

# **UCAR Indirect Cost Rate Development Process OVERVIEW**

**August 24, 2009**

**Justin Young**

# Summary of Budget Analysis Activities

- Oversee the preparation of the UCAR budget planning and development process for all indirect cost pools
- Prepare the Indirect Cost Rate Proposal for submission to NSF (UCAR's cognizant audit agency)
- Prepare monthly variance reports, including analysis and projections, for UCAR President's Council, UCAR Management Committee and NSF

# Indirect Cost Rate Development Process

Why do we have Indirect Cost Pools?

- NSF/UCAR Cooperative Agreement requires that UCAR comply with OMB Circular A-122, Cost Principles for Non-Profit Organizations, which addresses the following:
  - Definition of direct vs. indirect costs
  - Details the methodology for developing indirect cost pools and calculating indirect cost rates

# Indirect Cost Rate Development Process

## *Definitions*

- **Direct Cost**- a cost that can be identified specifically with a particular final cost objective (i.e., function, project, sponsored agreement, department) with relative ease.

### *Examples:*

*Principal investigator*

*Subcontract costs*

*Project related travel*

*Project related materials and supplies*

# Indirect Cost Rate Development Process

## (Definitions cont'd)

- **Indirect Cost**- a cost which cannot be specifically identified with a particular final cost objective. An indirect cost benefits more than one final cost objective, and must be allocated equitably to each benefiting cost objective.

### *Examples:*

*Executive management*

*Payroll and purchasing*

*Accounting, budgeting*

*Human Resources*

*Information Technology*

# Indirect Cost Rate Development Process

## (Definitions cont'd)

- **Indirect Cost Rate Proposal** - The documentation prepared by an organization to substantiate its claim for the reimbursement of indirect costs. This proposal provides the basis for the review and negotiation leading to the establishment of an organization's indirect cost rate. UCAR's Indirect Cost Rate Proposal is submitted to NSF, UCAR's cognizant audit agency, on an annual basis.

# Indirect Cost Rate Development Process

## (Definitions cont'd)

- **Indirect Cost Pool (ICP)** - Grouping of expenses identified with two or more cost objectives and are of like character in terms of the functions they benefit and in terms of the allocation base which best measures the relative benefits provided to each function.
- **Indirect Cost Rate** – The ratio, expressed as a percentage or dollar unit value, of an indirect cost pool and a direct cost base.

$$\frac{\text{Indirect Cost Pool}}{\text{Direct Cost Base}} = \text{Indirect Cost Rate}$$

# Indirect Cost Rate Development Process

## (Definitions cont'd)

- *Indirect Cost Variance* - The difference between the actual cost of an indirect cost pool and the indirect cost recovery for a fiscal year. Indirect cost variances, either positive (overrecovery) or negative (underrecovery) are included in the rate calculation two years subsequent (Fixed Rate with Variance Carryforward provision). For example, FY2007 variance is carried forward as an adjustment to the FY2009 rate computation. The rate will either increase (underrecovery) or decrease (overrecovery) if the variance is significant.

# Indirect Cost Rate Development Process

## (Definitions cont'd)

- **Modified Total Direct Costs (MTDC)** – Consists of direct salaries and wages, fringe benefits, materials and supplies, services, travel, and subcontracts up to the first \$25,000 of each subgrant or award less the following:
  - Original cost of equipment \$5,000 or greater
  - Participant support costs
  - Interagency personnel agreements (IPA)
  - Purchase order and subcontracts in excess of \$25,000 per fiscal year per account key expenditure

# Indirect Cost Rate Development Process

## UCAR's FY2009 Indirect Cost Pools include:

1. **Employee Benefits** (medical, FICA, TIAA/CREF, non-worked time including PTO, vacation, sick leave and holiday)
2. **Communications** (telecom, networking/network security)
3. **Facilities** (maintenance, custodial, building debt service)
4. **UCAR G&A** (UCAR Pres Office, F&A, Corp Affairs, Library)
5. **NCAR Indirect** (NCAR Director's Office, Lab/division administrative budgets, bid & proposal)
6. **UOP/EO Indirect** (UOP Director's Office, Education and Outreach Director's Office, program administrative budgets, bid & proposal)

# Indirect Cost Rate Development Process

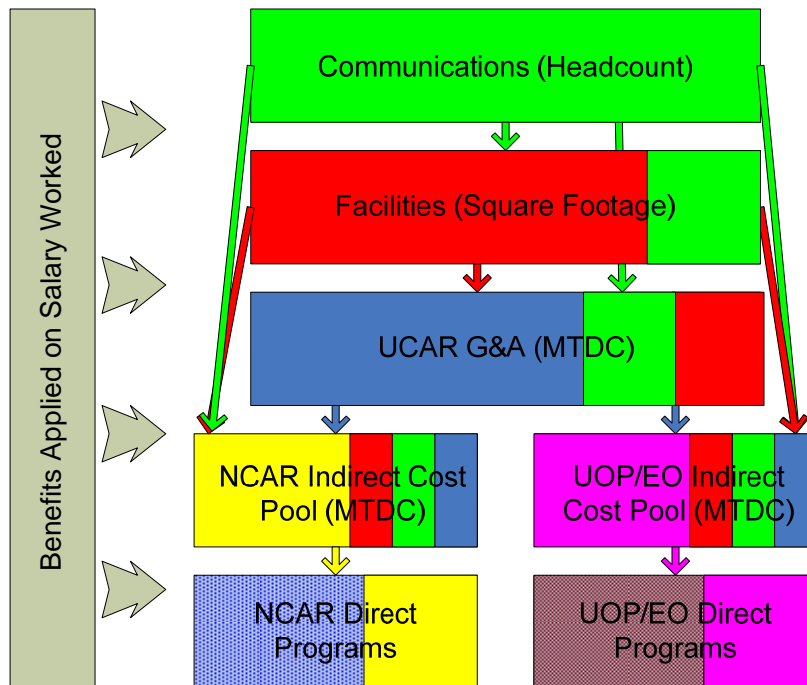
## FY2009 Rate Information

<u>RATE</u>	<u>FY 2009</u>	<u>BASE</u>
<b>Employee Benefit Rates:</b>		
Reduced Benefit Rate	10.9%	Salary*
Full Benefit Rate	53.5%	Salary
<b>Communications:</b>	\$2,588	Headcount
<b>Facilities Cost Rate:</b>	\$22.13	GASF
<b>UCAR G&amp;A:</b>	13.9%	MTDC+IC
<b>NCAR Indirect Cost Rate:</b>	51.9%	MTDC
<b>UOP Indirect Cost Rates:</b>		
On-site	32.6%	MTDC
Off-site	21.7%	MTDC









\* Includes casual employee and student visitor salaries.

# Indirect Cost Rate Development Process

UCAR Indirect Cost Pool Flowdown Chart



Legend:

- |  |   |
|--|---|
|  Communications |  NCAR ICP               |
|  Facilities     |  UOP/EO ICP             |
|  UCAR G&A       |  NCAR Direct Programs   |
|  Benefit Pool   |  UOP/EO Direct Programs |