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.

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

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.

CALCULATION OF INDIRECT COST RATE

(1) Net Total Department Indirect Costs + (2) SWCAP Allocation = Proposed Indirect

(3) Total Direct Cost Base Cost Rate

(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.,)