

COMMUNITY DEVELOPMENT AND PLANNING

RESPONSE TO OMB REVIEW #16-774D

CDBG Program Specific Performance Agreement – Directions for Mental Health, Inc.

Comment:

The Action Plan does not mention “administration fees” in its description of operating expenses? What are “administration fees” (Page 3, Section, A.1), how are they calculated and why are they considered operating expenses?

Response:

Administrative fees are indirect costs that an agency pays for administrative functions such as financial management, human resources management and IT management. The Federal OMB Super Circular provides guidance on Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and defines indirect costs in Section 200.414 which: 1) allows grant recipients to charge allowable costs to the grant award; and 2) requires pass-through entities to accept an agency’s federally approved and negotiated indirect cost rate (NICR) or to use a 10% de Minimis Rate for administrative costs if the agency does not have a NICR. Administrative fees are considered operating expenses because the agency must incur these costs in order to implement a project or program.