Purpose:
This policy provides guidance on Budget and Control Modifications under Workforce Innovation and Opportunity Act (WIOA) and the Office of Management and Budget’s (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Final Rule (Uniform Guidance).

Scope:
The information in this policy applies to all work2future employees and its subrecipients.

Effective Date:
This policy is effective upon date of issue.

REFERENCES:

- Title 2 Code of Federal Regulations 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
- Title 2 Code of Federal Regulations (CFR) 200.308 Revision of Budget and Program Plans
- Notice of Proposed Rulemaking (NPRM) Title 20 CFR 683.110, Period of Performance
- Workforce Innovation and Opportunity Act (WIOA) 185, Reports; Recordkeeping; Investigations

BACKGROUND:

work2future is a division of the Office of Economic Development of the City of San José. The overall responsibility for operating expense payments rests with the City of San José’s Finance Department. As a key department in the Strategic Support Services City Service Area, the Finance Department manages four separate divisions which include Treasury, Revenue Management, Accounting and Purchasing. Services provided includes debt management, investments/cash management, payment processing, billing, accounts receivable, delinquent tax/revenue collections, payroll, accounts payable, financial reporting, risk management, and procurement services.

POLICIES AND PROCEDURES:

work2future coordinates all financial-related transactions with the City of San José’s Finance Department. Financial transactions include but not limited to: time cards/payroll, accounts receivable, accounts payable, revenue collection, debt management, cash management, financial reporting, risk management, and procurement services.

The City of San Jose’s Finance Department is responsible for the City’s Indirect Cost Rate Plan.

Indirect Costs are costs that are not directly accountable to a cost objective. They are incurred for a common or joint purpose, benefitting more than one cost objective, and not readily assignable without a disproportionate effort. Indirect costs may be fixed or variable. Indirect costs are usually recaptured
through the application of an indirect cost rate, and the costs are usually accumulated within the organization in an indirect cost pool.

**Indirect Cost Allocation:** Such indirect costs included shared administrative expenses which a department incurs for the support that it provides to other departments within the City of San José (e.g. legal, finance, human resources, facilities maintenance, technology).

Certain important management objectives can be served by allocating these indirect costs (measuring the cost of city services, establishing fees and charges, charging back the cost of internal services to departments/agencies, and requesting reimbursements under federal and state grants, when allowed). Regardless of the purpose of an indirect cost allocation, a systematic and rational methodology that is consistently applied is used to calculate the amounts allocated.

The City of San Jose allocates indirect costs to the appropriate programs within the limits of local, state and federal laws, and based on causal relationships and documented statistics. The City Finance Department utilizes a two-step method (double step-down method) where costs are first allocated among the central service support programs to arrive at the total (or loaded) cost of the central service programs. These loaded central service costs are then charged to the benefiting departments.

The Finance Department uses this indirect cost allocation process to develop overhead rates that are driven by statistical measures, which provide the city financial recovery of central support program costs. Each department receives their calculated overhead rate which is directly applied to direct salaries.

Overhead payments are deposited to the City’s General Fund.

**Subrecipients:**
In accordance with 2 CFR 300.414 (f), non-federal entities that have never received a negotiated indirect cost rate may elect to charge a de minimis rate of 10 percent of modified direct costs, which may be used indefinitely. The 10% *de minimis indirect cost rate* is a generally-recognized rate that non-federal entities may use to recover allowable indirect costs on grants or cooperative agreements.

**ACTION:**
Bring this directive to the attention of all appropriate staff and subrecipients.

**INQUIRIES:**
If you require further information regarding this policy, please contact work2future Finance Manager at (408) 794-1146.