

Contract Support Costs

Navajo Nation – PL 93-638

August 2, 2018

IHS Business Principles & Goals

- Comply with requirement to pay full CSC need
- Improve communication
- Improve business practices
 - consistency and fairness for all Tribes
- Continued progress on CSC Contract Disputes Act claims
- Implement IHS CSC Policy

IHS CSC Policy

- DTLL letter dated October 27, 2016
 - Announcing the new policy
- The new policy can be found in the Indian Health Manual online
- A new template was agreed to as part of the policy discussions with the WG
- DTLL letter dated December 21, 2017 temporarily amended the CSC Policy

IHS CSC Policy – Changes/Updates

- Overall goal is to simplify and streamline the process
- Includes Guiding Principles
- Expanded on definitions to assure and support broad understanding and consistent application
- Startup and Pre-Award –
 - Pre-award costs are not incurred during the initial 12 month period, but prior to the assumption of the program
 - Within 90 after the initial year or 12 months, the Awardee will certify that all funds were spent (certification only applies to startup costs)
 - Pre-award need not be certified because they should not be paid in the first place without evidence that they've already been incurred

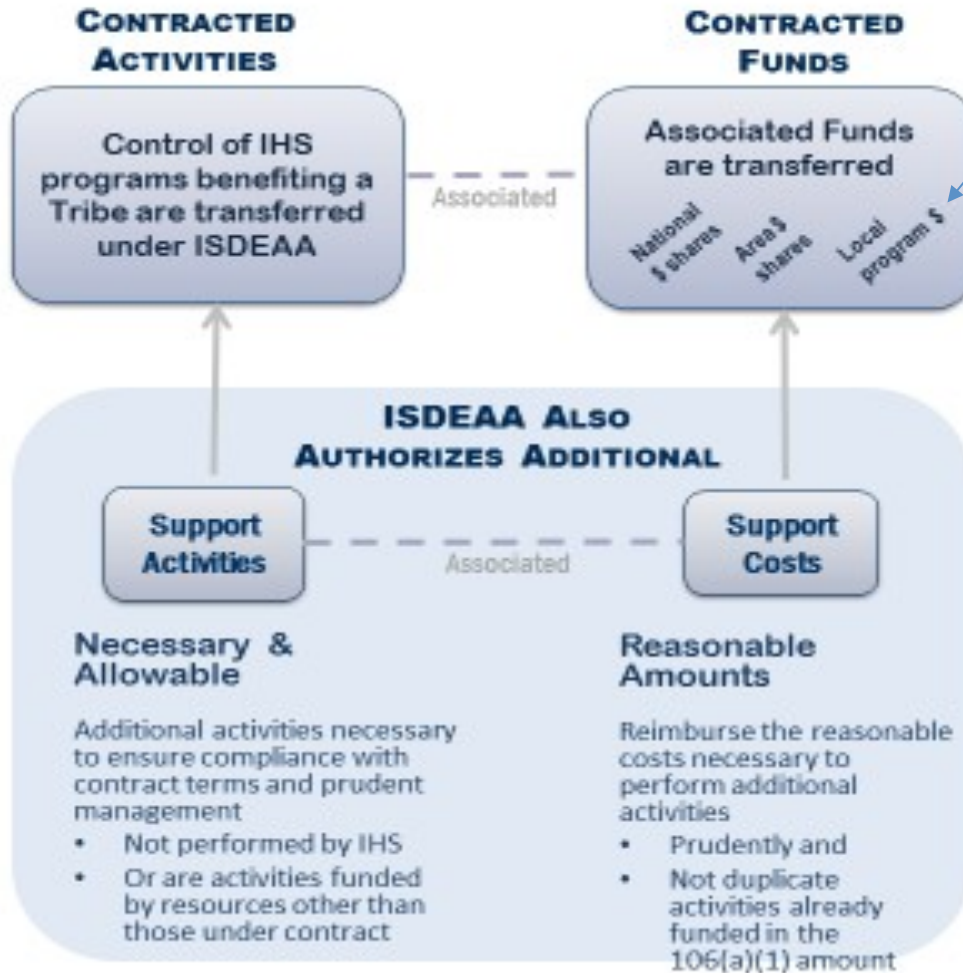
IHS CSC Policy – Changes/Updates

- Direct CSC
 - Medical Inflation Rate
 - Apply the inflation rate by the end of the first quarter (final percent issued in November)
- Indirect CSC
 - Determine if prior year CSC funds were expended; verify that the total health care are at least equal to the amount IHS funded. If the expenditures do not exceed the IHS funding provided, the CSC calculation is subject to calculations outlined in 6-3.2.E.1.a & b.
 - 90 day closeout after contract term available at option of the Tribe
 - Use of Rates
 - Fixed w/ Carry Forward – current or one year old rate
 - Provisional final – 2 year – final rate
 - Allows for grace period for 2014 - 2017

IHS CSC Policy

- Indian Health Manual, Part 6 Chapter 3, Contract Support Costs
- https://www.ihs.gov/IHM/index.cfm?module=dsp_ihm_pc_p6c3#6-3.2E

CONTRACT SUPPORT COSTS



What is CSC?

Service Unit Shares

→ 106(a)(1) funds – (Secretarial Amount)

→ 106(a)(2) funds – (CSC)

Select Key Definitions

- Contract Support Costs
 - ***The full amount of CSC funding for new, expanded, and ongoing contracts or compacts, as determined under this chapter pursuant to 25 U.S.C. § 5325(a).***
 - An amount for the reasonable costs for activities which must be carried out to ensure compliance with the terms of the contract and prudent management but which:
 - Normally are not carried out by the respective Secretary in his [her] direct operation of the program; or
 - Are provided by the Secretary in support of the contracted program from resources other than those under contract.
 - CSC that are eligible include the costs of reimbursing tribal contractors for reasonable and allowable costs of –
 - Direct program expenses for the operation of the federal program that is the subject of the contract
 - any additional administrative or other expense related to the overhead incurred by the tribal contractor in connection with the operation of the Federal program, function, service, or activity pursuant to the contract

Definitions and Explanations

- Direct Contract Support Costs
 - *Direct program expenses for the operation of the ISDEAA Programs that are the subject of the award, that otherwise meet the definition of CSC in 25 U.S.C. § 5325(a).*
 - Pays for activities that are not funded in the Secretarial amount or contained in the IDC pool.
 - See Policy for examples
- Duplication
 - The Agency is required to account for activities that may have already been funded in the Secretarial amount with the original transfer of the program.
- Reasonable Costs
 - A cost is reasonable if, in its nature and amount, if it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

Definitions and Explanations

- Allowable Costs
 - Be necessary and reasonable for the performance of the Federal award; consistent with policies and procedures; accorded consistent treatment (a cost cannot be a direct cost if any costs incurred for the same purpose are treated as indirect costs to a different federal award); consistent with generally accepted accounting principles
- Indirect Cost Rate
 - Negotiated with the Cognizant Agency (IBC/DCA)
 - Identifies indirect cost need, not indirect contract support cost need
- Indirect Costs
 - ***Costs that have been incurred for common or joint purposes. These costs benefit more than one cost objective and cannot be readily identified with a particular final cost objective without effort disproportionate to the results achieved.***

Definitions and Explanations

- Indirect Contract Support Costs
 - *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).*
 - Based on a Tribe's Direct Cost Base times rate, and accounts for reasonableness and duplication of activities that are included in the Tribe's 106(a)(1) amount.
- Exclusion
 - *Direct expenditures excluded from the direct costs in order to calculate the direct cost base to which the IDC rate is applied. These types of expenditures vary by awardee and are defined in the IDC rate agreement.*

Definitions and Explanations

- Passthrough Expenditure
 - *Similar to exclusions in that pass-through expenditures may be excluded from the direct cost base to which the IDC rate is typically applied, though such expenditures also may be assigned a lower nominal IDC rate. The IDC rate(s) should be applied to such expenditures consistent with the IDC rate agreement.*
- Indirect-Type Costs
 - *Negotiated when a Tribe does not have an IDC agreement with their cognizant agency or requests such a negotiation, even if they have a negotiated rate.*
 - *IHS and the contractor/compactor will negotiate a lump-sum amount for indirect-type costs that consists of those categories of costs that normally are found in IDC pools of contractors with rates and that are consistent with the requirements of 25 U.S.C. § 5325(a)(2)-(3). Categories of typical costs are outlined in the policy.*
- Retained Service
 - *Funding which is eligible to be contracted but for which the awardee has chosen not to contract, and thus, for which the IHS has retained associated funding.*

Contract Support Costs (CSC) Negotiation Template (FY 20XX)

Check one box:			
Estimate of CSC need	<input type="checkbox"/>		
Final CSC Reconciliation	<input type="checkbox"/>		
Check one box:			Number
FA Amendment	<input type="checkbox"/>		#
FA Cumulative Funding Report (CFR)	<input type="checkbox"/>		#
Date Completed:			
Tribal/Tribal Organization (T/TO):		Example T/TO	

		Subtotals	Totals	Source of Inputs
A	Program (Service Unit) Funding Expenditures from carryover funds (for which CSC was not funded previously), Net of pass-throughs and exclusions	\$655,943.00		Recurring and Non-Recurring Eligible Funding for the T/TO's 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	Total Area Tribal Shares	\$75,000.00		Recurring and Non-Recurring Eligible Funding for the T/TO's PFSA at the Area Level (Area Office Tribal Shares, or AOTS).
C	Total Headquarters Tribal Shares	\$30,000.00		Recurring and Non-Recurring Eligible Funding for the T/TO's PFSA at the Headquarters Level (Headquarters Tribal Shares, or HQTS).
D	Total Secretarial Amount	\$760,943.00		Items A + B + C (Total Recurring and Non-Recurring eligible funding awarded under the Secretarial Amount)
E.1	IDC Associated With Recurring Service Unit Shares	\$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	IDC Associated With Tribal Shares	\$21,000.00		Negotiated and calculated pursuant to Section 6-3.2.E.4, either: (a) case-by-case analysis, or (b) 80-20 method.
E.3	Total IDC Identified As Associated With the Secretarial Amount	\$21,000.00		This represents PFSA funded in the Secretarial amount determined to be duplicative of T/TO IDC Pool.
F	Direct Costs Funded through Secretarial Amount		\$739,943.00	Item D - E.3
G	Prior Year Direct CSC (DCSC) Need	\$76,390.00		Per prior-year agreement.
H	Inflation Factor	1.6%		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		\$77,612.24		
I.2	Current Year DCSC Need	\$0.00	\$77,612.24	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.3	Startup and Pre-Award Need		\$450.00	Summarizes the negotiation for Nonrecurring Pre-Award and Startup costs for new or expanded PFSA's in the upcoming year.
J	Total Direct Costs		\$818,005.24	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	Less: Passthroughs and Exclusions		\$14,262.29	The amount of passthroughs and exclusions funded by IHS.
L	Direct Cost Base		\$803,742.95	Item J - K
M	Most current IDC rate		15.00%	Current IDC rate. If T/TO has multiple IDC rates, enter blended rate and submit detailed calculation of the blended rate.
N	IDC Need (Non-Recurring) Based on IDC Rate		\$120,561.44	Item L * M (Direct Cost Base x IDC Rate)
O	Credit for IDC Associated with the Secretarial Amount		\$12,600.00	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	Current-Year Indirect CSC Need		\$107,961.44	Item N - O (Total IDC need less credit for IDC associated with the Secretarial amount)
Q	IDC-Type Costs		\$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	Current-Year Total CSC Need		\$186,023.68	Items I.2 + I.3 + P + Q (Total need for DCSC, indirect CSC, and Pre-Award and Startup)

S	Current-Year DCSC Need		\$77,612.24	Item I.2
T	Total DCSC Paid Year-to-Date		\$0.00	Total DCSC funding paid to the T/TO year-to-date.

U	Current-Year Indirect CSC Need		\$107,961.44	Items P + Q
V	Total Indirect CSC Paid Year-to-Date		\$100,000.00	Total indirect CSC funding paid to the T/TO year-to-date.

W	Current-Year Startup and Pre-Award Need		\$450.00	Item I.3
X	Total Startup and Pre-Award CSC Paid Year-to-Date		\$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).

Footnote: 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.

Direct Contract Support Costs

Negotiating DCSC - IHS CSC Policy

- Manual Exhibit 6-3-G, Section C

- Steps:

1. The Tribe must submit a proposal

- The policy identifies what the proposal should typically include. Examples:
 - Budget breakdown
 - Full Salary listing
 - Detailed fringe benefit breakdown
 - Justification for costs in other budget categories that are being proposed.

2. The IHS verifies the amounts in the proposal

- Reasonableness
- Verify fringe rates that are identified
 - May require requesting further documentation from Tribe

Direct Contract Support Costs

- Steps continued:
 3. To compute the DCSC requirement, the awardee and the IHS must negotiate the total cost to the awardee of the activities to be supported with CSC.
 4. The IHS reviews for duplication of costs, identify any amounts that duplicate costs that are already included in the Secretarial amount.

Indirect-Type Costs

- Awardees without negotiated rates
 - Or Awardee has an outdated rate
 - The CSC policy also provides that Tribes can request such a negotiation even if they have a negotiated rate
- Annual lump sum amount
- “overhead” or “indirect-type” costs
 - Management and Administration; facilities and equipment; and general services and expenses
- Cannot duplicate Secretarial amount or costs funded through direct CSC.

CSC Reconciliation

- Data updates
 - Rate changes
 - Pass throughs and exclusions
 - Changes in base funding
 - Review for reasonableness and duplication
- Communication
 - Overpayments - Notice to Tribe
 - Share documentation used to calculate overpayment
 - Follow up with appropriate amendments or modifications
- Communication with Tribes
 - Use of CSC Negotiations template
 - Agreement on CSC need and payment



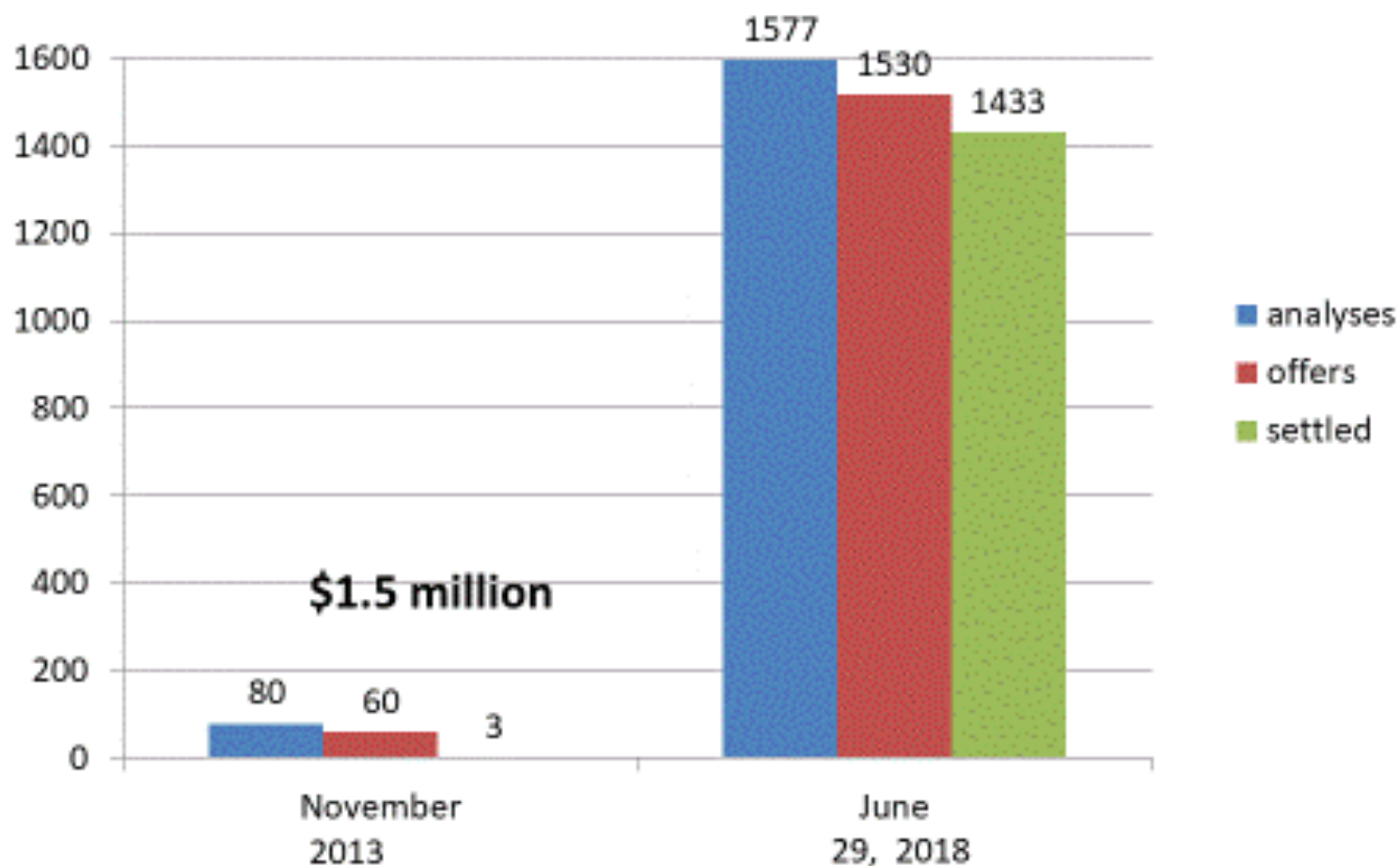
FY 2018 DATASET - As of July 30

DRAFT

	ItemName	Secretarial Amount	Total CSC Need	Total CSC Paid	Total CSC Deficiency
1	Alaska	\$ 526,623,597	\$ 224,592,387	\$ 211,378,185	\$ 13,214,202
2	Albuquerque	\$ 64,746,678	\$ 19,469,908	\$ 19,375,305	\$ 94,603
3	Bemidji	\$ 181,118,679	\$ 42,119,420	\$ 36,370,425	\$ 5,748,995
4	Billings	\$ 62,762,474	\$ 12,662,271	\$ 9,585,860	\$ 3,076,411
5	California	\$ 134,846,612	\$ 60,085,287	\$ 57,510,878	\$ 2,574,409
6	Great Plains	\$ 117,437,547	\$ 28,207,896	\$ 3,515,509	\$ 24,692,387
7	Nashville	\$ 122,972,060	\$ 33,056,681	\$ 31,973,561	\$ 1,083,120
8	Navajo	\$ 184,174,039	\$ 67,882,731	\$ 35,190,319	\$ 32,692,412
9	Okahoma City	\$ 444,464,355	\$ 140,753,737	\$ 114,069,326	\$ 26,684,411
10	Phoenix	\$ 183,536,923	\$ 54,293,345	\$ 38,793,833	\$ 15,499,512
11	Portland	\$ 175,780,298	\$ 60,662,456	\$ 14,527,484	\$ 46,134,973
12	Tucson	\$ 53,370,276	\$ 11,817,097	\$ 11,458,701	\$ 358,396
	Total	\$ 2,251,833,537	\$ 755,603,218	\$ 583,749,386	\$ 171,853,832

IHS CSC Claims Settlement Progress

\$860.9 million*



*amount includes tentative and confirmed settlement totals

Questions?

Contact Information:

Roselyn Tso, Director
Office of Direct Service and
Contracting Tribes
Phone: 971-506-1928
Email: Roselyn.Tso@IHS.gov