

DEPARTMENT OF WORKFORCE DEVELOPMENT  
DIVISION OF EMPLOYMENT & TRAINING  
ADMINISTRATOR'S MEMO SERIES

ACTION 15-02  
 NOTICE

ISSUE DATE: 03/30/2015  
DISPOSAL DATE: 06/30/2015

\*PROGRAM CATEGORIES

AS  FL  LM  TA  
 CR  IT  ML  TR  
 FM  JC  TC  WIA  
 YA

**TO:** Workforce Development Board Directors  
Workforce Development Board Financial Managers

**FROM:** Scott Jansen  
Division Administrator

*Scott Jansen 3-31-2015*

**RE:** WIOA Indirect Cost Rate - Guidance on development of an Indirect Cost Rate as required under 2CFR Chapter 2, Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements, and 2CFR Chapter 2, Part 2900 DOL Exceptions

**PURPOSE:** To provide guidance and instruction on determining if an indirect cost rate is beneficial for your agency and instruction on how to apply for a rate.

**BACKGROUND:** The new Uniform Guidance for Administrative Requirements, Cost Principles and Audit Requirements goes into effect for all new funding issued after December 26, 2014. The new regulations apply to all federal funds, regardless of source. One of the major changes in these regulations is the requirement for indirect cost rates.

**POLICY:** The Department of Workforce Development (DWD) must review and approve indirect cost rates for our sub-recipients, and sub-recipients must do the same for their sub-recipients. Indirect cost rates must be requested within 90 days of receipt of new funds. For WIOA grants, this means rates must be applied for by July 1, 2015 since Youth funding is effective April 1, 2015.

Since this is a new requirement, DWD is issuing these instructions to assist agencies in determining if they are required to have an indirect rate or if the use of the de minimis rate of 10% would be beneficial to the agency.

Agencies that do not have to have an indirect cost rate:

1. Agencies who operate only one program (WIOA Youth, Adult, DLW, SRR, NEG are considered one program for WIOA). These agencies can continue to treat indirect costs as shared between the sub-programs.
2. Agencies can continue to direct charge overhead (administrative and clerical) costs but only if ALL of the following conditions are met:
  - a. These costs are integral to the project or activity
  - b. Individuals involved can be specifically identified with the project or activity

\*PROGRAM CATEGORIES:

AS--Apprenticeship Standards	FL--Foreign Labor IT-- IT Systems	LM--Labor Market Info ML--Migrant Labor	TA--Trade Assistance TR--Transportation
CR--Civil Rights	JC--Job Center	TC--Tax Credits	WIA--Workforce Investment Act
FM--Financial Management Requirements			YA--Youth Apprenticeship

- c. Costs are specifically identified in the budget or have the prior written approval of the awarding agency. (For DOL purposes, inclusion in an approved budget does not constitute prior approval of a specific cost item.)
  - d. Costs are also NOT recovered as indirect costs.
3. Agencies who do not wish to recoup indirect costs.

Agencies that are required to have an indirect cost rate:

1. Any agency currently using a federally approved indirect cost rate would continue to use that rate for all programs.
2. Any agency that has had an indirect cost rate in the past, even if it is no longer being used.
3. Any agency operating more than one program that wishes to recoup indirect costs on a grant.

For agencies required to have an indirect cost rate, it must be negotiated with the awarding agency unless the de minimis 10% rate is selected. The de minimis rate can be used indefinitely, but once an indirect cost rate has been negotiated and FEDERALLY approved, an agency cannot go back to the de minimis rate.

For agencies required to have an indirect cost rate, attached is a worksheet and examples that you can follow to determine if application of the de minimis rate or a negotiated rate would be best for you. For purposes of this determination you will have to suspend the definitions of administrative costs, and program costs that you are accustomed to. How costs get charged as either administrative or program costs will be dealt with after the rate has been applied.

See Attachments.

Accounting for the indirect costs:

Regardless of whether the de minimis rate or a negotiated rate is used, accounting for the costs is similar. Indirect costs are accumulated in an indirect cost account as they are incurred, as you would for a normal cost pool. The calculated indirect cost charges are applied to programs based on the Modified Direct Cost (MDC) relating to each grant, with the amount relating to WIOA administration charged to the WIOA Local Administration account. The grant revenues would equal the amount of indirect costs charged to a grant. The cash would offset the actual costs in the indirect cost account.

The Indirect Cost Account would never totally clear, nor would it be expected to. Any over or under charges would be rolled in to the calculation for the next years' rate. Where the de minimis rate is used any over or under charges should be cleared to the corporate account.

**ACTION SUMMARY STATEMENT:** Workforce Development Boards are to determine if they are subject to an indirect cost rate, and if so, determine if one needs to be negotiated with the Department of Workforce Development (DWD). Submit to DWD a notice of a) you are not subject to an indirect cost rate and why, b) you will be using the de minimis rate, c) you have a current federally approved rate that you will be using, or d) you plan on submitting an indirect cost rate for approval.

The notice of what type of rate is going to be used must be sent to Annette Meudt with a cc to the Local Program Liaison for your area before June 30, 2015.

Your sub-recipients are subject to these same requirements and deadlines, and compliance will be reviewed during the fiscal monitoring review.

**REGIONAL OFFICE CONTACT:** Annette Meudt, Financial Manager, Division of Employment & Training, 201 E. Washington Avenue, Room G100, Madison, WI 53703.

[Annette.Meudt@dwd.wisconsin.gov](mailto:Annette.Meudt@dwd.wisconsin.gov)

Telephone: 608-261-8489

**ATTACHMENT:**

A1 – Example of Indirect Cost Calculation

A2 – Sample Example Using 10% De Minimis Rate

A3 – 10% Rate Analysis.

cc: Nancy Eilks, Financial Manager, DET  
Mary Foy, Initiatives Manager, Bureau of Workforce Training  
Phil Koenig, Director, Bureau of Workforce Training  
Juan José López, Director, Bureau of Program Management. & Special Populations  
Annette Meudt, Financial Manager, DET  
Bruce Palzkill, Director, Bureau of Job Service  
DeWayne Street, DET Deputy Administrator