3.16 INDIRECT COST

Last Revised: N/A

Policy Statement: The Piedmont Community College Board of Trustees will provide for an indirect cost rate agreement (approved by the Division of Cost Allocation within The Department of Health and Human Services) to be used by the College to charge federal agencies for administrative and facility costs associated with conducting federal programs.

Purpose/Definitions: The purpose of an indirect cost rate agreement is to publish the reimbursement rate(s) negotiated between the federal government and PCC which reflects the indirect costs (e.g.; facilities and administrative costs) and fringe benefit expenses incurred by the institution in the conduct of federal programs. The rate agreement includes, but is not limited to identifying the type of rate(s) negotiated, the effective period(s) of the rate(s), the rate expressed as a percentage, the location to which the rate is applicable, and to what programs the rate is applicable to. It also defines the base(s) used to develop the rate(s), the treatment of fringe benefits and paid absences, and the capitalization level for equipment.

Approval Authority/Monitoring Authority: Piedmont Community College’s Board of Trustees has approval authority for this policy. The Vice President, Administrative Services has monitoring authority of this policy.

Procedure: Piedmont Community College will submit an application every two years with The Division of Cost Allocation within the Department of Health and Human Services to obtain a current indirect cost rate agreement. This application may be submitted by college personnel or the college may choose to retain an accounting firm to complete the application. Once this rate has been obtained it will be used to streamline the process of “awarding,” “monitoring” and “closing out” Federal grants and contracts. When a grant or contract officer issues an award to an organization, he/she is unaware of the indirect costs that will be associated with conducting the program. Indirect expenses such as executive administration, payroll, accounting, human resources, building and equipment depreciation, utilities, janitorial and maintenance are difficult to identify directly to grants and contracts. The indirect cost rate allows the grant or contract officer to calculate the appropriate allocation of indirect costs associated with any one project by applying the negotiated indirect cost rate to the respective base used to develop the rate.

Once indirect cost reimbursement has been earned then the use of those funds will be governed as set out in the NCCCS Accounting Procedures manual in section 4 as follows:

“All amounts earned by a college as overhead receipts, indirect cost allowances subject to OMB circulars, reporting fees or other similar items shall be divided into two parts: The first part will be twenty-five percent (25%) of the total amount received each year. This part will be considered the unrestricted portion and may be used for purposes directly benefiting the students. These purposes shall be approved by the college’s board of trustees. Funds cannot be approved for any purpose under Plant Funds since renovation, construction, equipment, etc. were not among the items allowed for in the original grants responsible for generating overhead receipts. The second part will be seventy-five percent (75%) of the total amount received each year. This part will be considered the restricted portion and may be used without expressed written approval for the following:

1. Publications containing financial aid information.
2. College Work-Study matching or continuation of the College Work-Study Program after regular funds have been exhausted
3. Salaries and related fringe benefits in the financial aid or business office which are necessitated by grants earning overhead receipts. (Supplements to regular salaries are not permitted.)
4. Supplies and materials for use in either the financial aid office or business office, which are related to the grants providing the overhead receipts.
5. Travel of persons in the financial aid office or others who are responsible for administration of grants providing overhead receipts.
6. Membership dues or fees paid to financial aid associations.
7. Service fees paid to billing and collection services.

Requests to spend the restricted portion (75%) of overhead receipts for any purpose not listed above must be submitted in writing to the North Carolina Community College System Associate Vice President of Business and Finance. Requests will not be approved for any purpose under Plant Funds since renovations, construction, equipment, etc. were not among the items allowed for in the original grants responsible for the generating overhead receipts.

**Special Provisions**
The fund balance in Overhead Receipts as of June 30, 1981 will be divided into two parts. Twenty-five percent (25%) and seventy-five percent (75%) and be available for use as described above. These amounts shall be placed in separate reserves. All receipts subsequent to June 30, 1981 must be divided into this ratio during the fiscal year in which they are earned. Funds should be transferred out of the Overhead Receipts Fund to other appropriate funds to be expended.”

**Legal Citation:** NCCCS ACCOUNTING PROCEDURES MANUAL Section 4

**History:** Adopted January 2011