

8756.1 ILLUSTRATION

CALCULATION OF INDIRECT COST RATE

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

- (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..)