INTRODUCTION

Revised in December 2015, the Office of Management and Budget (OMB) 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards authorizes Local Units of Administration (LUAs) to recover reimbursement for indirect costs associated with various federal programs. While OMB has assigned the U.S. Department of Education the responsibility for approving indirect cost plans of LUAs in compliance with provisions of OMB 2 CFR Part 200, in accordance with U.S. Department of Education regulations (34 CFR 76.561), the Georgia Department of Education (GaDOE) has been delegated the authority to approve indirect costs rates for each LUA. The GaDOE calculates both the restricted and non-restricted indirect costs plans for each LEA, based on data submitted in the most recent year-end financial report. These rates are available through the PORTAL LOGIN website located at: https://portal.doe.k12.ga.us/login.aspx.

After a successful login, select FINANCE APPLICATIONS, FINANCIAL REVIEW APPLICATIONS and REPORTS. On the bottom of this menu is FIN INDIRECT REPORTS MENU.

The calculation is based on data from the latest fiscal year submitted. GaDOE uses the annual Financial Analysis Report (DE046) that is submitted electronically by each LEA to calculate the next fiscal year’s rate. For example, the 2016 Indirect Cost Rate is based on data submitted for fiscal year 2014. The rate has to be calculated prior to the fiscal year, so the fiscal year data used is two years behind the fiscal year in which the rate will be applied. Because we calculate the rate using unaudited financial data, a comparison of the unaudited data to the annual Audit is completed. The rates could require amendment if there are significant differences between the unaudited and audited amounts used to calculate the rate. Therefore, it is essential that LEAs classify expenditures uniformly, accurately, and consistently.

Should an LEA wish to propose an alternate Indirect Cost Rate other than that calculated by GaDOE, provisions are available through the “Indirect Restricted or (Non-Restricted) Cost
Adjustment Log.” Revisions to the rate must be in accordance with the GaDOE’s approved Indirect Cost Rate Plan.


School districts are not required to recover indirect costs from federal grants and contracts. If the district elects to claim indirect costs, the rate used may be less than the calculated rate. But in no instance may the rate exceed the approved rate. Upon completion of the federal grant or contract, the recovered indirect costs amount may not exceed the amount computed by multiplying the approved rate by the amount actually expended for direct costs less unallowable and excluded expenditures. LUAs must include indirect costs in their budget within the Federal consolidated application for each federal grant in which indirect cost will be applied. If the district does not initially include indirect cost recovery in their approved budget, the LUA must request a budget amendment before applying the indirect cost rate. Additionally, recovery of indirect costs on grants is subject to the availability of funds. Upon completion of the grant, the indirect cost amount claimed may not exceed the amount computed by multiplying the approved indirect cost rate by the amount actually expended for direct cost.

Normally, LUAs elect a restricted indirect cost rate rather than a non-restricted rate, although application depends on the type of grant. LUAs may use the non-restricted rate for grant programs for which a supplement, not supplant provision does not apply. The most common grant for LUAs is the School Nutrition Program. In compliance with federal requirements including those of 34 CFR 75.563 and 34 CFR 76.563, an LUA must use the restricted indirect cost rate when charging and claiming indirect costs for federal funds received by the LUA through the GaDOE, unless the grant program qualifies for the non-restricted rate. The primary difference between the two rates is that maintenance and operation of plant may be considered as an indirect cost in the non-restricted rate.

All expenditures reported must be analyzed and divided into costs that are (a) excluded, (b) not allowable, (c) indirect, or (d) direct. The following definitions are used in preparing the plan (note that the term "superintendent" is used to denote either superintendent, charter school director, or Regional Educational State Agency (RESA) director):

**Excluded Costs**

This includes items for which federal funds cannot be used, such as bad debts, contingencies, contributions, donations, entertainment, fines and penalties charged to the school system, and interest. The cost of capitalizable assets (715, 720, 73X), facilities acquisition and construction (function 4000), and cost of debt service (function 5100) including interest on short-term loans, must be excluded. Any cost charged to Enterprise Operations (function 3200) or Other Uses (function 5000) should be excluded. In function 3100 School Nutrition Program, Food Usage (object 630), Food Acquisition (object 635), and Equipment (objects 730 and 734) must be excluded. All other function 3100 costs must be listed as direct costs. All objects in series 700, except for Depreciation Expense,
should also be excluded. Expendable equipment (object 615/616) should NOT be excluded, as expendable equipment is considered a direct cost.

**Not Allowable Costs**

This section includes the costs of general local government salaries (e.g., the salaries of the superintendent and his/her secretary, associate and/or assistant superintendents, their staff and clerical assistants), the employee benefits for these positions, and other costs related to these positions (e.g., travel and office expense). Such costs are treated as indirect costs in the non-restricted costs plan. Any expenditures related to the local board of education (e.g., travel, per diem) are not allowable. Costs associated with school principals, clerical assistants, office costs, etc., are not allowable cost in the restricted indirect cost rate and will be treated as direct costs in the non-restricted costs plan. While not allowable for application of the indirect cost rate, the not allowable costs are included in the base with the direct costs in determining the rate to be used. The rate is only applied to direct costs of the grant or award.

**Indirect Costs**

This section includes the salaries and expenditures for direction and control of system wide activities and not those confined to one school, subject, or phase of operation. Generally, this would include the salaries and other costs directly attributable to those personnel who have responsibilities in business affairs (e.g., budgeting, payroll, personnel, and purchasing) and would include such personnel as CFOs, directors, accountants, bookkeepers, etc. These costs may include clerical assistance, office expense, travel, and employee benefits. Associate and/or assistant superintendents are not allowable as indirect costs.

Maintenance and Operation of plant is considered as indirect costs on the non-restricted cost plan, and as direct costs on the restricted plan; however, equipment is excluded in both plans. In preparation of restricted indirect cost plans, only general fund administration and fixed charges is considered indirect costs.

**Direct Costs**

Direct costs are expenditures for all other purposes. Direct costs are the balance of costs after proper distribution of costs to the “excluded costs”, "not allowable costs", and "indirect costs" categories. Project directors and their immediate clerical assistants are considered direct costs. These directors include persons whose positions may be funded from more than one program. The immediate clerical positions would include secretaries and other clerical positions. Clerical positions associated with personnel, purchasing, and accounting would not be classified as a direct cost, but would be included in the indirect cost column. In any instance where a position is used less than full time in a federal program, time records must be maintained to properly allocate their time. State program administrators will review positions classified as direct cost at the time of project approval. In turn, both state and federal auditors will give direct cost positions special attention.
The information listed below is a brief summary of the categories of costs by functional category. Further detail is included in the Indirect Cost User’s Guide.

1000 Instruction – Direct Costs. Capital Outlay and Equipment purchases are excluded (objects 700 through 739, and 750).

2100 Support Services – Pupil Services – Direct Costs. Capital Outlay and Equipment purchases are excluded.

2210 Support Services – Improvement of Instructional Services – Direct Costs. Capital Outlay and Equipment purchases are excluded.

2220 Support Services – Educational Media Services – Direct Costs. Capital Outlay, Equipment purchases, and regional and county library dues are excluded.

2300 General Administration – Costs are separated into excluded, not allowable, indirect, and direct costs. Salary, employee benefits, and associated costs for the superintendent, associate, and/or assistant superintendents, RESA directors, and their secretaries are not allowable. Costs related to board members are not allowable. Salaries, employee benefits, and associated costs for administrative assistants and other administrative clerical personnel are classified as indirect cost. Other administrative costs allowable are prorated based on the salaries classified as indirect to the total salaries. Only general fund expenditures are eligible for indirect cost reimbursement. Items such as federal indirect cost (function 2300, object 880), equipment, and other pre-defined items are excluded. Special fund costs are entered in the direct cost column unless they are excluded.

2400 School Administration – Not Allowable - restricted plans and Direct Costs - non-restricted plans. Capital Outlay and Equipment purchases are excluded.

2500 Support Services – Business – All items related to administration are treated as indirect costs. Any salaries not associated with administration (object 181) are classified as direct costs. Only General Fund expenditures are eligible for indirect cost reimbursement. Interest on loans, capital outlay, and equipment purchases are excluded.


2700 Student Transportation – Direct Costs. Equipment, capital purchases, and lease-purchase agreements for buses are excluded. The consumption of the capital purchases are included as direct when consumed.

2800 Support Services – Central – Any item related to administration is treated as an indirect cost. Other items are analyzed and divided into costs that are excluded or direct. Only general fund expenditures are eligible for the indirect cost (Column D). RESA fees, capital outlay, and equipment purchases are excluded.
2900 Other Support Services – Any item related to administration is treated as an indirect cost.

3100 School Nutrition Program – Direct Costs, except for food usage (object 630), food acquisition (object 635), capital outlay and equipment purchases (objects 700 through 739, and 750), which are excluded. All other SNP costs are listed as direct cost.

3200 Enterprise Operations – Direct Costs. Capital Outlay and Equipment purchases are excluded.

3300 Community Service Operations – Direct Costs. Equipment, depreciation, and federal indirect cost charges (object 880) are excluded.

4000 Facilities Acquisition and Construction Services – Direct Costs. All object 7XXs are excluded, except for depreciation expense in the 74X range.

5000 Other Uses – Excluded Costs.

5100 Debt Services – Excluded Costs.

Purchased Professional and Technical Services (object 300) is analyzed and classified as direct cost, unless a relationship can be established to support an allowable indirect cost activity. Other items should be analyzed and divided into costs that are excluded or direct. Only General Fund expenditures are eligible for the indirect cost. RESA fees, capital outlay, equipment purchases, and Services Purchased from LUAs within Georgia (object 592) are excluded.

The US Department of Education Cost Allocation Plan issued in 2009 is included in the Appendix of the Financial Management Handbook. This cost allocation plan has not been updated for the changes in the Uniform Grant Guidance.