

Washington State

Workforce Innovation and Opportunity Act Title I-B Policy

Policy Number: 5280

Policy Title: Indirect Cost Rate Proposals and Cost Allocation Plans

Effective Date: January 28, 2020

1. Purpose:

To provide guidance for negotiation and approval of Indirect Cost Rate Proposals (ICRP) and Cost Allocation Plans (CAPs).

2. Background:

The U.S. Department of Labor (DOL) requires that all subrecipients of federal funds must have an approved CAP or ICRP before federal funds can be passed through to them. The Employment Security Department (ESD), as pass-through entity for WIOA Title I funds, has authority to require an approved ICRP or CAP or de minimis rate from Local Workforce Development Boards (LWDBs) or the designated fiscal agents for WIOA Title I funds.

3. Policy:

All LWDBs or designated fiscal agents that do not have a federally approved CAP or ICRP from their cognizant federal agency are required to negotiate a CAP or ICRP with ESD, unless the LWDB chooses to use a de minimis rate of no more than 10 percent for its indirect cost rate. Ten percent is the maximum allowed percentage, as determined by DOL.

An ICRP or CAP must be submitted six months after the LWDB's fiscal year ends. The submittal should include (among other requirements) a cost policy statement, financial schedules, audited financial statements, and a listing of grants and contracts, as well as a certification that the proposal was prepared in a manner consistent with the applicable cost principles set forth in 2 CFR Part 200, Subpart E and Appendix IV for non-profits. ([Refer to the Guide for Indirect Cost Rate Determination](#) for detailed information and recommended formats.)

If an LWDB does not want to submit an ICRP or CAP to ESD, the LWDB or fiscal agent may submit a de minimis policy or statement that indicates that the de minimis rate is charged equally to all funding sources. A de minimis rate can only be used by LWDBs that have never submitted and received an approved ICRP or CAP.

LWDBs that pass through federal funds to a subrecipient are responsible for ensuring the subrecipient has a federally approved CAP or ICRP or uses a de minimis rate. If the subrecipient does not have a federally approved CAP or ICRP or does not use a de minimis rate, the LWDB or designated fiscal agent is required to negotiate a CAP or ICRP before passing through federal funds to the subrecipient.

4. Definitions:

Cost Allocation de– A process of assigning a cost, or a group of costs, to one or more cost objective(s), in reasonable proportion to the benefit provided or other equitable relationship. The process may entail assigning a cost(s) directly to a final cost objective or through one or more intermediate cost objectives.

Cost Allocation Plan – A written description of the allocation process. The plan must be supported by formal accounting records, signed by an authorized agency official, include a process for reconciliation and adjustment and be periodically validated and updated.

Cognizant Agency for Indirect Costs – The Federal agency responsible for reviewing, negotiating, and approving cost allocation plans or indirect cost proposals developed under this part on behalf of all Federal agencies (2 CFR 200.19). If your organization does not have a federally approved cost allocation plan or indirect cost rate proposal from a cognizant agency, your organization will be required to submit a cost allocation plan or indirect cost rate proposal to ESD for approval. ESD can no longer pass through federal funds to an organization that does not have an approved cost allocation plan or indirect rate proposal.

De Minimis Indirect Rate – The maximum rate allowable for claiming indirect costs for entities that do not have an approved indirect rate from their cognizant federal agency or their pass-through entity.

Fiscal Agent - The grant recipient, or other entity identified by the grant recipient, that receives WIOA funds for a Local Workforce Development Board (LWDB) directly from the State.

Indirect Costs (Facilities & Administrative (F&A) costs) – Those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

Indirect Cost Rate – An indirect cost rate is a percentage (indirect cost pool/direct cost base) used to distribute indirect costs to all cost centers benefiting from those costs.

Subrecipient - An entity that receives federal assistance passed through from a prime recipient or another subrecipient to carry out or administer a WIOA program. Distinguishing characteristics of a subrecipient include:

- Determining eligibility for assistance;
- Performance measured against meeting the objectives of the program;
- Responsibility for programmatic decision making;
- Responsibility for applicable program compliance requirements;
- Use of the funds passed through to carry out a program of the sub-entity as compared to providing goods or services for a program of the prime recipient.

5. References:

[Guide for Indirect Cost Rate Determination \(2 CFR Part 200, Subpart E and Appendix IV; Federal Acquisition Regulation Parts 31.2 and 42.7\)](#)

6. Supersedes:

NA

7. Website:

[Workforce Professionals Center](#)

8. Action:

Local Workforce Development Boards and their contractors, as well as Employment Security Regional Directors, must distribute this policy broadly throughout the system to ensure that WorkSource System staff are familiar with its content and requirements.

9. Attachments:

None.

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