



Indirect Cost Basics

NCASBO Conference
February 16, 2011



Topics

- What is Indirect Cost?
- Budgeting indirect cost
- Recovering indirect cost
- Restricted vs. Unrestricted Rates
- Indirect cost rate calculations



What is Indirect Cost?

- Cost incurred to run federal programs
- For items not allowable as a direct expense to the federal grant
- A “rate” for reimbursing subrecipients for local funds expended for activities related to a federal program



Examples of Indirect costs

- Bookkeeping expenses
- Payroll preparation
- Personnel administration



Other considerations

- Indirect cost recovery is a local option.
- Approved rate must not be exceeded.
- Indirect cost should be recovered monthly, but at least quarterly.
- For programs that have Administrative Cost Limitations, note that indirect cost is considered to be an administrative cost.



Budgeting Indirect Cost

- Budget code 8100-XXX-392
- Allowable for most programs; Even Start (PRC 065) and EduJobs (PRC 155) prohibit indirect costs from being recovered from grant funds.



Budgeting Indirect Cost

Assume rate of 1.234%

Total Allocation	\$50,000
Less capital outlay and subcontracts	(5,000)
Amount available for other expenses	<hr/> 45,000
Amount subject to indirect cost	44,451
(\$45,000 divided by 101.234%)	
Budgeted amount for indirect cost	<hr/> \$549



Verification

Amount subject to indirect cost	\$	44,451
Indirect Cost rate	X	0.01234
<hr/>		
Maximum indirect cost for this project as currently budgeted	\$	549



Subcontracts?

- For 2011-12, subcontracts (object code 311) will be excluded from the indirect cost calculation, per the US Department of Education.
- Beginning in 2011-12, subcontracts (object code 311) must be excluded from the recovery of indirect cost for all programs for all subrecipients.



Recovering Indirect Costs

- Monthly or quarterly: apply approved rate to net allowable expenditures, by PRC
- YTD: calculate total indirect cost earned to date, less indirect cost already recovered, by PRC



Verify at Year End

- Exceeding allowable indirect cost at year end may subject an LEA to an audit exception



Indirect cost on Encumbrances

- For some time, an issue has been brewing regarding recovering indirect cost on encumbrances, especially at the end of a grant.
- Recent guidance will allow us to include the associated indirect cost with the liquidation when computing reversions at the end of the period of availability.



Restricted Vs. Unrestricted

- Restricted
 - Used with programs that have “supplement not supplant” provisions in their regulations
 - Calculation governed by EDGAR 76.564
- Unrestricted
 - For programs not included above
 - Usually a “higher” rate



Indirect Cost Rate Calculations

- Last year's expenditures determine next year's rates
- Calculation uses expenditures from all fund sources
- Expenditures are classified as Excluded (object codes 311 and 5XX), Unallowed, Indirect, and Direct



Classification of Expenditures

- Based on negotiated delegation from the US Department of Education
- Also based on Purpose Codes – each function is placed in a certain category
- Significant changes in 2009-10:
 - Chart of Accounts changed in 2007-08, and
 - Site visit by US Department of Education's Indirect Cost Group



Calculation Reports

- FI045A – “Restricted Indirect Cost”
- FI045B – “Unrestricted Indirect Cost”
- FI045C – “Request for Restricted Indirect”
- FI045D – “Request for Unrestricted Indirect”

FEDERAL PROGRAMS SECTION					
NORTH CAROLINA DEPARTMENT OF PUBLIC INSTRUCTION					
RESTRICTED INDIRECT COST COMPUTATIONS					
FOR					
HAPPY VALLEY SCHOOL DISTRICT					
REPORT REFLECTS FY2009 DATA RATES FOR USE IN FY2011					PAGE xxx
					DATE 08/31/2010
PURPOSE CODE	EXCLUDED COST	UNALLOWED COST	INDIRECT COST	DIRECT COST	CARRY FORWARD
5110	842,283.00	0.00	0.00	77,490,769.00	
5120	0.00	0.00	0.00	6,317,313.00	
5210	0.00	0.00	0.00	14,939,773.00	
5220	0.00	0.00	0.00	553,941.00	
5230	0.00	0.00	0.00	270,514.00	
5240	0.00	0.00	0.00	2,634,142.00	
5250	0.00	0.00	0.00	52,886.00	
5260	0.00	0.00	0.00	1,721,627.00	
5270	0.00	0.00	0.00	3,303,763.00	
5310	0.00	0.00	0.00	977,573.00	
5320	0.00	0.00	0.00	1,492,678.00	
5330	7,700.00	0.00	0.00	6,339,764.00	
5340	92,430.00	0.00	0.00	2,466,988.00	
5350	0.00	0.00	0.00	1,102,773.00	
5400	0.00	10,091,402.00	0.00	0.00	
5500	26,403.00	0.00	0.00	746,699.00	
5810	0.00	0.00	0.00	2,802,720.00	
5820	0.00	0.00	0.00	1,146,480.00	
5830	0.00	0.00	0.00	3,995,831.00	
5840	0.00	0.00	0.00	1,657,757.00	
5850	0.00	483,485.00	0.00	0.00	
5870	0.00	0.00	0.00	249,749.00	
5880	0.00	0.00	0.00	34,709.00	
6110	0.00	0.00	0.00	1,634,032.00	
6120	0.00	0.00	0.00	230,666.00	
6200	0.00	0.00	0.00	381,204.00	
6300	0.00	0.00	0.00	95,225.00	
6400	0.00	0.00	819,465.00	0.00	
6510	0.00	0.00	0.00	6,828.00	
6520	0.00	0.00	525,776.00	0.00	
6530	0.00	0.00	0.00	3,636,619.00	
6540	0.00	0.00	0.00	4,576,566.00	
6550	1,136,917.00	0.00	0.00	3,815,941.00	
6580	5,204.00	0.00	0.00	3,822,023.00	
6610	47,442.00	0.00	1,295,831.00	0.00	
6620	0.00	0.00	846,818.00	0.00	
6710	0.00	0.00	0.00	36,497.00	
6820	0.00	0.00	0.00	110,706.00	
6910	1,971.00	38,738.00	0.00	0.00	
6920	0.00	0.00	126,371.00	0.00	
6930	0.00	0.00	79,882.00	0.00	
6940	3,877.00	1,175,995.00	0.00	0.00	
6950	0.00	426,534.00	0.00	0.00	
7100	0.00	0.00	0.00	31,529.00	
7200	6,391,501.00	0.00	0.00	5,281,107.00	
TOTALS	8,555,728.00	12,216,154.00	3,694,143.00	153,957,392.00	1,080,898.27

COMPUTATION: (INDIRECT COST TOTAL + CARRY FORWARD) DIVIDED BY (UNALLOWED COST + DIRECT COST) EQUALS: 02.874 PERCENT

EXAMPLE

FI045C	NORTH CAROLINA DEPARTMENT OF PUBLIC INSTRUCTION		PAGE XXX
	CERTIFICATION AND REQUEST FOR AUTHORIZED INDIRECT COST RATE		
	FIXED WITH CARRY-FORWARD COMPUTATION		
REPORT REFLECTS FY2009 DATA RATES FOR USE IN FY2011	HAPPY VALLEY SCHOOL DISTRICT		RUN DATE 08/31/2010
		FY 2009	FY 2011
(A) APPLIED COSTS: COMPUTED INDIRECT COST RATE	(a1)	1.37%	2.87%
DIRECT BASE	(A1)	148,683,561.81	166,173,546.00
INDIRECT COST POOL			
INDIRECT COST		2,373,834.18	3,694,143.00
CARRY FORWARD		(336,667.15)	1,080,898.27
TOTAL INDIRECT COST POOL	(B1)	2,037,167.03	4,775,041.27
(B) ACTUAL COSTS:			
ACTUAL DIRECT BASE	(b1)	166,173,546.00	
ACTUAL INDIRECT COST POOL			
INDIRECT COST	(b2)	3,694,143.00	
CARRY FORWARD		(336,667.15)	
TOTAL INDIRECT COST POOL	(b3)	3,357,475.85	
(C) CARRY-FORWARD COMPUTATION :			
RECOVERED:			
FIXED RATE X ACTUAL DIRECT BASE	(F)	2,276,577.58	
SHOULD HAVE RECOVERED			
ACTUAL INDIRECT COST	(F)	3,357,475.85	
UNDER OR (OVER) RECOVERY	(G)	1,080,898.27	

**Restricted Indirect Cost Rate
Classification of Purpose Codes Summary**

Purpose Code	Description	Indirect Costs	Disallowed/ Direct Costs	Excluded
5100	Regular Instructional Programs	No	Yes	Note 1
5200	Special Populations Services	No	Yes	Note 1
5300	Alternative Programs and Services	No	Yes	Note 1
5400	School Leadership Services	No	Yes	Note 1
5500	Co-Curricular Services	No	Yes	Note 1
5800	School-Based Support Services	No	Yes	Note 1
5850	School Resource Officer Services	No	Yes	Note 1
6110	Regular Curricular Support & Development Services	No	Yes	Note 1
6120	CTE Curricular Support & Development Services	No	Yes	Note 1
6200	Special Population Support & Development Services	No	Yes	Note 1
6300	Alternative Programs & Services Support & Dev Services	No	Yes	Note 1
6400	Technology Support Services	Yes	No	Note 1
6510	Communication Services	No	Yes	Note 1
6520	Printing & Copying Services	Yes	No	Note 1
6530	Public Utility and Energy Services	No	Yes	Note 1
6540	Custodial/Housekeeping Services	No	Yes	Note 1
6550	Transportation Services	No	Yes	Note 1
6560	Warehouse & Delivery Services	Yes	No	Note 1
6570	Facilities Planning, Acquisition and Construction Services	No	Yes	Note 1
6580	Maintenance Services	No	Yes	Note 1
6610	Financial Services	Yes	No	Note 1
6620	Human Resource Services	Yes	No	Note 1
6710	Student Testing Services	No	Yes	Note 1
6720	Planning, Research Development and Program Evaluation	Yes	No	Note 1
6800	System-wide Pupil Support Services	No	Yes	Note 1
6910	Board of Education	No	Yes	Note 1
6920	Legal Services	Yes	No	Note 1
6930	Audit Services	Yes	No	Note 1
6940	Leadership Services	No	Yes	Note 1
6950	Public Relations and Marketing Services	No	Yes	Note 1
7100	Community Services	No	Yes	Note 1
7200	Child Nutrition	No	Yes	Note 2
7300	Adult Services	No	Yes	Note 1
Notes:	1) In all purpose codes, equipment object codes (5XX) and subcontracts (311) are excluded.			
	2) In Child Nutrition (7200), costs for Supplies & Materials (4XX) are excluded.			
	3) Disallowed cost is added to the base (denominator) for computation purposes.			

**Unrestricted Indirect Cost Rate
Classification of Purpose Codes Summary**

Purpose Code	Description	Indirect Costs	Disallowed/ Direct Costs	Excluded
5100	Regular Instructional Programs	No	Yes	Note 1
5200	Special Populations Services	No	Yes	Note 1
5300	Alternative Programs and Services	No	Yes	Note 1
5400	School Leadership Services	No	Yes	Note 1
5500	Co-Curricular Services	No	Yes	Note 1
5800	School-Based Support Services	No	Yes	Note 1
5850	School Resource Officer Services	Yes	No	Note 1
6110	Regular Curricular Support & Development Services	No	Yes	Note 1
6120	CTE Curricular Support & Development Services	No	Yes	Note 1
6200	Special Population Support & Development Services	No	Yes	Note 1
6300	Alternative Programs & Services Support & Dev Services	No	Yes	Note 1
6400	Technology Support Services	Yes	No	Note 1
6510	Communication Services	No	Yes	Note 1
6520	Printing & Copying Services	Yes	No	Note 1
6530	Public Utility and Energy Services	Yes	No	Note 1
6540	Custodial/Housekeeping Services	Yes	No	Note 1
6550	Transportation Services	No	Yes	Note 1
6560	Warehouse & Delivery Services	Yes	No	Note 1
6570	Facilities Planning, Acquisition and Construction Services	No	Yes	Note 1
6580	Maintenance Services	Yes	No	Note 1
6610	Financial Services	Yes	No	Note 1
6620	Human Resource Services	Yes	No	Note 1
6710	Student Testing Services	No	Yes	Note 1
6720	Planning, Research Development and Program Evaluation	Yes	No	Note 1
6800	System-wide Pupil Support Services	No	Yes	Note 1
6910	Board of Education	No	Yes	Note 1
6920	Legal Services	Yes	No	Note 1
6930	Audit Services	Yes	No	Note 1
6940	Leadership Services	Yes	No	Note 1
6950	Public Relations and Marketing Services	No	Yes	Note 1
7100	Community Services	No	Yes	Note 1
7200	Child Nutrition	No	Yes	Note 2
7300	Adult Services	No	Yes	Note 1

Notes: 1) In all purpose codes, equipment object codes (5XX) and subcontracts (311) are excluded.
2) In Child Nutrition (7200), costs for Supplies & Materials (4XX) are excluded.
3) Disallowed cost is added to the base (denominator) for computation purposes.



Summary

- Next year's rates are computed using last year's expenditures.
- Carryforward (not to be confused with carryover) is calculated by comparing [actual indirect cost] to [actual direct base times that year's indirect cost rate].



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