



FPP: Chart of Accounts Discussion Item: Indirect Cost Rate Calculation Consideration

1. Question or Issue:

Indirect Cost Rates: First \$25,000 of sub-contracts – allowed, as the remainder is excluded
Proposed Coding for the Chart of Accounts
Discuss possible proactive changes to the Chart of Accounts to address the likelihood that the US Department of Education (USDE) will require districts to track the first \$25,000 of sub-contracts for ICR calculation purposes.

2. Any Prior FPP Action:

Subcommittee formed at the September 1, 2017 FPP Meeting

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

During the past two ICR calculation reviews (when the Feds visit CDE to review and approve the ICR calculation), they have stressed the idea that districts must track the first \$25,000 of sub-contracts. Additionally, this topic was discussed by multiple states as a change they were being asked to implement at the NCEC Conference in Washington DC, August 2017.

The Feds are looking at “Distorting Items” – this means that they consider anything beyond the first \$25,000 of a sub-contract excludable – meaning, you should only be applying your calculated indirect cost rate to the first \$25,000 of your applicable sub-contracts. Additionally, the excess amount of the sub-contract must also be eliminated for calculating the base.

To this end, it is proposed that the Chart of Accounts add the following three Purchased Services bolded Source Codes (*only if this coding applies to you*):

- **0389** – Expenditure code to track the amount in excess over the first 25K of Professional and Technical Purchased Services
- **0489** – Expenditure code to track the amount in excess over the first 25K of Property Purchased Services
- **0589** – Expenditure code to track the amount in excess over the first 25K of Other Purchased Services (four district minimally used this code in FY16-17 data, and would need to change moving forward)

These three codes would be retroactively added to the FY17-18 Chart of Accounts, and any district that should be tracking the excess over the first 25K of sub-contracts.

ICR Calculation will be modified: FY17-18 Pipeline data produces rates for use in FY2019-2020

If these codes are not adopted, and the Feds require/demand that the ICR calculation incorporates a way to track the excess over the first 25K, this would very likely mean that CDE’s next calculation approval is denied or put on hold – we are up for a visit in 2019.



Based on the district's determination of which activities should be subject to this "distorting" item treatment, the amount in excess of the first \$25K for the sub-contract, for that fiscal year, would be captured under the appropriate purchased service code defined above. ***If the activity is not subject to this "distorting" item treatment, there are no changes to the current way districts are reporting.***

CDE and the FPP Subcommittee are proposing to use the Data Pipeline process for capturing this distorting item information. As this is the most efficient and timely method, rather than being required to implement a manual collection process.

4. Sub-Committee Recommendation Made: 3-5-2018

At this time the Chart of Accounts should not be changed to add 0389, 0489 and 0589.

Based on our discussions today with the subcommittee we have determined it is not useful to add additional object codes to the chart of accounts in order to track the distorting items surrounding the sub-contracts. In the State of Colorado sub-awards and sub-grants are not currently allowed to be used. Sub-contracts have not been clearly defined by the Federal Government and, in our current understanding School Districts would continue to be excluded from needing to track the first \$25k separate from purchased service contracts as they do not meet the current definition. We feel it necessary to continue to ask for more guidance from the Feds and have further conversation as a subcommittee prior to any changes being implemented.

FPP forming a subcommittee to discuss this demonstrates a willingness to look at this topic. But historically Colorado has never allowed "sub-granting" of any kind, and to add three codes to the Chart of Accounts that suggest we do allow this, is misleading.

Subcommittee:

DPS: Samantha

Jeffco: Stephanie and Sean

St. Vrain: Tony and Jane

Harrison: Lori, Jessica, Danielle

Adams 12: Mimi and Megan

Boulder Valley: Justin

Aurora: Gina

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

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6. Effective Date:

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