

COST POLICY STATEMENT

NAME OF STATE AGENCY OR LOCAL GOVERNMENTAL UNIT

I. General Accounting Policies

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

II. Description of Cost Allocation Methodology

A. Salaries and Wages

- 1. 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”.)
- 2. Indirect Costs – The following staff members charge 100% of their salary costs indirectly.

List Appropriate Positions

- 3. Mixed Charges – The following employees may charge their salary costs to both direct and indirect activities.

List Appropriate Positions

The distinction between direct and indirect is primarily based on functions performed. For example, when the positions shown are performing functions that are necessary and beneficial to all programs, they are indirect. When functions are specific to one or more programs they are direct because they do not benefit all programs.

Auditable labor distribution records which reflect the actual activities of employees are maintained to support the mix of direct/indirect charges.

4. Describe how release time (vacation, sick leave, holiday pay, etc.) is treated. Include information on whether vacation time is accrued and charged to programs when earned or charged when taken; whether allocated the same as the related salary cost or some other methodology; and whether treated as a fringe benefit or same as normal salary charges.

B. Fringe Benefits

(Describe all fringe benefits and whether a fringe benefit is tracked by the agency's accounting system or whether a fringe benefit rate needs to be established).

List each major object of expenditure and describe how treated. Some examples would be:

- C. Travel
- D. Occupancy Expenses
- E. Supplies and Materials
- F. Communications
- G. Photocopying and Printing
- H. Outside Services
- I. Depreciation and Use Allowances
- J. Repairs and Maintenance
- K. Charges allocated down from the State such as SWCAP costs
- L. Capital Items
- M. Legal Fees
- N. Audit Fees

This list is not all inclusive – each Agency should include those items of expense that are charged either directly or indirectly to Federal grants/contracts.

Signature

Date

Title