Financial Processing Module

Indirect Cost Adjustment (ICA)

The Indirect Cost Adjustment (ICA) document is used to adjust the amount of indirect cost expense charged to a Contracts and Grants Account and automatically adjust the associated amount of indirect cost revenue. These transactions are typically initiated by staff in the Office of Research Administration.

Every Contracts and Grants Account in the KFS has an associated Indirect Cost Recovery Account. When indirect cost is charged as an expense to a Contracts and Grants Account, an equal amount of indirect cost revenue is generated in the corresponding Indirect Cost Recovery Account.

The ICA document is normally used to make small adjustments to align indirect costs with direct expenditures. This document might also be used to correct previous errors with the collection of indirect cost or to manually add indirect cost to an account when the KFS method of calculating indirect cost recovery as a percentage of direct costs is not sufficient. There are no special permission restrictions for the ICA document.

Document Layout

The ICA document only has the standard financial transaction document tabs and does not have any unique tabs of its own.

Process Overview

Business Rules

- Accounts used on the Grant section of the document must have an Indirect Cost Recovery Account associated with them.

- The object codes used in the document are pre-defined, based on established rules, and cannot be edited.

- The Receipt section of the document is automatically generated by the KFS and uses the Indirect Cost Recovery Account associated with the account entered in the Grant section.
• After accounting lines have been added they may be edited (with the exception of the object code field). Additional lines may also be added to either side of the document. Each line added to the Grant section generates a corresponding Receipt line. Additional Receipt lines can be added manually as well, to reflect a split of indirect cost revenue between two or more accounts.

• Negative amounts are allowed. Entering a negative amount on the grant side reduces indirect cost expense from the grant account and reduces income from the Indirect Cost Recovery Account.

• The total amount in the Grant section must be equal to the total amount in the Receipt section of the Accounting Lines.

**Initiating an ICA Document**

1. Select Indirect Cost Adjustment from the Financial Transactions menu. (KFS Modules / Financial Processing / Indirect Cost Adjustment)

2. Log into the KFS as necessary.

   A blank ICA document with a new document ID appears.

3. Complete the standard tabs.

   Notice that the object codes in the **Grant and Receipt** section of the Accounting Lines tab are pre-populated and are not editable.

4. Click ![submit](submit). 

5. Review the **General Ledger Pending Entries** tab.

   Accounts on the Grant side are debited when the amount is positive, and credited when the amount is negative. Accounts on the Receipt side are credited when the amount is positive and debited when the amount is negative. This document automatically generates cash offset entries to cash or fund balance object codes.

6. Review the **Route Log** tab.

   The document is routed to the fiscal officer for each account used in the Accounting Lines. The Route Status shows 'ENROUTE'.

7. Appropriate fiscal officers and organization reviewers approve the document. Final approval rests with the Office of Research Administration.

**Example**

**Adding Indirect Cost Expense to a Contracts and Grants Account**

While preparing a financial report it was discovered that indirect cost on a contract account is $1.24 below what it should be. $1.24 is debited to the indirect cost expense object code 5500 on account 4431421, while an equal amount of indirect cost income is credited to the indirect cost recovery object code 1803 on account 1022387.

The initiator of this document needed to add the line on the **Grant** section of the document. The line on the **Receipt** section of the document is generated automatically.

Both sides of the document automatically populate the correct indirect cost object codes. Notice that the system has automatically generated the appropriate offset entries -- in this case to object code 8000.
Routing

The ICA document routes based on the accounts used on the document as follows:

- The fiscal officer for each account must approve.
- Organization review routing occurs for the organization that owns each account.
- Sub-fund routing occurs based on the sub-fund of each account.

The document status becomes 'FINAL' when the required approvals are obtained and the transaction is posted to the G/L during the next G/L batch process.