



THOMAS G. SHACK III, ESQ.
COMPTROLLER

Commonwealth of Massachusetts

OFFICE OF THE COMPTROLLER

ONE ASHBURTON PLACE, 9TH FLOOR
BOSTON, MASSACHUSETTS 02108
TELEPHONE (617) 727-5000
WWW.MASS.GOV/CTR

September 19, 2016

Mr. Aaron D'Elia
Chief Financial Officer
Department of Labor and Workforce Development
19 Staniford Street
Boston, MA 02114

Dear Mr. D'Elia:

The enclosed negotiation agreement involving the FY2017 indirect cost rate for the Massachusetts Department of Labor and Workforce Development (EOL) represents an understanding between the Commonwealth and the U.S. Department of Labor concerning the rate that may be used to support a claim for Federal payment of indirect costs incurred for the performance of a Federal grant or contract. The rate was negotiated in accordance with OMB Circular A-87 and with regulations promulgated by the Secretary of Administration and Finance under Administrative Bulletin #5(A&F5), dated May 1, 2008, entitled *Fringe Benefits, Payroll Taxes and Indirect Costs*.

The automated indirect cost recovery program used to assess EOL's Federal grants and other non-budgetary accounts will reflect the FY2017 rate of 3.42% of salaries (subsidiary AA object codes) beginning with the closing of Period 03 (September), BFY2017. The last approved FY2016 rate will expire at this time. An indirect credit for Periods 01-02, BFY2017 will be posted to affected accounts.

The above-referenced administrative regulations prohibit indirect costs from being budgeted on federal grants and trusts at any rate or amount less than that approved under this agreement without prior authorization of this office.

Jerry Stephenson is available at 617-973-2638 to answer any questions that you may have regarding this agreement.

Sincerely,

A handwritten signature in black ink, appearing to read "Howard Merkowitz".

Howard Merkowitz
Deputy Comptroller

Enclosure

**STATE DEPARTMENT/AGENCY
NEGOTIATED INDIRECT COST RATE AGREEMENT**

DEPARTMENT/AGENCY

EIN# 04-6002284

**Commonwealth of Massachusetts
Department of Workforce Development
One Ashburton Place, Room 901
Boston, MA 02108**

DATE: September 9, 2016

**FILE REF: This replaces the
negotiation agreement**

DATED: June 16, 2015

The indirect cost rate(s) contained herein are for use on grants and contracts with the Federal Government to which OMB Circular No. A-87 apply subject to the limitations contained in the Circular and in Section II, A, below. The rate(s) were negotiated by the Massachusetts Department of Workforce Development and the U. S. Department of Labor in accordance with the authority contained in Attachment A, Section F, of the Circular.

Indirect rates for fiscal years that begin on or after 12/26/2014 are subject to 2 CFR Part 200, Subpart E, in accordance with the authority contained in 2 CFR, Part 200, Appendix VII, D.1.

SECTION I: RATES

<u>TYPE</u>	<u>EFFECTIVE PERIOD</u>		<u>RATE*</u>	<u>LOCATION</u>	<u>APPLICABLE TO</u>
	<u>FROM</u>	<u>TO</u>			
Fixed	7/01/16	6/30/17	3.42%	All	All Programs (1)
Fixed	7/01/16	6/30/17	9.57%	All	DCS and DUA (2)

(2) DCS - Department of Career Services; DUA - Department of Unemployment Assistance.

*(See Special Remarks Section)

***BASE:**

(1) Direct salaries and wages including vacation, holiday, and sick pay, but excluding other fringe benefits. This rate is to recover external costs of Central departmental (SWCAP) costs, ITD costs, Health and Welfare costs and Benefit costs.

(2) Total direct costs, which include division payroll and total division non-personnel expenses for DCS and DUA. This rate is to recover internal costs for administrative, finance, HR, IT, and facilities.

TREATMENT OF FRINGE BENEFITS AND PAID ABSENCES: Fringe benefits are based on the rate contained in the State Wide Cost Allocation Plan (SWCAP) approved by the U.S. Department of Health and Human Services and are charged individually as direct costs. The fringe benefits are listed in the Special Remarks Section of this Agreement. Vacation, holiday, sick leave pay and other paid absences are included in salaries and wages and are claimed on grants, contracts, and other agreements in accordance with acceptable leave allocations made under the MMARS Cost Accounting System.

SECTION II: GENERAL

A. LIMITATIONS: Use of the rate(s) contained in this Agreement is subject to any statutory or administrative limitations and is applicable to a given Federal award or contract only to the extent that funds are available. Acceptance of the rate(s) agreed to herein is predicated upon the conditions:

- (1) that no costs other than those incurred by the non-Federal entity or contractor or were included in its indirect cost pool as finally accepted and that such incurred costs are legal obligations of the non-Federal entity or contractor and allowable under the governing cost principles;
- (2) that the same costs that have been treated as indirect costs have not been claimed as direct costs;
- (3) that similar types of costs have been accorded consistent treatment, and
- (4) that the information provided by the grantee/contractor which was used as a basis for acceptance of the rate(s) agreed to herein is not subsequently found to be materially inaccurate.
- (5) the rates cited in this Agreement are subject to audit.

B. ACCOUNTING CHANGES: This agreement is based on the accounting system purported by the non-Federal entity or contractor 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 Division of Cost Determination (DCD). Failure to obtain such prior written approval may result in cost disallowances.

C. NOTIFICATION TO FEDERAL AGENCIES: A copy of this document is to be provided by the non-Federal entity or contractor to other Federal funding sources as a means of notifying them of the Agreement contained herein.

D. FIXED RATE(S): Fixed rate means an indirect cost rate, applicable to a specified current or future period, usually the organization's fiscal year. The rate is based on an estimate of the costs to be incurred during the period. A fixed rate is not subject to adjustment, except that the difference between the estimated costs and the actual costs of the period covered by the rate is carried forward as an adjustment to the rate computation of a subsequent period.

E. SPECIAL REMARKS:

1. Indirect costs charged to Federal grants/contracts by means other than the rate(s) cited in this Agreement should be adjusted to the applicable rate cited herein and be applied to the appropriate base to identify the proper amount of indirect costs allocable to the program.

2. Contracts/grants providing for ceilings as to the indirect cost rate(s) or amount(s) which are indicated in Section I above, will be subject to the ceilings stipulated in the contract or grant agreements. The ceiling rate or the rate(s) cited in this Agreement, whichever is lower, will be used to determine the maximum, allowable indirect cost on the contract or grant agreement.

3. Administrative costs consist of all Direct and Indirect costs associated with the management of an organization's programs. Organizations should refer to their contracts/grants terms and specific program legislation for the applicable definition of Administrative Costs and any related limitations.

4. Fringe benefits are approved by HHS and included in the Section II billed cost of the State-wide Cost Allocation Plan.

ACCEPTANCE

BY THE STATE/LOCAL DEPT/AGENCY GOVERNMENT:

Commonwealth of Massachusetts
Office of the Comptroller
One Ashburton Place, Room 901
Boston, Massachusetts 02108

(Grantee/Contractor)

(Signature)

Howard Merkowitz

(Name)

Deputy Comptroller

(Title)

September 19, 2016

(Date)

BY THE COGNIZANT AGENCY ON BEHALF OF THE FEDERAL

U.S. Department of Labor
Division of Cost Determination
200 Constitution Ave., S-1510
Washington, DC. 20210

(Agency)

(Signature)

Victor M. Lopez

(Name)

Chief, Division of Cost Determination

(Title)

September 9, 2016

(Date)

Negotiated by: Robbin W. Powell
Telephone No.: (202) 693-4107