

Allocable Costs – Actual costs incurred which benefit more than one program for an organization

Allocation - An allocation is the process of shifting overhead costs to each program, function, or activity so each bears its fair share of costs

Allowable Cost - Costs charged to federal grants are considered allowable when they are: 1) reasonable and necessary; 2) treated consistently; 3) included in the approved budget, 4) based on generally accepted accounting principles practices, and 5) **not** used to meet cost-sharing requirements under a different federal funding source

Centralized Service - Services provided to all programs and divisions of a tribal entity, such as motor pool, accounting, computer services, and purchasing, etc.

Centralized Service Cost Allocation Plan - A written plan to distribute the costs of centralized services which are not otherwise treated as direct costs to programs, functions, and activities

Cognizant Agency - The federal agency which provides the most funding to the entity

Cost Accounting – Organizing accounting activities according to cost centers, to ensure direct and indirect costs are charged to the programs, function, and activities which benefit from indirect cost pool services

Cost Allocation - The process of identifying and assigning costs to specific programs, functions, and activities

Cost Allocation Methodology – The type of standardized calculation used to determine how costs are assigned to programs, functions, and activities

Cost Center – A designated accounting fund, uniquely numbered, which is assigned to a specific grants or contract which funds as a program, function, and/or activity

Allocation Plan - A written narrative describing the procedures used in identifying, measuring, and allocating all costs to the programs administered by the organization

Direct Cost - A direct cost is one which can be readily identified as benefiting a particular program, function, or activity

Direct Cost Base - The total of all direct costs charged to programs, functions, and activities

Disallowed (Unallowable) Cost – An expenditure which cannot be charged to a federal grant

Documented - Written records explaining the methodology for allocating costs, for example, time studies to document “time and effort” in specific programs, activities, or functions

Function – a broad category of expenses usually sorted into areas such as programs, general/administrative, fundraising, etc.

Functional Expense - Expenses such as salaries, rent, supplies, etc. assigned to the function (programs, operations, administration, and/or fundraising) from where the expense was made

Functional Expense Allocation – Recording expenses to cost centers using consistent and clear methods

Indirect Costs - Costs which cannot be readily identified as benefiting a specific program, function, or activity

Indirect Cost Pool - Accumulated costs which jointly benefit two or more programs, functions, or activities. Indirect cost pool expenditures typically include administrative salaries and fringe benefits associated with overall financial and organizational administration; operation and maintenance costs for facilities and equipment; and payroll and procurement

Indirect Cost Proposal – A document prepared by a tribal entity to indicate how it determines its indirect cost rate for a specific fiscal year

Indirect Cost Rates – The amount, written as a percentage, a tribal entity determines must be applied to direct expenditures for the entity to recover the costs associated with administering programs, functions, and activities. The four general types of indirect cost rates are:

- ◆ **Final rate** is an indirect cost rate established for a specific time period based upon the actual, allowable costs incurred during that time period
- ◆ **Fixed rate** is an estimated indirect cost rate applied to a specific current or future time period and is subject to adjustment after actual costs are calculated
- ◆ **Predetermined rate** is an indirect cost rate applied to a specific current or future time period which is not usually adjusted
- ◆ **Provisional rate** is a temporary indirect cost rate applied to a limited time period and used until a "final" rate is established for that same time period

Negotiated Indirect Cost Rate – An agreement the entity enters with its cognizant agency to determine the entity's allowable indirect cost rate on direct expenses paid with federal funds

Unallowable (Disallowed) Cost – Program, function, or activity expenses which are specifically identified as not allowed to be paid with federal funds, either as direct or as indirect costs



Contact the TFMC Virtual Support Center. Ask questions and/or request individualized grant financial management training and technical assistance by calling the Tribal Financial Management Center (TFMC) Virtual Support Center [703-462-6900](tel:703-462-6900) or emailing TFMC@OVCTFMC.org.