

INDIRECT COST RATES

- *WHAT ARE INDIRECT COST RATES????*
 - *Indirect Cost Pool-How Deep?*
 - *Indirect Cost Base-How Large?*
 - *Indirect Cost Rate-How High?*

AGENDA

- *Who Are We- Indirect Cost Branch*
- *Definitions*
- *Why Indirect Cost Rates Are Needed;
Including An Example*
- *The Negotiation Process; Including How
To Start The Process*

INDIRECT COST BRANCH

- The Office At NIH With The Responsibility Of Negotiating **INDIRECT COST RATES** With **COMMERCIAL ORGANIZATIONS** Receiving Awards (Grants & Contracts) With NIH
 - SBIR & STTR



TYPES OF COSTS

- **DIRECT COSTS:** *Easily Identified With A Specific Project:*
 - Direct Salaries & Wages
 - Materials & Supplies
 - Consultants & Subcontracts

TYPES OF COSTS (Continued)

- *INDIRECT COSTS: Not Easily Identified With A Specific Project*
 - Fringe Benefits
 - Overhead
 - G&A

FRINGE BENEFITS

- *Allowances And Services Provided To Employees*
 - Pd Abs (Vacation, Holiday & Sick Leave)
 - Payroll Taxes
 - Pension Plan
 - Group Ins (Health, Life & Disability)

OVERHEAD COSTS

- *Indirect Costs Relating To The Performance Of A Project*
 - Overhead Labor (e.g.; supervision, general meetings)
 - Fringes On Overhead Labor
 - Facility Costs & Depreciation
 - General Lab Supplies



G&A COSTS

- *Indirect Costs Associated With The Overall Management Of The Company*
 - Executive & Administrative Labor
 - Fringe Benefits On G&A Labor
 - Professional Fees (CPA)
 - Office Supplies

IDC RATES ARE NEEDED

- *To Provide A Uniform Method*
 - Funding Indirect Costs
 - Charging Indirect Costs
- *To Provide An Equitable Allocation Of Indirect Costs Across All Projects*

INDIRECT COST RATE

- *A Method For Allocating Indirect Costs To Projects*
- *Ratio Between Indirect Costs (Pool) And An Equitable Base*

TYPES OF RATES

- *Three Types Of Rates*
 - Provisional Rates
 - Based On Projections For Current FY
 - Used For Funding & Charging
 - Final Rates
 - Based On Actual Costs
 - Charges Adjusted To Reflect Final Rates
 - Ceiling Rates
 - Final Rates Cannot Exceed

INDIRECT COST RATE SYSTEMS

- *One Tier System: One Pool*
 - Fringe Benefits, Overhead & G&A
- *Two Tier System: Two Pools - Typically*
 - Fringe Benefits
 - Overhead and G&A

INDIRECT COST RATE SYSTEMS (Continued)

- *Three Tier System: Three Pools*
 - Fringe Benefits
 - Overhead
 - G&A

INDIRECT COST RATE

(Example)

- *EXAMPLE COMPUTATION- TWO TIER*
 - Fringe Benefit Rate
 - POOL: Pd Abs, Payroll Taxes, Pension & Group Insurance
 - BASE: Total Labor-Direct & Indirect Excluding Pd Abs
 - RATE: POOL Divided By BASE

INDIRECT COST RATE

(Continued)

- *EXAMPLE-CONTINUED*
 - Indirect Cost Rate
 - POOL: Overhead & G&A Costs
 - BASE: Total Direct Cost Excluding Equipment & Subcontract Costs In Excess Of \$25,000 Per Subcontract Per Project Period
 - RATE: POOL Divided By BASE



NEGOTIATION PROCESS

(Step 1)

- *CONTACT INDIRECT COST BRANCH:*
 - When: Notification Grant/Contract Is Going To Be Awarded

NEGOTIATION PROCESS

(Step 1 -Continued)

– Information Needed:

- Representative Name & E-Mail Address
- Company Name & Address
- Grant/Contract Number
- Grant/Contract Specialist's Name

NEGOTIATION PROCESS

(Step 2)

- *Indirect Cost Branch Requests Indirect Cost Proposal:*
 - Letter: Via E-mail

NEGOTIATION PROCESS

(Step 3)

- *Indirect Cost Proposal Submitted*
- *Indirect Cost Branch Reviews Proposal*
- *Indirect Cost Branch Follows-up With Questions To Company*

NEGOTIATION PROCESS

(Step 4)

- *NEGOTIATES RATES WITH COMPANY*
 - Typically By Phone
 - Rate Agreement Is Issued Or Rate Memo Is Sent To Grant Specialist

FINALLY

- *WE ARE DONE!*
- *NOW THAT WAS NOT SO BAD!*
- *WAS IT?*
- *GUESS WHAT?*
- *WE ARE GOING TO DO IT AGAIN
NEXT YEAR!*