

6.10 Administrative Overhead

POLICY:

The Parent Agency of the Local Agency may charge the WIC account for administrative costs/indirect costs incurred. The Parent Agency must document these costs and obtain the State Agency's approval of an administrative overhead allocation formula before charging the WIC account.

PROCEDURE:

A. Cost Allocation Plan

The Parent Agency must submit its cost allocation plan to the State Agency.

1. The indirect cost schedule submitted must contain data to clarify what is included in the direct and indirect base.
2. The indirect cost schedule must describe how the direct costs are distributed to the various affected programs.
3. The treatment of equipment and capital expenditures within the terms of the agreement must be addressed.

B. Changes to the Cost Allocation Plan

The initial Grant Agreement will not be processed based on the cost allocation plan established for the expiring Federal Fiscal year. A new cost allocation plan should be completed within the earlier of 30 days after receipt of the auditor's Federal program- specific audit report(s), or within three (3) months of the effective date of the contract. Once a cost allocation plan has been accepted by the State, no changes may be made to the plan without resubmitting it for approval.

C. Acceptance and Allowability of Indirect Cost Payments

The Local Agency will follow (3) three separate processes and associated procedures (by order of precedence outlined below) for DHHR acceptance and allowability of indirect cost payments.

1. When the organization is a direct recipient of Federal grants and/or contracts, the cognizant Federal agency will review and approve the proposal. Upon approval, the non-profit organization will send a copy of the Indirect Cost Negotiation Agreement to DHHR.
2. When the organization is a direct recipient as described above and is not able to persuade the Federal cognizant agency to review and approve the proposal, the following procedures apply as if the agency is not a direct recipient of Federal grants and/or contracts.
 - a) When the organization receives sub-granted Federal funds from another direct recipient, whether another State or local government agency, that direct recipient will agree to review and approve the sub-grantee's indirect cost proposal.

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- b) The DHHR will accept the approved cost allocation methodology upon receipt of a copy of the approved “indirect cost negotiation agreement”.
3. When the organization is not able to negotiate an approved indirect cost agreement through the above processes, then the following procedures will apply.
- a) The Parent Agency will submit its indirect cost proposal to an independent Certified Public Accounting (CPA) firm for review and appropriateness.
 - 1) The CPA firm must issue a written statement to the non-profit agency attesting that the proposal complies with the requirements of OMB-Circular A-122 or A-87.
 - 2) A copy of this certification will be submitted to DHHR within three (3) months of the effective date of the contract.
 - b) The Parent Agency will also require that all indirect costs claimed be audited as a part and in conjunction with the OMB A-133 or A-127 annual audit.

Note: Any disallowed indirect costs identified by the audit must be refunded to DHHR upon final audit resolution.