

September 8, 2011

Dear CESA Administrator:

Purpose of Indirect Cost Rates

The U.S. Office of Management and Budget Circular A-87 requires local government agencies to establish an approved indirect cost allocation plan and rate to recover indirect costs related to federal grants and contracts. Each state department of education must have a local education agency (LEA) indirect cost rate plan approved by its federal cognizant agency to assure that LEAs have the capability to claim indirect costs in federally assisted programs. A copy of the LEA indirect cost plan has been already prepared on behalf of school districts and CESAs and is available on the DPI internet website at: dpi.wi.gov/sfs/indirect.html. Your CESA has the option to choose either indirect cost reimbursement or direct cost reimbursement on federally assisted grant programs. Therefore, the assignment of an indirect cost rate for your CESA does not require that you apply it against your grant claims.

Calculation of Rates for 2011-12 Fiscal Year

The calculation of the Indirect Cost Rate for the 2011-12 year is based upon expenditures for the year ended June 30, 2010. The rate computation previously submitted by your CESA has been reviewed by the Department and may have been modified. Please review the attached rate computation. The rate computation may have to be amended by you as changes have been made to the approved indirect cost plan as noted below.

Enclosures

The indirect cost proposal summarizes which expenditure accounts are considered direct costs, restricted indirect costs and unrestricted indirect costs for the purpose of calculating indirect cost rates. The attached spreadsheet calculation which was prepared by your CESA indicates your preliminary indirect cost rates for 2011-12 including any adjustment for carry-forward rate adjustment per the approved Indirect Cost plan. Please review the indirect cost plan for any potential adjustments regarding subawards and termination leave benefits. Any adjustments must be submitted on Form PI 1161 by October 31, 2011.

Webcast

A mediasite webcast is available to assist CESAs with a basic understanding of indirect costs. The webcast is located under "Resources" on the Indirect Cost website located on the left-hand scan bar of the finance team's home webpage or directly at <http://www.dpi.state.wi.us/sfs/indirect.html>.

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If you have any questions regarding the Indirect Cost Plan, please contact Gene Fornecker at 608/267-7882 or eugene.fornecker@dpi.wi.gov.

Sincerely,

Jerry Landmark, Director
School Financial Services Team

JL/glf
Enclosure

