

General Volume  
Funding Accountability Section

Line Item: Indirect Costs (1.04500)

ER# 1.04500

Authority 2008 7CFR 246.14(a)(1)(ii) & FNS Instr. 808-1, DHSS Financial Policy Manual  
Section 1.1 2 CFR Part 200 Uniform Administrative Requirements, Cost  
Principles, and Audit Requirements for Federal Awards

Issued 4/81 7/15

POLICY: A claim for indirect costs shall be supported by either a federally approved indirect cost rate letter or an approved cost allocation plan.

~~Indirect cost billing shall not exceed 8% of the direct contract costs billed.~~  
Indirect cost billing shall not exceed the federally negotiated indirect cost rate or the de minimis rate up to 10%.

Cost must not be allocated as an indirect cost if any other cost incurred for the same purpose, in like circumstance, has been assigned as a direct cost.

PROCEDURES:

- A. Indirect costs are those associated with the management and oversight of an organization's activities, such as utilities, rent, administrative costs, accounting, HR/personnel service costs, and building maintenance.
- B. The local WIC provider (LWP) ~~must establish~~ may claim indirect costs in one of two ways.
  1. An indirect cost rate may be established with a rate approval letter from the federal agency (such as the U.S. Department of Health and Human Services (HHS)) to the LWP.
  2. ~~An indirect cost rate may be established by the LWP with an allocation plan based on a fair share of the total business indirect costs. If the LWP is part of a business entity such as city or county government or other business entity, the overarching agency shall provide an allocation plan for the LWP's part of the indirect costs. The plan must include the method for calculating the indirect cost rate for each branch of the business entity. If the LWP is part of the Health Department in the city or county, the Health Department would receive this indirect cost rate from their governing entity. The LWP shall use the Health Department's rate.~~  
The LWP is entitled to a de minimis indirect cost rate up to 10% of the modified total direct costs (MTDC).
    - a. MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each contract. MTDC excludes equipment, capital expenditures, rental costs, tuition

remission, scholarships and fellowships, and the portion of each contract in excess of \$25,000. [2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#)

- ~~C. The State WIC office must approve the LWP indirect cost rate and the cost rate plan. The State WIC office may authorize a lower percentage or portion of the maximum allowed by the federal agency, not to exceed the maximum DHSS allowed rate of 8% of the total direct cost contract.~~
- C. In lieu of using the de minimis rate of 10%, the contractor may opt to accept an indirect cost rate lower than 10% of the modified total direct costs or the contractor may waive charging indirect costs.
- D. The LWP must budget and bill indirect costs to all other federal programs operated by the business entity associated with the LWP to be eligible for WIC reimbursement on this line item.
- ~~E. The LWP shall bill for indirect costs based on the indirect cost rate approved by the State WIC office.~~
- E. Documentation of costs and expenditures must be retained as follows:
  - 1. The rate approval letter from HHS (if applicable).
  - ~~2. The cost allocation formulas and supporting documentation used for calculating the cost rate to WIC.~~
  - 2. Auditable documentation of actual expenses covered under indirect costs.
- F. No portion of the indirect cost line item is chargeable to nutrition education.
- G. All expense must be charged consistently either as direct or indirect, further no expense can be double charged under both direct and indirect.
- H. If the total costs to deliver services at the LWP exceed the statewide allowable unit cost, the LWP should show the indirect costs in the in-kind services part of the budget proposal; however Indirect Costs shall only be billed at the federally negotiated indirect rate or up to 10% de minimis in accordance with the original budget.