Indirect Cost Controls and Calculation

Purpose

This document describes the indirect cost controls and indirect cost calculation functionality in the RF Oracle business system.

Background

Oracle does not treat the budgets for direct costs and indirect costs (F and A and Agency Fees) as separate and distinct budgets. This creates the possibility that indirect costs could be used to support direct costs and vice versa. Also, under Oracle functionality when an indirect cost rate and/or base is changed, the change is effective from the day it is changed forward. The Research Foundation of SUNY has approved negotiated indirect cost rates that can change from year to year.

To address these issues, the RF developed

- indirect cost controls, which circumvent the Oracle burdening process for F and A and Agency Fees (referred to as indirect costs) and limit indirect cost to budget. The Oracle process continues to be used for fringe benefit burden.
- an IDC calculation period function, which allows for recalculation of indirect costs on prior expenditures when a rate is changed or the indirect cost budget is increased (after having been up to budget).

IDC Controls

Purpose of Controls

The purpose of the indirect cost controls customization is to

- limit indirect cost charges to budget.
- prevent funds budgeted in indirect costs from being used to support direct costs.
- prevent funds budgeted in direct costs from being used to support indirect costs.
- prevent direct costs charges from failing funds checking because of insufficient indirect costs.

Description of IDC Controls

The IDC controls create an encumbrance to reserve funds budgeted for indirect costs. As indirect costs are expended, the encumbrance is reduced. The indirect cost encumbrance is the difference between budget and actuals (indirect costs expended).

- The IDC calculations occur nightly creating one summary line for F and A costs or Agency Fees based on the daily total of actuals processed.
- F and A charges are applied to the category "FAC F and A Costs" or "CSO Cost Share F and A." Agency fee charges are applied to the category "AGC Agency Fees."
- IDC can be disencumbered by award or project at anytime by selecting "Yes" in the "Disencumber IDC" field in the DFF.

  Note: For IDC controls to function properly, budgetary controls must be "None" on F and A costs and Agency Fees

Applicability

The IDC controls apply to F and A costs and to Agency Fees. The Award Purpose defines which awards are included in the IDC controls customization process. Refer to Award Purpose in EPSS under Field Level Info for a description of Award Purpose values including whether the IDC controls apply. The IDC controls do not apply to "At Risk" awards with no budget in F and A Costs. Once an F and A budget is created, the controls are imposed.

Custom Burdening Exception Report

A "Custom Burdening Exception Report" is generated as a result of the custom burdening process. The exception report indicates reasons why burdening did not process. Decentralized campus should run this report daily and make corrections as necessary. The Office for Sponsored Program Services runs the report for centralized campuses. For more information on this report, see "Custom Burdening Exception Report" in EPSS under Grants Management, Reports/Queries, GM Oracle Reports.

IDC Calculation

Description of IDC Calculation

In the RF Oracle business system, indirect costs are calculated based on burden schedule, rate, and IDC Calc Period on the award and/or task. The 'IDC Calc Period' defines the starting point for which the indirect cost rate and base apply. An override rate/base/IDC Calc Period applied at task level is only applicable for that task.

IDC Calc Period

IDC Calc Periods are.:

- L - Start Date to Date - calculates IDC from the start date of the award/task applying the rate and schedule currently on the award. New awards should
  be established as 'L' to have indirect costs calculated from the start date of the award.
- M - Current Month - calculates IDC starting from the 1st day of the month in which the change is made using the new rate and/or schedule.
- N - No IDC, IDC rate equals 0.00 (zero).

  There is an edit on the field in the award DFF based on the rate entered. Award rates greater than 0.00 (zero) must have the selection of 'L' – start date to date or 'M' Current Month. Award rates equal to 0.00 (zero) must be flagged as 'N' – No IDC.

  On the award, IDC Calc Period is a required field.

  On the task, IDC Calc Period is an optional field.

  Exception: If an award has a 0.00 indirect cost rate and a task funded by the award has an override rate, the IDC Calc Period on the task must be entered in order for indirect costs to calculate.

Applicability

The IDC calculation process applies to all awards regardless of award purpose and award type.

Processing IDC Rate Changes

If an indirect cost rate changes for an award or task, the IDC Calc Period must be updated to indicate the period for which indirect cost should be recalculated. Refer to "IDC Rate Change Scenarios" in this document for examples of the process for various indirect cost changes.

To overcharge indirect cost and have it excluded from the IDC calculation and controls, the category of 'FAC Override Manual F and A' or 'AGC Override Manual Agency Fees' or 'CSO Override Cost Share F and A' must be used. Refer to scenario number 8 in the IDC Rate Change Scenarios section of this document.

IDC History Report

The "IDC History Report" is available to view the history of changes entered on the indirect cost rate, base, or period type field. This report can be run as needed. For a report description refer to IDC History Report in EPSS under Reports/Queries, Grants Management, GM Oracle Reports.

IDC Rate Change Scenarios

The following table provides examples of how indirect cost changes would be processed in various situations:

Number	Scenario	Actions
1	Direct Cost is overspent, IDC is up to budget and charges need to be moved.	Award or Task "IDC Calc Period" must be flagged as L – start date to date for IDC to recalculate correctly.

		Note: When moving charges, if the award is flagged as M - Current Month, due to conversion or a rate change, this must be changed to 'L' to recalculate correctly. If not applicable, a manual IDC adjustment may need to be processed.
2	IDC budget was entered but award IDC rate was never entered. No IDC costs were charged on all Projects/Tasks that award funds.	Enter Override rate and enter value of L – start date to date in award "IDC Calc Period" award flexfield.
3	Award rate is changed to a rate greater than zero and is retroactive for life of the award.	Enter new rate and "IDC Calc Period" of L – start date to date in the award flexfield.
4	Award rate is changed to a rate greater than zero and is not retroactive for life of the award.	Enter new rate and "IDC Calc Period" of M – current month in the award flexfield.
5	Award rate is changed to zero	Disencumber IDC encumbrance. Change rate.
6	Account is overspent and IDC is up to budget. Need to increase budget and have IDC calculate on prior charges.	Increase budget. Enter value of L – start date to date in award "IDC Calc Period" in the award flexfield.
7	Account is overspent and IDC is up to budget. Need to increase budget and not have IDC calculate on prior charges.	Increase budget. Enter value of M – current month in "IDC Calc Period" in the award flexfield.
8	Award termed and need to do IDC adjustment that will be excluded from the IDC calculation and controls.	Perform manual adjustment of indirect cost using "FAC Override Manual F and A" or "AGC Override Manual Agency Fees." Note: These expenditure types are used to "override" the calculation of IDC that currently exists. You would typically only do this when you want to: overcharge IDC decrease IDC, OR use the available direct cost and charge the IDC budget.

Change History

- **January 31, 2001** - New document.
- **April 2, 2001** - Revised to describe the proposed new indirect cost controls customization and outline interim measures that can be followed to manage the F and A budget until the new customization is implemented.
- **August 2, 2001** - Revised to include the interim procedure to be followed to manage the F and A budget until the new customization is implemented.
- **November 22, 2002** - Revised to reflect changes required by the IDC customization being implemented November 30, 2002.
- **November 3, 2003** - Revised to include information on the IDC Calc Period Type and new 'FAC Override Manual F and A' and 'AGC Override Manual Agency Fee' expenditure types.
- **February 13, 2004** - Revised to add scenario "Award Rate is Changed to Zero."
- **June 2, 2004** - Revised the "Processing IDC Rate Changes" section and steps 5 and 8 in the "IDC Rate Change Scenario" section.