



COLORADO DEPARTMENT OF EDUCATION

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FPP: Chart of Accounts Discussion Item: Cabinet Level Positions

1. Question or Issue

During the April, 2015 on-site visit of the Indirect Cost Rate Group from the US Department of Education, in order to have the Indirect Cost rate methodology approved, CDE was asked to isolate “executive/cabinet level” positions and treat those positions similar to how Superintendents are treated for the Indirect Cost rate calculation.

After discussion, the Department recommended that adding 4 new bolded Program Codes, and revising the roll up rules for 8 existing unbolded Program Codes caused the least impact to the Chart of Accounts, and the least amount of work for districts.

New Program Codes shown in yellow, revised roll-up Program Codes shown in grey :

Cabinet level positions meet the following three criteria:

- **Chief Executive Officers (heads of departments)**
- **On the Superintendent’s executive team,**
- **Report directly to the Superintendent**

2303 Support Services – General Administration Indirect Cost Roll-up: unbolded program codes below, 2314-2319, 2322, 2323 roll to program 2303. These activities are included in the indirect cost pool for the restricted and unrestricted indirect cost rate calculation. If allowable activity is not coded to Program 2303, or the unbolded codes which roll to 2303, the calculated indirect cost rate will be affected.

2314 Election Services. Services rendered in connection with any school system election, including elections of officers and bond elections.

2315 Legal Services. Services rendered to the school district regarding interpretation of laws and statutes and general liability situations.

2316 Tax Assessment and Collection Services. Services rendered in connection with tax assessment and collection.

2317 Audit Services. Activities pertaining to independent audit services provided to the governing body.

2318 Staff Relations and Negotiations Services. Activities concerned with staff relations system wide and the responsibilities for contractual negotiations with both instructional and non-instructional personnel.

2319 Other District Governance Services. District governance services which cannot be classified under the preceding areas of responsibility, including services of district advisory committees.

2322 Community Relations Services. Activities and programs developed and operated system-wide for bettering school/community relations.

2323 State and Federal Relations Services. Activities associated with devoting and maintaining good relationships with state and federal officials. The activities associated with grant procurement are included.



2304 Support Services – General Administration Cabinet Level Positions NOT treated like the Superintendent for indirect cost purposes, including their immediate staff – EG never included in the indirect cost rate. Ensure that the appropriate Program coding is used – if not reportable as General Administration, use the coding that is representative of the activities.

2501 Support Services – Business: Cabinet Level Positions and Immediate Staff to Cabinet Level Positions: these activities are considered restricted costs for indirect cost rate calculation: meaning these activities are treated like the Superintendent, and are a part of the unrestricted pool, but not the restricted pool.

2801 Support Services – Central: Cabinet Level Positions: these activities are considered restricted costs for indirect cost rate calculation: meaning these activities are treated like the Superintendent, and are a part of the unrestricted pool, but not the restricted pool.

2. Any Prior FPP Action:

The Federal requirement for isolating “cabinet level” positions has been in place for many years. CDE has not been isolating these positions, and this was identified as a deficiency, and a necessary change, when the Feds came to CDE in April to review our indirect cost rate calculation.

CDE proposed the changes to the Chart of Accounts, which was discussed at the May 29th FPP meeting, as being changes which would meet Federal requirements and impact districts and the Chart of Account the least.

Below is the section from the [Cost Allocation Guide for Local and State Governments](#) which addresses the requirement for isolating and treating “cabinet level” positions – “immediate offices to these officers” the same way in the indirect cost rate calculation as the Superintendent is treated (page 65):

Restricted Rates

As defined in the Education Department General and Administrative Regulations (EDGAR) at 34 CFR 75.563 and 76.563, restricted rates apply to grants that are made under federal programs with supplement-not-supplant requirements. This means that the funds are for support in addition to state and local funding. Such amounts are intended to supplement, but in no way replace local funds. Most of the federal grants that the LEA obtains through the department are of have supplement-not-supplant requirements and a restricted indirect cost rate must be used on the programs. The restricted indirect cost rate pool (numerator) includes only expenditures of **general management costs** and **fixed charges** as defined below:

General Management Costs: Consist of the salaries and expenses for employees performing accounting, payroll preparation, or personnel management activities. Those activities that are limited to one school, subject, or phase of operation, are not general management costs such as the salaries and expenditures related to the direction and supervision of such functions as instruction, guidance, attendance, transportation,

community services, and student services. The costs of these functions are considered direct costs.

Generally, salaries and expenses for auditing, budgeting, payroll, personnel, purchasing, and employee relations are examples of services which typically benefit several activities and programs for which costs may be attributed by means of an indirect cost proposal. For LEA's this would include most of the costs recorded in Business and Other Support Services (function 290). In theory, all such costs can be charged directly. However, practical limitation and consideration of efficiency in accounting preclude such an approach and therefore these costs are considered indirect.

As stated in EDGAR 76.565, "general management costs mean the costs of activities that are for the direction and control of the grantee's affairs that are organization-wide. An activity is not organization-wide if it is limited to one activity, one component of the grantee, one subject, one phase of operations, or other single responsibility. General management costs include the costs of performing a service function, such as accounting, payroll preparation, or personnel management, that is normally at the grantee's level even if the function is physically located elsewhere for convenience or better management."

When calculating a restricted indirect cost rate, the term "General Management Costs" does not include expenditures for:

1. The governing body (members of the board of education) of the grantee;
2. Compensation of the chief executive officer (Superintendent of a school district) of the grantee and heads of component offices; and
3. The operation of the immediate offices of these officers.

3. Discussion Points/Department Recommendation or Observations (if any)::

- The Chart of Accounts needs to be modified to accommodate the Feds.
- The Feds have approved the methodology of creating the new Program Codes discussed in this agenda item
- These new Program Codes create the least amount of work for districts
- They impact the Chart of Accounts the least
- They square nicely with the Indirect Cost Rate calculation methodology because that calculations is based primarily on Program Codes

Please see supporting document, "Cabinet Level Positions Proposed Chart of Account Changes July 1, 2015" for all program codes in the 2300-2800 series.

4. FPP Action, Decision Made:

5. Further Action/Research Needed/Table for Future Meeting:

6. Effective Date: