied up really to cost allocation plan letters. When we approve the cost allocation plan letter with the information that we get, we can calculate an estimate, a rate that could be used for billing purposes only. And we get this a lot from grantees that we issue cost allocation plan letters. Because there's no rate tied up in those letters.

So this rate actually is something that this office came up with some time ago, before my time. And not all grantees require this, but some grantees do. And so all state and locals – well, when we get cost approval letters, they like the convenience to have a rate so they can then use it when they bid on another grant. So it's for planning purposes only. We qualify that in the letter when we issue it, for cost allocation plan purposes. If they got grants, they have to follow the cost allocation plan methodology. For example, billing direct hours based on an actual basis, on a monthly basis. Hopefully I said that right. So again, it's only for convenience purposes.

Ceiling rate. This is set by grant agreement or contract officer, the maximum rate which costs may be recovered under a particular award. With 2 CFR this is going away anyway because the new guidance actually restricts that unless it's provided by the statute or regulation. So again, let me highlight again. The ceiling rates are no longer something that could arbitrarily be negotiated when you get a grant. So that's going away. But we still have it there because it could be applicable to still old grants that you have.

The 10 percent de minimis is a rate that came alive on December 26, 2014 with 2 CFR. It is basically provided for most organizations that are fairly new will probably take advantage of it. (Inaudible) – to submit a proposal and go through all the burden documentation that you have to submit to submit a proposal or an organization that has not, quote-unquote, "ever," be provided a federally approved or cost allocation plan before, could have – could use this as an advantage and just apply for it when they bid on a grant.

So again, it's an option that organizations have if they have never negotiated a federally approved rate before. That's quote unquote "what the regulation says." So we want to highlight that. It's not like that probably be used by state or local governments especially if they get more than $35 million. Because the regulations say that specifically that if the organization gets more than $35 million, the 10 percent is not applicable to them.

The final rate, again all these rates are included in the regulation. And the regulation again covers all the definitions of those rates. And there's links to the definitions at the bottom of the slides. For final provisional predetermined – (inaudible) – we carry forward. Not for the budgetary or for the billing or the ceiling, but for the others there. The final rate is set by the federal cognizant agency.

When we approve a methodology based on provisional and final rates, provisional we're going to cover in a couple more slides. When we issue provisional rates, those rates have to be finalized. So in the beginning of the process when we issue a provisional rate, say for example, we issue a provisional rate for 12/31/2016, again, you can bid on the grant on, say for example, 30 percent of direct salaries and wages.

But after six months, like we mentioned in slides prior to, that rate needs to be finalized. In other words when you get actual costs, an adjustment could be reflected in the final rate up or down for that period. So that's what the final rate is. So again, if we issue a provisional rate to our organization, it has to be finalized. So think about this, about two proposals per year, possibly, over the provisional final rate methodology.

The fixed rate is a rate that we typically approve for state and local governments. It's a complicated rate, but it's a rate that we could do as well. It's a permanent rate that is billed to the grant and is not subject to change. No closeout adjustments are needed. But rather, we see how much you incur, and if you incur more than the indirect costs that you were allocated, those costs are reflected in a year – typically two years later. So the (over/under recover ?) of indirect costs is handled at my office level. But you bid on the grant at a fixed rate that doesn't change for closeout purposes.

So I'm going to give you an example. Say that you claim X rate and you allocated to all grants, to be simple, $10,000. You actually incurred $8,000 through the whole methodology. There's $2,000 over that you over-collected. So those $2,000 are added to an indirect cost that we negotiate two years later. It's a little complicated to understand, but if you ask and call, we can help you with getting that done. Most state and locals that we do, again they prefer that methodology that we have with the fixed rate we carry forward.

Predetermined rate, it's a rate that we seldom use. But it's a rate that say for example you provide documentation supporting a rate of again 30 percent to be simple, based on direct salaries and wages. And we got a history with you of approving more or less that rate for many years. So we could predetermine that rate looking forward. And for one year, and now with the new regulations, we can negotiate that rate up to four years. That's an option that you guys have and you will need to propose it.

So again, if the rate is pretty consistent and that doesn't change, you more or less get the same type of revenue every year, and you have the – your indirect costs slightly increase or decrease, but the rate is pretty much stable, a predetermine rate could be negotiated so that way you don't have to submit a proposal again based on actual. So predetermine rate, think about that rate, about looking ahead to support indirect costs that you have without adjusting to actual.

The provisional rate, we slightly covered that in the prior slide with the final rate. Provisional rate is set by the cognizant agency. When we get the proposal within 90 days, hopefully, of the grant award, if we use the provisional final rate methodology, we typically approve the provisional rate looking ahead maybe one or two years while you caught up with the final rates later on.

Again, all these definitions are – I'm throwing a laundry list of rates, but all of these definitions are defined in the cost principles. And as a grantee you've got options. I want to highlight again, you got options to submit either a provisional final rate methodology, or go with the fixed or carry forward, or go with the predetermined rate, or – I forgot the other one. But yeah. Hopefully you got the point. You got options.

When we're talking about the indirect cost negotiation process, again this is on us. What do we do when we get the proposal? You submit a proposal to us and then what do we do with it? We review the proposal for unallowable, unallocable or unreasonable costs. We review additional documentation if necessary. We perform trend analysis if needed. We advise on unallowable costs, unallocable or unreasonable. We negotiate rates that we have to – I mean, the costs that we have to.

We typically issue the rate agreement or cost allocation plan letter within 90 days – I mean, within 120 days. And we formalize the negotiations and we issue a rate agreement to you or cost allocation plan letter, which you can then support or provide to your funding sources. So in the last year we negotiated and approved 412 proposals. And we always got a backlog of proposals. But if you got concerns about proposals that have been in my office for a little bit of time or for a long time, I'd like to hear about it. So feel free to contact me.

What should be included in proposals for indirect cost rate or CAPs? Typically the first bullet shows an org chart, timesheets, documentation supporting allocation of personnel expenses. We like to get a cost policy statement describing how all costs are allocated directly and indirectly. Personnel cost worksheets, statement of fringes, statement of total costs.

If you think about the other schedules that we saw before, providing the indirect cost rate, I'm talking about those but obviously more comprehensive, more detailed. Certificate of indirect costs, that certificate there's templates in our website as well as in the regulation. You basically have to certify that the proposals that you put together were in compliance with the applicable cost principles. Financial statements from the state, that somehow quite frankly it's difficult to reconcile, but we ask for your help to do that.

We also ask for a listing of federal grants and contracts showing source of funding, grants and contract amounts, and relevant dates. When we get the proposal, we don't know who's funding you. This office as well as the other federal cognizant agencies wouldn't know – there's many grants provided out there. We don't know who you always you being funded by. So certainly we need some type of documentation showing who's actually giving you federal dollars, so we can determine for example federal cognizant agency, complexity, risk involved in the negotiation, and so on.

For state workforce agencies we will get similar documentation. Again, those state workforce agencies will be agencies that typically handle employment service and unemployment insurance funds and so on. And we ask them to provide similar schedules. And along with that, we also get again we got departmental and divisional costs related to the actual state and local agency. The statewide cost allocation plan, that is approved by HHS, health and human services. The statewide cost allocation plan, it's – we ask them – we – this is something that we could either pull from HHS website if you don't submit it, or ideally you submit it along with the proposal. So we can reconcile the shell of the SWCAP that you have in the proposal.

Again, I think we're going to get into the next slide or the next one, we're going to define with statewide cost allocation plans, but it's basically to cover costs – (inaudible) – related to accounting on a centralized basis, payroll, and so on. And we will get the HHS, according to the regulation, divisional cost allocation services, have to review and approve all cost allocation plans, statewide cost allocation plans, that is from all states. So when we get those approvals from HHS, there's a schedule tied up with the statewide cost allocation plans that shows allocating indirect costs by departmental agency.

So if we're talking about Washington, DC, for example, we look at the DC – if I remember correct, employment services. And we would actually – we could reconcile the statewide cost share of those costs in the proposal that you're submitting. So again, the statewide covers – the statewide cost allocation plan covers all departmental agencies within the state.

Each departmental agency is going to get a share of the statewide cost. So we need on our end we just need to reconcile the amount of cost allocated through the statewide to each department – to the departmental agency that we're negotiating with. So hopefully that's going to make sense to you. But if not, hopefully we cover that in Q&A.

MS. GALLOWAY: Hey Victor, I have a question. Can a state –

MR. LOPEZ: This slide covers what I just talked about. But anyway, go ahead.

MS. GALLOWAY: Can a state agency have both a SWCAP and an indirect cost rate?

MR. LOPEZ: Yes. The state agency – like I was trying to say, the state agency could be, for example, the Virginia Employment Commission, we work with, and I hate to single – we work with the Virginia Employment Commission, for example. So the state of Virginia actually provides a statewide cost allocation plan to HHS. So once the approval is provided by HHS for the SWCAP, then we can see the share of statewide costs for Virginia Employment Commission. Hopefully you got that.

So yes, the state agency that we're working with could have departmental costs included in their proposal, as well as a share of the statewide costs approved through HHS. So it's like a twofold – they could have departmental and divisional costs, along with a share of statewide costs. But you don't – frankly, the grant specialists or grant officers don't worry about that. I have to reconcile that with the grantee on my end.

So bottom line is, if the ex-grantee wants to claim a share of the SWCAP, somehow I need to reconcile it. On my end we have to reconcile that. So you don't see it on your end, but we see it on our end. So when we approve the rate – if we approve the rate to the state agency, the rate is going to be inclusive of costs related to the share of SWCAP, if that makes sense.

MS. GALLOWAY: Yes. It does. Thank you.

MR. LOPEZ: So it's inclusive. The cost allocation plan the same. If they allocate – if they share a statewide cost, using a cost allocation methodology like direct hours, the cost will be inclusive in the share of costs that we approve. So this slide that is on the screen gets into that, what we do versus what HHS do.

So looking on the left side, HHS acts as federal cognizant agency for grantees with predominance of direct federal funds from HHS. That's on the regular indirect cost proposals that they get because they get similar proposals that we do. On SWCAP they review, negotiate and approve all state proposals, allocating their indirect costs are presented in the HHS SWCAP approved letters for states. A supplemental schedule is provided presenting allocated indirect costs at the departmental agency level.

And then we define there, we got a link there for where – and this is public, I double check that by the way. All people can access that link. And it's listed by state. And they can pull up the statewide cost allocation plans approved by state, and the supplemental schedule too of allocated indirect costs. Again, on our side, I deal with this, but you wouldn't necessarily need to deal with it. The grantees will definitely need to provide that as support for the indirect costs that they're claiming.

So on our side we obviously act as federal cognizant agency. We have to review the proposals that you get, for example. And we reconcile the HHS approved SWCAP amounts with amounts in proposals submitted by state departmental agencies. That proposal typically includes departmental and divisional indirect costs. All of those costs are included in the proposal and are reviewed and approved by this office. So I tried to get that in the previous slide, but I mean, this basically covers that subject.

Sample rate agreement with a state or local organization. This is the top portion is boilerplate, which regulations did we follow. At some point we're going to eliminate all guidance related to A-87, but obviously if you got A-87, you got fiscal year periods prior to December 26, 2014. A rate agreement would show that – it would show that language. If you got rates applicable to FY '15 and forward, we'll probably delete that language in future agreements.

And we only cite regulation to 2 CFR Part 200, which is the second part of that. For purposes of that presentation, the rate agreement we're having a catch-all type of – (inaudible) – to cover both regulations in the overlap because of the time – because noting when 2 CFR was effective and the applicability of A-87 prior to.

Again, this will be one page and the first page of the rate agreement. But the second part of that will be to show the rates. And this is used in the final provisional rate methodology. If you recall there's also methodologies to do this fixed would carry forward or pre-determined. Or extended based on the new regulation 2 CFR Part 200 where organizations could propose extending rates for more than one year, up to four years.

We describe what the allocation base, and the total direct salaries and wages, and so on. We don't have a sample here of the cost allocation plan letter. But the cost allocation plan would also have the type of indirect cost allocation base that you have. Treatment of fringes, treatment of paid absences.

We got some limitations. Limitations on the rate agreement is subject to funds available. So the rate could be at a certain rate, but if there is no funds available in the grant, although the rate stated and we signed off on it, I don't have control over funding. So the funding agency obviously you need to be aware of that if the rate is over, above and beyond what you can collect, there's so much that you can recover for indirect costs. Also we highlight in there, again this is boilerplate in the rate agreement. We're highlighting there also that these rates are subject to audit for allocated indirect costs.

Changes. If there is something in the accounting system that could be – could impact the rates, we also advise for you to get prior approval.

Notification to federal agencies. When you get this rate agreement or cost allocation plan letter, you will need to share that agreement with the other federal funding agencies giving you direct dollars. Because that way, so obviously you could do the – they could reconcile amounts claimed of indirect costs, and they could use it as of closeout purposes and so on.

There's also language there, I'm not going to go through the whole thing, but I mean, there's also language there from – we deal with grantees and contractors, and there's generic language there for provisional final rates and adjustments. You like to take a peek at it and look. Proposals have to be submitted within six months of the end of the fiscal year. We covered that.

We also deal with contractors. So contractors, if they get a contract – I mean, this language wouldn't be probably for states, but we just have it there. The Federal Acquisition Regulation says that within 60 days of the issuing of final rate, they have to submit that copy of that rate agreement to the federal funding agency, so they can make adjustments if needed.

Now on the 2 CFR side, again on the grant side, there is language in 2 CFR Part 200, and this is nothing new – A-110, the administrative requirements, cover the same topic. There's post-closeout adjustments and continuing responsibilities. And you can take a peek at that, but that basically says on the second part, says that the closeout of an award does not affect the obligation to the federal entity – that includes states – to return any funds that are due as a result of later refunds, corrections, or other transactions.

And I highlight in there, including final indirect cost rate adjustments and collections of amounts due. So even if the grant is closed, adjustments could be made especially if you over-collected indirect costs, because then that would represent a debt to the federal government. I just want to highlight that out.

We got also language for special remarks, which we could add to the presentation. The agreement is signed by me and signed by the organization, or me, or whoever is representing me, the cost negotiator. It's dated and we're done after that. Again, we covered all fiscal years for the grants.

I mean, in other words, rates should be – we should have rates applicable to the life of the federal grant award. So if you got a three year grant, for example, we should have rates by fiscal year at least three years or possibly four, because the overlapping of rates. So I just want to point that out.

Now who approves indirect costs when receiving a federal award as a subrecipient? Appendix VII Part 200, state and local government states in part, pass-through entity will be responsible for negotiating and/or monitoring the subrecipient's indirect costs. So again, we're getting plenty of questions on this. So if an organization – if for example, the state is actually provide – it's the pass-through entity and it's providing money to the recipient, it's the pass-through entity, in this case the state, willing to negotiate and approve – I mean, the cost rate with them.

This is related to where you find guidance on this. It's in Part 200.331, requirements for pass-through entities. And there's language in there that gets into what's required on them related to indirect costs.

What are the requirements of the pass-through entity prior to receiving approval for indirect costs of subrecipients? We typically advise pass-through entities to basically go through the same process that we do. Because that's the only way to actually verify the indirect costs that they have. So we require – so we advise a pass-through entity to require the subrecipient to submit a proposal six months after the end of the fiscal year, or negotiate a rate that could be either provisional, final, predetermined rate, or carry fixed or carry forwards.

We got website guidelines where you can follow how to put a proposal together. So if you got a sub and they don't know how to put a proposal together, they can visit our website to find guidance on that. For the state and local, they want to evaluate the proposal for allowability, allocability and reasonableness. So basically looking at their indirect costs, applying that, the cost that they're proposing are allowable, allocable and reasonable. They could also negotiate a new cost rate with them applicable for the applicable fiscal year and keep documentation on file.

So this graphic we actually split in two because it was complicated to show on the screen, I realized after we did the previews. But we just want to get that very clear here, who approves indirect costs at what level. So this is just an example of three pass-through entities. If each individual pass-through entity need to negotiate the indirect cost rate with the federal agency who's giving you most of the federal funds to them. So they get direct federal funding, they have to negotiate a cost allocation plan with their federal cognizant agency.

Now this gets a little bit more complicated. So again, you have the same pass through entities in the previous slide, but they actually award some of the money to a subrecipient. So the pass-through entity could either – according to the guidelines that we have and 2 CFR Part 200, you have to negotiate rates with them. So you have to either establish a NICRA or possibly accept NICRAs from the other parties. But in my view they would need to be tied up to the provisional final rate methodology. The costs related to pass-through entity 213 for example, will need to be part of the allocation base, so it could make sense and the rate could be applicable to others, if that makes sense.

So that's what we're saying, so again going back to the previous slide, if you're getting direct federal funds from a federal agency, you have to negotiate a rate with the feds. You have federal dollars and you provide that money to a subrecipient, you have to negotiate a rate with the subrecipient. We don't do it. So it could be in either of those methodologies. It could be a – (inaudible) – rate for example, or you could entertain using the de minimis, the 10 percent de minimis rate.

There's guidance on that in the regulation about that. So either methodology you have to negotiate something with the subrecipients related to indirect costs. Now the subrecipient at the end of the day receives direct federal funding. Then all pass-through entities at some point they will need to use the federally approved rate issued to the sub, because then that sub will be a direct recipient of federal funds.

We got questions that we could entertain, but we have a few questions. We're putting seven questions from prior meeting sessions that people have asked. This is straight questions. We didn't edit the questions.

But we have a question raised, "What if I have a SWCAP, do I have to get an indirect cost rate now?" So either an indirect cost rate or SWCAP needs to be approved so that the state agency properly support the recovery of indirect costs or the share of SWCAP costs, as well as indirect costs incurred at the departmental agency level.

This is another question. "The budgetary rate is contained in the cost allocation plan approval letter, can it be used to apply for a predetermined rate or fixed rate?" I am not sure. I don't know the lingo or terms correctly.

Also, "What is a budgetary rate?" We defined what a budgetary rate is again was in the previous slides. It could be used – when they're bidding on a grant it's not a rate that could be billed to the grant. But we're saying that possibly you could negotiate that budgetary rate as a fixed rate moving forward. But that's something that we have asked you to contact my office to see if we could be – if it is feasible to get that done.

Number three, "If a subrecipient receives pass through funds from a state and has a direct federal award, if it has never obtain an approved indirect cost rate, can the state negotiate the rate or does the subrecipient have to negotiate with the federal agency?" Response. The subrecipient would need to negotiate with their federal cognizant agency. Again, going back to a couple of slides ago, where if the subrecipient happens to get direct federal funding at some point, then they will need to negotiate a rate with the feds, and that fed rate will be applicable to all funding.

Number four, "Is an agency who has more than one grant required to have an indirect cost rate?" No. Because all funding that you will get – all costs related to that grant – all costs that you incur will be related to that grant. In other words, there's nothing to share, there's no indirect cost to share. The cost could be administrative, but there's nothing to share if you have only one source of funds.

Indirect costs and allocation of indirect costs makes sense when you have more than one source of funds, if you're multi-funded. Just to get the point across, even one dollar from another source will be considered another funding source in my view. So what we're getting at here is, each source of funding that you have should be – (inaudible) – share of indirect costs.

Last three, "A local unit of government receives Title I WIA funds and have one direct federal grant from Department of Labor. If the local unit of government has an approved cost allocation plan, which includes the costs of accounting, the CEO salary, blah-blah-blah, and other overheard indirect costs, does the local unit of government need to apply for an indirect cost rate?"

Response, if they have a federally approved CAP, they don’t need to apply for a rate. Again, we covered that they could – if they have an approved cost allocation plan or a rate, those costs are inclusive. So they don't need to apply for both. We want to contrast again methodologies to allocate indirect costs using a cost allocation plan or an indirect cost rate.

Number six. "We are a subrecipient. The state is the direct recipient of WIOA funds, the state is requiring use to accept the de minimis rate and they will not negotiate a rate with me. So the response, per 2 CFR 331, the state must approve a de minimis rate or negotiate a rate with the subrecipient. So the nine indirect costs are going to – (inaudible) – the new guidance we have. For me frankly it's not an option. All organizations that you work with, they're entitled to indirect costs. You could negotiate those costs. That's what the intention of 2 CFR, on the guidance that 2 CFR Part 200 gets to.

So last question. The federally approved indirect cost rate expired on direct grant but still receive federal funds from the state, would the subrecipient negotiate a rate with the federal agency or the state agency, or can it request the de minimis rate?" Response. The state would need to negotiate a rate with the subrecipient. The de minimis rate is not an available rate since it had a federally approved indirect cost rate in the past. So in other words, the 10 percent is not applicable again because of the – if they had a federally approved rate, it cannot be used.

Again, these are according to what the regulation says. Debbie, I think I'm done. If we want to jump to the other questions, or you want to jump in?

MS. GALLOWAY: Sure. Thank you, Victor, so much. If you look in your participant question box, you'll see the first seven questions are the questions that are part of your presentation. So you've already answered those. So I'll start answering some of the questions that have come in. So if you go down to question number eight. So just to give you a bit of time to look those over, I'll turn it back to you after I answer some of these questions. So we have a lot of questions that are coming in from many of you that are sitting on the phone or listening to us today through your computer.

"Who approves the de minimis rate? Is it just the grant officer?" If you are a direct grant recipient of an ETA grant or program, and if you've never received a negotiated indirect cost rate, and you have funding that is less than $35 million, you can request a de minimis rate. And so that information would be part of your grant package.

And so after you look through the cover page and you go through the budget, there is a section in there, I think it's either part of the special terms and conditions or the section in itself. And in that section there are a few boxes that you would check regarding indirect cost rates and whether or not you want to request the de minimis rate. And so if you are a subrecipient, it would be the responsibility of that pass-through entity to honor or approve your request for a de minimis rate.

And so another question came in regarding de minimis rate. "Can a de minimis rate be supplemented with a cost allocation plan to cover the balance of indirect cost?" The answer to that is no. The de minimis rate is intended to cover all indirect costs. If you find that a de minimis rate is insufficient and it would not cover all of your indirect cost, then you should submit an indirect cost proposal to your cognizant agency.

Another question that came in is, what specifically are the situations under which a cost allocation plan would be required? For the purposes of charging indirect cost, a cost allocation plan such as a statewide cost allocation plan would be required if you're charging central services that are taking place at a state or local government. So centralized services for instance would be the purchasing department.

So if you're an agency that manages say the ES and UI programs, but the purchasing for your agency is done by a centralized procurement office or an office that's run or managed by the governor, a cap would have to be used to allocate the cost of those services to your particular program.

Additionally the uniform guidance also talks about public assistance cost allocation plans. And so if you are an agency that manages a public assistance program such as SNAP, you can request a cost allocation plan. Additional information on cost allocation plans are also contained in the uniform guidance under five different appendices. So the appendix on cost allocation plans can be found in appendix five.

One other question that came in, "What happens if I haven't submitted an indirect cost proposal for the FY 2015-2016 year?" What we would like to have happen is please submit a proposal as soon as possible. Otherwise you cannot continue to charge indirect costs to the ETA grant. Because the only time you can charge indirect costs to a Department of Labor grant is with a negotiated or approved indirect cost rate or an approved cost allocation plan.

Another question that was raised was, what if an organization fails to amend the provisional rate? As you know or if you are new to the ETA grant world, again as part of the grant package that you received from the grant officer, there is a section on indirect cost. And that includes information about requesting a temporary rate, which would be a 90-day rate. But then what Victor's office does is issue a provisional rate. And so if you have not had a time to amend that provisional rate, I would reach out to your cognizant agency to get that done as soon as possible.

One other question came in is, "We were told that any recipient of national parks dollars must use the Department of Interior even though the majority of our funding comes from Department of Labor." The answer to that is yes, that is correct. Contained in appendix five of the uniform guidance, the uniform guidance lists the cognizant agency for certain agencies including what agencies are under the Department of Interior.

And so as Victor had indicated earlier, HHS is the cognizant agency for approving all public assistance and statewide cost allocation plans. And there are quite a number of other cognizant agencies for all of the housing, the state and local housing agencies, the Department of HUD would be the cognizant agency. For state and local agencies that manage the agricultural programs would be the Department of Agriculture.

MR. LOPEZ: Debbie? We could also add to the resource link a PDF guide that I have from OMB. And it's back from 1986. And that lists by state, obviously based on the structure back then from those days, the federal cognizant agency tied up to each departmental agency. So I could forward that and we can add it to the web link resources. I forgot about that, but that's something that has been useful to me.

Again, this resource, and I double checked this with OMB maybe last year or the year before that, and that's the latest that we have. But basically you can – for example, instead of Virginia you can go back to the unemployment commission and find out who the cognizant agency is for that department. So that is by state. We can add it to the resource.

MR. : Debbie and Victor, this is Joel – (inaudible) – from VETS, if I can interject, because I've been around a little longer than you, but not in this category. Can you just confirm for everyone on the line and in the training whether or not each state has their cognizant agency that's defined by the grantee with the largest number of federal dollars flowing into the state?

That's why HHS is in most cases the cognizant agency for the statewide cost allocation plan. But I thought for all Department of Labor programs, the division of cost determination still has to review those plans for indirect cost rates or cost allocation plans if they're receiving DOL funds, whether or not agriculture is their cognizant agency or not. Am I wrong on that, Victor?

MR. LOPEZ: No. You're not. The resource that I was talking about shows – obviously it's not updated, but I can give you a link to by state, by department within the state, who the cognizant agency is, federal cognizant agency is. If it is not in that list, it goes back by predominance of direct federal dollars, like we were trying to explain in the slide on what the federal cognizant agency is. So if it is not defined by OMB or in 2 CFR, by default goes by predominance of direct federal dollars.

MS. GALLOWAY: Right. Yes. Thank you. I just want to answer one more question before I turn it back to Victor. The one question that came in is, "If I have a cost allocation plan approved to allocate indirect costs, what rate is being reported to other granting agencies?" As you know, as part of the grant closeout process, the grant closeout specialist will look to reconcile what is being charged using indirect cost rate or a cost allocation plan.

And so additionally one other thing that has to be reported now is indirect cost on the 9130 form. And so if you go to the doleta.gov/grants page, you will find a copy of the Public Reduction Paperwork Act (sic) that includes our package and the 14 new forms that includes a new section on indirect costs. And contained in there are the instructions for filling out that section.

And so DOL at least for ETA grants will only require this information if an entity has an approved indirect cost rate, and that that information would be submitted only when the grant recipient submits a final report.

So Victor, I'd like to turn it back to you to – we have just a few more minutes, if you wanted to answer any more questions that came in.

MR. LOPEZ: There was question 36, "Is there a maximum indirect cost rate for subrecipients?"

And I want to highlight again, when we say maximum indirect cost rate, we also have to consider the allocation base. So for those negotiated rates with subrecipients, I mean, it's not – you could be paying 15 percent based on total direct costs, more indirect costs for example using 20 percent times direct salaries and wages.

So like I was trying to explain in the variations of rates and differing allocation bases, the rate is cosmetic to a point, where I really typically see or like to see is the distribution of indirect costs using at least a couple of methodologies in the beginning.

And that's the guidance that we have in our website to show, two methodologies to allocate indirect costs using total direct costs, or modified total direct costs, or direct salaries and wages, or just to see how the fluctuation of indirect costs one way or the other using two methods. So there's no cap in a way, or there's no highest indirect cost rate that you can negotiate.

But certainly you have to consider what type of indirect costs are being allocated, and consider also the denominator, the allocation base, and see how much indirect costs each funding source is picking up, assuming that they're allowable, allocable and reasonable.

Debbie, you covered many of the questions here in the – there's a question that says, question 31, he mentions shared direct costs separate from indirect costs, how those get allocated. Shared direct costs could be – we had a couple of examples there, but highlighting again rent. Rent could be a shared direct cost and indirect cost.

For example you have square footage as a base. Square footage as a base, treating it consistently, people in the overhead will get an allocated share of rent based on square footage, based on the space they occupy, based on the common areas, based on conference room, bathrooms, and the like. So all of that will be overhead.

Now using square footage as a base, consistently again, space occupied by direct staff will be directly charged. So shared direct in a sense, that could be considered quote unquote a shared direct cost. But also it could be indirect as well.

So again, looking at the denominator as the base, allocation base as the base, using square footage throughout, would give an allocated share of indirect costs and an allocated direct cost on the other side. Each funding source will pick up a share of rent using the space occupied directly. And they would get hit with an allocated share of indirect cost through the overhead.

MS. GALLOWAY: I see one question that came in. "What are our options if another federal agency won't accept the approved negotiated indirect cost rate?"

MR. LOPEZ: You're talking about – I'm assuming that another federal funding agency, not necessarily the federal cognizant agency, the office similar to ours. But according to the guidance in 2 CFR Part 200, now they have to take it, simply stated.

If there is a federally approved rate and the organization has a federally approved rate, the federal funding agency has to approve the allocated indirect costs. I can't remember the exact regulation citation, but it's there. Do you recall from the top of your head, Debbie? You know what I'm talking about?

MS. GALLOWAY: Yes. I do. And just to remind everybody, the cfo.gov website contains all of the most frequently asked questions that OMB has received, the uniform guidance. And there are many questions posted to that website that are around the handling of the indirect cost rate, including this specific question. So it is addressed, so if you are struggling to get another federal agency to honor that approved indirect cost rate, I would direct them to the uniform guidance as Victor had indicated, as well as the FAQs on that website.

MR. LOPEZ: Question 35, I could probably quick answer that one. "What is the process to change cognizant agency after funding has changed from one federal agency to the other?" There's guidance in 2 CFR Part 200 as well, that once we negotiate a rate with you, we have to at least stay with you at least three years, if not five, so you are not jumping from federal agency to federal agency. That's something important to point out. I think it's three years. I could be wrong. It think it's five. Debbie, do you know from the top of your head?

MS. GALLOWAY: No. I don't know that.

MR. LOPEZ: I think it's minimum three years. But we could negotiate that and I want to make sure that they know that our grantees know that we're not going – at the end of the day the only concern getting an approved rate, they don't care which agency it is. But we want to make sure that we don't – we're not going to leave you in the vacuum on this. This issue has come up before and we negotiate the transfer of cognizant agencies between federal agencies. So that's something that could be negotiated.

MS. GALLOWAY: I think some of these other ones we probably could hold off and answer and post those to your website. We only have just two more minutes left before we conclude this webinar.

So over the course of these last three weeks we have provided three different webinars. The first webinar provided the basic guidelines and roles that are in place in order to allocate cost and charge indirect cost to our programs, that have been updated based on the implementation of uniform guidance.

The second webinar that we hosted talked about the process that is in place in order for discretionary grant recipients to obtain an indirect cost or obtain an improved indirect cost rate. Which then led up to our last and final webinar today which was on the handling of indirect cost for state and local governments.

And so I would like to give a great big thanks to Victor Lopez for taking time out of his busy schedule to assist ETA on these last three webinars. Victor, every time you talk I always find something new and interesting about the world of indirect costs and cost allocation. So hopefully everyone has found some useful information over the course of these three webinars.

And please visit Victor's website because in the next couple of weeks we will be reviewing all of the questions that have come in, and we hope to post many of those questions and answers on his website.

So thank you again, everyone, for joining us today. And thank you, Victor.

MR. LOPEZ: Thank you, Debbie.

MR. KEATING: All right. Great.

(END)