15.1 Indirect Cost Recovery

Policy Statement
The University expects the full recovery of facilities and administrative costs to be included in all proposals submitted to prospective sponsors. In order to comply with Board of Regents accounting requirements, indirect cost recovery funds must be budgeted and expended in a unique fund code within the existing university chart of accounts code structure.

Reason for policy
This policy provides guidance for the establishment of budgets for indirect cost recovery funds.

Procedures
In order to satisfy accounting requirements developed by the Board of Regents in response to Senate Bill 73, indirect cost recovery funds must be budgeted and expended in a unique fund code within the existing UGA chart of accounts code structure. Funds 15XXX have been established for indirect cost recovery funds. The actual IDC recovery charged to sponsored projects is recorded monthly as revenue in the appropriate fund 15xxx based on IDC departmental distribution.

Resident Instruction (Fund 15000)
Allocation of indirect cost recovery to originating units.
Each unit receiving an allocation for indirect cost (IDC) recovery will receive an allocation in the original budget for the actual amount recovered in the prior calendar year. Units will then budget expenditures within their unit for the amount equal to the allocation. Each January the University Budget Office initiates a true-up process based on the prior calendar year recovered IDC revenue to adjust IDC amended budget totals for each unit. The adjustments made in January are then made permanent in the following year’s Budget Planning & Salary Setting Process.

Allocation of indirect cost recovery carry forward to units
Units will receive IDC carry forward as an expenditure allocation. The IDC carry forward expenditure budget allocation will equal the previous fiscal year IDC expenditure budget less IDC expenditures and encumbrances.

B-Unit (Funds 153XX)
Allocation of indirect cost recovery to B-Units - B-units will receive IDC recovery on a monthly basis. The revenue associated with this recovery is booked in distributed departments, so the departments can associate what project generated the recovery. In addition to the actual IDC recovery revenue being distributed each month, a process is run at month end to set up the revenue and expense budget using the same fund 153xx chartstring as the actual IDC recovery revenue with the expense side using program 12400 and account 70000. Units do not need to budget any of the IDC recovery.

Allocation of indirect cost recovery carry forward to B-units – The carry forward process for B-units relies on the fiscal year end balances recorded in the funds’ net asset accounts (3xxxxx) in both the Actuals ledger and the Encumbrance ledger. The ending balances in the 3xxxxx accounts are calculated by using the fiscal year beginning balance in the 3xxxxx accounts plus current year revenue in accounts 4xxxxx less current year expenditures in accounts greater than 500000. The ending balance in accounts 3xxxxx is brought forward as the fiscal year beginning balance. Around the middle of August after the fiscal year is closed, an allocation process is run to record the IDC carryforward, which may include deficits by chartstrings.
Fund 20300 - UGARF IDC (Resident Instruction and B-Unit)

At month end, an allocation process is run to record the UGARF IDC return to the units as revenue in fund 20300 based on that month’s IDC revenue recorded in fund 15XXX. This amount represents the other 10% departmental IDC return from UGARF. The process includes creating the entries for the actual revenue (RFICR% GL journals), the entries to budget revenue (RFICRR% budget journals), and the entries to budget the expenditures (RFICRE% budget journals).

Forms/Instructions
There are no forms associated with this policy.

Additional contacts
Policy Contact: University Budget Office
Phone Number: 706-542-2802
Email: budgets@uga.edu

Policy definitions
Indirect costs: Indirect costs, or facilities and administrative costs are institutional costs which are not readily identifiable with a particular project or activity but which are necessary to the general operation of the institution and to the conduct of each of the activities performed. Facilities and administrative cost rates are determined in accordance with cost principles promulgated by the federal government.

Responsibilities
Responsible University Senior Administrator: Vice President for Finance & Administration Responsible University Administrator: Senior Associate Vice President - Finance Division Policy Owner: Budget Division
Policy Contact: University Budget Office
Phone Number: 706-542-2802
Email: budgets@uga.edu

Record Retention
Description: This series includes: operating budget expense by categories and functions report; estimated gifts, grants, contracts and clearing account summary report; student fee income and application of funds report; statewide public service source and application of funds; other reports specified by the Chancellor's Office; and institutional budget preparation instructions.
Retention: Annual operating budget: PERMANENT; All other records: 7 years.

Policy Appendices
There are no appendices associated with this policy.

FAQs
There are no FAQs associated with this policy.

Related information
There is no related information for Indirect Cost Recovery.

Policy Dates