

MEMORANDUM

STATE OF ALASKA

*Department of Administration
Division of Finance*

To: ARRA Contacts
Administrative Services Directors
Finance Officers

Date: September 15, 2009

From: Kim Garnero 
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Department of Administration

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Subject: ARRA Administrative Costs

Since we met on June 30, 2009, we have been considering how the State could best use the .5% administrative costs allowable under the American Recovery and Reinvestment Act of 2009 (ARRA).

The decision has now been made. No administrative costs will be collected for central services to support ARRA. Two potential ARRA billings to agencies were contemplated, and the outcome of each is as follows:

1. Collect some portion of the administrative costs from departments to support central services - Office of Management and Budget and Division of Finance will pay for their ARRA coordination with existing budgeted resources. This will likely require a small carryforward adjustment that reduces the central services allocation (section I of the Statewide Cost Allocation Plan - SWCAP) for FY 2012 based on FY 2010 actual costs.
2. Bill some of the audit services related to ARRA programs - Division of Legislative Audit will charge only for non-ARRA audit services up to the amount budgeted, which has historically been \$250,000, as negotiated in section II of the SWCAP.

These outcomes do not require amending the FY 2010/2008 SWCAP which is currently under review by our federal cost negotiator, and their impact on departments should be minimal.

The bottom line for departments is that all ARRA funds they receive can be used at their discretion for ARRA program expenditures or for ARRA oversight. The FAQs issued by the Division of Cost Allocation of the U.S. Department of Health and Human in early July provide guidance on what constitutes oversight activities.

Departments should ensure that the .5% limit for oversight is adhered to for all ARRA awards, and that any required amendments to their departmental indirect cost rate proposals are approved prior to charging oversight activities to ARRA awards.

If you have questions or concerns about this information, please let me know. Thank you for your patience as this issue was deliberated.

cc: Anna Kim, ARRA Coordinator
Office of Management and Budget

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