**Section 871.APPENDIX B Procedures for Determination of Indirect Costs and Indirect Cost Rates**

1. Definition

 Indirect costs are those costs incurred for a common or joint purpose but benefiting more than one cost objective, and not readily identifiable to the cost objectives specifically benefited. The term indirect cost, as used herein, applies to costs of this type occurring in the grantee department (or other relevant organizational unit responsible for project performance), as well as those central service support costs incurred by other departments in supplying goods, services, and facilities to the grantee department when such cost can be assigned to the departmental indirect cost pool as a result of an approved cost allocation plan.

2. General

a) Indirect costs of the grantee shall be allowable in accordance with an indirect cost agreement incorporated in the grant agreement. Indirect cost rates and indirect costs as determined below shall be used in the grant agreement but shall be considered to be estimates; the final amount of eligible indirect costs will be based on audited actual costs.

b) Indirect cost rates are not retroactive and may not be changed during the period of the grant agreement.

3. Grantees with Existing State or Federal Grants

a) If the grantee has a current grant from a State or federal agency, the most recently established indirect cost rate in that grant will be used by the Agency, provided that the rate was established in accordance with 40 CFR 30.410 and 40 CFR 30.412 (July 1, 1986). (This incorporation contains no later amendments or editions.)

b) If the grantee has a current State or federal grant that shows a zero indirect cost rate or that specifies that there is no indirect cost rate, it is not eligible to establish an indirect cost rate for a planning grant.

c) To establish an indirect cost rate, the Agency will require:

1) copies of all executed grants currently in effect between the grantee and State or federal agencies, certified by the clerk or other appropriate official of the grantee; and

2) a letter from an appropriate official of the grantee, authorizing representatives of the Agency to have access to the federal audit which served as the basis of the indirect cost rate in the State or federal grants.

d) If the grantee has more than one currently effective State or federal grant with differing indirect cost rates, the Agency will determine which of the approved indirect cost rates is most appropriate for use on the State planning or enforcement grant. The most appropriate indirect cost rate is that rate derived from the prior existing project which was most similar in scope, objectives, methodology and personnel to the project for which the enforcement or planning grant is sought.

4. Grantees without Existing State or Federal Grants

 For grantees that do not have existing current State or federal grants, either of the following procedures may be used to establish an indirect cost rate:

a) A negotiated lump sum for overhead may be established, based on the grantee's submission of evidence of estimated charges to be incurred. The provisions of applicable federal regulations will be used as guidance in establishing such a lump sum. Lump sum indirect costs negotiated under this provision may not exceed one percent of the total project cost; or

b) A negotiated indirect cost rate may be established in accordance with the following procedures: the grantee shall follow the Agency's criteria in determining eligibility of specific items used in establishing an indirect cost rate, submit the completed indirect cost rate determination to the Agency with calculations and assumptions made within the calculations, and provide a certification from an appropriate official of the grantee that the information submitted is, to the best of its knowledge, true and accurate. Total indirect costs may not exceed five percent of the total estimated project cost.

5. Disputes

 The grantee will be notified in writing of Agency approval or disapproval of a proposed indirect cost rate. If the Agency disapproves the proposed rate, its reasons for disapproval shall be stated, together with a more appropriate method of determination. If the grantee does not accept the Agency's determination of a more appropriate method, it may contest it pursuant to the provisions of Section 871.304 of this Part.

(Source: Amended at 19 Ill. Reg. 11871, effective August 3, 1995)