

CONTRACTS AND GRANTS:
INDIRECT COSTS RECOVERED FROM STATE AGENCIES

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I. INTRODUCTION

This chapter outlines the procedures to be used in the disposition of indirect costs recovered on contracts and grants from State of California agencies.

II. PROCEDURES

A. IDENTIFICATION OF FUNDING SOURCES

The allocation of the indirect costs recovered on State agreements is based on the primary sources of the funds financing the agreement.

Campus contract and grant officers must determine the primary source(s) of funding at the time an award is received from a State agency. This information must be provided to the campus extramural funds accounting office.

B. DISPOSITION OF INDIRECT COSTS

The following year-end entries are made by campuses to transfer to the Office of the President (OP) all indirect costs recovered from State agencies:

Dr. Indirect Cost Reserve	X-116130-20799
Cr. OP Financial Control	X-119500
Dr. Campus Financial Control	J-1195X0-900X0
Cr. Unexp. Bal State Agreement	J-119850-20799-0-0859
Dr. Unexp. Bal. State Agreements	J-119850-20799-0-0759
Cr. Reserve OH State Agreements	J-119700-75007-0-0759

1. Contracts and Grants Funded Entirely from State of California Funds

Recovered indirect costs must be reported to the State in the same manner as the State's portion of the Federal indirect costs is reported. These funds are retained by the University as part of the State General Fund Budget.

To transfer campus indirect cost recovery to the State General Fund, OP makes the following entries:

Dr. Reserve OH State	
Agreements	J-119700-75007-0-0750
Cr. Unexp Bal State	
General Fund	J-119900-19900-0-0750

2. Contracts and Grants Funded Entirely by Federal Funds, Allocated by a State Agency

Recovered indirect costs are allocated in accordance with the terms of the agreement with the State governing the disposition of overhead received on Federal contracts and grants. There is no allocation to the Off-the-Top fund. Forty-five percent is allocated to the Opportunity Fund and the remaining 55% to the State General Fund.

The following year-end journal entries are made to transfer campus indirect cost recovery to the State General Fund (55%) and the University Opportunity Fund (45%):

Dr. Reserve OH State	
Agreements	J-119700-75007-0-0750
Cr. Unexp. Bal. State	
General Fund-55%	J-119900-19900-0-0750
Dr. Reserve OH State	
Agreements	J-119700-75007-0-0354
Cr. University Opp.	
Fund-45%	J-107427-07427-0-9216

II. PROCEDURES (Cont.)

B. DISPOSITION OF INDIRECT COSTS (Cont.)

3. Contracts and Grants Funded by Both Federal and State Funds

In those cases where the amount of the federal funding component can be determined accurately, indirect costs recovered on the Federal portion is allocated as in Section 2 above; the remaining indirect costs recovered on these projects is treated as in Section 1 above. If the amount of the Federal component cannot be determined accurately, the entire award should be handled as in Section 1 above.

C. FISCAL CLOSING PROCEDURES

When transferring indirect cost recovery to the OP General Accounting Office at year-end, the supplemental information related to the sources of funding for each State agreement must be provided as an attachment (see form in Exhibit A).

III. RESPONSIBILITIES

Contract and grant officers are responsible for identifying the funding sources for contracts and grants awarded by State agencies.

Campus accounting officers are responsible for providing supplemental information as an attachment to the year-end journals, which transfer indirect costs recovered on State agreements to the OP General Accounting Office.

IV. REFERENCES

University of California Contract and Grant Manual, Chapter 8, Indirect Cost, November 9, 1998.

Graeme C. Bannerman, Memorandum on Disposition of Indirect Costs Recovered on Grants and Contracts from the State of California Agencies, December 3, 1970.

Historical note: Original Accounting Manual chapter published 2/1/71. Revised 3/31/99; analyst Federico Gomez.

Exhibit A

Campus _____ Date _____

SUPPLEMENTAL INFORMATION

Indirect Costs Recovered on Grants and Contracts
from State of California Agencies

<u>Source of Funding</u>	<u>Percentage Funded by Federal Funds</u>	<u>Total Amount Recovered</u>
1. Indirect costs recovered on grants and contracts funded entirely from State of California funds: (List agreements and fund numbers)		\$X,XXX.XX
2. Indirect costs recovered on grants and contracts funded entirely by Federal Funds, but allocated by a State Agency: (List agreements and fund number)	100%	\$X,XXX.XX
3. Indirect costs recovered on grants and contracts funded partially by Federal funds and partially by State funds: (List agreements and fund number)	XX% XX% XX%	\$X,XXX.XX \$X,XXX.XX \$X,XXX.XX
Total Amount Recovered (same as journal amount)		\$X,XXX.XX

Prepared by _____
 (Signature)