

## Procedures for Addressing Indirect Cost Rate Changes

I. THERE IS A CHANGE IN THE INDIRECT COST RATE DURING THE COURSE OF AN AWARD AS A RESULT OF A CHANGE IN OUR INDIRECT COST RATE AGREEMENT WITH DEPARTMENT OF HEALTH AND HUMAN SERVICES (DHHS).

A. Allocation:

EMF allocates the latest increment (direct and indirect costs) but does not change the indirect cost rate in FIS from the previous rate.

B. Tracking:

The Divisional Research Accountant/Analyst monitors the actual indirect costs. When this exceeds the total budgeted indirect costs of those increments awarded at the previous rate, Div. Research Accountant/Analyst notifies EMF. At that point EMF will update Banner with new rate and book the necessary adjustments.

C. Basis for Calculating and Adjusting Indirect Costs:

1. EMF Accountant calculates the indirect cost base associated with each rate on the award:

Fund 2XXXX Increment (Award Modification No.)	Budgeted Indirect Cost Base	Indirect Cost Rate	Budgeted Indirect Costs
N0001EB9806771-1	100,000.00	49%	49,000.00
N0001EB9806771-2	80,000.00	49%	39,200.00
N0001EB9806771-3	80,000.00	49%	39,200.00
<u>N0001EB9806771-4</u>	<u>80,000.00</u>	<u>49%</u>	<u>39,200.00</u>
Subtotals for increments awarded at 49%	340,000.00		166,600.00
N0001EB9806771-5	80,000.00	51%	40,800.00
<u>N0001EB9806771-6</u>	<u>80,000.00</u>	<u>51%</u>	<u>40,800.00</u>
Subtotals for increments awarded at 51%	160,000.00		81,600.00

2. Accountant runs an inception-to-date report & calculates the sum of actual direct costs that are subject to indirects, (i.e. the direct cost base.) From this base, Accountant deducts the total budgeted indirect cost base of the earlier rate. Indirect costs are then calculated for the earlier rate using the base for that rate. The new rate is then applied to the remaining direct costs:

Fund 2XXXX	Direct Costs	Rate	Calculated Indirect Costs
Total direct costs from inception-to-date report (excluding categories exempt from indirect cost base):	435,000.00		
Amount of direct costs subject to 49% indirect cost rate based on total budgeted for that rate:	340,000.00	49%	166,600.00
Difference, subject to the indirect cost rate of 51%:	95,000.00	51%	48,450.00
Total Calculated Indirect Costs			215,050.00

3. The total calculated indirect costs are then compared to the actual indirect costs from the inception-to-date report. The difference between them is the basis for the indirect cost adjustment.

4. Limitations of this method.

1. If actual expenses result in a significant (10% of the total award) deviation from the budgeted indirect cost base, the Division should contact EMF to determine whether this method should still be applied.

**II. TWO INDIRECT COST RATES ON AN AWARD DUE TO A RESEARCH EXPERIENCES FOR UNDERGRADUATES (REU) SUPPLEMENT.**

A. Allocation:

1. EMF allocates the supplement using the same fund number as the parent grant.

B. Tracking:

1. Service Center tracks expenses on the REU supplement separately from the parent grant. Service Center will submit a financial report on REU expenses when requested by the EMF Accountant.

C. Basis for Calculating and Adjusting Indirect Costs.

1. EMF Accountant totals the budgeted indirect cost base associated with REU supplements.
2. The parent grant's total indirect cost base is also obtained:

Fund 2XXXX

Increment	Budgeted Indirect Cost Base (Parent)	Budgeted Indirect Cost Base (REU)	Indirect Cost Rate	Budgeted Indirect Costs
NSF MIP-9858490	100,000.00		48.50%	48,500.00
NSF MIP-9858490-02	80,000.00		48.50%	38,800.00
Subtotal for Parent Grant:	180,000.00			87,300.00
NSF MIP-9858490-01		15,000.00	25.00%	3,750.00
NSF MIP-9858490-03		10,000.00	25.00%	2,500.00
Subtotals for REU:		25,000.00		6,250.00

3. If the REU supplement is fully spent, EMF Accountant runs an inception-to-date-report. After checking for consistency with the Service Center's report, Accountant subtracts the budgeted REU indirect cost base from the total award expenditures subject to indirect costs. The REU's indirect cost rate will be applied to what is deducted, and the remaining amount will be subject to the indirect cost rate of the parent grant.

Fund 2XXXX	Direct Costs	Rate	Calculated I.C.
Total direct costs from inception-to-date report (excluding all exempt categories):	185,000.00		
Direct costs subject to 25% indirect cost rate based on total budgeted for REU supplement:	25,000.00	25.00%	6,250.00
Remainder, subject to the subsequent indirect cost rate of 49% on the Parent Grant:	160,000.00	49.00%	78,400.00
Total Calculated Indirect Costs			84,650.00

4. The total calculated indirect costs are then compared to the actual indirect costs from the inception-to-date report. The difference between them is the basis for the indirect cost adjustment.

- a. If the REU supplement is not fully spent, EMF Accountant runs an inception-to-date report. The actual direct costs included in the two indirect cost bases are separately totaled. The total calculated indirect costs are then compared to the actual indirect costs from the inception-to-date report. The difference is the basis for the indirect cost adjustment.

Fund 2XXXX	Parent Grant	REU Suppl	Rate	Calculated I.C.
Total direct costs from inception-to-date report (excluding all exempt categories):	160,000.00		49%	78400.00

Total direct costs from Service Center's financial report (excluding all exempt categories):	15,000.00	25%	3,750.00
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Total Calculated Indirect Costs			84,650.00
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- b. The total calculated indirect costs are then compared to the actual indirect costs from the inception-to-date report. The difference is the basis for the indirect cost adjustment.

### **III. CHANGING BETWEEN ON-CAMPUS AND OFF-CAMPUS RATES ON AN AWARD.**

- A. Expenditures using the remaining balance of the previous increment shall be subject to the indirect cost rate of the subsequent increment. In other words, the rate changes on the start date of the new increment. Any expenditures posting that day or later are subject to the new rate. The service center is responsible for monitoring the dates and informing EMF to update the rate in FIS on the day of the change.