



ACCOUNTING POLICY AND PROCEDURES (APP) MANUAL

TOPIC: Section 14 – Federal Funds 4.0	EFFECTIVE DATE: 10/14/1987
TITLE: Indirect Cost Reimbursements	REVISION DATE: 05/22/2017
AUTHORIZED BY: Deputy Director, Bureau of Fiscal Services	

BACKGROUND

Indirect costs are those costs incurred for a common or joint purpose and are not readily identified or assignable to any one program. In lieu of determining the actual amount of indirect cost allocable to a specific grant program, a final rate is negotiated with the Federal Division of Cost Allocation. This rate is then applied to the salary dollars expended in a grant or contract, and the amount recovered, the indirect cost reimbursement, is deposited in accordance with Wisconsin Statutes.

The statutes direct all moneys received from the federal government as reimbursement of indirect costs be deposited in 20.435 (8) (pz), numeric Appropriation 840.

To ensure that the maximum federal reimbursement is received and consistent policies are applied for claiming indirect costs, the following policy will be followed when submitting grant applications and preparing federal claims for reimbursement.

POLICY

All operating divisions' grant management staff and Office of Policy Initiatives and Budget (OPIB) analysts need to ensure that each grant application includes indirect costs as a budgeted line item. BFS-lead accountants will ensure that indirect costs, when budgeted, are included in the federal claim. The revenue will be credited in accordance with Wisconsin Statutes.

Submission of a federal grant that does not include indirect costs in the budget is permitted in limited circumstances, but must be approved prior to grant submission. The program division must justify that the claiming of indirect costs would seriously hamper the effectiveness of the project. Examples of acceptable justification would be:

- Not permitted, or requires a restricted indirect rate, in granting agency's allowable cost policies
- Substantial decrease in grant award.

Any request for waiver of indirect cost must be submitted in writing to OPIB-Grants and Analysis Section and BFS Cost Allocation Financial Reporting Section Chief for review and approval. The program division will be notified of its approval or denial.

PROCEDURES

1. Grant applications are to be submitted by the program division to OPIB in accordance with existing practices.
2. Any application that fails to budget for indirect cost, and does not include a waiver request, will be returned by OPIB to the applicant with instructions to build in the indirect cost rate.

3. Applications containing incorrect rates, or basing the rate on any line item(s) other than salary will be returned for correction.
4. Program divisions will be notified by OPIB, after consultation with BFS, if the waiver for including indirect has been approved. If not approved, the application will be returned to the applicant with instructions to build in the indirect cost rate.
5. BFS Cost Allocation and Financial Reporting Section will calculate and record indirect expense and revenue, crediting all recoveries to Appropriation 840 in accordance with Wisconsin Statutes.
6. BFS Managerial Accounting Section will record any adjustments needed and include the appropriate amount in their claim for reimbursement.
7. Section 20.435 (8) (pz) of the Wisconsin Statutes was created to read:
Indirect Cost Reimbursement: All moneys received from the federal government as reimbursement of indirect costs of grants and contracts for the purpose authorized in s. 16.54 (9) (b).

All indirect recoveries are to be deposited as follows:

Appropriation: 840

Account Class: 4530000

CONTACTS

[Accountant, Cost Allocation and Financial Reporting Section](#)

[BFS Lead Accountants](#)