Purpose

The purpose of this Policy Statement is to establish uniform guidelines to ensure compliance with Federal, State and local rules and regulations governing indirect cost planning and recovery.

Definitions

The following definitions shall apply to this Policy Statement:

Administrative Indirect Cost: Overhead expenses incurred by central service department or unit that support the general operations of an organization but cannot be directly assigned to a specific project, grant, or program. These costs are necessary for the overall functioning of the organization and are typically allocated across multiple cost objectives using a consistent methodology.

Code of Federal Regulations 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards: This regulation establishes the principles and standards for how costs should be treated.

Central Service Department: A department or unit within the government that provides services to departments or units on a centralized basis, rather than directly to the public.

Local Cost Allocation Plan (LOCAP): Metro's plan documents that identifies, accumulates, and allocates central service costs in the government to the benefitting department or unit. The costs identified in the LOCAP may be allocated or billed to the benefitting department or unit.

Departmental Cost Allocation Plan: A department's plan document that identifies, accumulates, and distributes the indirect (shared) costs incurred across its various programs, projects, or funding sources in a logical and equitable manner.

Departmental Indirect Cost: Support costs incurred within a specific department that are not directly attributable to a single project, grant, or activity, but benefit multiple functions or objectives within that department.

Grant: For purposes of this policy statement a grant is defined as financial assistance and cost reimbursement contracts, which may include property, cooperative agreements, direct appropriations, Federal and Federal pass-through State, State, Corporate, Foundation, private grant assistance.

Composite Indirect Costs: Overhead costs incurred by both Central Services Departments and Departmental for a common or joint purpose benefiting more than one cost objective, program or project. Such costs are not readily assignable to the cost objectives specifically benefited.

Indirect Cost Rate: Is the ratio (expressed as a percentage) of the indirect costs to a direct cost base.

Indirect Cost Recovery Plan or (Indirect Cost Rate Proposal): Documentation prepared by a governmental unit or subdivision thereof to substantiate its request for the establishment of an indirect cost rate.

General Policy for Accounting for Federal Receipts and Expenditures

Grant Applications, Budgets and Accounting

Departments and agencies, where applicable, are required to make provisions for Indirect Costs in their grant applications, budgets and accounting in the general ledger. Provision for indirect costs shall be identified in the grant applications and awards when submitted to the Division of Grants and Accountability processing.

The Cost Planning unit within the Finance Division of Accounts shall review and confirm the inclusion of indirect cost.

Revenues and expenditures related to the grants, including indirect costs, shall be recorded within the general ledger in the Enterprise Resource Planning (ERP) system per the instructions of the Division of Accounts.

Funds collected from grantors for indirect costs recovery shall be transferred into the General Fund in accordance with the guidance provided by the Finance Director.

Indirect Cost Plan

Where allowed under Federal statute and/or grant regulations, departments and agencies receiving Federal and State grants as a grantee or sub-grantee shall develop an Indirect Cost Plan. This plan/proposal shall include an indirect cost allocation for both departmental administrative indirect costs and Local Cost Allocation Plan (LOCAP) costs benefiting all departmental programs. Subject to Federal and State funding availability, allowable indirect costs shall be recovered through drawdown process on a timely basis, in accordance with the terms of each department's indirect cost plan or applicable Federal and State regulations.

Responsibility for the Preparation of the Indirect Cost Plan/Indirect Cost Rate Proposal

Both departmental indirect cost plans/proposals and the LOCAP shall be prepared on an annual basis.

Each department shall be responsible for developing the departmental Indirect Cost Plan, which includes the indirect cost rate proposal, in consultation with a Finance Department representative. Department staff responsible for overseeing the indirect cost planning process shall take all necessary measures to understand the compliance requirements of the Code of the Federal Regulations *2 CFR Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*.

Finance Department staff shall be responsible for coordinating the completion of departmental Indirect Cost Plans/Proposals. As such, the Department of Finance's review shall not be an indication of approval of a departmental plan/proposal.

Annual updates to the departmental indirect cost rate plan/proposals shall be submitted to the Finance department within 90 days or by June 30 after the posting of Metro's LOCAP.

The Finance Department shall be the designated lead on completion of the LOCAP.

Issues that Arise Related to the Indirect Cost Plans

Departments shall follow the requirements for notification of disallowances or questioned costs in accordance with this Policy Statement when indirect cost methodologies or plans are questioned in audits or monitoring reviews.

The Finance Division of Accounts through its Cost Planning unit shall compile an annual report on LOCAP and indirect cost plans development and recovery amounts, along with a report on agency compliance with this policy.

Training

Department representatives responsible for the preparation of Indirect Cost Plans are required to attend an annual indirect cost planning training event hosted by the Finance Department.

Exceptions

All requests for exception to this policy shall be submitted in writing annually to the Metro Finance Director for approval on a grant-by-grant basis. The Finance department shall not issue blanket exceptions to this policy for any department or agency. The letter of approval or denial of an exception request from the Finance Director shall be maintained on file of the requesting department or agency for audit purposes. Exception approvals shall be provided to the Division of Grants and Accountability and the Division of Accounts - Cost Planning unit by the department or agency for use in processing grant applications and awards.

This policy statement shall not apply to donations and gifts that are collected or a one-time purpose or objective and are not considered an operational program of the Metro Government.

Applicable Local, State or Federal Regulations

Metro. Charter art. 8 ,§ 8.103: The director of finance shall be responsible to the mayor for the administration of the financial affairs of the metropolitan government.

Metro. Charter art. 8, § 8.104: The budget officer, with the advice and assistance of the chief accountant, shall write, revise and maintain a proper standard procedure instruction manual to be followed by all officers, departments, boards and other agencies of the government to ensure uniform accounting and budgetary procedures.

Metro. Charter art. 8, § 8.105: The chief accountant shall maintain a general accounting system and such cost accounting records as shall be required by the director of finance.

Associated Policies

Finance Department Policy 5.2 Gifts and Donations

Finance Department Policy 5.1 Disallowances and Questioned Cost

Effective Date

This Policy Statement shall become effective upon issuance and shall be applied to all Metro departments and agencies.

Approvals

Approval of the Director of Finance

I hereby approve this Policy Statement of the Department of Finance and as such agree with and authorize the actions necessary to implement its requirements.

Jenneen Reed
Director of Finance

Date: September 16, 2025