

Objective: Internal Audit (IA) obtained the indirect cost plan for 2015 from USOE Internal Accounting and reviewed it for propriety and compliance with the new federal Omni-Circular (2 CFR 200) regulations. Due to the timing constraint of the legislature approving the indirect cost rate and also Internal Accounting preparing and submitting the 2016 indirect cost plan to the cognizant Federal agency for approval, IA feels it is important to present these issues after a high level review.

Indirect Cost Basics: *“Indirect costs represent the expenses of doing business that are not readily identified with a particular grant, contract, project function or activity [e.g. heat, light, accounting and personnel], but are necessary for the general operation of the organization and the conduct of activities it performs... indirect cost rates are used to distribute those costs to benefiting revenue sources.”* Department of Education Indirect Cost Group

Current USOE Indirect Cost Plan:

USOE currently uses the simplified method to calculate the unrestricted indirect cost rate, with an adjustment for the required restricted indirect cost rate. The simplified method works under the premise that all functions under the Board (ie. USOE and USOR) receive the same benefit from costs in the indirect cost pool, such as the Superintendent’s Office, Internal Accounting, Information Technology, etc.

Concerns with the Current USOE Indirect Cost Plan:

- 1) There are not adequate formal, written policies and procedures related to
 - a. the preparation and submission of the indirect cost plan,
 - b. budgeting for indirect costs, and
 - c. the legislative appropriations process regarding indirect costs.

- 2) Because the State Board of Education has functions that benefit from its indirect costs in varying degrees (ie. USOE and USOR), it does not appear that using the simplified method is appropriate.

- 3) It does not appear that the current USOE indirect cost pool includes all costs incurred for common or joint purposes, such as internal audit and costs from the Statewide Cost Allocation Plan.

- 4) It is unclear if unallowable costs are completely and appropriately considered in the indirect cost plan.

- 5) It does not appear that the additional accounting coding related to indirect costs that was implemented in SFY2015 is allowing for appropriate budgeting, report reviews, and Federal draws.

- 6) It appears that there are some inconsistencies in the indirect cost plan in the treatment of the various wholly state-funded programs (e.g USDB and DSDHH).

Internal Audit Recommendations:

Internal Audit recommends the following action:

- 1) Establish written policies and procedures as required by the Omni-Circular (2 CFR 200.302(b)(7) and ensure there are also appropriate internal controls.

- 2) Prepare two indirect cost plans for 2016, a multiple allocation method plan or special indirect cost rate with an adjustment for the restricted rate for USOE and a simplified method for USOR, as allowed by Federal regulations. Also consider if programs funded entirely with state funds are appropriately included or excluded from the plans (e.g. USDB and DSDHH).

- 3) Review the indirect cost pools to ensure all costs that jointly benefit two or more functions/programs/areas are included appropriately (e.g. include internal audit, all SWCAP costs, etc.).

- 4) Review the chart of accounts to determine if coding is appropriate, facilitates accuracy, efficiency and effectiveness for budgeting, reporting, draws, and indirect cost plan preparation purposes.

**REPORT TO THE
UTAH STATE BOARD OF EDUCATION**



**Audit performed by:
Utah State Board of Education's Internal Auditor**

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Report USOR 2014-05

February 19, 2015

Utah State Board of Education
250 East 500 South
Salt Lake City, Utah 84114

Dear Board Members:

The Internal Audit Section, under the supervision of the Utah State Board of Education has conducted a high level review of the Utah State Office of Education's (USOE's) indirect cost plan. The objectives and scope of this review are included in Section I of this report, while the remaining sections present the current plan, concerns with the plan, and recommendations for improvement.

We recognize and appreciate the cooperation USOE Internal Accounting and various other state agencies that provided information for our review.

Copies of this report will be released to the Utah State Board of Education, the Utah State Office of Rehabilitation, and the Utah State Auditor's Office.

Sincerely,

A handwritten signature in cursive script that reads "Deborah Davis". The signature is written in black ink on a light-colored background.

Deborah Davis CPA
Internal Audit Director, Utah State Board of Education

I. OBJECTIVES and SCOPE

Internal Audit (IA) obtained the indirect cost plan for 2015 from USOE Internal Accounting and reviewed it for propriety and compliance with the federal Omni-Circular (2 CFR 200) regulations. While we were able to verify the amounts and calculations, we have several concerns regarding the methodology used and inadequate policies, procedures and internal controls for the indirect cost plan. The preliminary concerns identified and noted here were not negated as Internal Audit performed limited additional procedures; therefore, completing the further detail procedures is not considered necessary. Due to the timing of the legislature approving the indirect cost rate and preparing and submitting the indirect cost plan to the cognizant Federal agency, IA feels it is important to present these issues so they can be considered for preparation of the 2016 indirect cost plan.

Appendix A outlines relevant technical terms from the federal regulations related indirect cost plans that are used below.

II. INDIRECT COST BASICS

The Department of Education indirect cost group defines indirect costs as follows:

“Indirect costs represent the expenses of doing business that are not readily identified with a particular grant, contract, project function or activity [e.g. heat, light, accounting and personnel], but are necessary for the general operation of the organization and the conduct of activities it performs... indirect cost rates are used to distribute those costs to benefiting revenue sources.”

The general formula to calculate the indirect cost rate is:

$\frac{\text{Indirect Cost Pool}}{\text{Indirect Cost Base}}$	=	Indirect Cost Rate
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The indirect cost rate is then applied to expenditures in the indirect cost base to cover the costs in the indirect cost pool.

III. CURRENT USOE INDIRECT COST PLAN

USOE currently uses the simplified method to calculate the unrestricted indirect cost rate, with an adjustment to calculate the additional required restricted indirect cost rate. The simplified method essentially indicates that all functions under the Board (ie. USOE and USOR) receive the same benefit from costs in the indirect cost pool, which includes:

- Superintendent/Associate Superintendents

- Human Resources
- Support Service
- Internal Accounting
- Internal Computer Services (IT)
- Public Information
- Print Services
- Equipment Depreciation
- Statewide Costs (SWCAP) – partial

The indirect cost base used in the indirect cost rate calculation is total direct salaries and wages for both USOR and appropriate USOE sections. However, not all USOR positions are included in the total direct salaries and wages base in an effort not to disproportionately charge costs to USOR. USDB is not currently included in the indirect cost base.

Once the indirect cost rate has been calculated and reviewed and approved by the federal cognizant agency, USOE Internal Accounting uses the rate to calculate indirect costs to be charged to each section on a quarterly basis. This process is also performed for USOR by the USOE Internal Accounting-USOR Financial Manager and staff on a quarterly basis.

IV. CONCERNS WITH THE CURRENT USOE INTERNAL COST PLAN

The concerns below are presented recognizing that the current USOE Indirect Cost Plan has been reviewed and approved by the federal Department of Education, the cognizant agency for indirect cost reporting. However, approved indirect cost plans are also subject to audit for propriety of information included and provided to the cognizant agency. Changes to the current and/or future indirect cost plans are required to be reviewed and approved by the federal cognizant agency.

- 1) Because the State Board of Education has functions that benefit from its indirect costs in varying degrees (ie. USOE and USOR), it does not appear that using the simplified method, with a required restricted indirect cost rate adjustment, is appropriate and it results in indirect cost pool costs being charged to Board functions disproportionately. Appendix A.11 indicates, if functions derive benefit from indirect costs to varying degrees, such costs MUST be accumulated into separate cost groupings, which would be done using a multiple allocation method; an adjustment for the required restricted rate could then be calculated.
 - A. USOR covers approximately 40% of the indirect cost pool; however, because USOR has its own executive management team and IT function, it is questionable

whether USOR receives that amount of benefit from the functions in the indirect cost pool, such as the Superintendent, USOE IT, and Public Information.

- i. For USOR the indirect cost rate is charged using only the direct salaries and wages for some employees, not all employees. Per the USOE Internal Accounting - USOR Financial Manager, it was determined several years ago which USOR salaries and wages would be charged indirect costs and which would not be charged. The manager is not aware of policies and procedures as to why it was determined which salaries and wages to charge indirect costs to and if that determination is appropriate now, several years later. Additionally, the application of the indirect cost rate to USOR based on specific salaries and wages is significantly time-consuming and as such does not seem cost-beneficial.
- ii. In the 2015 Legislative General Session Issue Brief entitled, *Utah State Office of Rehabilitation - Structural Imbalance*, a legislative fiscal analyst identified that the USOR structural imbalance is evidence of USOR not deriving the same amount of benefit as USOE from costs in the indirect cost pool.

- B. All of USOE Internal Accounting is included in the indirect cost pool; however, several employees are dedicated solely to USOR. Therefore, including these employees in the pool and thus in the indirect cost rate, which is then charged to both USOE and USOR does not seem appropriate as the USOE sections do not derive any benefit from those costs (see Appendix A.14).
- 2) Internal Audit met with personnel and reviewed the indirect cost plans at both DHS and DOH and noted several differences from the USOE indirect cost plan. Internal Audit recognizes that there are inherent differences in the agencies, the federal regulations the agencies must follow, and the cognizant federal agencies approving the indirect cost plans as compared to USOE and some differences might be reasonable given those differences. The following differences should be considered when preparing the USOE indirect cost plan:
- a. USOE does not include all costs from the Statewide Cost Allocation Plan (SWCAP) in the indirect cost pool, and of the one area USOE does include, they have only been including a portion of the cost. DHS and DOH include the SWCAP costs in the indirect cost pool along with other allowable indirect costs. The SWCAP costs are then covered using the application of the indirect cost rate to the identified indirect cost base, which appears reasonable.
 - i. The SWCAP does not include single audit costs as those are billed directly to state agencies, colleges, and universities.

- b. USOE does not include all costs incurred for common or joint purposes, such as internal audit, in the indirect cost pool. DHS and DOH include allowable internal audit and other common costs along with other allowable indirect costs; those costs are then covered using the application of the indirect cost rate to the identified indirect cost base, which appears reasonable.
- 3) USOE does not have adequate, formal, written policies and procedures and internal controls to ensure:
- the indirect cost plan is prepared, approved, and submitted appropriately.
 - indirect costs are budgeted for appropriately by USOE divisions and sections.
 - indirect costs are accounted for appropriately in the legislative appropriations process
 - The state fiscal year (SFY) 2015 USOE indirect cost pool was not appropriated during the 2014 General Session.

The Omni-Circular (2 CFR 200.302(b)(7)) requires written policies and procedures for determining the allowability of costs in accordance with Subpart E of the Omni-Circular, which includes allowability for direct and indirect costs.

- 4) It is unclear if unallowable costs are completely and appropriately considered in the indirect cost plan. A calculation is used to include a portion of the costs related to the Superintendent and the Associate Superintendent; however, there is no documented policies and procedures for the why methodology used. It is also unclear how other potential unallowable costs are considered, such as the cost of food, entertainment, fundraising, advertising, etc.
- 5) Previous to SFY2015 all indirect costs were booked to expenditure object code 7523 in the general ledger system; however, legislative requirements in SFY2015 required Internal Accounting to adjust the tracking of indirect costs to prevent the appearance of duplication. Therefore, in SFY15, Internal Accounting began using expenditure object code 7591 to track the transfer indirect costs from the division/section level to an overall level (ie. USOR and USOE combined). The net effect of these entries at the division or section level is \$0, as it books and then reverses indirect cost expenditures. However, a net effect of \$0 at the division or section level raises concerns with accounting for indirect costs in management budget reports, preparation of financial reports, and draws (e.g. funds to cover indirect costs may not be drawn, section accountants might think they have more funds than they actually do, etc.).

- 6) It appears that there are some inconsistencies in the treatment of the various wholly state-funded programs in the indirect cost plan. As noted above, USDB is not charged the indirect cost rate, though it does some derive benefit from some functions in the indirect cost pool, such as Internal Accounting, IT, and the Superintendent's office. USDB is a completely state-funded program and the benefit derived is likely small; however, there are other programs at USOE and USOR, such as the Division for Services for the Deaf and Hard of Hearing (DSDHH) that are wholly state funded and derive a amount small benefit from some items in the indirect cost pool that are charged the indirect cost rate. Therefore, it is questionable if charging indirect costs to some wholly state funded programs but not all wholly state funded programs is appropriate since as noted in Appendix A.7, the base used should ensure the each **Federal award** bears a fair share of the indirect costs in reasonable relation to benefits received from the costs.

V. INTERNAL AUDIT RECOMMENDATIONS

Internal Audit recommends the following action:

- 1) Establish written policies, and procedures as required by the Omni-Circular (2 CFR 200.302(b)(7)). Consideration should also be given for policies, procedures and internal controls over the indirect cost plan process, submission, application of the rate, and inclusion in section/division budgets and legislative appropriations. Policies, procedures and internal controls should also ensure that these policies and procedures include identification and appropriate handling of unallowable costs, capital expenditures, or distorting costs that must be excluded.
- 2) Prepare two indirect cost plans for 2016, one for USOE and one for USOR. Also consider if programs funded entirely with state funds are appropriately included or excluded from the plans (e.g. USDB and DSDHH).
 - a. USOE – Prepare the 2016 USOE indirect cost plan using the multiple allocation base method with the required adjustment for the restricted rate (see Appendix A.11 and 13). This would essentially split shared costs in the indirect cost pool between USOR and USOE based on the benefit derived. The unshared costs in the indirect cost pool, such as employees in USOE Accounting that are completely dedicated to USOR, must be charged entirely to the functional area that they benefit to meet the definition of an 'allocable cost' at 2 CFR 200.405.
 - b. USOR – Prepare the 2016 USOR indirect cost plan as a special indirect cost rate using the simplified method, where the costs of the USOR Executive Director's Office (Executive Director, support staff, facilities, accounting, audit, etc.) and

the unshared costs from the USOE indirect cost pool comprise the indirect cost pool that is applied to each division. This is allowed per the Omni-Circular as outlined in Appendix A.12

The depiction below attempts to show an example of the two indirect cost pools outlined above; it is not all inclusive and an analysis needs to be done to determine the benefit (as a percentage or a dollar figure) USOE and USOR derive from each function in the indirect cost pool.

Multiple Allocation Base Method			Simplified Method	
USOE Indirect Cost Pools			USOR Indirect Cost Pool	
	USOE	USOR		
Superintendent	\$\$	\$\$	Executive Director	\$\$
Associate Superintendents	\$\$	\$\$	ED Support Staff	\$\$
Support Service	\$\$	\$\$	Admin Services	\$\$
Human Resources	\$\$	\$\$	Budget	\$\$
Internal Accounting	\$\$	\$\$*	Audit	\$\$
Internal Computer Services	\$\$	\$\$	IT	\$\$
Print Services	\$\$	\$\$	HR	\$\$
Public Information	\$\$	\$\$	Facilities	\$\$
Internal Audit	\$\$	\$\$	etc.	\$\$
Law & Licensing	\$\$	\$\$	USOE ID Pool Costs	\$\$
Other	\$\$	\$\$		
Equipment Depreciation				
SWCAP				
Total			Total	
*This amount should include 100% of USOE Internal Accounting staff dedicated to USOR and a percentage of the other Internal Accounting staff.				

- 3) Review the indirect cost pools to ensure all costs that jointly benefit two or more functions/programs/areas are included appropriately (e.g. include internal audit in the USOE indirect cost pool, include all SWCAP costs, etc.).
- 4) Review the chart of accounts to determine if coding is appropriate, facilitates accuracy, efficiency and effectiveness for budgeting, reporting, draws, and indirect cost plan preparation purposes.

VI. USOE RESPONSE

Objectives and Scope (Section I):

In the Omni-Circular 200.111, Effective Date, the circular states, “which will be effective one year from the publication of this final guidance...this guidance will be in effect for all Federal awards or funding increments provided after the effective date”. This would be applicable to all grants awarded after December 26, 2013. The awards from Education (i.e. IDEA, Title I, CTE, Rehabilitation) are typically awarded on July 1 to coincide with LEA and SEA fiscal years July 1 to June 30. Most other federal agencies (i.e. Child Nutrition Program, Social Security Administration) issue their awards on October 1 to coincide with the federal fiscal year October 1 to September 30. Since the effective date of the Omni Circular is December 26, 2014 it would apply to awards made after that date and the first awards we will receive will be issued by the Department of Education on July 1, 2015. This audit expects compliance with a circular that was not in effect for the audit period. USOE will calculate the FY2016 Indirect Cost Rate in compliance with the new Omni-Circular. USOE has requested technical assistance from the Federal Department of Education Indirect Cost Group before submitting the plan. All submitted plans are reviewed by this group for compliance with federal statutes or regulations before they are approved. FY2016 will also be compliant before an agreement is finalized.

Current Indirect Cost Plan (Section III):

Including HR as a category requires further explanation. For the first time in USOE history the 2015 Indirect Cost Proposal did not include the \$434,000 payment to the Department of Human Resources. These costs were direct charged to each section on a per employee basis. The HR costs of approximately \$30,000 in the 2015 indirect cost pool are for the space HR occupies in rent/maintenance and for fees paid to the Attorney General’s Office. This shows as a direct charge on the 2015 Indirect Cost Proposal on the Carry-forward calculation as it was approved by the Department of Education.

Concerns with the Current USOE Indirect Cost Plan (Section IV):

- 1. The Indirect Cost Group of the Department of Education does an audit every year on the Indirect Cost Plan when it is submitted for approval. This review consists of at least three levels. They also have conducted one field audit during the last 15 years. The result of this field audit was a no change. There has not been a change to an approved cost plan in more than 15 years, if ever. USOE has taken steps to ensure compliance with federal regulations.*
- 2. The audit recommends USOE use a similar method adopted by the Utah Department of Health and the Utah Department of Human Services. During the technical assistance phase with Department of Education Indirect Cost Group USOE will seek guidance on this recommendation.*

The audit also recommends including all SWCAP costs. USOE will also seek guidance on this issue from the Department of Education.

The review questions why Internal Audit was not included in the Indirect Cost Pool. In past legislative appropriation bills the Indirect Cost Pool was restricted as to how many FTE it could have by the legislature. Many changes have occurred in legislation starting with the 2013 legislature with direct impact on the Indirect Cost Pool. Prior to 2013 the Indirect Cost Pool was accounted for in a fund. At the insistence of the Legislative Fiscal Analyst (LFA) the fund was dissolved and it became an appropriation in the 2013 legislative session for the FY2014. With the assistance of the Utah Department of Administrative Services Division of Finance (DAS Finance) they recommended USOE replicate the Indirect Cost Rate in a similar manner to the Department of Environmental Quality. So the LFA changed the way the Indirect Cost Rate was appropriated and took out the number restriction on FTE. After the removal of this restriction discussions began with the Internal Audit Director to include that section in the Indirect Cost Pool. USOE will recommend this inclusion to the Federal Department of Education Indirect Cost Group during the technical assistance phase of the negotiation.

3. USOE agrees there are not formal written USOE policies in place for the Indirect Cost Rate calculation. However the federal government has statutes allowing the calculation. Along with regulations written and enforced by the Office of Management and Budget, and the Federal Department of Education. The State of Utah has statutes and policies to ensure budgetary compliance. The USOE practice is to follow these federal and state regulations. This will be formalized into a policy for FY2016 to comply with the new Omni-Circular.

The audit mentions the Indirect Cost Rate was not appropriated in the 2014 legislative session. This is correct. In the normal practice of setting up the budget for 2015, which includes a review of all bills and communication with DAS Finance and the LFA, the LFA error or oversight was discovered. After multiple discussions with DAS Finance and the LFA, the agreed upon course of action was to continue to operate the Indirect Cost Pool and the LFA would get a supplemental appropriation for the 2015 year. USOE does not have any control over the appropriations process.

4. The audit questions unallowable costs and lack of documented policies and procedures for the inclusion of the costs related to the Superintendent and Deputy Superintendent. Policies or regulations from the Federal Department of Education and the Office of Management and Budget have allowed for the inclusion of these individuals and USOE will seek guidance on this issue during the technical assistance phase of the negotiation. USOE will also formalize policies and procedures to comply with the new Omni-Circular for FY2016.

5. *The audit states the legislative requirements in FY2015 changed the way USOE accounts for the Indirect Cost Pool. As previously discussed, the other changes made by the legislature in FY2014 in changing from a separate fund (fund 2410) to using the regular education fund (fund 2480) were at the core of these accounting changes. USOE followed the direction given by the DAS Finance to ensure proper accounting of the indirect cost pool. USOE is working to change the internal management system (BASE) to ensure the budgets, financial reports and the federal draws are correct.*

6. *The inclusion of sections which are wholly state funded has been part of the negotiation process with the Federal Department of Education assisting USOE in deciding which areas to include and exclude. USOE will seek specific answers regarding these issues from the Department of Education during the technical assistance phase of the negotiation.*

Internal Audit Recommendations (Section V):

USOE will prepare policies and procedures to comply with the new Omni-Circular issued by the Office of Management and Budget. Technical assistance has been requested from Frances Outland, the Director of the Indirect Cost Group of the Department of Education. USOE will discuss each of these recommendations with her before calculating and submitting the Indirect Cost Rate Proposal for FY2016. She and her staff will then review the proposal in a manner similar to each prior proposal. Upon their satisfaction an agreement will then be entered into for FY2016.

Internal Audit Concluding Remark:

We concur that the Federal guidance regulating the 2015 indirect cost plan is OMB Circular A-87 *Cost Principles for State, Local and Indian Tribal Government*. As our concern in performing this review was the preparation of the 2016 indirect cost plan, the intent of the high level review was to identify concerns with the current 2015 plan that need to be addressed to ensure compliance with the Omni-Circular going forward. Concerns, such as inadequate policies and procedures or the method used, are the same whether considering A-87 regulations or the Omni-Circular.

Appendix A

GENERAL INFORMATION

1. 34 CFR 76.560(a)(1) – “...principles for determining the general indirect cost rate that grantees may use for grants under most programs are specified in the cost principles for all grantees...at 2 CFR part 200, subpart E – Cost Principles.”
2. 34 CFR 76.563 – “Sections 76.564 – 76.569 apply to agencies of State and local governments that are grantees under programs with a statutory requirement prohibiting the use of Federal funds to supplant non-Federal funds, and to their subgrantees under these programs.”
3. Cost Allocation Guide for State and Local Governments (US Dept. of ED – Indirect Cost Group) – Special and Restricted Indirect Cost Rates – “When a restricted rate is required, the unrestricted rate is calculated first. Adjustments are made to the unrestricted indirect cost pool, removing certain unallowable expenses from the indirect cost pool and adding those to the direct cost base.”
4. 2 CFR 200.413 **Direct Costs** are those costs that can be identified specifically with a particular final cost objective, such as a federal award.

Appendix VII to 2 CFR 200 –

5. A.1 **Indirect costs** are those 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. After direct costs have been determined and assigned directly to Federal awards and other activities as appropriate, indirect costs are those costs remaining to be allocated to benefitted cost objectives.
6. A.2 **Indirect costs** include costs originating in each department carrying out Federal awards and the costs of central governmental services distributed through the central service cost allocation plan
7. B.1 **Indirect cost base** – the accumulated direct costs used to distribute indirect costs to individual Federal awards (denominator).
8. B.6 **Indirect cost pool** – the accumulated costs that jointly benefit two or more programs or other cost objectives (numerator)

9. **B.7 Indirect cost rate** – a device for determining in a reasonable manner the proportion of indirect costs each program should bear

Two indirect cost allocation methods are allowed with allowance for special or restricted rates:

10. **C.2 Simplified Method** – where a non-Federal entity’s major functions benefit from its indirect costs to approximately the same degree...
11. **C.3.a-b Multiple Allocation Base Method** – where a non-Federal entity’s indirect costs benefit its major functions in varying degrees, such costs **MUST** be accumulated into separate cost groupings. Each grouping **MUST** then be allocated individually to benefitted functions by means of a base which best measures the relative benefits. The cost groupings should be established so as to permit the allocation of each grouping on the basis of benefits provided to the major functions.
12. **C.4.a Special Indirect Cost Rates** – in some instances, a single indirect cost rate for all activities of a non-Federal entity or for each major function of the agency may not be appropriate...When a particular Federal award is carried out in an environment which appears to generate a significantly different level of indirect costs, provisions should be made for a separate indirect cost pool applicable to that Federal award.
13. **C.4.b Special Indirect Cost Rates (Restricted)** – Where Federal statutes restrict the reimbursement of certain indirect costs, it may be necessary to develop a special rate for the affected Federal award. Where a “restricted rate” is required, the same procedure for developing a non-restricted rate will be used except for the additional step of the elimination from the indirect cost pool those costs for which the law prohibits reimbursement.
14. **E.4 Negotiation and Approval of Rates** – Refunds must be made if proposals are later found to have included costs that (a) are unallowable (i) as specified by law or regulation, (ii) as identified in 200.420 Selected items of cost, or (iii) by the terms and conditions of Federal awards, or (b) are unallowable because they are clearly not allocable to Federal awards. These refunds will be made regardless of the type of rate negotiated.