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Section: Board	Effective Date: April 14, 2023
Subject: Indirect Rate Policy	
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POLICY: It is the policy of Denali Family Services (DFS) to ensure fiduciary responsibility for the use of agency and public funds, especially funds that support behavioral health services for low-income recipients or youth identified as “children in need of aid” by the State of Alaska.

PURPOSE: DFS serves children with acute and long-term behavioral health disorders and their families on a fee for service basis. The primary payor for these services is Medicaid. DFS believes that effective stewardship means using its resources wisely, especially through strong partnerships based on trust. DFS aims to structure contracts and grants in a way that makes sense from a financial perspective while also funding partners for the cost of delivering results efficiently, supported by open and honest dialogue about the resources necessary for helping high need clients.

For non-research projects, DFS will not pay indirect costs. Non-research project examples include consultations, training, program development, and other professional services.

The engagement of contractors to provide services advancing the well-being of the children and families DFS services occur at agency sites. The agency accrues additional administrative overhead through projects it funds through partnerships with external sources. Most if not all contractors incur only personnel and benefit costs. DFS will reimburse without the costs the contractor seeks to recoup through indirect charges.

DEFINITIONS:

Direct costs are the expenses required to execute a contract or grant that are directly attributable and can be reasonably allocated to the project. Program staff salaries, travel expenses, materials, and consultants required to execute the contract or grant are examples. Costs that would not be incurred if the contract or grant did not exist are often indicative of direct costs.

Indirect costs are general overhead and administration expenses that support the entire operations of a contractor or grantee and that may be shared across projects. Examples include facilities expenses such as rent & utilities, equipment for the grantee’s headquarters, and associated information systems and support and administrative staff such as HR, general finance, accounting, IT, and legal. Expenses that would be incurred regardless of the contract or grant are often indicative of indirect costs. While these costs may not be directly attributable to a project, they are real and necessary to operate as an organization.