



United States Department of the Interior  
National Business Center  
Indirect Cost Services  
2180 Harvard Street, Suite 430  
Sacramento, CA 95815



September 29, 2006

Mr. Joe Shirley, President  
The Navajo Nation  
Office of the President and Vice President  
P.O. Box 9000  
Window Rock, Arizona 86515

Dear Mr. Shirley:

Enclosed is an original copy of the Indirect Cost Negotiation Agreement for the 12-month period ending September 30, 2006, between the Federal Government and the Navajo Nation.

Please visit our Web site at <http://www.nbc.gov/icshome.html> for guidance and updates on submitting indirect cost proposals. In addition, you will find helpful tools such as a completeness checklist, indirect cost and lobbying certificates, sample proposals, Excel worksheet templates, and important links to other Web sites.

If you have any questions regarding this agreement, please write or call Ms. Maria Nua, Program Analyst, at (916) 566-7111.

Sincerely,

*Deborah A. Moberly*  
for Deborah A. Moberly  
Indirect Cost Coordinator

Enclosure

cc: Self-Determination Specialist, Navajo Regional Office, BIA  
Director of External Audits, Office of Inspector General, Department of Interior  
Director, Self-Determination Services, Indian Health Services, HQE

Ref: J:Navajo/NAVAc042/Issue.ltr

Post-it® Fax Note	7671	Date	09/29/06	# of pages	7
To	Rachael Arviso	From	Fay		
Co./Dept	Navajo Nation	Co.	NBC		
Phone #		Phone #	916-566-7101		
Fax #	928-871-6567	Fax #	916-566-7110		

Original to follow via mail.

**Indian Organizations  
Indirect Cost Negotiation Agreement**

EIN: 86-0092335

**Organization:**

The Navajo Nation  
P.O. Box 9000  
Window Rock, Arizona 86515

**Date:** September 29, 2006

**Report No(s) :** 06-A-754

**Filing Ref. :**

Last Negotiation Agreement  
dated February 15, 2005

The indirect cost rate contained herein is for use on grants, contracts, and other agreements with the Federal Government to which Public Law 93-638 and Office of Management and Budget Circular A-87 apply, subject to the limitations contained in 25 CFR, Part 900, and in Section II:A. of this agreement. The rate was negotiated by the U.S. Department of the Interior, National Business Center, and the subject organization in accordance with the authority contained in the Circular.

**Section I: Rate**

Type	Effective Period		Rate*	Locations	Applicable To
	From	To			
Fixed Carryforward	10/01/05	09/30/06	21.60%	All	All Programs

Note: As agreed to by the Nation in a letter dated August 8, 2006, the FYs 1996-2002 carryforwards are amortized over a five-year period starting in FY 2006. The amortized amount of FYs 1996-2002 underrecovery carryforward to be applied annually to FYs 2007 through 2010 is \$8,987,695. In addition, the FY 2007 rate computation must also include the FY 2004 carryforward calculation.

\*Base: Total direct costs, less capital expenditures and passthrough funds. Passthrough funds are normally defined as major subcontracts, payments to participants, stipends to eligible recipients, and subgrants, all of which normally require minimal administrative effort.

Treatment of fringe benefits: Fringe benefits applicable to direct salaries and wages are treated as direct costs; fringe benefits applicable to indirect salaries and wages are treated as indirect costs.

**Section II: General**

Page 1 of 3

**A. Limitations:** Use of the rate contained in this agreement is subject to any applicable statutory limitations. Acceptance of the rate agreed to herein is predicated upon these conditions: (1) no costs other than those incurred by the subject organization were included in its indirect cost rate proposal, (2) all such costs are the legal obligations of the grantee/contractor, (3) similar types of costs have been accorded consistent treatment, and (4) the same costs that have been treated as indirect costs have not been claimed as direct costs (for example, supplies can be charged directly to a program or activity as long as these costs are not part of the supply costs included in the indirect cost pool for central administration).

**B. Audit:** All costs (direct and indirect, federal and non-federal) are subject to audit. Adjustments to amounts resulting from audit of the cost allocation

Section II: General (continued)

Page 2 of 3

plan or indirect cost rate proposal upon which the negotiation of this agreement was based will be compensated for in a subsequent negotiation agreement.

- C. Changes:** The rate contained in this agreement is based on the organizational structure and the accounting system in effect at the time the proposal was submitted. Changes in organizational structure, or changes in the method of accounting for costs that affect the amount of reimbursement resulting from use of the rate in this agreement, require the prior approval of the responsible negotiation agency. Failure to obtain such approval may result in subsequent audit disallowance.
- D. Provisional/Final Rates:** Within 6 months after year end, a final rate must be submitted based on actual costs. Billings and charges to contracts and grants must be adjusted if the final rate varies from the provisional rate. If the final rate is greater than the provisional rate and there are no funds available to cover the additional indirect costs, the organization may not recover all indirect costs. Conversely, if the final rate is less than the provisional rate, the organization will be required to pay back the difference to the funding agency.
- E. Fixed Carryforward Rate:** The fixed carryforward rate is based on an estimate of costs that will be incurred during the period for which the rate applies. When the actual costs for such period have been determined, an adjustment will be made to the rate for a future period, if necessary, to compensate for the difference between the costs used to establish the fixed rate and the actual costs.
- F. Agency Notification:** Copies of this document may be provided to other federal offices as a means of notifying them of the agreement contained herein.
- G. Record Keeping:** Organizations must maintain accounting records that demonstrate that each type of cost has been treated consistently either as a direct cost or an indirect cost. Records pertaining to the costs of program administration, such as salaries, travel, and related costs, should be kept on an annual basis.
- H. Reimbursement Ceilings:** Grantee/contractor program agreements providing for ceilings on indirect cost rates or reimbursement amounts are subject to the ceilings stipulated in the contract or grant agreements. If the ceiling rate is higher than the negotiated rate in Section I of this agreement, the negotiated rate will be used to determine the maximum allowable indirect cost.
- I. Use of Other Rates:** If any federal programs are reimbursing indirect costs to this grantee/contractor by a measure other than the approved rate in this agreement, the grantee/contractor should credit such costs to the affected programs, and the approved rate should be used to identify the maximum amount of indirect cost allocable to these programs.
- J. Central Service Costs:** Where central service costs are estimated for the calculation of indirect cost rates, adjustments will be made to reflect the difference between provisional and final amounts.
- K. Other:**
1. The purpose of an indirect cost rate is to facilitate the allocation and billing of indirect costs. Approval of the indirect cost rate does not mean that an organization can recover more than the actual costs of a particular program or activity.
  2. Programs received or initiated by the organization subsequent to the negotiation of this agreement are subject to the approved indirect cost rate if

**The Navajo Nation  
FY 2006 Indirect Cost Pool and Rate Computation**

**Attachment 2**

<u>Title/Description</u>	<u>Amount</u>
Legislative	\$4,026,462
Executive	2,157,786
Judicial	116,187
Justice	2,595,754
Taxation	21,561
Management and Budget	1,417,142
Public Safety	815,533
General Services	5,564,749
Administration and Finance	5,004,115
Fixed Support Cost	7,975,708
Community Development	2,346,865
Economic Development	713,875
Resources	2,378,979
Environmental Protection Agency	308,777
Education	706,536
Health Improvement	377,431
Social Services	360,855
Labor	2,458,067
Continuing Funds	7,021
Revolving Funds	10,298
Fiduciary Funds	430,286
 FY 2006 Indirect Costs	 <u>39,793,987</u>
 FY 2003 Overrecovery Carryforward to FY 2006	 -318,198
 FYs 1996-2002 Applied Underrecovery Carryforward to FY 2006	 5,110,000
 FY 2006 Indirect Cost Pool	 <u>\$44,585,789</u>
 FY 2006 Direct Cost Base (Attachment 1)	 <u>\$206,415,212</u>
 FY 2006 Indirect Cost Rate	 <u>21.60%</u>

1/ Costs are treated as indirect costs and should not be allowed as direct charges to contracts and grants. All other costs are either direct or indirect depending on whether they apply to direct or indirect activities.

**The Navajo Nation  
FY 2006 Direct Cost Base**

**Attachment 1  
Page 2 of 2**

<u>Programs</u>	<u>Amount</u>
Health Improvement	9,469,816
Social Services	2,141,340
Labor	1,783,957
Tribal Grants/Other	-167,118
Other	1,683,412
Continuing Funds	12,477
Special Revenue Funds	4,155,310
Fiduciary Funds	144,838
Less: 10% Allowance for Reduced Administrative Services 1/	-6,944,513
 Subtotal Tribal Programs	 <u>62,500,619</u>
 FY 2006 Direct Cost Base	 <u><u>\$206,415,212</u></u>

1/ Nation funded programs require less administrative support than grant funded programs. Accordingly, we agreed to reduce the Nation's direct expenditures by 10 percent.

Note: The approved indirect cost rate will apply to any increase in the programs included in the above amounts and to programs that are received subsequently that benefit from the Nation's administrative services.

**The Navajo Nation  
FY 2006 Direct Cost Base**

**Attachment 1  
Page 1 of 2**

<u>Programs</u>	<u>Amount</u>
<b>FEDERAL PROGRAMS</b>	
Department of Interior:	
Bureau of Indian Affairs (638)	\$55,495,737
Others	4,513,968
Department of Health and Human Services:	
Indian Health Service (638)	26,643,621
Others	28,346,720
Department of Agriculture	5,937,953
Department of Commerce	4,495
Department of Housing and Urban Development	2,921,261
Department of Justice	1,244,650
Department of Labor	2,248,533
Department of Transportation	2,030,946
Environmental Protection Agency	2,697,948
Department of Energy	554,116
Corporation for National and Community Services	593,984
Department of Education	2,180,603
Subtotal Federal Programs	<u>135,414,535</u>
<b>STATE AND OTHER PROGRAMS</b>	<u>8,500,058</u>
<b>TRIBAL PROGRAMS</b>	
Legislative	7,732,549
Executive	1,319,014
Judicial	6,206,187
Justice	2,570,853
Taxation	1,215,639
Public Safety	5,364,944
General Services	98,036
Fixed Support Cost	2,114,925
Community Development	2,598,652
Economic Development	3,087,066
Resources	12,977,099
Environmental Protection Agency	635,145
Education	4,300,991

Section II: General (continued)

the programs receive administrative support from the indirect cost pool. It should be noted that this could result in an adjustment to a future rate.

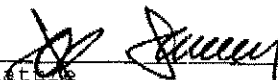
3. New indirect cost proposals are necessary to obtain approved indirect cost rates for future fiscal or calendar years. The proposals are due in our office 6 months prior to the beginning of the year to which the proposed rates will apply.

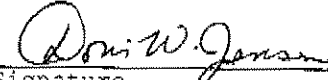
Section III: Acceptance

Listed below are the signatures of acceptance for this agreement:

By the Indian Organization:

By the Cognizant Federal Government Agency:

  
 \_\_\_\_\_ /s/  
 Signature  
Joe Shirley, Jr.  
 Name (Type or Print)  
Navajo Nation President  
 Title  
SEP 28 2006  
 Date

  
 \_\_\_\_\_ /s/  
 Signature  
 for Deborah A. Moberly  
 Name  
Indirect Cost Coordinator  
 Indirect Cost Services  
 Title  
U.S. Department of the Interior  
 National Business Center  
 Agency  
Date September 29, 2006  
 Negotiated by Elena Chan  
 Telephone (916) 566-7111