



## Legislation Text

---

**File #:** 17-0463, **Version:** 1

---

Health and Human Services Agency (HHS), recommending the Board approve and authorize the Chair to sign a nonfinancial Indirect Cost Negotiation Agreement with the U.S. Department of Housing and Urban Development, Office of Community Planning and Development, to establish an Indirect Cost Rate of 30.65% for the period from July 1, 2016 through June 30, 2017, for federally-funded HHS programs.

**FUNDING:** N/A

**DEPARTMENT RECOMMENDATION:**

Health and Human Services Agency (HHS) recommending the Board approve and authorize the Chair to sign the attached Indirect Cost Negotiation Agreement with U.S. Department of Housing and Urban Development (HUD) to establish a "Fixed with Carry-Forward" Indirect Cost Rate (ICR) of 30.65%, effective beginning July 1, 2016 through June 30, 2017.

This is not a retroactive service agreement, rather it is an agreement establishing the indirect cost rate for a specified period (July 1, 2016 through June 30, 2017) to be used in the reporting and reimbursement of federally funded programs. It is standard practice for the ICR to be established based on historical and current year data.

**DISCUSSION / BACKGROUND:**

HHS has indirect costs that are charged to federal agencies. General management activities support programs through processing of purchases, contracts, payroll, payment of invoices, etc., and such costs are necessary for each program to exist. Establishing this ICR will create a standardized, efficient way to recover a share of general management costs from individual federally-funded programs when appropriate. Without an ICR, cost recovery for support activities are limited to the allowance per funding agreement, frequently limited to ten percent (10%), thereby creating a gap in funding for support activities that must be covered by alternate funding such as realignment, or even general fund.

The Office of Management and Budget (OMB) Guidance, 2 Code of Federal Regulations (CFR) 200, explicitly requires states and local government receiving federal funding and all federal agencies to reimburse indirect costs by applying the federally negotiated ICR. If a negotiated rate does not yet exist, then local governments are empowered either to request a negotiated rate, or to elect the default rate of ten percent (10%) of their modified total direct costs. HHS has requested a negotiated rate through its federal cognizant agency, HUD.

HUD provides the largest dollar value of direct Federal awards received by HHS, thereby meeting the definition of a "cognizant agency" (2 CFR 200). As the cognizant agency for HHS, HUD can negotiate and approve the indirect cost rate for HHS.

Once an agency is assigned cognizance for a particular local government, the assignment will not be changed unless there is a shift in the dollar volume of Federal awards to the organization for at least

three years. All concerned Federal agencies must be given the opportunity to participate in the negotiation process, but after a rate has been agreed upon it will be accepted by all Federal agencies.

**ALTERNATIVES:**

The Board could decline to accept the negotiated ICR through HUD, thereby limiting the coverage of indirect support activities to 10% instead of 30.65%.

**OTHER DEPARTMENT / AGENCY INVOLVEMENT:**

County Counsel

**CAO RECOMMENDATION:**

It is recommended that the Board approve this item.

**FINANCIAL IMPACT:**

There is no Net County Cost associated with this Agenda item.

**CLERK OF THE BOARD FOLLOW UP ACTIONS**

- 1) Clerk of the Board to obtain signature of Chair on two (2) original Agreements with HUD.
- 2) Clerk of the Board to return one (1) fully executed Agreement to the HHSA Contracts Unit at 3057 Briw Road.

**STRATEGIC PLAN COMPONENT:**

N/A

**CONTACT**

Patricia Charles-Heathers, Ph.D., Director