

# Indirect Cost Rate “How To” Cost Policy Statement CPS For Indirect Cost Rate Development

Carol Kraus, CPA

Sean Berberet

Dawn Pyles

Grant Accountability and Transparency Unit

# Objectives

- ▶ General ICRP information
- ▶ Cost Policy Statement (CPS) overview
- ▶ How to develop a CPS for your organization
- ▶ Common issues with a CPS
- ▶ CPS example
- ▶ References to aid with CPS

# State of Illinois NICRA

- ▶ Grantees may develop an ICRP in accordance with Uniform Guidance
- ▶ ICRP are submitted centrally for approval
- ▶ Once a State of Illinois NICRA is approved, it may be used on all State awards that allow indirect cost reimbursement (subject to statutory requirements)




# Federal Requirements – State of Illinois NICRA

- ▶ Grantees that receive direct federal funding are not eligible to negotiate a rate with the State
  - Must negotiate NICRA with federal cognizant agency, regardless of federal funding amount
  - State of Illinois must accept the federal NICRA for pass-through grants
- ▶ State of Illinois approved NICRAs cannot be used on direct federal awards

# Annual Requirement for Indirect Cost Rate Selections

- ▶ All grantee must make annual indirect cost rate selections in the centralized indirect cost rate system
- ▶ Centralized Indirect Cost Rate System is currently ONLY available to organizations that receive awards directly from a State agency

# ICRP Development

- ▶ What's required for a complete ICRP submission to the State of Illinois?
  - Chart of accounts 
  - Organizational chart
  - Audited financial statements
  - Single Audit
    - If not subject to Single Audit, provide an inventory of all federal, state and federal pass-through programs 
  - Organizational budget, if applicable
  - Cost policy statement (CPS)
  - ICRP proposal worksheet / template
  - Reconciliation worksheet to financials 

# Cost Policy Statement (CPS)

- ▶ The Cost Policy Statement is a description of the organization's accounting practices, policies, and procedures for allocating direct and indirect costs
- ▶ CPS is required documentation for the ICRP submission
- ▶ CPS must be signed by an authorized representative

# Cost Policy Statement (CPS)

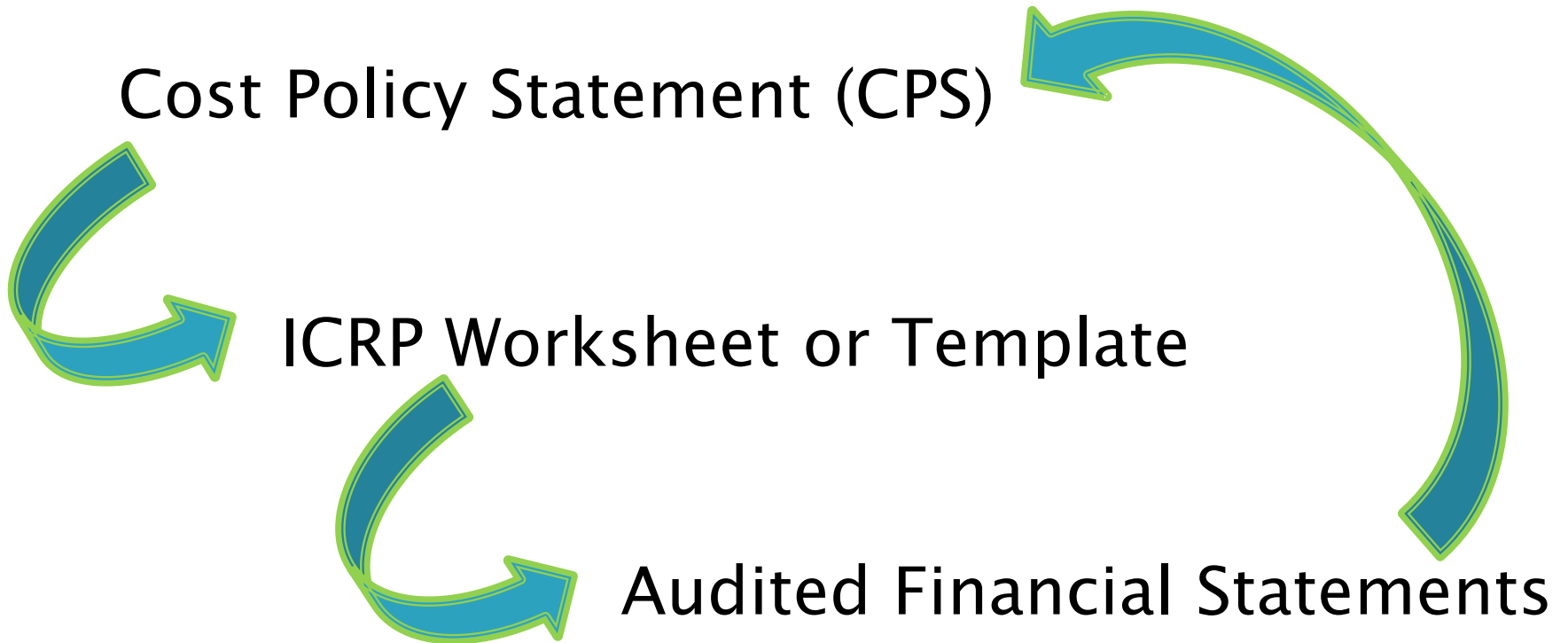
- ▶ Most vital component of an ICRP because it serves as an approved ICRA between the grantee and the State of Illinois
  - Provides clarity and assurance of accounting and allocation practices for developing a rate
  - Describes your organization's accounting and allocation procedures for charging each direct and indirect expense to a program
- ▶ CPS ultimately dictates how the grantee **MUST** apply the approved indirect cost rate



# 4 Steps in Developing a CPS

1. Identify all costs of the organization
2. Identify unallowable costs
3. Classify remaining cost as Direct or Indirect (Simplified Allocation Methodology)
4. Review the indirect costs and identify costs that could partially be allocated as direct

# ICRP Worksheet or Template



# Common Issues Regarding CPS Development

- ▶ CPS does not represent the organization's procedures. Allocation methods are incomplete or do not provide sufficient rationale.
  - Example: How does your organization accurately account for Direct and Indirect salaries? If salaries are a combination of Direct and Indirect, how is the separation determined and recorded?
- ▶ Referenced CPS should be a guide; customize to fit your organization

# Common Issues Regarding CPS Development

- ▶ Your CPS must be an example of your operations
  - DO NOT copy examples of CPS unless the detail applies to your organization
  - DO NOT copy policies and procedures unless your organization follows the same policies and procedures
- ▶ Copy the CPS only if your organization adopts the chart of accounts and accounting practices dictated in the example

# Common Issues Regarding CPS Development

- ▶ Your organization's CPS should correspond exactly to costs presented in your proposal worksheet
- ▶ Example:
  - CPS did not reference "Legal Fees" but the organization incurred legal fees
  - Organization's ICRP included "Legal Fees"
- ▶ This is incorrect. CPS and ICRP must consistently include cost categories from your organization's chart of accounts

# Cost Policy Statement Example

- ▶ The following CPS example is guidance for organizations seeking indirect cost reimbursement under state and federal awards
- ▶ The example assumes the organization uses the direct allocation basis of charging costs

<https://www.illinois.gov/sites/GATA/Documents/Resource%20Library/DOL%20DCD-2-CFR-Guide-Apr2016.pdf>

# References and Resources

- ▶ <https://rates.psc.gov/> HHS Cost Allocation Services
- ▶ <https://www.dol.gov/oasam/boc/DCD-2-CFR-Guid.pdf> Dept. Of Labor Guide to Indirect Cost Rate Determination
- ▶ <https://www.illinois.gov/sites/GATA/Grantee/Pages/default.aspx> GATA Website
- ▶ <https://www.illinois.gov/sites/GATA/Grantee/CentralizedIndirectCostSystem/Pages/default.aspx> State of Illinois ICRP Template/Worksheet

# Questions?

Carol Kraus

[Carol.Kraus@illinois.gov](mailto:Carol.Kraus@illinois.gov)

Sean Berberet

[Sean.Berberet@illinois.gov](mailto:Sean.Berberet@illinois.gov)

Dawn Pyles

[Dawn.Pyles@illinois.gov](mailto:Dawn.Pyles@illinois.gov)