

## APPENDIX A

### ILLUSTRATIONS OF AN ACCEPTABLE METHODOLOGY FOR CALCULATING SPECIAL RATES

- I. This Appendix A provides a simplified description of the step-by-step process that an ISDA contractor may use to implement the “Special Rates” described in Section III.A of the PSA III. As noted in PSA III, an ISDA contractor is not required to use the Special Rate options, but instead may continue to use a single rate. Although the illustrations below show different methods of calculating special rates, a tribal contractor must still follow all usual and ordinary procedures for documenting its indirect cost rate proposal. This Appendix A also illustrates application of the carryforward calculation changes made applicable to all fixed with carryforward indirect cost rates which involve ISDA programs as shown in Appendix B, when special rates are negotiated.
- II. Exhibits 1 and 2 to this Appendix A illustrate Special Rates, including acceptable variations, and the steps to produce them.
  - A. Exhibit 1 illustrates a two-rate option: an ISDA-only rate and a non-ISDA rate (which includes all other programs). (An Excel spreadsheet containing the formulas underlying this template will be filed separately as part of this PSA III.)
  - B. Exhibit 2 illustrates a three-rate option: *e.g.*, a BIA-ISDA-only rate, an IHS-ISDA-only rate, and a non-ISDA rate (which includes all other programs). (An Excel spreadsheet containing the formulas underlying this template will be filed separately as part of this PSA III.)

Upon approval of this PSA III, these templates will be posted on NBC’s website to aid the ISDA contractors that wish to use one of these options.

### III. ILLUSTRATION OF THE PROCESS FOR CALCULATING SPECIAL RATES USING THE TWO-RATE OPTION (AS SHOWN IN EXHIBIT 1)

- A. Prepare an indirect cost pool budget and an estimated direct cost base for a given year according to the applicable OMB circular as published in the Code of Federal Regulations. See Exhibit 1, pages 1 and 2.
- B. Divide the direct cost base into two special rate bases: ISDA-only programs and Non-ISDA programs (which will include all other programs). Calculate the percentage that each sub-base represents of the direct cost base. See Exhibit 1, page 3.

- C. Apply those percentages to allocate the indirect cost pool to each special rate base from Step B, above. The contractor should now have two different proposed pools and two different direct cost bases. See Exhibit 1, page 3.
- D. Calculate the carryforward adjustments from the prior period using the modified carryforward template for Special Rates. There should be two separate carryforward amounts – one for each of the two indirect costs pools: ISDA-only programs, and Non-ISDA programs. See Exhibit 1, page 4.
- E. Calculate the indirect cost rates for the two separate direct cost bases. For each pool: (1) calculate the adjusted pool by adding or subtracting the carryforward adjustment to the pool; and (2) divide the adjusted pool by the appropriate direct cost base, ISDA-only programs or Non-ISDA programs. The resulting ratio, represented as a percentage, is the indirect cost rate for that base. Upon completion, there will be two separate indirect cost pools, two carryforward adjustments, and two direct cost bases, resulting in two separate rates, one for ISDA-only programs and the other for Non-ISDA programs. See Exhibit 1, page 3.
- F. The Special Rate carry forward calculations from FY 2010 used in FY 2012 are illustrated in Exhibit 1, pages 5 and 6.

**IV. ILLUSTRATION OF THE PROCESS FOR CALCULATING SPECIAL RATES USING THREE-RATE OPTION (AS SHOWN IN EXHIBIT 2)**

- A. Prepare an indirect cost pool budget and an estimated direct cost base for a given year according to the applicable OMB circular. See Exhibit 2, pages 1 and 2.
- B. Divide the direct cost base into three special rate bases: *e.g.*, BIA ISDA-only programs, IHS ISDA-only programs, and Non-ISDA programs (which will include all other programs). Calculate the percentage that each special rate base represents of the total direct cost base. See Exhibit 2, page 3.
- C. Apply those percentages to allocate the indirect cost pool to each special rate base from Step B, above. See Exhibit 2, page 3. The contractor should now have three different proposed pools and three different direct cost bases. See Exhibit 2, page 3.
- D. Calculate the carryforward adjustments using the modified carryforward template for Special Rates. There should be three separate carryforward amounts – one for each of the three indirect costs pools: *e.g.*, BIA ISDA-only programs, IHS ISDA-only programs, and Non-ISDA programs. See Exhibit 2, page 4.
- E. Calculate the indirect cost rates for the three separate direct cost bases. For each pool: (1) calculate the adjusted pool by adding or subtracting the carryforward

adjustment to the pool; and (2) divide the adjusted pool by the appropriate direct cost base, *e.g.*, BIA ISDA-only programs, IHS ISDA-only programs, and Non-ISDA programs.

- F. The resulting amount, represented as a percentage, is the indirect cost rate for that base.

On completion, there will be three separate indirect cost pools, three carryforward adjustments, and three direct cost bases, resulting in three separate rates, *e.g.*, one for BIA ISDA-only programs, one for IHS ISDA-only programs, and one for Non-ISDA programs. See Exhibit 2, page 3.

NOTE: 1 For contractors electing the Special Rates option, the template for calculating carryforwards for the Special Rate for non-ISDA funding will differ from the template used to calculate carryforwards for the ISDA Special Rate(s). The Special Rate carryforward template for non-ISDA funding will compare only the indirect costs incurred allocated to each awarding agency against the indirect cost need estimate (Rate x Base) as applied to that agency's funds in calculating carryforward adjustments. The amount paid by the agency will not be considered in calculating those adjustments. Thus, this template for the non-ISDA Special Rate will generate theoretical over-recoveries as permitted by OMB Circular A-87 for such funds. Over-recovery carryforwards will only be generated on this template for non-ISDA Special Rates when the Rate x Base amount exceeds the indirect costs incurred; under-recovery carryforwards will only be generated when the indirect costs incurred exceed the Rate x Base amount.

NOTE: 2 The process described above for calculating Special Rates is for illustration purposes only. Tribal Contractors may present their indirect cost proposals in a variety of ways. For example, if a tribal contractor can (1) identify a type of an otherwise allowable indirect cost that is chargeable to a particular special rate base(s) (*i.e.*, an ISDA-only special rate base), but not the other special rate bases, and (2) that identified cost is not funded as Direct CSC, the tribal contractor may choose to add the identified indirect cost to the indirect cost pool for that particular special rate base only. If the contractor wishes to pursue this option, the identified indirect cost would be added to the applicable special rate pool prior to calculating the rate for that applicable special rate base. These indirect costs must be identified and described in the indirect cost proposal submitted to NBC.