

INDIRECT COST RECONCILIATION

Revised July 25, 2013

Disclaimer: This chapter assumes you have a basic understanding of indirect costs. If you would like further training in this area, please contact [Raellen Man](#) x58112 or [Cathy Rujanuruks](#) x66287 and/or plan to attend Course 9 “Understanding 9H, Overhead Reconciliation & Closing Funds” of the Fund Manager Weekly Training Sessions that is held twice a year.

What are Indirect Costs (IDC)?

Costs that are incurred by a grantee (UCLA) for common or joint objectives and cannot be identified specifically with a particular project or program. For example, indirect costs received from sponsored projects are used to support central campus offices (Accounting, Purchasing, EFM, OCGA, etc.) and campus infrastructure (water, power, security, general grounds maintenance, etc.), to name a couple.

Terminology:

Indirect costs can also be referred to as:

- Facilities & Administrative Costs or F&A
- IDC
- Overhead, OHD or OH
- Sub 9H (used @ UCLA only)

Calculation:

Total Direct Costs + Indirect Costs = Total Costs

Total Direct Costs – Exclusion = Direct Cost Base

Direct Cost Base x IDC Rate % = Indirect Costs

THEREFORE

Total Direct Costs + ((Total Direct Costs – Exclusions) x IDC Rate %) = Total Costs

Indirect Costs are calculated as a percentage of the direct cost base. The direct cost base is the total direct cost minus any exclusions. Exclusions are Sponsor guideline specific.

- Modified Total Direct Costs (MTDC) is the most common type of Federal direct cost base. MTDC *excludes*
 - equipment (>\$5,000)
 - alterations and renovations
 - patient care costs
 - rent
 - single subcontract amounts >\$25,000
 - scholarships and fellowships
 - tuition fee remissions.
- [Base & Object Code Table for Indirect Costs](#)

The rate percentage used is dependent on a number of variables:

- 1) UCLA's negotiated rate for the budget period OR the allowable rate as defined by the Sponsor. Any rate different from the UCLA's negotiated rate requires a waiver number which can be obtained from OCGA.
- 2) Research location – on-campus or off-campus.
- 3) Type of Project – research, clinical trial, instruction, or other sponsored activities.

UCLA's Indirect Cost Rates:

<http://www.research.ucla.edu/ocga/sr2/idcinfo.htm>

UCLA's Indirect Cost Rate Agreement: (dated 04/27/11)
[http://www.research.ucla.edu/ocga/Documents/F A Rate Agreement 4-27-11.pdf](http://www.research.ucla.edu/ocga/Documents/F_A_Rate_Agreement_4-27-11.pdf)

Why is it important to reconcile Indirect Costs on a regular basis?

Sponsor's award is made up of both direct *and* indirect costs; therefore the Fund Manager is fully responsible for both. Because indirect costs are automatically charged by the UCLA financial system as a portion of the direct costs spent according to the F&A base code set up by the Office of Research Data Management (ORDM), indirect costs must be reconciled in order to ensure they are being properly calculated and charged throughout the life of the project. If they are *not* correctly charged, the fund may have a balance remaining or an overdraft (OD) in the indirect cost sub of 9H even if the direct cost balance is \$0. If there is an OD at the end of the project period, the PI will be responsible for covering the OD with an unrestricted fund. If there is a positive balance at the end of the project period, it may need to be returned to the Sponsor.

How to Reconcile Indirect Costs

There are 2 types of indirect cost reconciliation:

1. Appropriation IDC Reconciliation
2. Expenditure IDC Reconciliation

SUMMARY REPORT BY SUB (INCEPTION TO DATE): **SAMPLE PROJECT**

Account/Fund:	441353-JB-12345 project *	Budget Year(s):	05/15/08 To 02/28/09	9/2/08 8:48 AM
Fund Name:	FDP-NIH ES016746 BRUIN 2/9 54%	Project End Date:	2/28/13	
P.I.:	BRUIN, JOE	Recharge ID:	R2D2	
Fund Mgr:	CATHERINE RUJANURUKS	Overhead Rate:	J 54.00 %	

Sub	1 General Ledger		3 Current Expenditures			6	Projected Balance 1-2 +3-4-5-6
	Approp. ITD (07/08)	Expenses ITD (07/08)	Approp.	Expenses	Encumbr. & Memo Lien	Future To 02/28/09	
00 Salaries-Academic	114,181.00	9,590.90	(29,547.00)			53,361.07	21,682.03
01 Salaries-Staff Career							0.00
02 Salaries-General Assistance	16,443.00	0.00					16,443.00
06 Employee Benefits	27,667.00	2,999.13	(6,436.00)			14,948.08	3,283.79
03 Supplies & Expense	62,209.00	174.82	(5,001.00)	25.42	590.74		56,417.02
04 Equipment							0.00
05 Special Items	4,500.00	309.00					4,191.00
07 Special Items	0.00	0.00	40,984.00		40,984.00		0.00
08 Unallocated							0.00
09 Recharge							0.00
Total Direct	225,000.00	13,073.85	0.00	25.42	41,574.74	68,309.15	102,016.84
9H Overhead	121,500.00	7,059.86	0.00	13.71	13,819.00	36,886.94	63,720.49
Total	346,500.00	20,133.71	0.00	39.13	55,393.74	105,196.09	165,737.33

Direct Balance 107,621.64
 Indirect Balance 58,115.69
165,737.33

COMMENTS

Make sure you have included 9H recon adj in FPM, sub 9H so it can feed to col 6 in this report
 9H TOF Adj needed 5,604.80
 If positive, debit sub 9H and credit sub 08 (if allowable)
 If negative, credit sub 9H and debit sub 08 (if allowable)

Appropriation IDC Reconciliation

IDC in Appropriation column 1 is allocated by EFM, General Accounting or another department on campus via TOF into your PI's account/cost center. The direct/indirect cost distribution should be determined by the final, approved budget. Always compare allocated amounts to the approved budget.

In order to calculate if the distribution is correct:

- | | |
|---|-------------------------|
| | <u>Sample Above</u> |
| 1. Take the total direct cost in column 1 | → \$225,000 |
| 2. Minus any exclusions according to the Overhead Rate Code | → \$0 (J = MTDC) |
| 3. Multiply by the applicable Overhead Rate | → 54% |
| 4. Equals appropriate Overhead amount | → \$121,500 |
| 5. Subtract the calculated amount by the amount showing in report | → \$121,500 - \$121,500 |
| 6. This will give you the amount that needs to be adjusted | → \$0 |

Calculation

$$(\$225,000 - \$0 \text{ exclusions}) \times 54\% = \$121,500 - \$121,500 = \$0 \text{ adjustment required}$$

Adjustments

If an appropriation adjustment is required, process a TOF only if

- 1) The project is under FDP,
- 2) Rebudgeting is allowed without prior approval per Sponsor guidelines,
- 3) Approval to rebudget has been obtained, or
- 4) To correct an error in the initial TOF
 - Note: You may need to contact the fund manager of the home dept in order to have them transfer additional IDC if the initial TOF was not calculated correctly.

Expenditure IDC Reconciliation

IDC in Expense column 2 reflects the indirect cost that have been charged as a percentage of the actual direct cost expenses – i.e. salary/benefits, supplies, travel, etc. For example, at the rate of 54%, if the PI bought \$100 worth in test tubes, an additional \$54 will be charged in IDC to sub 9H.

In order to calculate if the distribution is correct:

- | | |
|---|---------------------|
| | <u>Sample Above</u> |
| 1. Take the total direct cost in column 2 | → \$13,073.85 |
| 2. Minus any exclusions according to the Overhead Rate Code | → \$0 (J = MTDC) |

Sub	CC	Fund	Account	Object	Sub-Object Title	YTD Approp.	YTD Financial	Encumbrance and Memo Lien	Balance
07	AN	30071	441353	7300	SUBCONTRACTS > \$25K, EXCL FROM OH	0.00	0.00	15,984.00	(15,984.00)
07	AN	30071	441353	7310	SUBCONTRACTS < \$25K	0.00	0.00	25,000.00	(25,000.00)
Sub 07						0.00	0.00	40,984.00	(40,984.00)

3. Multiply by the applicable [Overhead Rate](#) → 54%
4. Equals appropriate Overhead amount → \$7,059.88
5. Subtract the calculated amount by the amount showing in report → \$7,059.88 - \$7,059.86
6. This will give you the amount that needs to be adjusted → \$0.02

Calculation

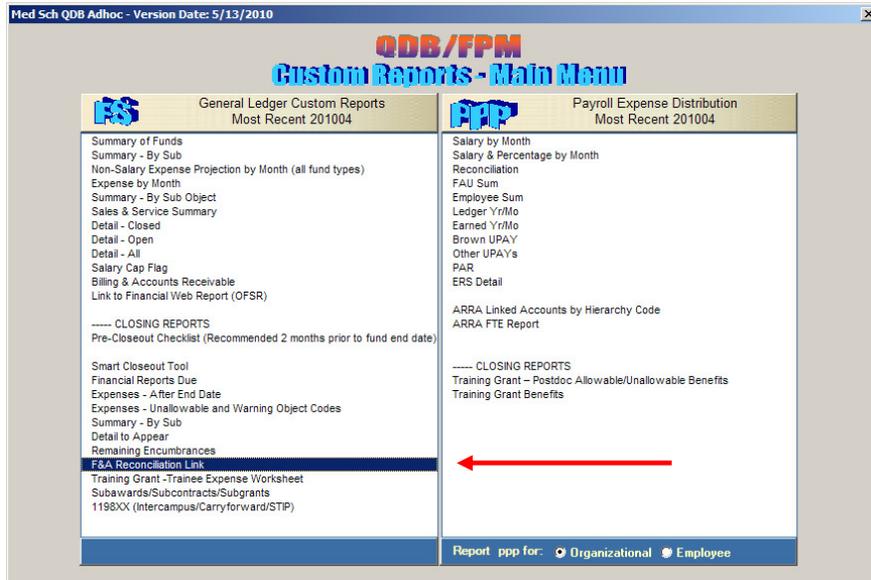
$$(\$13,073.85 - \$0 \text{ exclusions}) \times 54\% = \$7,059.88 - \$7,059.86 = \$0.02 \text{ adjustment required}$$

Adjustments

Only EFM can make adjustments to Expenditure IDC; Division Fund Managers cannot. If the adjustment required is greater than \$25 or the budget period is within 3 months of ending, send an email to the [EFM fund manager](#) in charge of the fund block. The email should include a spreadsheet with a detailed calculation breakdown. You can use the below F&A calculator to generate the spreadsheet for you.

F&A Calculator

To double check this figure, go to <http://www.deans.medsch.ucla.edu/overhead/Default.aspx> or QDB/FPM.



QDB ID: Password: Remember Password

Account: CC: Fund:

441353-JB-12345	
Fiscal Year 07-08	
Total Direct Expenses	13,073.85
Exemptions	
Net TDC To Be Assessed	13,073.85
F & A Rate	54.00%
Computed 9H	7,059.88
Summary for 441353-JB-12345 Total	
TDC	13,073.85
Exemptions	
Net TDC to be assessed	13,073.85
Computed 9H	7,059.88
Actual 9H	7,059.86
Variance	0.02

Hints & Tips on Indirect Cost Reconciliation

1. Commonly budgeted F&A excluded items are:
 - a. Subawards >\$25,000
 - b. Equipment
 - c. Rent
 - d. Patient Care Costs
 - e. Graduate Student Researcher Fees

Be especially aware if any of these items are budgeted.
2. Be especially aware if there is a [change in the IDC rate](#) over the course of the project period as more than likely an overhead adjustment will be needed to be processed by EFM.
 - a. IDC rate changes, when applicable, take place on July 1st.
 - b. If your contract or grant budget period does not coincide with July 1 – June 30, the IDC rate will change in the middle of the budget period, i.e. 54.5% to 54%
 - c. Sometimes these adjustments are automatically programmed into the FS system, other times the fund manager will need to manually request EFM to process the adjustment.
3. When reconciling [Expenditure IDC](#), take into account the following:
 - a. Were there F&A excluded items that were not originally budgeted, but charged to the project or vice versa?
 - o For example, in an original \$250,000 DC budget with a 54% MTDC F&A rate with NO exclusions. The PI purchases a \$10,000 piece of equipment that was not originally budgeted. If that is the case,
 - Original figures = \$250,000 DC + \$135,000 IDC = \$385,000 TC
 - New figures w/equip excluded = \$250,000 DC + \$129,600 IDC = \$379,600 TC
 - Difference = \$135,000 IDC - \$129,600 IDC = \$5,400 IDC saving
 - ~\$3,506 (= \$5,400 * 1.54) can potentially be transferred into DC to be spent
 - Remaining \$1,894 (= \$5,400 – \$3,506) should be left in sub 9H to account for the IDC
 - b. Double check to make sure the F&A base and rate were coded correctly when the award was set up. See Exhibits B & C below.
4. When reconciling [Appropriation IDC](#), take into account the following:
 - a. What was originally budgeted?
 - b. Was there a budget cut from the Agency? If so, how does this affect the F&A excluded items and thus the re-calculation of IDC?
 - c. Was the original allocation from EFM processed for the correct DC / IDC amounts?
 - d. Were funds rebudgeted from F&A non-excluded categories to excluded categories, or vice versa, at any point?
5. QDB/FPM Ad Hoc Reports now have a 9H reconciliation section (highlighted in red box below) which is to be used as a tool to **assist** in the reconciliation process.
 - a. Do **NOT** simply process a TOF to adjust sub 9H before fully understanding **why** the adjustment is required.
 - b. In many instances, the “9H TOF Adj needed” figure may not be correct because it

- i. Does NOT take into account the IDC of pending F&A excluded expenses, unless they are in the Open Encumbrance (column 5) or have been entered in FPM (column 6).
- ii. Assumes ALL IDC has been calculated correctly to date.
- c. Interpretation of the 9H reconciliation calculations in QDB/FPM:

i. Adjustment is calculated by taking the **total cost** and dividing it by the **F&A rate** to obtain the **direct balance**.

$$(\$165,737.33 / 1.54) = \$107,621.64 \text{ Direct Balance}$$

ii. Then subtracting the **direct balance** from the **total cost** to obtain the **indirect balance**.

$$\$165,737.33 - \$107,621.64 = \$58,115.69 \text{ Indirect Balance}$$

iii. The difference between the actual 9H on the statement and newly calculated F&A becomes the "9H TOF Adj needed" amount.

$$\$63,720.49 \text{ f/statement 9H} - \$58,115.69 \text{ calculated 9H} = \boxed{\$5,604.80} \text{ 9H TOF Adj needed}$$

Sub	1 General Ledger		4 Current Expenditures			6	Projected Balance 1-2 +3-4-5-6
	Approp. ITD (08/08)	Expenses ITD (08/08)	Approp.	Expenses	Encumbr. & Memo Lien	Future To 02/28/09	
Total Direct	225,000.00	13,073.85	0.00	25.42	41,574.74	68,309.15	102,016.84
9H Overhead	121,500.00	7,059.86	0.00	13.71	13,819.00	36,886.94	63,720.49
Total	346,500.00	20,133.71	0.00	39.13	55,393.74	105,196.09	165,737.33
						Direct Balance	107,621.64
						Indirect Balance	58,115.69
							165,737.33
COMMENTS						9H TOF Adj needed	5,604.80
Make sure you have included 9H recon adj in FPM, sub 9H so it can feed to col 6 in this report							
If positive, debit sub 9H and credit sub 08 (if allowable)							
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Sub	1 General Ledger		4 Current Expenditures			6	Projected Balance 1-2 +3-4-5-6
	Approp. ITD (07/08)	Expenses ITD (07/08)	Approp.	Expenses	Encumbr. & Memo Lien	Future To	
00 Salaries-Academic	114,181.00	9,590.90	(29,547.00)			53,361.07	21,682.03
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06 Employee Benefits	27,667.00	2,999.13	(6,436.00)			14,948.08	3,283.79
03 Supplies & Expense	62,209.00	174.82	(5,001.00)	25.42	590.74		56,417.02
04 Equipment							0.00
05 Special Items	4,500.00	309.00					4,191.00
07 Special Items	0.00	0.00	40,984.00		40,984.00		0.00
08 Unallocated							0.00
09 Recharge							0.00
Total Direct	225,000.00	13,073.85	0.00	25.42	41,574.74	68,309.15	102,016.84
9H Overhead	121,500.00	7,059.86	0.00	13.71	13,819.00	36,886.94	63,720.49
Total	346,500.00	20,133.71	0.00	39.13	55,393.74	105,196.09	165,737.33

In this example, the \$5,604.80 adjust needed is CORRECT. The PI decided to use some of his budgeted salary/benefits/supplies to fund a subaward (sub 07). See cells highlighted in aqua. When the fund manager processed the TOF to reallocate funds to cover the subaward, s/he did NOT

transfer the sub 9H savings of \$5,604.80 since only the 1st \$25,000 of the \$40,984 subaward amount will be charged overhead (vs. the full \$40,984 if it were spent as salary/benefits). In this case, the fund manager would do a TOF of \$5,604.80 FROM sub 9H INTO a direct cost sub.

EXHIBIT A – PET

<https://prs1.ais.ucla.edu/webPET/mainMenu.do>

UCLA PERSONNEL PAYROLL SYSTEM **PAYROLL EXPENSE TRANSFER**

2010-05-21 09:28:28AM User: Rujanuruks, Catherine | [Main Menu](#) | [Sign Out](#)

Main Menu

- [Create Expense Transfer](#)
- [Search Expense Transfer](#)

```

UCLA-AIS                *** ACCOUNT/CC-FUND TABLE ***                FS73/FSM0673
ACTION: B      TABLE: AF                LOCATION: 4
ACCOUNT/CC-FUND: 41353 AN                LAST UPDATE: 08/04/08
-----
RECHARGE CODE:          SUB: 03
      _____
      _____

OVERHEAD BASE: J      OVERHEAD RATE: 54.00 %
GIFT SERVICE & USE RECOVERY RATE: 0.00 %
ACCOUNT/CC-FUND CLOSED?: _

ACCOUNT/CC TITLE: MED-NANOMEDICINE-FACULTY SUP-                DEPT: 1574
FUND TITLE: FDP-NIH ES016746                2/9 54%

SITE TRACKING Acct/CC/Fund: Y
SITE TRACKING CODE: 03 + CNSI-INTERNAL

MESSAGES:  PRESS ENTER, PF8, OR PF20 FOR NEXT ON FILE
  
```

EXHIBIT B – FS

To get to screen:

1. Log into OASIS
2. FS00
3. Selection: 1
4. Location: 4
5. Action: B for Browse
6. Table: AF
7. Request: FAU

Financial Projection Module - Main Menu - Catherine Y. Rujanuruks - [Chart of Accounts 1198]

Income & Expense | Chart of Accounts | C&G Data | Overall Reports | Utilities | Fiscal Year: 2008-09

Chart of Accounts | 1198XX Funds

Search By: Dept: 1574 - M/NANOMEDICIN | Account: | CC: | Fund: | Fund Manager: | Internal PI: |

All | 0 Balance | Expired | Rchg ID: | Search | Clear | To Excel | Batch | Batch - Sub

Account	CC	Fund	Fund End	Project End	Dept	Balance	Rchg ID	Sub	Exp.
441353	AN		9/9/2025		1574 - M/Nanomedicine	(5,980.32)			<input type="checkbox"/>

PI: CHANCELLOR | Internal PI: NELANDRE | Fund Title: UCLA FDN/UCLA FUND SUPPORT | Internal Fund Title: CHANCELLOR

Fund Grouping: Gifts | Fund Manager: Rowell Ramos | Comments: 10% Nel - Chancellor support. | F/A Rate: 0% | Show

Account	CC	Fund	Balance	Rchg ID	Internal PI Name	Fund Mgr	Expired	Internal Fund Title	PI Name	Fund Group	F&A Rate	Dept	Comments
441353	AN		(5,980.32)		NELANDRE	Rowell Ramos	No	CHANCELLOR	CHANCELLOR	Gifts	0	1574	10% Nel - Char
441353	AN		94,901.27		NELANDRE	Rowell Ramos	No	PARTICLE CENTER	FROINES, JOHN R	C&G - Federal	54.00	1574	Yr. 1 10/05-09/C
441353	AN		76,697.91		NELANDRE	Rowell Ramos	No	ATHERO	NEL, ANDRI E	C&G - NIH	54.00	1574	Budget Years 0
441353	AN		1,573.40		NELANDRE	Rowell Ramos	No	DEP TOX	NEL, ANDRI E	C&G - NIH	54.00	1574	1'st NCTE expi

EXHIBIT C - FPM

Check F&A Rate listed in Chart of Accounts to ensure the correct rate is listed

EXHIBIT C – FPM

When adding non-salary projections into FPM, make sure “Assess F&A” box is correctly checked.

Search By:
Account CC Fund Project Sub Dept Code
[] [] [] [] [] [] Search Clear

Edit:
Account CC Fund Fund End Project End Project Sub
[] [] [] [] [] [] [] [] Retro/Adj.
Category Description Amount
[] [] [0] Monthly
Begin LYM End LYM eg. 200506 Assess F&A Lump Sum
Cancel Save

Dept	Account	CC	Fund	Project	Sub	Category	Description	Amount	Lump Sum	F&A	Retro	Begin Lym	End Lym	Updated By	Update Date
------	---------	----	------	---------	-----	----------	-------------	--------	----------	-----	-------	-----------	---------	------------	-------------