**MAINE DEPARTMENT OF EDUCATION**

**Indirect Cost Rate Proposal (ICRP)**

**Informational Bulletin & Data Requirements**

**May 2020**

The recovery of indirect costs by a sub recipient of federal funds is *not required;* it is optional. Sub recipients wishing to recover indirect costs should review [Federal Guidance](https://www2.ed.gov/about/offices/list/ocfo/intro.html) and the [State Webpage](https://www.maine.gov/doe/funding/fiscalreview/compliance/indirectcostrate) to get an understanding of the requirements and process of negotiation an Indirect Cost Rate Proposal.

* Recovered indirect costs are considered revenue to a sub recipient’s general fund. This revenue will have the effect of lowering expenditures which are used in the calculation of tuition rates and EPS per pupil rates.
* Indirect costs may only be recovered once. If a cost is included in the indirect cost rate calculation, it cannot also be charged as a direct cost to a Federal award.
* Indirect cost rates are applied only to the amount of the award expended, not the total amount budgeted/awarded.
* Including indirect costs in an award application budget does not mean the amount of the award will be increased. The amount of entitlement awards (supplement not supplant grants) available to be applied to direct services will be reduced by the inclusion of indirect costs. Including indirect costs in discretionary grant application budgets may result in increased funding.
* Two indirect cost rates will be calculated for a sub recipient; restricted indirect cost rates are utilized with Federal awards that have a “supplement not supplant” requirement. Restricted indirect cost rates are lower than unrestricted rates meaning, a lesser dollar amount will be recovered under indirect costs for “supplement not supplant” awards.

**Financial & Statistical Data**

**Needed to Calculate an Indirect Cost Rate Proposal for FY 21**

1. FY 19 Expenditure Report by function and account (rolled up to 2-digit function number if possible, i.e., 2100, 2200, etc.) with field description
2. FY19 Expenditure Report by Fund, Function, Object with field descriptions
3. Audited Financial Statement
4. Identify all Federal Funds
5. Identify all Internal Service Funds
6. Schedule of Subcontracts >$25,000, listing the total amount paid during the fiscal year on each contract
7. Description of A/C #5400 Advertising Costs listing the purpose of each ad, such as legal advertising, recruitment advertising, etc.
8. Description of Legal Costs in A/C #3450 and Function #2318, listing each legal project expense and the purpose of the cost, such as litigation, union negotiations, etc.
9. Square Footage by Department
10. Paid Leave at Termination
11. Schedule of Indirect Wages/Benefits with name, department, title
12. Organization Chart
13. How are unused leave payments handled/accounted for?
14. Are retirement incentives included? If so, please identify
15. Are retirement incentives planned in the next fiscal year?

**Indirect Cost Rate Proposal Documents on** [State Webpage](https://www.maine.gov/doe/funding/fiscalreview/compliance/indirectcostrate)

Indirect Cost Rate Proposal Workbook - specific workbook used to calculate the Indirect Cost Rate.

Indirect Cost Rate Proposal Expenditures Verification - reconciliation of the entity’s accounting system and audited financials.

Indirect Cost Rate Proposal Checklist – a review tool for your entity to review all data before the submission to the Department.

**Additional Items/Records Many Be Required**

FY 19 Annual Audit (if we do not have one on file)

Fiscal Year Accounting System Expenditure and Revenue History

Included in the workbook are templates for providing the data requested in items four through eleven on the data request list above. Sub recipients will need to enter the requested data from their audited financial statements into these spreadsheets, inserting additional rows as needed.

* Expenditures provided to calculate the indirect cost rates MUST tie to the sub recipient’s audited expenses. In instances where the expenditure reports do not tie to the audit, the proposal submitted will be returned to the sub recipient for correction.
* Expenditures must be comprehensive, and include all costs incurred by the sub recipient, including student activity, trust and agency and internal service fund expenses.
* When completing schedule #11 Indirect Wages, the total for each department should tie to the amounts reported for that department on your general ledger.

After all data is entered into the Indirect Cost Rate Proposal Workbook, the formulas will calculate both unrestricted and [restricted](https://www2.ed.gov/about/offices/list/ocfo/restrate.html) indirect cost rates for each sub recipient using FY19 data for an Indirect Cost Rate to be used during FY 21 after the Department’s review and approval.

If, after review of the indirect cost informational bulletin and data requirements, you are interested in applying for an approved indirect cost rate, please email [Denise.towers@maine.gov](mailto:Denise.towers@maine.gov).