

Indian Health Service

Contract Support Cost

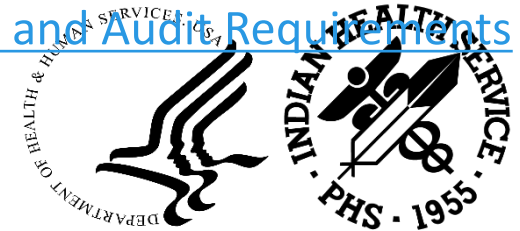
JOHNNITA TSABETSAYE, CSC DIRECTOR

AUGUST 22, 2023



Contract Support Costs (CSC)

- I. INDIAN Self-Determination and Education Assistance Act (ISDEAA) and CSC
- II. CSC History and Trends
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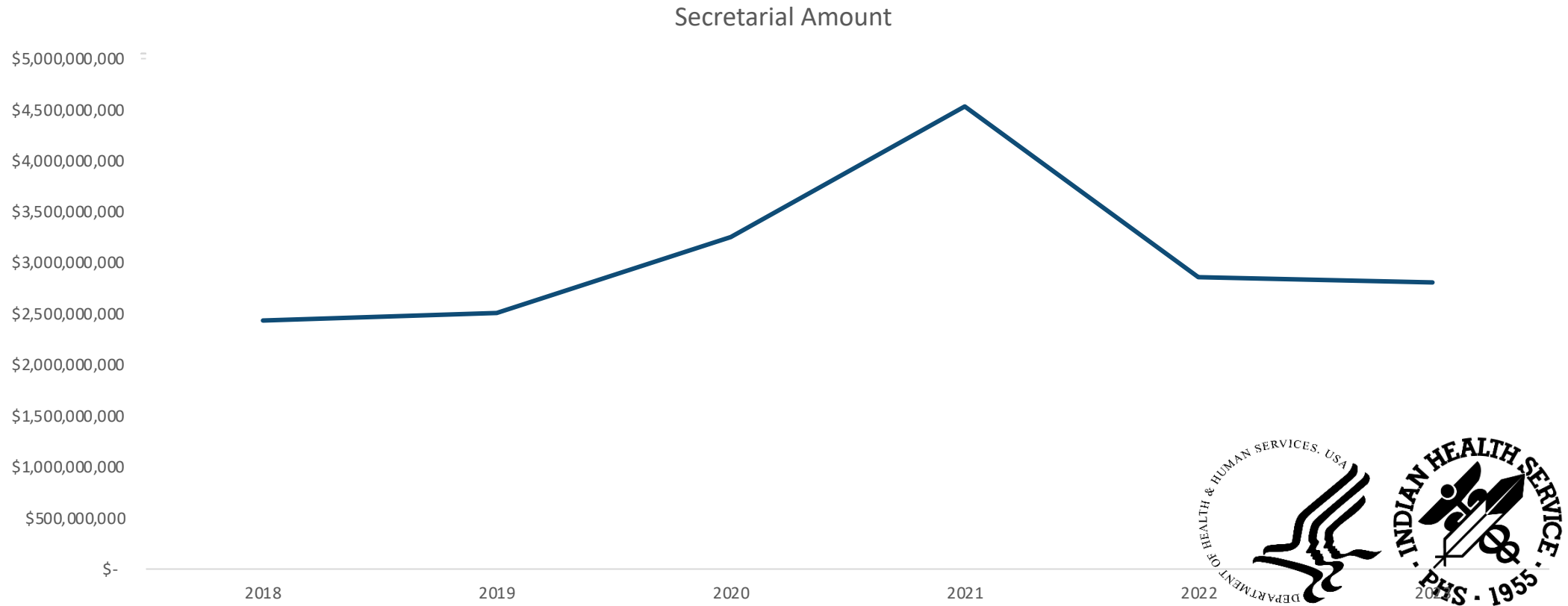
CSC

Passed in 1975, the Indian Self-Determination and Education Assistance Act (ISDEAA) authorized the Secretary of Health and Human Services (HHS) to enter into contracts with, and make grants directly to, federally recognized Indian Tribes/Tribal Organizations (T/TOs).

- ISDEAA authorizes T/TOs to contract for any Programs, Functions, Services, and Activities (PFSAs), or portions thereof, at any level of administration (HQs level, Area level, and the local/Service Unit level).
- The contract also transfers the applicable funding for support activities and costs.



Secretarial Amounts for Title I and V (Program, Service, Functions, and Activities)



CSC – ISDEAA FUNDING

Administrative or other expenses related to the overhead incurred by a contractor in connection with the operation of ISDEAA programs pursuant to the contract and that otherwise meet the definition of CSC in 25 U.S.C. § 5325(a)(2)-(3).



CSC - 100% PAY

Supreme Court's decision in Salazar v. Ramah Navajo Chapter

- Move from partial funding to 100% CSC payments beginning FY 2015

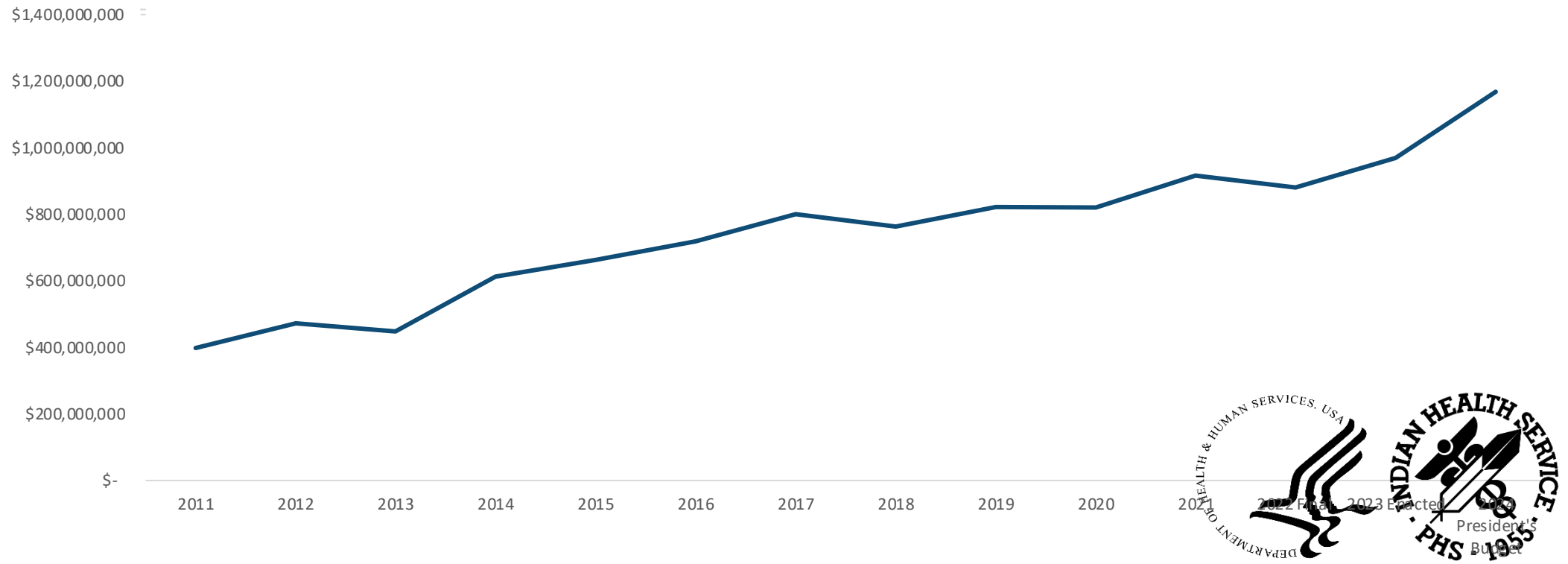
Tribal advocacy and budget formulation that begins years in advance lay the foundation

The FY 2016 budget proposes to reclassify CSC from annual discretionary appropriations to a mandatory appropriation beginning in FY 2017, which will allow time for Tribal consultation in FY 2016 on operational details.



FUNDING HISTORY

Chart Title



IHS CSC Policy Overview

Indian Self-Determination and Education Assistance Act

Authorizing Legislation.

- A. Title I of the ISDEAA, 25 U.S.C. §§ 5301-5332
- B. Title V of the ISDEAA, 25 U.S.C. §§ 5381-5399



CSC PRE-AWARD COSTS

“Costs incurred before the initial year that a self-determination contract is in effect may not be included in the amount required to be paid under paragraph (2) if the Secretary does not receive a written notification of the nature and extent of the costs prior to the date on which such costs are incurred. “

25 U.S.C. § 5325(a)(6).



CSC START-UP COSTS

“Subject to paragraph (6), during the initial year that a self-determination contract is in effect, the amount required to be paid under paragraph (2) shall include startup costs consisting of the reasonable costs that have been incurred or will be incurred on a one-time basis pursuant to the contract necessary—

(A) to plan, prepare for, and assume operation of the program, function, service, or activity that is the subject of the contract; and

(B) to ensure compliance with the terms of the contract and prudent management.”

25 U.S.C. § 5325(a)(5).



CSC

CALCULATING CSC FUNDING

- The ISDEAA does not provide any formula or methodology for calculating CSC funding, however, IHS has had a CSC Policy for many years in order to provide additional guidance on this issue.
- The CSC Policy is based on the principles in the statute.



CSC

Indian Health Manual Part 6, Chapter 3

IHS POLICY

Purpose. This chapter of the *Indian Health Manual* provides guidance to both Tribal and Agency personnel in the preparation, negotiation, determination, payment, and reconciliation of contract support costs (CSC) funding in support of new, expanded, and/or ongoing Indian Self-Determination and Education Assistance Act (ISDEAA), as amended, codified at 25 *United States Code* (U.S.C.) Section (§) 5301 et seq., contracts and compacts.

[Chapter 3 - Contract Support Costs | Part 6](#)

www.ihs.gov/IHM/pc/part-6/p6c3/



CSC – Cost Principles

OMB Cost Principles

Code of Federal Regulations

PART 200 - UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS

“§ 200.400 Policy guide. The application of these cost principles is based on the fundamental premises that:(a) The non-Federal entity is responsible for the efficient and effective administration of the Federal award through the application of sound management practices...”

[2 CFR Part 200 -- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#)



IHM Part 6 Chapter 3 - Contract Support Costs

Manual Exhibits	Description
<u>Manual Exhibit 6-3-A</u>	Title 25, Chapter 14, Miscellaneous, Subchapter II, Indian Self-Determination and Education Assistance, Part A "Indian Self-Determination," Section 5325 and Section 5326
<u>Manual Exhibit 6-3-B</u>	Calculating IDC Associated with Tribal Shares and the Contract Support Costs Amount Based on a Detailed Analysis
<u>Manual Exhibit 6-3-C</u>	Calculating IDC Associated with Tribal Shares and the Contract Support Costs Amount Using the 80/20 Method
<u>Manual Exhibit 6-3-D</u>	Calculating IDC Associated with Recurring Service Unit Shares and the Contract Support Costs Amount Based on a Detailed Analysis
<u>Manual Exhibit 6-3-E</u>	Calculating IDC Associated with Recurring Service Unit Shares and the Contract Support Costs Amount Based on the 97/3 Method
<u>Manual Exhibit 6-3-F</u>	Contract Support Costs Negotiation Template
<u>Manual Exhibit 6-3-G</u>	Standards for Review and Approval of Contract Support Costs in the Indian Health Service



CSC Negotiation Template

This Template is a tool used by the Indian Health Service (IHS) for calculating and negotiating CSC. Neither this Template nor any other negotiation documents creates a contractual obligation on behalf of either IHS or a T/TO. The CSC amount that the parties agree is required under any Indian Self-Determination and Education Assistance Act (ISDEAA) agreement will be identified in the agreement itself - [Manual Exhibit 6-3-F](#)

Contract Support Costs (CSC) Negotiation Template			
Estimate of CSC need	✓		
Final CSC Reconciliation			
FA Amendment	✓	Mod #2	
FA Cumulative Funding Report (CFR)			
		5-Mar-21	
Tribe			
A			Recurring and Non-Recurring Eligible Funding for the T/TO's Programs, Functions, Services, or Activities (PFSA) at the Service Unit Level. Depending on the structure of an awardee's indirect cost (IDC) rate, this may include buy-backs.
A.1	\$0.00		Pursuant to Section 6-3.2.E.1.b.1.b.i. This is determined by whether the parties included the funds in the CSC calculation in the year awarded and not by how the T/TO allocates funding in its accounting records.
B	\$44,526.00		Recurring and Non-Recurring Eligible Funding for the T/TO's PFSA at the Area Level (Area Office Tribal Shares, or AOTS).
C	\$9,375.00		Recurring and Non-Recurring Eligible Funding for the T/TO's PFSA at the Headquarters Level (Headquarters Tribal Shares, or HQTS).
D	\$2,494,081.00		Items A + B + C (Total Recurring and Non-Recurring eligible funding awarded under the Secretarial Amount)
E.1	\$0.00		Negotiated and calculated pursuant to Section 6-3.2.E.3 either: (a) case-by-case analysis, or (b) 97-3 method.
E.2	\$10,780.20		Negotiated and calculated pursuant to Section 6-3.2.E.4, either: (a) case-by-case analysis, or (b) 80-20 method.
E.3	\$10,780.20		This represents PFSA funded in the Secretarial amount determined to be duplicative of T/TO IDC Pool.
F		\$2,483,300.80	Item D - E.3
G			Per prior-year agreement.
H			To be provided by IHS when final inflation rate for previous year becomes available (usually in November). Final rate would be used to update this amount, and award T/TO inflation on DCSC at the end of IHS's first quarter. See Section 6-3.2.D.3.
I.1	\$285,318.98		D21-22 will automatically incorporate either the prior-year DCSC need (reflected in D21) or, if there is a current-year renegotiation, the renegotiated amount (reflected in D22).
I.2	\$0.00	\$285,318.98	
I.3		\$0.00	
J		\$2,768,619.78	Items F + I, but subject to Section 6-3.2, Paragraph E.1.a, Estimate of Indirect CSC Need and Funding Prior to the Contract Year and E.1.b, Determination of Final Amount for Indirect CSC Need and Funding.
K			The amount of passthroughs and exclusions funded by IHS.
L		\$1,674,131.78	Item J - K
M			Current IDC rate. If T/TO has multiple IDC rates, enter blended rate and submit detailed calculation of the blended rate. NOTE: FY2020 FCF rate
N		\$411,836.42	Item L * M (Direct Cost Base x IDC Rate)
O		\$10,607.72	Equals Item E.3 if the T/TO has higher than a 25.00% IDC rate; if T/TO has a rate of 25.00% or lower the credit in Item O is based on the total IDC need for Tribal Shares generated by the T/TO's rate plus the IDC Associated with Recurring Service Unit Shares (Item E.1)
P		\$401,228.70	Item N - O (Total IDC need less credit for IDC associated with the Secretarial amount)
Q		\$0.00	As negotiated, pursuant to Section 6-3.2E.2; see also Exhibit G, footnote 10. Enter \$0 if the T/TO negotiates indirect CSC solely based on its IDC rate.
R		\$686,547.68	Items I.2 + I.3 + P + Q (Total need for DCSC, indirect CSC, and Pre-Award and Startup)
S			Item I.2
T		\$282,385.00	Total DCSC funding paid to the T/TO year-to-date.
U			Items P + Q
V		\$317,077.00	Total indirect CSC funding paid to the T/TO year-to-date.
W		\$0.00	Item I.3
X		\$0.00	Total Startup and Pre-Award CSC funding paid to the T/TO year-to-date.

Note Regarding Sub -Awards: The template awards CSC on the direct cost base incurred by the T/TO. If the T/TO has an agreement(s) with a sub-awardee whose costs are eligible to be considered in the CSC need of the T/TO AND the T/TO treats sub-awards as a passthrough cost when determining its direct cost base, the total CSC negotiated can be adjusted to incorporate eligible costs specifically identified for each sub-awardee (while recognizing sub-awardee passthroughs and exclusions and the sub-awardee's indirect cost rate).

Indirect Cost Negotiation Agreement



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

Indian Organization Indirect Cost Negotiation Agreement

EIN: [REDACTED] Date: July 27, 2020
 Organization: [REDACTED] Report No(s): 20-A-1199 (20C)
 Filing Ref.:
 Last Negotiation Agreement
 dated July 24, 2018

The indirect cost rate contained herein is for use on grants, contracts, and other agreements with the Federal Government to which Public Law 93-638 and 2 CFR Part 200 apply subject to the limitations contained in 25 CFR 900 and Section II.A. of this agreement. The rate was negotiated by the U.S. Department of the Interior, Interior Business Center, and the subject organization in accordance with the authority contained in applicable regulations.

Section I: Rate

Type	Effective Period		Rate*	Locations	Applicable To
	From	To			
Fixed Carryforward	10/01/19	09/30/20	24.60%	All	All Programs

*Base: Total direct costs, less capital expenditures and passthrough funds. Passthrough funds are normally defined as payments to participants, stipends to eligible recipients, or subawards, all of which normally require minimal administrative effort.

Treatment of fringe benefits: Fringe benefits applicable to direct salaries and wages are treated as direct costs; fringe benefits applicable to indirect salaries and wages are treated as indirect costs.

Section II: General

Page 1 of 2

A. **Limitations:** Use of the rate(s) contained in this agreement is subject to any applicable statutory limitations. Acceptance of the rate(s) agreed to herein is predicated upon these conditions: (1) no costs other than those incurred by the subject organization were included in its indirect cost rate proposal, (2) all such costs are the legal obligations of the grantee/contractor, (3) similar types of costs have been accorded consistent treatment, and (4) the same costs that have been treated as indirect costs have not been claimed as direct costs (for example, supplies can be charged directly to a program or activity as long as these costs are not part of the supply costs included in the indirect cost pool for central administration).

B. **Audit:** All costs (direct and indirect, federal and non-federal) are subject to audit. Adjustments to amounts resulting from audit of the cost allocation plan or indirect cost rate proposal upon which the negotiation of this agreement was based will be compensated for in a subsequent negotiation.

C. **Changes:** The rate(s) contained in this agreement are based on the accounting system in effect at the time the proposal was submitted. Changes in the method of accounting for costs that affect the amount of reimbursement resulting from use of the rate(s) in this agreement may require the prior approval of the cognizant agency. Failure to obtain such approval may result in subsequent audit disallowance.

Section II: General (continued)

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D. Rate Type:

1. **Fixed Carryforward Rate:** The fixed carryforward rate is based on an estimate of costs that will be incurred during the period for which the rate applies. When the actual costs for such period have been determined, an adjustment will be made to the rate for a future period, if necessary, to compensate for the difference between the costs used to establish the fixed rate and the actual costs.

2. **Provisional/Final Rate:** Within six (6) months after year end, a final indirect cost rate proposal must be submitted based on actual costs. Billings and charges to contracts and grants must be adjusted if the final rate varies from the provisional rate. If the final rate is greater than the provisional rate and there are no funds available to cover the additional indirect costs, the organization may not recover all indirect costs. Conversely, if the final rate is less than the provisional rate, the organization will be required to pay back the difference to the funding agency.

3. **Predetermined Rate:** A predetermined rate is an indirect cost rate applicable to a specified current or future period, usually the organization's fiscal year. The rate is based on an estimate of the costs to be incurred during the period. A predetermined rate is not subject to adjustment. (Because of legal constraints, predetermined rates are not permitted for Federal contracts; they may, however, be used for grants or cooperative agreements.)

E. **Rate Extension:** Only final and predetermined rates may be eligible for consideration of rate extensions. Requests for rate extensions of a current rate will be reviewed on a case-by-case basis. If an extension is granted, the non-Federal entity may not request a rate review until the extension period ends. In the last year of a rate extension period, the non-Federal entity must submit a new rate proposal for the next fiscal period.

F. **Agency Notification:** Copies of this document may be provided to other federal offices as a means of notifying them of the agreement contained herein.

G. **Record Keeping:** Organizations must maintain accounting records that demonstrate that each type of cost has been treated consistently either as a direct cost or an indirect cost. Records pertaining to the costs of program administration, such as salaries, travel, and related costs, should be kept on an annual basis.

H. **Reimbursement Ceilings:** Grantee/contractor program agreements providing for ceilings on indirect cost rates or reimbursement amounts are subject to the ceilings stipulated in the contract or grant agreements. If the ceiling rate is higher than the negotiated rate in Section I of this agreement, the negotiated rate will be used to determine the maximum allowable indirect cost.

I. **Use of Other Rates:** If any federal programs are reimbursing indirect costs to this grantee/contractor by a measure other than the approved rate(s) in this agreement, the grantee/contractor should credit such costs to the affected programs, and the approved rate(s) should be used to identify the maximum amount of indirect cost allocable to these programs.

J. Other:

1. The purpose of an indirect cost rate is to facilitate the allocation and billing of indirect costs. Approval of the indirect cost rate does not mean that an organization can recover more than the actual costs of a particular program or activity.

2. Programs received or initiated by the organization subsequent to the negotiation of this agreement are subject to the approved indirect cost rate(s) if the programs receive administrative support from the indirect cost pool. It should be noted that this could result in an adjustment to a future rate.

3. Each Indian tribal government desiring reimbursement of indirect costs must submit its indirect cost proposal to our office within six (6) months after the close of the Tribe's fiscal year, unless an exception is approved.

Section III: Acceptance

Listed below are the signatures of acceptance for this agreement:

By the Indian Organization:

[REDACTED]
 Signature /s/ [REDACTED]
 Name (Type of Print) Tribal chairman
 Title [REDACTED]
 Date [REDACTED]

By the Cognizant Federal Government Agency:

U.S. Department of the Interior
 Interior Business Center
 Signature [REDACTED]
 Name Craig A. Wills
 Division Chief
 Indirect Cost Services Division
 Title [REDACTED]
 Negotiated by Omar Sheyyab
 Telephone (916) 930-3806



Indirect Cost Negotiation Agreement Effective Period for Fixed Carryforward

IHS CSC Policy - IHM 6.3 E (1)

- Use of Negotiated IDC Rates. The amount of IDC expected to be incurred by awardees using rates negotiated with the cognizant Federal agency will be estimated annually by applying the most recent negotiated IDC rate(s) to the appropriate direct cost base amount, as discussed below in this paragraph and subject to paragraphs 6-3.2E(3)-(4). The amount determined as the awardee's CSC requirement will be consistent with the individual awardee's IDC rate agreement and reflect any exclusions required by the IDC rate agreement.
- If an awardee's IDC rate is applicable to a FY that is more than three years old, IHS will not provide IDC associated with the application of that IDC rate. In these cases, the Area will negotiate "indirect-type costs" with the awardee (see paragraph 6-3.2E(2) that follows). The rate applicable to the current FY is considered current, and the rate applicable to the previous FY shall be considered one year old. Thus, for example, in FY2016 a rate agreement for FY2013 is the oldest rate that will be used in these calculations.

For 2023

2023 – considered current

2022 – 1 year old

2021 – 2 years old

2020 – 3 years old, the oldest rate that will be used

~~2019 – too old/expired~~



INDIRECT COST RATES

Special Considerations for States, Local Governments and Indian Tribes

2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit

§ 200.416 Cost allocation plans and indirect cost proposals.



IDC RATE TYPE

D. Rate Type:

1. **Fixed Carryforward Rate:** The fixed carryforward rate is based on an estimate of the costs that will be incurred during the period for which the rate applies. When the actual costs for such period have been determined, an adjustment will be made to the rate for a future period, if necessary, to compensate for the difference between the costs used to establish the fixed rate and the actual costs.
2. **Provisional/Final Rate:** Within six (6) months after year end, a final indirect cost rate proposal must be submitted based on actual costs. Billings and charges to contracts and grants must be adjusted if the final rate varies from the provisional rate. If the final rate is greater than the provisional rate and there are no funds available to cover the additional indirect costs, the organization may not recover all indirect costs. Conversely, if the final rate is less than the provisional rate, the organization will be required to pay back the difference to the funding agency.
3. **Predetermined Rate:** A predetermined rate is an indirect cost rate applicable to a specified current or future period, usually the organization's fiscal year. The rate is based on an estimate of the costs to be incurred during the period. A predetermined rate is not subject to adjustment.

IDC – DETERMINING THE BASE

If a Tribe has several programs that don't have labor but does have cost of materials that benefit from indirect, a labor base would not be advisable since those programs would not receive any allocation of indirect.



IDC - BASE

"*Base* means the accumulated direct costs (normally either total direct salaries and wages or total direct costs exclusive of any extraordinary or distorting expenditures) used to distribute indirect costs to individual Federal awards.

The direct cost base selected should result in each Federal award bearing a fair share of the indirect costs in reasonable relation to the benefits received from the costs." 2 CFR Part 200 Appendix VII Subsection B.1)

The definition also includes two of the most common types of bases--direct salaries (including or excluding fringe benefits) or total direct costs.



Indirect Cost Negotiation Agreement

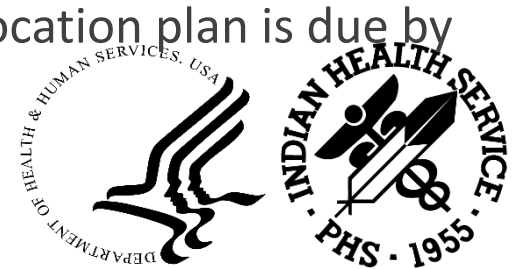
Submission Timeframes for Indirect Cost Proposals

The indirect cost proposal or cost plan is due annually and must be submitted within **six months** following fiscal year closeout. Some examples:

If your fiscal year ends on September 30, your indirect cost proposal or cost allocation plan is due by March 31

If your fiscal year ends on December 31, your indirect cost proposal or cost allocation plan is due by June 30

If your fiscal year ends on June 30, your indirect cost proposal or cost allocation plan is due by December 31



Q & A

You may also send questions:

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