

## Section 7.5: Indirect Costs

### PURPOSE AND POLICY

Indirect costs associated with administering grant programs are those incidental costs that cannot be directly charged to a grant, referred to as F&A “Facilities” (depreciation on buildings, equipment and capital improvement, interest on debt associated with certain buildings, equipment and capital improvements, and operations and maintenance expenses) and “Administration” (such as general administration, accounting or personnel). As such, these costs are allocated equitably to all of an organization’s activities using an indirect cost rate. The State of Arizona Accounting Manual (SAAM) [Topic 70 \(Grants\) Section 40 Indirect Costs](#) sets forth the state’s policy with regard to indirect cost rates for a federal award received by a state agency. [Uniform Guidance §200.414](#) Indirect (F&A) costs and [Uniform Guidance Appendix VII to Part 200](#)—States and Local Government and Indian Tribe Indirect Cost Proposals provide detailed information regarding indirect cost allocation for direct recipients of federal awards. For the State of Arizona, the Department of Health and Human Services (HHS) is designated by the Office of Management and Budget (OMB) as the cognizant federal agency for reviewing and negotiating indirect cost rates (and other rates) used by grantee institutions to charge federal programs for administrative and facility costs associated with conducting federal programs. This process is managed through the [Cost Allocation Services \(CAS\) Program Support Center](#).

### PROCEDURE

If allowable, indirect costs are included in the grant application and are included in the grant agreement. During the grant implementation phase, the grant program manager must ensure that indirect costs are documented, reported and reimbursed in accordance to the grant agreement. If there is no indirect cost allocation included in the grant agreement, the grant program manager must directly expense the items within the budget as allowable under the grant agreement. Financial reports and reimbursement requests must be made or captured in eCivis.

Reporting and reimbursement for indirect costs. When the grant program manager prepares the periodic financial reports (monthly, quarterly, etc.) and requests for reimbursement, he/she must include the indirect cost allocations as specified in the grant agreement. The grant program manager should consult with the agency’s financial representative when preparing financial reports and requests for reimbursement; the financial representative will review the report and reimbursement request to ensure accuracy. The financial representative will prepare any necessary paperwork (i.e., invoice) for submission to the grantor and will assist with deposit of the reimbursement funds as necessary.