

DIRECT AND INDIRECT COST

Direct costs are charged to the appropriate programs, while direct and indirect support charges are distributed for support service programs to various user programs. These accounting procedures provide the means for assessing the fiscal impact of operating such programs. This section will cover the differences between the charges and methods of accounting for them.

An excellent reference is the California School Accounting Manual. Procedures 320, 325, 910 and 915 cover direct, direct support, and indirect costs accounting methods in detail.

The United States Department of Education (USDE) has approved a cost allocation plan for California which will govern the methodology for determining restricted indirect cost rates for school districts, charter schools, and county offices of education. Lists of approved indirect cost rates, frequently asked questions (FAQs), and letters can be found on the California Department of Education's (CDE) website: <https://www.cde.ca.gov/fg/ac/ic/>

Direct Cost

Direct costs are expenses that can be separately identified and charged as part of the cost of a product, service, or department. Typical direct costs include items such as instructional materials printed in the district print shop, fuel, oil and repairs of district vehicles, centralized data processing services, in-house equipment repairs, and field trips.

Calculating Direct Costs

Direct costs can be calculated using different methods, which are described within the California School Accounting Manual. An example is a charge to district administration for the printing of workshop materials.

Intrafund Direct Costs

When direct costs are charged to programs within the same fund, object code **5710** is used. The program receiving the service is charged (a debit entry) and the program providing the service is credited. **The total of all 5710 accounts must have a zero balance for each fund.**

The following is a sample entry charging Title I for School Choice Transportation:

Account	Fund	Resource	Goal	Function	Object	Site	Debit	Credit
School Choice - Program Impr	0100	3010	1110	3600	5710	000	\$XXX	
Cash	0100	3010			9110			\$XXX
HTS Transportation	0100	0000	0000	3600	5710	000		\$XXX
Cash	0100	0000			9110		\$XXX	

Interfund Direct Costs

When direct costs are charged to another fund, such as, Child Nutrition, Child Development, or the Adult Education Fund, object code **5750** is used. The program receiving the service is charged (a debit entry) and the program providing the service is credited. **The total of all 5750 accounts must have a zero balance across all funds.**

The following is a sample entry charging the child development program for printing:

Account	Fund	Resource	Goal	Function	Object	Site	Debit	Credit
Child Dev-Print Charges	1200	0000	0000	0000	5750	000	\$XXX	
Cash	1200	0000			9110			\$XXX
Print Shop	0100	0000	0000	7200	5750	000		\$XXX
Cash	0100	0000			9110		\$XXX	

Direct Support Costs

Direct support costs are charges for a support program and services that directly benefit other programs. These are costs identified in provider programs that can be transferred to user programs during the year. Typical direct support costs are for supervision, utilities, and psychological and nursing services.

Intrafund Direct Support Costs

When direct support costs are charged to programs within the same fund, object code **5710** is used. The program receiving the service is charged (a debit entry) and the program providing the service is credited. **The total of all 5710 accounts must net to a zero by object, function and fund.**

The following is a sample entry:

Account	Fund	Object	Debit	Credit
Special Education Assessment	0100	5710	\$XXX	
Pupil Services Special Education Assessment	0100	5710		\$XXX

Interfund Direct Support Costs

When direct support costs are charged to the Cafeteria, Child Development or Adult Education Funds, object code **5750** is used. The program receiving the service is charged (a debit entry) and the program providing the service is credited. **The total of all 5750 accounts must net to zero by object and function.**

The following is a sample entry:

Account	Fund	Object	Debit	Credit
Developer Fees - Administrative Expenses	2519	5750	\$XXX	
Cash	2519	9110		\$XXX
General Fund - Administrative Expenses	0100	9110	\$XXX	
Cash	0100	5750		\$XXX

Intrafund Indirect Costs

When indirect costs are charged to programs within the same fund, object code **7310** is used, with function **7210**. The program receiving the service is charged (a debit entry) and the program providing the service is credited. **The total of all 7310 accounts must have a zero balance by fund.**

Account	Fund	Resource	Goal	Function	Object	Site	Debit	Credit
Title I	0100	3010	1110	7210	7310	000	\$XXX	
GF	0100	0000	0000	7210	7310	000		\$XXX

Interfund Indirect Costs

When indirect costs are charged to programs within the Child Nutrition, Child Development or Adult Education Funds, object code **7350** is used, with function **7210**. The program receiving the service is charged (a debit entry) and the program providing the service is credited. **The total of all 7350 accounts must be a zero balance.**

The following is a sample entry:

Account	Fund	Resource	Goal	Function	Object	Site	Debit	Credit
Food Services	1300	5310	0000	7210	7350	000	\$XXX	
Cash	1300	5310			9110			\$XXX
GF	0100	0000	0000	7210	7350	000		\$XXX
Cash	0100	0000			9110		\$XXX	