



State of South Carolina
Office of Comptroller General

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BRIAN J. GAINES
COMPTROLLER GENERAL

MEMORANDUM

TO: SCEIS Agency Financial Officers

FROM: Brian Gaines, Comptroller General

SUBJECT: Guidance on Indirect Cost Recovery and Proposal Submission in Compliance with Section 2-65-70

DATE: March 11, 2025

In accordance with South Carolina Code of Laws, Section 2-65-70, “all agencies receiving federal grants or contracts must recover the maximum allowable indirect costs on these projects”. Here are the key points and revised directives for your agency:

Indirect Cost Recovery

- All indirect cost recoveries must be credited to the general fund of the State, except for recoveries from:
 - Research and student aid grants and contracts,
 - Federal grants and contracts with an annual award of two hundred thousand dollars or less (since January 1, 1999), and
 - Agencies with a specific proviso granting an exemption.

Agencies with grant expenditures but no IDC remittances to the general fund are required to provide a written explanation detailing why no IDC postings have been made.

Indirect Cost Proposal Submission

- Each agency should utilize the FY17 Statewide Cost Allocation Plan (SWCAP) as it is the most recently approved report for calculating indirect costs.
- Direct Submission to Cognizant Agency: Previously, agencies submitted IDC proposals to the Executive Budget Office (EBO). However, this is no longer permissible by our State’s cognizant agency, the US Department of Health and Human Services (USDHHS). Agencies must now submit proposals directly to their cognizant agency.
- Proposals should be submitted to your cognizant agency with ample time to negotiate and issue a fully executed indirect cost rate agreement before the start of the next fiscal year.
- **Support from EBO:** Although direct submissions to EBO are discontinued, the EBO remains available to offer guidance throughout this process in the following scenarios:

- The state agency has completed a Schedule of Expenditures of Federal Awards (SEFA) analysis and used the analysis to determine the federal cognizant agency; however, the cognizant agency has rejected designation.
- The state agency has made several attempts to contact the designated federal cognizant agency and has been unsuccessful in the attempts to reach the federal agency: the contact has been unresponsive.
- Federal cognizant review of the state agency proposal has resulted in any of the following:
 - A rejected proposed rate with no reasonable explanation offered by the federal cognizant agency.
 - Delays in approval of submitted proposal due to data inaccuracy or state agency's failure to explain significant differences in trend data.
- Statewide data included in SWCAP needs additional explanation or supporting documentation.

Role of the Comptroller General's Office (CGO)

- **Compliance:** The Comptroller General is tasked with assisting the EBO in ensuring compliance with Section 2-65-70. This memo is sent in conjunction with the EBO to clarify expectations and to monitor compliance moving forward.
- **Guidance on Financial Reporting:** The CGO can provide guidance on recording the necessary journal entries and running compliance reports to ensure accurate reflection of indirect cost recoveries in your financial statements.

Points of Contact

Should you need assistance with the indirect recovery process, you may contact either of the following:

- **EBO:** Nicole Ford-Jennings – nicole.ford-jennings@admin.sc.gov
- **CGO:** Kelly Stigamier – kstigamier@cg.sc.gov

Waiver of Indirect Cost Requirements

- Waivers may be granted if deemed in the best interest of the State and the receiving agency, except for unanticipated federal projects as per Section 2-65-30.
- Waiver requests for continuing projects should be included in the agency's budget request and reviewed under Section 2-65-20 provisions.

Please ensure compliance with these guidelines to maintain proper financial oversight and maximize recovery of indirect costs. For any questions or further assistance, please feel free to contact the EBO, CGO, or your cognizant agency directly.

South Carolina Code of Laws, Section 2-65-70. Recovery of indirect costs. (A) All agencies receiving federal grants or contracts shall recover the maximum allowable indirect costs on those projects, subject to applicable federal laws and regulations. All indirect cost recoveries must be credited to the general fund of the State, with the exception of recoveries from research and student aid grants and contracts. Further, after January 1, 1999, federal grants and contracts whose annual award is two hundred thousand dollars or less are exempted also from this cost recovery requirement. (1) Each agency receiving grants or contracts to which indirect costs may be charged must have an approved indirect cost rate or cost allocation plan. Agencies shall prepare the indirect cost proposals and submit them to the board for review. The board shall submit the proposals to the appropriate federal agencies, negotiate the agreements, and transmit approved agreements to the state agencies. The board, upon request, also

shall provide a report on the proposals to the House Ways and Means Committee or the Senate Finance Committee, or both. (2) The board annually shall prepare the Statewide Cost Allocation Plan for allocation of central service costs to federal and other programs. The board shall ensure that state agencies recover costs approved in the plan through federal grants and contracts, subject to federal laws and regulations. (3) The State Comptroller General shall assist the board in ensuring compliance with this section. (B) If it is determined to be in the best interest of the State and the agency receiving the federal funds, the requirements of this section may be waived; except that indirect cost waivers may not be granted for unanticipated federal projects authorized pursuant to Section 2-65-30 of this chapter. Requests for indirect cost waivers for continuing federal projects must be made by the applicant agency as a part of its budget request and must be reviewed in accordance with the provisions of Section 2-65-20 of this chapter. HISTORY: 1980 Act No. 517, Part II, § 9; 1981 Act No. 178, Part II, § 18; 1978 Act No. 651, § 9; 1981 Act No. 178, Part II, § 18H; 1983 Act No. 151, Part II, § 10H; 1986 Act No. 455, § 2(C); 1996 Act No. 458, Part II, § 35A; 1998 Act No. 419, Part II, § 12A.