

## SAM—MISCELLANEOUS ACCOUNTING PROCEDURES

### FEDERAL INDIRECT COST RATE PROPOSAL (ICRP) AND/OR COST ALLOCATION PLANS 8756.1 (Revised 09/10)

Each department that receives federal funds must prepare an ICRP, and/or CAP or PACAP, unless exempted by Finance, FSCU. An ICRP, CAP or PACAP establishes the basis for recovering full costs associated with programs or activities. The ICRP, CAP or PACAP must be prepared in accordance with the Office of Management and Budget (OMB) Circular A-87, "Cost Principles for State, Local and Indian Tribal Governments" and the guide "Cost Principles and Procedures for Establishing Cost Allocation Plans and Indirect Cost Rates for Agreement with the Federal Government" (ASMB C-10) published by the federal Department of Health and Human Services, which is available at: [HTTP://WWW.WHITEHOUSE.GOV/WH/EOP/OMB/HTML/OMBHOME.HTML#.DOCS](http://www.whitehouse.gov/wh/eop/omb/html/ombhome.html#docs).

Every fall, Finance, FSCU, notifies departments with federal funding of the central service costs (SWCAP) apportioned to them for the next fiscal year. The reports are available at: [HTTP://WWW.DOF.CA.GOV/FISA/PROSWCAP/PROSWCAP.HTM](http://www.dof.ca.gov/FISA/PROSWCAP/PROSWCAP.HTM)

Inclusion of SWCAP costs is required in the department's ICRP, CAP, or PACAP to allow for the recovery of SWCAP costs apportioned to the department, unless exempted by statute and/or grant provisions.

For ICRPs only, in addition to the supporting documentation required by OMB Circular A-87, departments are required to complete a Finance ICRP Summary Form. This form primarily acts as a checklist for proper preparation of the ICRP and is available at: <http://www.dof.ca.gov/FISA/PROSWCAP/ICRPs.HTM>. A summary sheet must also be included in the ICRP identifying the calculation of the indirect cost rate, cross-referenced to the supporting documentation. A sample calculation is shown in the 8756.1 Illustration.

Departments must submit their ICRPs, and/or CAPs or PACAP's to Finance, FSCU, for review and approval before sending to the federal cognizant agency for approval. ICRPs, CAPS, or PACAPs are typically due to the federal cognizant agency at least six months before the start of the fiscal year to which the ICRP, CAP, or PACAP applies. Generally, the federal agency from which a department receives the most funding is designated as the federal cognizant agency.

Once the ICRP, CAP, or PACAP is approved by the federal cognizant agency, the department may recover indirect costs from the federal government. Refer to SAM section 8755.2 for requirements to transfer the recoveries to the General Fund.

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**ATTACHMENT C**

**8756.1 ILLUSTRATION**

**CALCULATION OF INDIRECT COST RATE**

$$\begin{array}{rcl} (1) \text{ Net Total Department Indirect Costs} + (2) \text{ SWCAP Allocation} & = & \text{Proposed Indirect} \\ & & \text{Cost Rate} \\ (3) \text{ Total Direct Cost Base} & & \end{array}$$

- (1) Indirect costs are costs incurred for a joint or common benefit and cannot be identified with a particular program, function, or cost objective. Sometimes known as “overhead”, these costs include costs for accounting, budgeting, human resources, etc. The total departmental indirect costs are adjusted for unallowable costs and the addition of costs, such as equipment use allowance, per OMB Circular A-87.
- (2) Indirect costs also include the department’s allocation of central services costs (SWCAP).
- (3) Direct costs are costs identified specifically with a particular program, function, or cost objective. Typical direct cost bases include personal services and modified total direct costs.

The components of the indirect cost rate should be cross-referenced to supporting documentation in the ICRP (e.g., budget reports, financial statements, etc.,)

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**RECOVERY OF INDIRECT COSTS  
SAMPLE CALCULATION**

Department A administers a program, grant, or contract and is preparing to bill for services rendered.

1. Department A develops an Indirect Cost Rate Proposal (ICRP) with a 32 percent indirect cost rate as follows:

$$\begin{array}{rcl} \text{Total department indirect + central service allocation (a)} & = & \\ \text{Total direct cost base (direct personal services costs) (b)} & & \\ \\ \$2,660,000 + \$140,000 & = & 2,800,000 \\ \$8,750,000 & = & 8,750,000 \end{array} \qquad = \qquad 32\%$$

2. The indirect cost rate applicable to central service costs is:

$$\begin{array}{rcl} \text{Department A's central service allocation} & = & 140,000 \\ \text{Total direct cost base (direct personal services costs)} & & 8,750,000 \end{array} \qquad = \qquad 1.6 \%$$

3. Assume total direct costs incurred for Department A's reimbursable activity during the billing period to be \$350,000, of which \$250,000 is for direct personal services costs and \$100,000 is for other direct operating costs.

4. Billable amount for period = direct costs + indirect costs

$$\begin{array}{l} = (\$250,000 + \$100,000) + (32\% \times \$250,000) \\ = \$350,000 + \$80,000 \\ = \$430,000 \end{array}$$

5a. Expected central service recovery = central service indirect cost rate x direct cost base:

$$\begin{array}{l} = 1.6\% \times \$250,000 \\ = \$4,000 \end{array}$$

—or—

5b. Expected central service recovery = Department A's central service allocation x indirect costs  
Total departmental indirect costs

$$\begin{array}{l} = \frac{140,000}{2,660,000 + 140,000} \times \$80,000 \\ = .05 \times \$80,000 \\ = \$4,000 \end{array}$$

Summary:

Department A would collect a total of \$430,000 for its reimbursed activity, \$4,000 of which is attributable to central service costs.

- (a) Use SWCAP for federal funded programs; use Pro Rata costs or SWCAP, whichever is greater, for non-federal funded programs.
- (b) Total direct salaries and wages, total direct costs, or some other appropriate base could be substituted as the base in developing the indirect cost rate.

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INDIRECT COST RATE PROPOSAL SUMMARY FOR FY \_\_\_\_\_

DATE SUBMITTED \_\_\_\_\_

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1. AGENCY NAME (ORGI): \_\_\_\_\_

2. CONTACT PERSON (PHONE): \_\_\_\_\_

3. COGNIZANT FEDERAL AGENCY: \_\_\_\_\_

4. PLAN TYPE:  MEDICARRY FORWARD  
 PROVISIONAL/FINAL  
 OTHER (describe): \_\_\_\_\_

5. IS THIS PLAN CONSISTENT WITH PREVIOUS PLANS?  
 YES  NO  (EXPLAIN): \_\_\_\_\_

6. PREVIOUS PLAN FILED - FISCAL YEAR: \_\_\_\_\_

7. IF THE PLAN TYPE IS PROVISIONAL/FINAL, HOW WILL THE FINAL SETTLEMENT BE MADE WITH THE FEDERAL GOVERNMENT? \_\_\_\_\_

8. HAVE ACTUAL SWCAP RECEIVED TO DATE CONSISTENT WITH BUDGETED SWCAP AMOUNTS?  
 YES  NO  (EXPLAIN): \_\_\_\_\_

9. DIRECT COST BASE USED TO CALCULATE ICRR RATE:  
 DIRECT PERSONAL SERVICES  DIRECT SALARIES AND WAGES  TOTAL DIRECT COSTS   
 OTHER (describe): \_\_\_\_\_

10. ICRR RATES: SINGLE  MULTIPLE

11. COSTS INCLUDED IN ICRR REFERENCE TO GOVERNOR'S BUDGET   
 OTHER BUDGET REPORTS (describe): \_\_\_\_\_  
 OTHER REPORTS OF ACTUAL EXPENDITURE (describe): \_\_\_\_\_

12. SWCAP ASSESSMENT INCLUDED IN ICRR: FY \_\_\_\_\_ AMOUNT \$ \_\_\_\_\_

13. INDIRECT COSTS USED TO CALCULATE ICRR RATE INCLUDES/EXCLUDES (YES/NO):  
 INCLUDES PRO RATA CHARGES \_\_\_\_\_ EXCLUDES EQUIPMENT EXPENDITURES \_\_\_\_\_  
 INCLUDES EQUIPMENT USE ALLOWANCE \_\_\_\_\_ EXCLUDES OTHER NON-ALLOWABLE COSTS \_\_\_\_\_  
 IF NO TO ANY OF THE ABOVE (13), EXPLAIN: \_\_\_\_\_

14. COMMENTS \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

INX (TOT PM)

**DEPARTMENT OF FINANCE  
USE ONLY**

Date: \_\_\_\_\_

Budgetary Information  
State Operations

General Fund \$ \_\_\_\_\_  
 Federal Fund \$ \_\_\_\_\_  
 Other \$ \_\_\_\_\_  
 Total \$ \_\_\_\_\_

General Fund  
Federal Fund  
Other  
Total

1. \_\_\_\_\_  
 2. \_\_\_\_\_  
 3. \_\_\_\_\_  
 4. \_\_\_\_\_  
 5. \_\_\_\_\_  
 6. \_\_\_\_\_  
 7. \_\_\_\_\_  
 8. \_\_\_\_\_  
 9. \_\_\_\_\_  
 10. \_\_\_\_\_  
 11. \_\_\_\_\_  
 12. \_\_\_\_\_  
 13. \_\_\_\_\_  
 14. \_\_\_\_\_

Reviewer \_\_\_\_\_