

Indirect Costs

Indirect Cost is a function that may be used to lighten the financial burden on a School Food Authority for shared services throughout the buildings including the food services. The USDA Administrative Review Manual states the “They typically support administrative overhead functions, such as fringe benefits, accounting, payroll, purchasing, facilities management, and utilities.”

If you have any questions regarding indirect costs, please contact our staff via email (cnp@isbe.net) or phone (217-782.2491).

Two Ways to Determine Indirect Cost Rate

- a. Accept rates provided by ISBE
 - Rates are determined based on Annual Financial Report from 2 years prior
 - Schools not provided a rate may use State Indirect Cost Rate (*Labeled 99999999999 at the top of each year’s rate report)
 - 2024-2025: 3.63% (Restricted) and 17.07% (Unrestricted)
 - 2023-2024: 3.93% (Restricted) and 17.83% (Unrestricted)
 - 2022-2023: 3.66% (Restricted) and 15.88% (Unrestricted)

<https://www.isbe.net/Pages/Indirect-Cost-Rate-Plan.aspx>

- b. Determine own Indirect Cost rates
 - Rates determined based on square footage of buildings
 - Rate still has to be approved by ISBE before use

Two Factors Viewed Closest with Indirect Cost

- Indirect Cost rate established for review year and the corresponding direct cost base
- Documentation to determine allocation of indirect cost is accurate.

Review Procedures Conducted by ISBE

1. Review the rates the SFA are using, do they fall within the range provided?
2. Ensure the SFA is using rate against correct direct cost base
3. Determine if the SFA is using the rates consistently
4. Confirm the SFA has not loaned from or to, in previous years
5. Confirm consistency as indirect or direct for allocation
6. Check all of the final results

Possible Citations under Indirect Cost

- “Nonprofit School Foodservice Account was charged in excess of the approved rate.”
- “Applying correct rate to incorrect direct cost base.”
- “Indirect Cost were not applied consistently.”
- “Double dipping involved with indirect cost and direct cost”
- “No supporting documentation to show allocations.”

Additional Resources

[ISBE SNP Resource Management](#)

[Indirect Cost Rate Plan](#)

[Indirect Cost Training Video](#)

[USDA Indirect Cost Guidance](#)

