

### 3.16 Indirect Cost

**Last Revised:** February 2025

**Policy:** The Piedmont Community College (PCC) 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.

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#### **Purpose**

The purpose of this policy is to ensure the appropriate allocation and use of funds towards indirect costs in federal grants or contracts in compliance with the Indirect Cost Rate Agreement specified by the federal government.

#### **Definitions**

**Indirect expenses**—expenses for grants and contracts that are difficult to identify such as executive administration, payroll, accounting, human resources, building and equipment depreciation, utilities, janitorial, and maintenance.

**Negotiated Cost Rate**—an estimate of indirect cost rate negotiated between the Federal Government and a Grantee/Contractor's organization which reflects the indirect costs (facilities and administrative costs) & fringe benefit expenses incurred by the organization that will be the same across all the agencies of the United States.

**Rate Agreement**—a document which includes but is not limited to identifying the negotiated cost rate, 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.

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

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#### **Procedure:**

Section 1: Indirect Cost Rate Agreement

- 1.1. PCC 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.
  - 1.1.1. This application may be submitted by college personnel (Controller or Vice President, Administrative Services/CFO) or the College may choose to retain an accounting firm to complete the application.
- 1.2. Once this rate has been obtained it will be used to streamline the process of “awarding,” “monitoring” and “closing out” Federal grants and contracts.
- 1.3. When an agency issues an award to the College, they are unaware of the indirect costs that will be associated with conducting the program.
  - 1.3.1. PCC sets the amount of indirect costs within limits established by the grantor.
- 1.4. The indirect cost rate allows the business office 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.

## Section 2: Use of Overhead Receipts

- 2.1. Once indirect cost reimbursement has been earned then the use of those funds will be governed as set out in Chapter XV Overhead Receipts of the NCCCS Accounting Procedures Manual and Reference Guide, Section 1: Fiscal Procedures as follows:
  - 2.1.1. PCC financial aid program provides for an administrative allowance that can be used to offset the overhead cost of administering the program. These financial aid receipts shall be divided into two parts:
    - 2.1.1.1. The first part, twenty-five percent (25%) of the total amount received each year, is considered the unrestricted portion and may be used for the following purposes directly benefiting the students as approved by the College’s Board of Trustees.
      - 2.1.1.1.1. Instruction
      - 2.1.1.1.2. Student support services
      - 2.1.1.1.3. Student financial aid (e.g. scholarships, grants, Work Study)
      - 2.1.1.1.4. Student refunds
      - 2.1.1.1.5. Student activities

- 2.1.1.1.6. Curriculum development
  - 2.1.1.1.7. Program improvement
  - 2.1.1.1.8. Professional development
  - 2.1.1.1.9. Other costs associated with financial statement audits
  - 2.1.1.1.10. Purchase of equipment if such equipment was permitted by the grant through which the indirect cost allowance was earned.
- 2.1.1.2. Unrestricted funds cannot be used for capital improvement projects.
- 2.1.1.3. The second part, seventy-five percent (75%) of the total amount received each year, is considered the restricted portion and may be used without expressed written approval for the following:
- 2.1.1.3.1. Publications containing financial aid and other student services information.
  - 2.1.1.3.2. College Work-Study matching or continuation of the College Work-Study Program after regular funds have been exhausted
  - 2.1.1.3.3. Salaries and related fringe benefits in the financial aid, business office, grants administration, or student services, which are necessitated by grants earning overhead receipts. (Supplements to regular salaries are not permitted.)
  - 2.1.1.3.4. Supplies and materials for use in either the financial aid office or business office, grants administration, or student services which are related to the grants providing the overhead receipts.
  - 2.1.1.3.5. Travel of persons in the financial aid office, student services or others who are responsible for administration of grants providing overhead receipts.
  - 2.1.1.3.6. Membership dues or fees paid to financial aid and student services associations.
  - 2.1.1.3.7. Service fees paid to billing and collection services.
  - 2.1.1.3.8. Contractual service which are related to supporting the grants providing the overhead receipts

- 2.1.1.3.9. Other costs associated with financial statement audits.
- 2.1.1.3.10. Student financial aid (e.g. scholarships, grants).
- 2.1.1.3.11. Other purposes related to supporting the grants providing the indirect cost receipts, upon receipt of written approval of the NCCCS Chief Financial Officer.

Section 3: Special Provisions

- 3.1. The fund balance that accumulates from year to year in Overhead Receipts Restricted will be available for restricted use as described in 2.1.1.3 above.
  - 3.1.1. These amounts are placed in separate reserve accounts.

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**Legal Citation:** [NCCCS Accounting Procedures Manual and Reference Guide](#) (Section 1: Fiscal Procedures, Chapter XV Overhead Receipts)

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**History:** Adopted January 2011; Revised June 2021, February 2025