INDIRECT COST RATE

1. Purpose of Policy

The purpose of this policy is to establish a cap on the indirect cost rate charged by community based organizations contracting with the following DPH Sections: Ambulatory Care-Behavioral Health Services (includes CYF and AOA), Ambulatory Care/Primary Care (includes HIV Health Services), Community Health Equity and Promotion (includes HIV Prevention Services and Health Education), Transitions Services, and Ambulatory Care- Maternal, Child, and Adolescent Health.

2. Policy

The indirect cost charged by agencies contracting with the Sections noted above cannot exceed the agency’s actual indirect costs or 15 percent of the direct costs of the contract, whichever is lower.

If the grant provision or other funding requirements have an indirect cost rate lower than 15%, then this lower rate will be used as the established cap.

3. Definitions

What is an indirect cost?

Indirect costs are those which are not easily identifiable with one specific program, but which are necessary to the operation of the program. Indirect costs cannot be easily attributed to one activity or funding source and these costs may benefit more than one activity and/or represent one or more funding sources. These costs are shared among programs and, in some cases, among functions (e.g., fiscal audits). The Executive Director’s salary is a common example of an expense which benefits all programs and functions. For further explanation, see the following documents for reference.

- Controller’s Office: Cost Allocation Guidelines from Non-Profit Doing Business with the City

- OMB Circular A-122: Cost Principles for Nonprofit Organizations