

What is included in a SWCAP?

Central service administrative costs, also known as indirect costs, are largely discussed in Circular A-87. Examples of central service administrations would be central accounting services, information technology services, etc. Generally, the costs of these central functions are shared by several programs; therefore, agencies must develop a cost allocation plan to show how those costs will be shared among the various programs. In the SWCAP, an indirect cost rate is developed based on specific requirements published in Circular A-87.

The SWCAP also has a special section for billed service agencies. The objective of this section is to ensure the State's billed services are recovering costs, but not making money from their charges for services. Central to this section is a review of "working capital reserves." In summary, a working capital reserve of up to 60 days cash expenses for normal operating purposes is considered reasonable; however, cash in excess of 60 days may indicate that the service agency is billing more for services than is necessary.

Federal Reviews of Cost Allocation Plan

Indirect cost rates and cost allocation plans are reviewed and approved by the cognizant Federal agency. The result of each negotiation is formalized in a written agreement between the cognizant agency and the State. Refunds to the Federal Government shall be made by the State if proposals are later found to have included costs that are unallowable.