

NPC Indirect Cost Rate Q & A

Handouts

Emerald Ballroom II

Sunday, September 11

2:30 p.m. – 4:30 p.m.

SAMPLE VA NPC
Cover letter

June 26, 2011

Ms. Joan Smith
Contract Specialist, Indirect Cost Branch
University Business Affairs
BD242, Room 372
Office of Naval Research
875 N. Randolph Street
Arlington, VA 22203

Re: Sample VA Research Institute, Inc. ("SVARI" or "the Institute") Facilities and Administrative (F&A) & Fringe Benefit Rate Incurred Cost Submission for 2010

Dear Ms. Smith:

We have calculated F&A and fringe benefit rates from costs incurred by SVARI for the year ended December 31, 2010. We propose the following rates:

	2010		2011		2012
	Provisional	Proposed final	Present provisional	Experience year to date	Proposed provisional
F&A	29.0%	28.0%	29.0%	30.0%	31.1%
Fringe benefits					
Without earned leave					25.3%
With earned leave					43.5%

Based on the 2011 results year to date, we do not request a change in the provisional rate. The proposed provisional rate for 2012 takes into account increases that we expect in certain expenses and in the research and education base over 2010. Required information about accounting and cost allocation methods for 2010 and 2012, together with our detailed calculations, including the assignment of expenses on the trial balance for the fiscal year ended December 31, 2010, appear in Schedules attached to this letter.

If you have questions on this proposal and related materials, please contact me at xxx-xxx-1212.

Yours truly,

Tom Jones
Chief Financial Officer

Sample VA Research Institute
 2010 Rate proposal
 Schedule A: F&A calculation for 2010 and 2012

2010	General and administrative	Program	Total expenses	Rate
Per financial statements	245,936	1,270,806	1,516,742	
Miscellaneous adjustments	3,714	16,233		
Per trial balance, Attachment 1	249,650	1,287,039	1,536,689	19.4%
Adjustments				
Eliminate assessments of overhead and other costs from program cost base		(258,081)		
Eliminate subcontract costs over \$25,000 from program cost base		(47,669)		
Eliminate equipment from base		(10,568)		
Eliminate IPA costs from base		(18,000)		
Eliminate contributed effort from base		(24,000)		
Eliminate lease contributed by the VA		(15,000)		
Eliminate study site costs over \$25,000 from program cost base				
Costs for 2010 per assigned trial balance	249,650	913,721		27.3%
Accrual of earned leave to balance sheet	7,308	3,657		
Adjusted incurred costs for 2010	256,957	917,378		28.0%
2012				
2010 incurred costs	256,957	917,378		28.0%
Adjustments:				
NPC share of VA R&D and privacy committees	11,425			
NPC share of departmental administrators	12,500			
NPC share of IRB and other committees	8,800			
Planned one time expenses in 2012	10,000			
Estimated increase in 2012 research base		46,000		
Estimated provisional rate for 2012	299,682	963,378		31.1%
2011 to date, for comparison				
Annualized five months' experience	287,950	958,755		30.0%

Sample VA Research Institute
 2010 Rate proposal
 TRIAL BALANCE FY 2010
 Schedule A Attachment 1: Assignment of costs

	Dec 31, 2010		Direct costs of			Eliminations	Total assigned	Notes pages x-y
	Debit	Credit	Research program	Education and other activities	Management and general and facilities			
5010 · Purchase Discount	0.00						0.00	
6120 · Bank Service Charges	4,734.99				4,734.99		4,734.99	
6134 · VA NPC Indirect Expense assessment	258,081.13					258,081.13	258,081.13	
6136 · Research Supplies and services-Internal	383,527.52		383,527.52				383,527.52	
6137 · Research Supplies and services-External	11,561.00		11,561.00				11,561.00	
6138 · Consulting - misc.	1,475.00				1,475.00		1,475.00	
6140 · Conference Expenses	19,262.33				19,262.33		19,262.33	
6150 · Depreciation Expense	1,085.14				1,085.14		1,085.14	
6160 · Dues and Subscriptions	998.50		590.00		408.50		998.50	
6175 · FHPP Fee Expense	4,600.00		4,600.00				4,600.00	
6177 · Filling fee	268.50				268.50		268.50	
6195 · Liability Insurance	2,264.84				2,264.84		2,264.84	
6210 · IRB Fee expense	6,000.00		6,000.00				6,000.00	
6230 · NAVREF Membership Fees	6,000.00				6,000.00		6,000.00	
6235 · NIH Subaward contractors	65,027.08		17,358.08			47,669.00	65,027.08	
6240 · Office Supplies- Administrative	1,761.93		149.99		1,611.94		1,761.93	
6250 · Postage and Delivery	278.66				278.66		278.66	
6272 · Accounting Fees	45,322.63				45,322.63		45,322.63	
6280 · Registrations	3,895.36		1,605.36		2,290.00		3,895.36	
6560 · Payroll Expenses including IPAs	229,146.59		62,416.88		124,729.71	42,000.00	229,146.59	
6565 · Payroll Taxes and Service Fees	58,178.75		27,771.57		30,407.18		58,178.75	
6680 · Memberships and courses	3,522.09		2,091.09		1,431.00		3,522.09	
6690 · Miscellaneous	4,874.47		4,306.20		568.27		4,874.47	
6700 · Program Expense	230.00		230.00				230.00	
6710 · Computer Expense	6,114.59		6,114.59				6,114.59	
6720 · Equipment	10,568.11					10,568.11	10,568.11	
6730 · Lease for space	15,000.00					15,000.00	15,000.00	
6740 · Computer software	608.95		608.95				608.95	
6750 · Subject Participation Fees	2,688.00		2,688.00				2,688.00	
6775 · Supplies	38,612.08		38,612.08				38,612.08	
6780 · Research Services	2,568.71		2,568.71				2,568.71	
6760 · Salary Reimbursements	0.00						0.00	
6762 · Salary Reim. - VAMC Affiliate A	165,026.74		165,026.74				165,026.74	
6764 · Salary Reim. VAMC Affiliate B	44,326.41		44,326.41				44,326.41	
6765 · Salary Reim. VAMC Affiliate C	85,988.16		85,988.16				85,988.16	
6777 · Golf tournament and other fund raising, net expenses	22,311.55		22,311.55				22,311.55	
6810 · Parking fee	222.21		132.21		90.00		222.21	
6820 · Travel	30,556.69		23,135.81		7,420.88		30,556.69	
7010 · Interest Income		17,973.59						
TOTAL FOOTINGS including assets, liabilities, net assets, revenue and expense	3,263,789.15	3,246,842.60	913,720.90	0.00	249,649.57	373,318.24	1,536,688.71	
TOTAL EXPENSES							1,536,688.71	

Rate

27.3%

Sample VA Research Institute
 2010 Rate proposal
 Schedule C: Fringe Benefit expense

Note: This is for a small employee group changing from specific identification of fringes to a composite rate. Other formats may be more appropriate

Full time employees

2010 experience	Gross pay	Special pay or bonuses	Dep medical	Emp medical	Fed tax	FICA tax	State tax	Total fringe including processing fee	Total	Earned leave	Total fringes including earned leave	With earned leave in pool	With earned leave in base
Employee A	\$ 34,113	\$ -		\$ 1,068	\$ 4,501	\$ 2,518	\$ 1,361	\$ 8,712	\$ 42,826	\$ 4,330	\$ 13,042	43.8%	25.5%
Employee B	\$ 52,577	\$ -	\$ 2,161	\$ 1,005	\$ 6,937	\$ 3,880	\$ 2,098	\$ 11,252	\$ 63,829	\$ 6,673	\$ 17,926	39.1%	21.4%
Employee C	\$ 49,920	\$ -	\$ 2,161	\$ 1,005	\$ 6,587	\$ 3,684	\$ 1,992	\$ 10,844	\$ 60,764	\$ 6,336	\$ 17,180	39.4%	21.7%
Employee D	\$ 36,036	\$ -	\$ 2,161	\$ 1,005	\$ 4,755	\$ 2,659	\$ 1,438	\$ 8,708	\$ 44,744	\$ 4,574	\$ 13,282	42.2%	24.2%
Employee E	\$ 38,500	\$ -	\$ 2,161	\$ 1,005	\$ 5,080	\$ 2,841	\$ 1,536	\$ 9,087	\$ 47,587	\$ 4,887	\$ 13,974	41.6%	23.6%
	\$ 211,146	\$ -	\$ 8,643	\$ 5,089	\$ 27,860	\$ 15,582	\$ 8,426	\$ 48,604	\$ 259,750	\$ 26,799	\$ 75,403	40.9%	23.0%
2012 forward pricing													
Adjustments													
Long term disability (starting 2011)								\$ 3,500			\$ 3,500		
Salary increases	\$ 8,530	\$ -				\$ 630		\$ 1,312		\$ 1,083	\$ 2,395		
Increase in health insurance			\$ 1,340	\$ 789				\$ 2,129			\$ 2,129		
Adjusted total for 2012	\$ 219,677	\$ -	\$ 9,983	\$ 5,878	\$ 27,860	\$ 16,212	\$ 8,426	\$ 55,545	\$ 259,750	\$ 27,882	\$ 83,427	43.5%	25.3%

Notes:

Earned leave for full time (days)	Days	Hours	Percent of work year
Holidays	10	80	3.8%
Vacation	15	120	5.8%
Sick	8	64	3.1%

Increases	Salaries	Health ins.
2011	2%	5%
2012	2%	10%

Annual leave accrual 12/31/10	\$ 13,425
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Sample VA Research Institute
 2010 F&A proposal
 Schedule E: Direct and indirect costs by sponsor

	DoD	NIH	Other DHHS	Non federal sponsors	Total
Total expenditures per financial statements and A-133 Schedule of Expenditures of Federal Awards	\$ 473,698	\$ 311,190	\$ 12,259	\$ 719,595	\$ 1,516,742
Assessment of indirect costs per trial balance	\$ 93,456	\$ 63,211	\$ 2,599	\$ 98,815	\$ 258,081

Note: For awards by CFDA, see A-133 audit report

Sample VA Research Institute
 2010 Rate proposal
 Schedule J: Subcontract expense

Subaward A

Date	Amount	Under \$25K		Over \$25K	
		2009	2010	2009	2010
3/7/2009	\$ 22,637.00	\$ 22,637.00			
3/25/2009	\$ 4,136.00	\$ 2,363.00		\$ 1,773.00	
5/2/2009	\$ 5,037.79			\$ 5,037.79	
6/5/2009	\$ 3,929.00			\$ 3,929.00	
7/1/2010	\$ 3,252.00				\$ 3,252.00
8/1/2010	\$ 4,291.00				\$ 4,291.00
8/25/2010	\$ 4,637.00				\$ 4,637.00
9/23/2010	\$ 2,881.00				\$ 2,881.00
10/30/2010	\$ 6,357.00				\$ 6,357.00
	<u>\$ 57,157.79</u>	<u>\$ 25,000.00</u>	<u>\$ -</u>	<u>\$ 10,739.79</u>	<u>\$ 21,418.00</u>

Subaward B

5/2/2009	\$ 109,166.00	\$ 25,000.00		\$ 84,166.00	
5/15/2009	\$ 42,155.00			\$ 42,155.00	
6/5/2009	\$ 20,054.00			\$ 20,054.00	
7/15/2010	\$ 26,251.00				\$ 26,251.00
	<u>\$ 197,626.00</u>	<u>\$ 25,000.00</u>	<u>\$ -</u>	<u>\$ 146,375.00</u>	<u>\$ 26,251.00</u>

Subaward C

1/5/2010	\$ 17,358.08		\$ 17,358.08	
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Total subs	<u>\$ 272,141.87</u>	<u>\$ 50,000.00</u>	<u>\$ 17,358.08</u>	<u>\$ 157,114.79</u>	<u>\$ 47,669.00</u>
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Sample VA Research Institute
Cognizant agency guidance

	ONR	DCA
Proposal materials		
Cover letter	✓	✓
General information		
Statement of major activities	✓	
Description of accounting policies and any changes, including treatment of		
Compensated absences	✓	
Unallowable costs	✓	
Fringe benefits	✓	
Discussion of any unusual factors in incurred costs or rate proposal	✓	✓
Identification of the federal agencies that provide more than 10% of your annual Federal funding.	✓	
Other information		
Audited financial statements and A-133 audit report	✓	✓
Reconciliation of rate calculation to audited financial statements	✓	
Lobbying cost certification	✓	✓
Budget, if projections are used	✓	
Amount of base costs incurred on federal awards	✓	
Schedules		
Schedule A – Statements) of Indirect Costs and Calculation of Indirect Rate(s) for each rate proposed.	✓	✓
Schedule B - Reconciliation of Total Costs to Financial Statements	✓	
Schedule C – Statement of Fringe Benefits - (a) or (b) below		
(a) if you are requesting a negotiated fringe benefit rate, provide a Statement of Fringe Benefit Costs and Calculation of Fringe Benefit Rate, OR	✓	✓
(b) if you are not requesting a negotiated fringe benefit rate, provide a Statement of Fringe Benefit costs	✓	
Schedule D - Allocation of Salaries and Wages	✓	
Schedule E – Schedule of Federal Awards	✓	
ADDITIONAL SCHEDULES FOR PROPOSALS TO ESTABLISH FINAL RATES:	✓	
Schedule F - Schedule of Direct Costs by Award and applied indirect expenses	✓	
Schedule G - Government Participation in Indirect Cost Pools	✓	
Schedule H - Reconciliation of Total Payroll per accounting records to IRS form 941	✓	
Additional schedules as appropriate		
References		
OMB A-122		
http://www.whitehouse.gov/omb/circulars_a122_2004/		
ONR		
http://www.onr.navy.mil/Contracts-Grants/manage-grant/indirect-cost-proposal.aspx		
DCA		
http://rates.psc.gov/		
NIH Grants Policy Statement (2010)		
http://www.nih.gov/grants/policy/nihgps_2010/index.htm		
NIH settlement guidance		
http://www.nih.gov/grants/compliance/repayment_of_grant_funds.doc		
HHS OASMB-5 Cost principles and procedures for establishing indirect cost and other rates for grants and contracts with the Department of Health and Human Services (Government Printing Office)		
http://openlibrary.org/books/OL14223976M/Cost_principles_and_procedures_for_establishing_indirect_cost_and_other_rates_for_grants_and_contracts_with_the_Department_of_Health_and_Human_Services		

Sample VA Research Institute
Glossary

AIRI exemption: Agreement negotiated in 1997 between the Association of Independent Research Institutes (AIRI) and NIH. Non profit or hospital grantees may request a reconsideration of the total-cost commitment on an NIH grant if there is a minimum increase of three percentage points in the F&A rate and there is a potential of a negative impact on the scope of the project.

Base year: The fiscal year that serves as the basis for calculation of an F&A or fringe benefits rate. Typically, the past year (2010, say) serves as the base year for a rate two years hence (2012 in this example).

Cognizant agency: The federal agency assigned responsibility for F&A negotiation by OMB. Typically, the agency that provides the largest share of the recipient's funding.

Composite fringe benefits rate: A factor that is applied to salaries and wages in order to charge fringe benefits to federal and other projects. The rate is the aggregate of an institution's fringe benefits costs over the amount of salaries and wages in a particular fiscal year.

Cost principles: Federally-promulgated rules for determining costs of grants, contracts and other agreements with non-profit organizations and other types of recipients.

Earned leave rate: A factor that is applied to salaries and wages in order to charge the cost of earned leave (typically vacation and sick pay) to federal and other projects. The rate is the aggregate value of earned leave divided by the amount of salaries and wages in a particular fiscal year.

F&A pool: A grouping of incurred costs identified with two or more cost objectives (projects) but not identified with any final cost objective.

Final rate: An F&A or fringe benefit rate that is established based on actual audited experience for a particular fiscal year.

Fixed rate: An F&A or fringe benefits rate that is established for a period, most often a fiscal year, and is not subject to adjustment during that year.

Fixed rate with carry forward: An F&A or fringe benefits rate that is established on a fixed basis, but subject to subsequent comparison with actual incurred cost experience. Any variance between the budgeted and final rates is added to or subtracted from a future year's rate.

MTDC base: One accepted denominator for distributing F&A costs to applicable sponsored agreements and other benefiting activities (salaries and wages is another base frequently used). The base consists of all salaries and wages, fringe benefits, materials and supplies, services, travel, and subgrants and subcontracts (typically up to the first \$25,000 of each subgrant or subcontract (regardless of the period covered by the subgrant or subcontract)). Equipment, capital expenditures, charges for patient care and tuition remission, rental costs, scholarships, participant support costs and fellowships as well as the portion of each subgrant and subcontract in excess of \$25,000 shall be excluded from modified total direct costs. Other items may only be excluded where necessary to avoid a serious inequity in the distribution of F&A costs.

Negotiation agreement: The formal document, signed by representatives of both the cognizant agency and the institution, that sets forth the F&A and fringe benefits rates to be applied to federal awards for a particular period.

Predetermined rate: An F&A or (not typically) fringe benefit rate that has been established on the basis of historical or budgeted data and is not subject to adjustment for a particular period.

Prime award: A contract or grant that has been awarded directly to an institution, so that federal or other money flows directly to the institution. (Not a subaward in which recovery of costs comes through an intermediary.

Provisional rate: A budgeted F&A rate that is applied subject to adjustment to actual experience after the end of the fiscal year. To prevent substantial overpayment or underpayment, a provisional rate may also be adjusted by the cognizant agency during the institution's fiscal year. Predetermined or fixed rates may replace provisional rates at any time prior to the close of the institution's fiscal year.

Rate settlement: The final accounting for F&A or fringe benefits costs for a specific period, typically a fiscal year. Rate settlement may or may not include adjustment of amounts charged to and reported on federal awards.