

## Cost Policy Statement

### • General Accounting Policies

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

### A. Description of Cost Allocation Methodology

- Salaries and Wages
  - Direct Costs — (General statement describing the criteria in which employees direct charge their time, such as "The majority of the employees direct charge their salary costs since their work is specifically identifiable to specific grants, contracts, or other activities of the organization. The charges are supported by auditable labor distribution reports which reflect the actual activities of employees".)
  - Indirect Costs — The following staff members charge 100% of their salary costs indirectly.  
List Appropriate Positions
    - Board of Directors
    - Chief Finance Officer
    - Central Logistics and Procurement Manger
  - Mixed Charges — The following employees may charge their salary costs to both direct and indirect activities.
    - Project Officer
    - Data Entry Clerk
    - HR Manager

### B. Fringe Benefits

Compensated absences, including vacation, sick, and holidays are considered salaries and wages and, as such, are recorded as salaries and wages when used. No separate claims are made for these costs. Compensated absences earned, but not used, are accrued and recorded in the period earned. All employees are covered by Social Security, workers' compensation insurance and unemployment compensation insurance.

Employees working 1,000 hours or more per year are also eligible for the following fringe benefits:

1. Health insurance
2. Life insurance

Fringe benefits are tracked by individual employee and charged directly or indirectly in the same manner as salary and wages.

### **C. Travel**

Travel costs may be charged as either direct or indirect costs depending on the purpose of the trip.

### **D. Board Expenses**

Travel costs related to Board meetings are charged as indirect costs and are limited to those expenses allowed. The annual fee of 15,000 paid to each Board member is also charged as an indirect cost.

All other expenses related to the Board are excluded from direct and indirect costs.

### **E. Postage / Materials / Supplies**

To the maximum extent possible, office costs such as postage, material and supplies are direct charged to the grant / contract / project using the item. Postage, materials and supplies used by staff engaged in indirect activities are charged on an indirect basis.

### **F. Occupancy Expenses**

General maintenance and repair costs are recorded as indirect cost and are allocated based on square footage. Building rental costs are allocated based on square footage and are charged as direct and indirect costs based on whether the space is occupied by staff whose salaries are directly charged or by staff whose salaries are indirectly charged. Costs for space occupied by staff whose salaries are charged on a mixed basis are allocated on a mixed basis in the same ratio as their salaries are allocated. For all common areas, such as conference rooms, reception areas, hallways and restrooms, costs are recorded as indirect costs.

### **G. Utilities**

Natural gas and electric utilities are recorded as indirect costs and are allocated based on square footage.

### **H. Communications**

1. Internet – Total Internet costs are allocated by the number of employees with Internet access and based on whether the user salaries are charged as direct or indirect. Users whose salaries are charged on a mixed basis are allocated on a mixed basis in the same ration as their salaries are allocated.

2. Telephone – Phone charges are identifiable to individual phone lines and are charged on the same basis as the staff assigned to the phone line.

## **I. Photocopying/Printing**

Pre-assigned program codes (including codes assigned to administrative functions) are required to utilize the copying machine. An automated log is maintained of all copy/print jobs, allowing the costs to be allocated based on the volume logged to each program or administrative activity. As a result, photocopying and printing costs are charged as direct and indirect costs.

## **J. Professional Services**

Costs incurred for the annual audit, legal fees, consulting and staff development specialists are charged based on whether the service benefits all programs and activities as a whole or whether one or more specific programs directly benefitted from the services provided. External audit fees are recorded as indirect costs, while legal fees may benefit all programs and be charged indirectly, or may be provided for one specific program and be charged directly.

## **K. Capital Items**

The purchase price of capital items is charged directly to programs only if a contract or grant specifically authorizes such charges. The cost of capital items purchased with non-Federal funds, but used in a manner benefitting grants and contracts is recovered indirectly through depreciation charges.

## **L. Service to Members**

The cost of activities performed primarily as a service to members, clients, or the general public are classified as direct costs and are allocated their fair share of indirect costs. These activities include:

1. maintenance of membership rolls
2. subscriptions
3. publications, and related functions, providing services and information to members, legislative or administrative bodies, or the public
4. promotion, lobbying, and other forms of public relations
5. meetings and conferences except those held to conduct the general administration of ABC Organization
6. maintenance, protection, and investment of special funds not used in operations; and administration of group benefits on behalf of members or clients including life and hospital insurance, annuity or retirement plans, financial aid, etc.

## **M. Unallowable Costs**

Internal controls have been established to ensure unallowable costs, as defined (including, but not limited to advertising, entertainment and alcoholic beverages, fundraising, interest and lobbying) are not charged to grant awards.