



**ACCOUNTING POLICY AND PROCEDURES (APP) MANUAL**

TOPIC: Section 14 – Federal Funds 4.1	EFFECTIVE DATE: 06/7/2016
TITLE: Indirect Cost Negotiation Agreement	REVISION DATE: 07/18/2016
AUTHORIZED BY: Deputy Director, Bureau of Fiscal Services	

**BACKGROUND**

Various federally funded programs allow for the reimbursement of indirect costs incurred in operating the programs. These costs are computed by use of rates established for organizational units in the Department. Rates, negotiated on an annual basis, are finalized for a specific fiscal year. Provisional rates are also established for subsequent periods until new provisional rates are negotiated.

Attached is a copy of the June 24, 2016, Indirect Cost Negotiation Agreement between the Wisconsin Department of Health Services and the Federal Department of Health and Human Services, which establishes the final indirect cost rates for the period July 1, 2014, to June 30, 2015. These rates will be used for the provisional rate for the period 7/01/15 to 6/30/17. Since FY 2016 has ended, divisions are advised to start using these rates for anything after July 1<sup>st</sup>, 2016.

**PROCEDURES**

1. Final or provisional indirect cost rates for individual units will be applied by period on eligible grants and contracts in accordance with the agreement.
2. Indirect rates are approved by state fiscal year (SFY). When an indirect claim involves more than one SFY, the appropriate rate must be applied for each time period involved.  
 Example: Federal Fiscal Year 2015 (October 1, 2014, to September 30, 2015).  
 October 1, 2014, to June 30, 2015—the final rate approved for SFY 2015 will apply.
3. The provisional rates for SFY17 are equal to the SFY15 final rates. These rates should also be used when filing grant applications or making budget adjustments.
4. Adjustments to indirect costs claimed for the period July 1, 2014, through June 30, 2015, will be made when:
  - a. Significant over or under claiming of indirect costs has occurred;
  - b. An amended claim is being filed for other reasons;
  - c. A final claim is being filed for the period;
  - d. The project or program is undergoing a federal audit or as a part of an audit settlement.
5. Account 7850000 should be used to charge indirect expenses in the same FY as the salary base. If the salary base of the indirect expenses or adjustments is in a prior year, account 7850007 should be used.

Contact the Deputy Director, Bureau of Fiscal Services, if there are questions regarding any indirect adjustments.

**ATTACHMENT**

Indirect Cost Negotiation Agreement (6/24/2016)

**CONTACTS**

[Lead Accountants, BFS](#)

[Accountant, Cost Allocations and Financial Reporting](#)

[Deputy Director, Bureau of Fiscal Services](#)

**ATTACHMENT**

**STATE AND LOCAL GOVERNMENTS RATE AGREEMENT**

EIN: 1396006469W  
ORGANIZATION:  
Wisconsin Department of Health Services  
1 West Wilson Street  
P.O. Box 7850  
Madison, WI 53707-7850

DATE: 06/24/2016  
FILING REF.: The preceding  
agreement was dated  
04/07/2015

The rates approved in this agreement are for use on grants, contracts and other agreements with the Federal Government, subject to the conditions in Section III.

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**SECTION I: INDIRECT COST RATES**

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RATE TYPES:      FIXED                  FINAL                  PROV. (PROVISIONAL)      PRED. (PREDETERMINED)

EFFECTIVE PERIOD

<u>TYPE</u>	<u>FROM</u>	<u>TO</u>	<u>RATE (%)</u>	<u>LOCATION</u>	<u>APPLICABLE TO</u>
FINAL	07/01/2014	06/30/2015	6.32	On Site	Public Health
FINAL	07/01/2014	06/30/2015	4.95	On Site	Health Care Division
FINAL	07/01/2014	06/30/2015	4.66	On Site	Disability Determination
FINAL	07/01/2014	06/30/2015	4.71	On Site	Mental Health Division
FINAL	07/01/2014	06/30/2015	4.15	On Site	Mental Health Facilities
FINAL	07/01/2014	06/30/2015	4.49	On Site	Quality Assurance
FINAL	07/01/2014	06/30/2015	5.21	On Site	Long Term Care
FINAL	07/01/2014	06/30/2015	4.14	On Site	DD Facilities
FINAL	07/01/2014	06/30/2015	4.24	On Site	Secretary Office
FINAL	07/01/2014	06/30/2015	4.24	On Site	DES
FINAL	07/01/2014	06/30/2015	5.24	On Site	BITS
FINAL	07/01/2014	06/30/2015	4.37	On Site	Department wide
FINAL	07/01/2014	06/30/2015	4.75	On Site	Policy and Budget

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ORGANIZATION: Wisconsin Department of Health Services

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<u>TYPE</u>	<u>FROM</u>	<u>TO</u>	<u>RATE (%)</u>	<u>LOCATION</u>	<u>APPLICABLE TO</u>
FINAL	07/01/2014	06/30/2015	4.44	On Site	Inspector General
FINAL	07/01/2014	06/30/2015	4.47	On Site	Children Mental Health
PROV.	07/01/2015	06/30/2017		On Site	Use same rates and conditions as those cited for fiscal year ending June 30, 2015.

\*BASE

Direct salaries and wages including vacation, holiday, sick pay and other paid absences but excluding all other fringe benefits.

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**SECTION II: SPECIAL REMARKS**

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TREATMENT OF FRINGE BENEFITS:

The fringe benefits are specifically identified to each employee and are charged individually as direct costs. The directly claimed fringe benefits are listed below.

TREATMENT OF PAID ABSENCES

Vacation, holiday, sick leave pay and other paid absences are included in salaries and wages and are claimed on grants, contracts and other agreements as part of the normal cost for salaries and wages. Separate claims are not made for the cost of these paid absences.

Note:

The indirect cost rates shown on this State and Local Rate Agreement do not apply to programs requiring the use of a restricted indirect cost rate(s).

Fringe Benefits:

FICA

Retirement

Group Insurance (Health, Life, Wage Continuation)

Unemployment Compensation

Worker's Compensation

1. The allocation/billing methodologies have been approved for the WI Department of Health Services.

- a. Bureau of Fiscal Services (BFS)
- b. Bureau of Human Resources (BHS)
- c. Fiscal Management System (FMS)
- d. Payroll/Personnel Systems
- e. Office of Legal Counsel (OLC)
- f. Bureau of Information Technology Services (BITS)

2. Effective as of July 2004, payments for unused leave when an employee retires or terminates employment will be allocated as a general administrative expense as required by 2 CFR Chapter 2, Section B, Subpart E, 200.431(b)(3)(i).

Equipment means article of nonexpendable, tangible personal property having a useful life of more than two year(s) and an acquisition cost of \$5,000 or more per unit.

ORGANIZATION: Wisconsin Department of Health Services

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**SECTION III: GENERAL**

**A. LIMITATIONS:**

The rates in this Agreement are subject to any statutory or administrative limitations and apply to a given grant, contract or other agreement only to the extent that funds are available. Acceptance of the rates is subject to the following conditions: (1) Only costs incurred by the organization were included in its indirect cost pool as finally accepted; such costs are legal obligations of the organization and are allowable under the governing cost principles; (2) The same costs that have been treated as indirect costs are not claimed as direct costs; (3) Similar types of costs have been accorded consistent accounting treatment; and (4) The information provided by the organization which was used to establish the rates is not later found to be materially incomplete or inaccurate by the Federal Government. In such situations the rate(s) would be subject to renegotiation at the discretion of the Federal Government.

**B. ACCOUNTING CHANGES:**

This Agreement is based on the accounting system purported by the organization to be in effect during the Agreement period. Changes to the method of accounting for costs which affect the amount of reimbursement resulting from the use of this Agreement require prior approval of the authorized representative of the cognizant agency. Such changes include, but are not limited to, changes in the charging of a particular type of cost from indirect to direct. Failure to obtain approval may result in cost disallowances.

**C. FIXED RATES:**

If a fixed rate is in this Agreement, it is based on an estimate of the costs for the period covered by the rate. When the actual costs for this period are determined, an adjustment will be made to a rate of a future year(s) to compensate for the difference between the costs used to establish the fixed rate and actual costs.

**D. USE BY OTHER FEDERAL AGENCIES:**

The rates in this Agreement were approved in accordance with the authority in Title 2 of the Code of Federal Regulations, Part 200 (2 CFR 200), and should be applied to grants, contracts and other agreements covered by 2 CFR 200, subject to any limitations in A above. The organization may provide copies of the Agreement to other Federal Agencies to give them early notification of the Agreement.

**E. OTHER:**

If any Federal contract, grant or other agreement is reimbursing indirect costs by a means other than the approved rate(s) in this Agreement, the organization should (1) credit such costs to the affected programs, and (2) apply the approved rate(s) to the appropriate base to identify the proper amount of indirect costs allocable to these programs.

BY THE INSTITUTION:

Wisconsin Department of Health Services

(INSTITUTION)

(SIGNATURE)

*Robert Halverson*

(NAME)

*Director Bureau Fiscal Svcs*

(TITLE)

*July 1, 2016*

(DATE)

ON BEHALF OF THE FEDERAL GOVERNMENT:

DEPARTMENT OF HEALTH AND HUMAN SERVICES

*Darryl W. Mayes*

*-A*

(SIGNATURE)

*Arif Karim*

(NAME)

*Director, Cost Allocation Services*

(TITLE)

*6/24/2016*

(DATE) 5417

HHS REPRESENTATIVE: Michael Phillips

Telephone: (214) 767-3261