



**POLICY TITLE**  
***Administrative Costs (Direct & Indirect)***

**POLICY NUMBER**  
***5-001***

<b>Responsible Unit:</b> <i>Office of Vice Chancellor for Finance &amp; Administration</i>	<b>Effective Date:</b> <i>02/21/2020</i>
<b>Responsible Official:</b> <i>Vice Chancellor for Finance &amp; Administration</i>	<b>Last Reviewed Date:</b> <i>10/10/2019</i>
<b>Policy Classification:</b> <i>Finance, Audit, &amp; Budget</i>	<b>Origination Date:</b> <i>12/15/2018</i>

**I. POLICY STATEMENT AND RATIONALE**

This policy determines the classification of direct versus indirect administrative costs for extramural projects (grants and sponsored projects).

Research and other sponsored activities, as well as special programs initiated at the University, are a basic part of our institutional mission. Funding sources for such programs are the federal government, state and local governments, and private entities. Additionally, in order to be responsive to the dynamic and changing needs of the population served, businesses, and other organizations, the University must be able to offer a variety of special training and instructional programs (credit and non-credit). Such grants and contracts, as well as special programs, typically provide support from the direct and indirect costs that are incurred by the University in conducting those programs.

## **II. POLICY SCOPE AND AUDIENCE**

The primary audience of this policy is fiscal personnel, grant accountants or similarly designated positions.

## **III. POLICY COMPLIANCE**

Failure to comply with this policy could result in a fiscal audit finding by federal, state, or Southern University System auditors. Miscalculations could lead to loss of institutional funds to recover in indirect cost or overspending resulting in repayment to grantor.

## **IV. POLICY DEFINITIONS**

**Administrative cost:** Overall oversight and monitoring of the grant as well as the costs of general administrative functions and coordination of functions.

**Direct Administrative cost:** Costs that are directly paid from grant funds.

**Indirect Administrative cost:** The portion of the indirect cost rate that is attributable to administrative functions. These functions are normally handled by Fiscal Services, Human Resources, Information Technology Department, Chancellor's Office or another support department. The other portion of the indirect cost rate is attributable to functions such as facilities operations, maintenance, depreciation, and is not considered an administrative cost.

**Direct cost (program cost):** Costs that can be specifically and easily identified with a particular project or activity and are allowable under the sponsoring organization's guidelines.

**Indirect cost (Facilities & Administrative Costs):** Costs are those costs not readily identified with a specific project or organizational activity but incurred for the joint benefit of both projects and other activities. Indirect costs are usually grouped into common pools and charged to benefiting objectives through an allocation process/indirect cost rate. The terms indirect costs, overhead costs, and Facilities & Administrative costs are synonymous. Indirect costs are different than direct costs.

**Indirect cost rate:** An indirect cost rate is simply a device for determining fairly and expeditiously the proportion of general (non-direct) expenses that each project will bear. It is the ratio between the total indirect costs of an applicant and some equitable direct cost base.

## **V. POLICY IMPLEMENTATION PROCEDURES**

A cost may be direct with respect to some specific service or function, but indirect with respect to the federal award or another final cost objective.

Activities that can be administrative, programmatic, or both: personnel and related non-personnel costs of staff that perform both administrative functions and programmatic services or activities must be allocated as administrative or programs costs to the benefitting cost

objective/categories based on documented distributions of actual time worked or other equitable cost allocation method.

Specific costs charged to an indirect cost pool that can be identified directly as a program cost are to be charged as a program cost. Documentation of such charges must be maintained.

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Except for awards to sub-recipients and contractors that are solely for the performance of administrative functions, all costs incurred for functions and activities of sub-recipients and contractors are program (direct) costs.

It is essential that each item of the cost incurred for the same purpose be treated consistently in like circumstances either as a direct or an indirect (Facilities & Administrative) cost in order to avoid double-charging sponsored programs.

Steps to determine the classification of indirect versus administrative costs.

1. The indirect cost proposal can distinguish which indirect costs in the pool are program or administrative to establish proportional percentage each represents in the pool.
2. Apply approved indirect cost rate against the correct base to determine the amount of recovered indirect costs.
3. Apply the administrative and program proportional percentage of the pool (in step 1) to the recovered indirect costs (in step 2).

## VI. POLICY RELATED INFORMATION

Louisiana Revised Statute §844.43. Definitions<sup>45</sup>: 844.43 provides the definition of direct and indirect costs.

- 8) "Direct costs" means those expenses of a local government that:
- (a) Are directly attributable to providing a covered service.
  - (b) Would be eliminated if the service described in Subparagraph (8)(a) was not provided by the local government.
- 14)(a) "Indirect costs" means any costs:
- (i) Identified with two or more services or other functions.
  - (ii) That are not directly identified with a single service or function.
  - (b) "Indirect costs" may include cost factors for administration, accounting, personnel, purchasing, legal support, and other staff or departmental support.

<http://legis.la.gov/Legis/Law.aspx?p=y&d=285524>

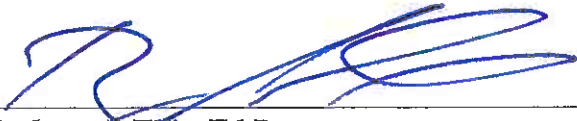
## VII. POLICY HISTORY AND REVIEW CYCLE

This is an existing policy and has been reviewed with appropriate revisions. This policy is subject to a five-year policy review cycle.

## VIII. POLICY URL

[www.susla.edu](http://www.susla.edu)

**IX. POLICY APPROVAL**



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**Rodney A. Ellis, Ed.D.**  
*Chancellor, Southern University at Shreveport*

*2/21/20*

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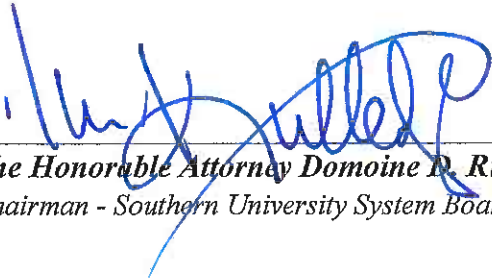
*Effective Date of Policy*

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**Ray L. Belton, Ph.D.**  
*President-Chancellor, Southern University and A&M College System*

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*Effective Date of Policy*



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**The Honorable Attorney Domoine D. Rutledge**  
*Chairman - Southern University System Board of Supervisors*

*2-21-20*

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