

Washington State

Workforce Innovation and Opportunity Act Title I-B Policy

Policy Number: 5280, Revision 1

Policy Title: Indirect Cost Rate Proposals and Cost Allocation Plans

Effective Date: October 1, 2024

1. Purpose:

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

This first revision increases the de minimis rate from 10 percent to 15 percent and provides and provides an attachment for requests to use a de minimis indirect cost rate.

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-B funds, has authority to require an approved ICRP or CAP or de minimis rate from Local Workforce Development Boards (LWDBs), designated fiscal agents or other subrecipients for WIOA Title I-B funds.

3. Policy:

All LWDBs, designated fiscal agents or other subrecipients 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 15 percent for its indirect cost rate. Fifteen 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. And include confirmation of 2 CFR 200.216 in the Certificate of Indirect Cost. ([Refer to the Guide for Indirect Cost Rate Determination](#) for detailed information and recommended formats.)

The Cost Policy Statement must include a narrative on idle facilities/idle capacity and space utilization that explains how the organization complies with 2 CFR 200.446 if it is a non-profit or 31.205-17 if it is a commercial entity.

The narrative should also include operating procedures for evaluation and assessment of reasonable space utilization considering staff working:

- In-office 100 percent of the time;
- In-office and teleworking “hybrid” from a remote location one or more days per week; and
- Remotely working 100 percent of the time.

The Indirect Cost Certification must include this statement:

“The covered telecommunications and video surveillance services or equipment cited in Section 889 of the National Defense Authorization Act (NDAA) of 2019 and covered at 2 CFR 200.216 which are unallowable, were not charge as part of the indirect cost proposal directly or indirectly to Federal awards.”

If an LWDB or designated fiscal agents does not want to submit an ICRP or CAP to ESD, the LWDB or fiscal agent must submit a de minimis statement that is signed, dated and indicates that the de minimis rate is charged equally to all funding sources. You can use [Attachment A](#) or develop a statement that includes the same information.

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 – 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:

WIOA Title I Policy 5280, Indirect Cost Rate Proposals and Cost Allocation Plans

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:

[Attachment A](#) – De Minimis Rate Certification

Direct Inquiries To:

*Financial Services Division
Employment Security Department
PO Box 9046
Olympia, WA 98507-9046
FiscalSystemReport@ESD.WA.GOV*

Direct Other Inquiries To:

*Employment System Administration and Policy
Employment System Policy and Integrity Division
Employment Security Department
P.O. Box 9046
Olympia, WA 98507-9046
SystemPolicy@esd.wa.gov*

Attachment A

De Minimis Rate Certification
10-01-2024

I certify that _____ (name of entity receiving award) elects to use the 15% de minimis rate and meets the following eligibility criteria to use the 15% de minimis indirect cost rate:

1. The award recipient does not have a current negotiated (including provisional) rate for any federal awards.
2. The award recipient (applicable for state or local government) has received less than \$35 million in direct federal funding for the fiscal year requested.
3. The de minimis rate approved will be applied to Modified Total Direct Cost (MTDC). This base includes all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$50,000 of each subaward (regardless of the period of performance of the subawards under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$50,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs.
4. The project costs will be consistently charged as either indirect or direct and will not be double charged or inconsistently charged as both.
5. If chosen, this methodology, once elected, must be used consistently for all federal awards until such time as a non-federal entity chooses to negotiate for a rate, which the non-federal entity may apply to do at any time.
6. The proper use and application of the de minimis rate is the responsibility of the award recipient. The awarding federal agency may perform a financial monitoring review to ensure compliance with 2 CFR Part 200.

SUBMITTED BY AUTHORIZED GRANTEE REPRESENTATIVE:

Signature: _____

Printed Name: _____

Date: _____