

General Volume  
Funding Accountability Section

Line Item: Indirect Costs (1.04500)

ER# 1.04500

Authority 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards Subpart E – Cost Principles §200.416; Appendix V to Part 200—State/Local Government and Indian Tribe-Wide Central Service Cost Allocation Plans; Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals

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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 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 costs incurred for a common or joint purpose (i.e., County Health Dept.) benefitting more than one cost objective (or program – i.e., Immunizations, WIC, Head Start, Medicaid, Social Services, and Health Dept.), and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved, such as utilities, rent, administrative costs, accounting, HR/personnel service costs, and building maintenance.
- B. The local WIC provider (LWP) 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. 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 200.68 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#)
- 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. Documentation of costs and expenditures must be retained as follows:
  - 1. The rate approval letter from HHS (if applicable).
  - 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 expenses 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.