

Q&As related to **State/Local organizations** funded with cost reimbursable awards under **“American Recovery and Reinvestment Act of 2009” (ARRA)** and allocable indirect costs

1. What is the purpose of this guidance?

To provide grantees necessary information related to allocable and reasonable administrative direct or indirect costs (oversight, reporting, and audit requirements) that may be chargeable to ARRA funding. This guidance does not modify any previous general guidance issued by this office on allocation of indirect costs.

2. Can organizations allocate allowable and reasonable indirect costs to ARRA funding based on OMB Circular [A-87](#) (cost principles for State/local organizations)?

Yes. However, these allocations of indirect costs must be based on Federally approved negotiated indirect cost rate agreements (NICRA) or Federally approved cost allocation plans (CAPs). These NICRAs or CAPs are negotiated by the organization’s Federal cognizant agency¹ based on indirect cost rate (ICR) proposals and cost allocation plans (CAPs) submitted by the organization. Note that the allocated indirect costs or directly charged administrative costs are subject to program limitations.

3. What documentation is needed to support an ICR proposal or CAP?

Click on the following link to access [DCD’s website](#) to find the proper checklists and sample exhibits to support the ICR or CAP.

4. What additional documentation do grantees need to submit as part of their ICR submissions or CAPs?

For those organizations receiving a “single” ARRA award and other non-ARRA Federal awards or non-Federal funding – No supplemental submission is required. Note, however, that all costs incurred that relate to the oversight, monitoring, and reporting of ARRA must be directly charged to the grant. These costs are allocable as direct costs to the “single” ARRA award and are also part of the allocation base for general indirect costs.

For those organizations receiving multiple (more than one) ARRA award – A supplemental ICR or CAP proposal will be required to identify associated costs to the oversight, monitoring and reporting costs that benefit ARRA awards if the organization (1) incurs administrative costs that are not easily identified to the appropriate ARRA awards, and (2) organization’s accounting system cannot identify/assign the direct administrative costs to the ARRA grants/contracts. Otherwise, no supplemental submission is required.

Regarding the above information, also note that the “certificate of indirect costs” which must be included as support for the proposal addresses A-87 compliance. When your organization certifies compliance with OMB Circular A-87, it is certifying allocation of costs based on benefits received.

5. Why organizations may need to submit a supplemental ARRA ICR or CAP proposal?

Considering the benefits received concept, to ensure that ARRA oversight costs are not charged to non-ARRA Federal awards.

6. Have any other Federal agencies issued additional guidance on ARRA “administrative costs” for State governments?

Yes. DCD is aware of two Federal agencies: The Office of Management and Budget (OMB) issued guidance related to “administrative costs” allocable to ARRA for State governments. Click on the following web links - [OMB memorandum M-09-18](#) and [OMB memorandum M-10-03](#).

The U.S. Department of Health and Human Services’ Division of Cost Allocation also issued additional guidance. Click on the following [link](#) to access this information.

¹ According to OMB Circular A-87, cognizant agency means the Federal agency responsible for negotiating and approving indirect costs for the organization on behalf of all Federal agencies. The Federal agency with the largest dollar value of awards with an organization will be designated as the cognizant agency for the negotiation and approval of the indirect cost rates.