Information

Administrative Overhead Fee

Effective

July 1, 2009

Number

BFP 011

Applicability

This policy applies to Deans, Vice Presidents, Center Directors, Lead Fiscal Officers, and Unit Business Managers.

Administrative Authority

Vice President for Finance and Chief Financial Officer

Responsible Unit

Budget and Financial Planning
Grawemeyer Hall, Room LL20
S. Third Street
Louisville, KY 40208
502-852-6166
budgets@louisville.edu

History

Revision Date(s):July 7, 2016
Reviewed Date(s): August 31, 2011; July 7, 2016

Categories

Reason for Policy:

The purpose of the administrative overhead recovery charge is to partially offset central University expenses associated with administrative support of these programs, which historically are treated differently from most University programs in several respects (budgeting, accounting, purchasing, human resources, etc.).

Statement:

The University assesses an administrative overhead charge to all activities that are considered Auxiliary Enterprises, Service Centers, and Program Budgeted. This rate may change from year to year as approved by the Office of the President. The rates for subsequent years normally will be determined during the University's annual budget development process. This policy applies to all "Program Budgets" - identified in the University's financial system as program types 1xxxx, 4xxxx, and Sxxxx. The Office of Budget and Financial Planning will maintain and provide to the Controller's Office a list of "Program Budgeted" programs subject to the overhead recovery charge.

Related Information:

Federal Grants & Contracts - To comply with federal guidelines on grants and contracts, OMB Circular A-21, no federal grant or contract may be assessed the overhead expense recovery charge. In the near term, Service Centers will establish separate rate schedules for federal grants and contracts excluding them from the rate calculation for this overhead recovery charge.

Definitions:

Auxiliary Enterprises, Service Centers, and Program Budgeted are "stand-alone" business-like operations that generate both revenue and expenses associated with a specific, identifiable academic or support function. The operations are expected to be self-supporting, with increases in expenses being offset by concomitant increases in revenue. The operations of such self-supporting programs typically provide specialized services, support and/or products for students, faculty, staff, and in some occasions, to the general public.

Departmental Credits - for the purposes of this policy, departmental credits (charge backs) are excluded from the definition of expenses and thereby not included in the calculation of the overhead recovery charge.

Exclusions - Programs that require no administrative support from the University, such as Program Budgets that simply pass through funds for management accountability, are excluded from the administrative overhead charge.

Procedures:

The University Controller's Office shall manage the application of the overhead recovery charge. The administration overhead expense will be assessed and charged on a monthly basis to each affected program based on the program's actual expenses for the prior month. This will be an automated process that will be done during the month-end closing.

The recovered charges will be posted to program 30509 (Program Budget Overhead Charge) using account code 577301 (UL Administrative Fee). Transactions using account codes 573XXX, 575XXX, federal grants and contracts and departmental credits are excluded from the administrative overhead charges.

Responsibilities:

Unit and departmental Business Managers (UBMs) are responsible for monitoring overhead charges on a monthly basis to ensure that any problems can be addressed in a timely manner.

The Office of Budget and Financial Planning will perform periodic reviews to verify that newly established programs are added to the overhead assessment schedule and that current programs are being charged correctly. These reviews normally take place during the development of the annual operating budget.

Questions relating to the implementation of the overhead recover charge may be addressed directly to the Controller's Office. Point of contact is the Director of Accounting & Financial Reporting.