



DEPARTMENT OF HEALTH & HUMAN SERVICES

Program Support Center  
Financial Management Portfolio  
Cost Allocation Services

90 7<sup>th</sup> Street, Suite 4-600  
San Francisco, CA 94103-6705  
PHONE: (415) 437-7820  
FAX: (415) 437-7823  
EMAIL: [CAS-SF@psc.hhs.gov](mailto:CAS-SF@psc.hhs.gov)

June 22, 2018

Joao Pires  
Manager, Costing Policy and Analysis  
University of California Office of the President  
1111 Franklin St., #10310  
Oakland, CA 94607-5200

Dear Mr. Pires:

A copy of the indirect rate cost rate agreement is being sent to you for signature. This agreement reflects an understanding reached between your organization and a member of my staff concerning the rate(s) that may be used to support your claim for F&A and fringe benefit costs on grants and contracts with the Federal Government.

During our review of the proposal, we were informed that the University will waive the total carry-forward amount of under-recoveries totaling \$4,859,491. This represents the total amount of the under-recoveries in the fiscal year ending June 30, 2017 for the fringe benefit rate applicable to All Employees. By waiving the carry-forward amount, the University gives up the right to include this amount in any future fringe benefit rate proposal.

During our review of your proposal, it was disclosed that the Institution's actuarially determined pension contributions exceeded the Governmental Accounting Standards Board (GASB) Statement No. 68 calculated pension expense. However, 2 CFR 200.431(g)(3) only allows pension plan costs determined in accordance with GAAP (i.e., GASB 68). The Office of Management and Budget (OMB) is aware of this issue and is currently considering revising the regulations. Therefore, we reserve the right to revise this Agreement to disallow the pension contributions in excess of the GASB 68 calculated pension expense, if OMB does not revise the regulation or issue an exception.

Please indicate your concurrence with this condition by counter-signing this letter below and returning it to me.

Please have the agreement signed by an authorized representative of your organization and return within ten business days of receipt. The signed agreement should be sent to me by email, while retaining the copy for your files. Only when the signed agreement is returned, will we then reproduce and distribute the agreement to the appropriate awarding organizations of the Federal Government for their use.

PLEASE SIGN AND RETURN THE NEGOTIATION AGREEMENT BY EMAIL

Mr. Pires  
June 22, 2018  
Page 2 of 2

A fringe benefit proposal, together with the required supporting information, must be submitted to this office for each fiscal year in which your organization claims fringe benefit costs under grants and contracts awarded by the Federal Government. Therefore, your next fringe benefit rate proposal based on actual costs for the fiscal year ending 06/30/18, is due in our office by 12/31/18. Please submit your next proposal electronically via email to [CAS-SF@psc.hhs.gov](mailto:CAS-SF@psc.hhs.gov).

Sincerely,

Arif M.  
Karim -S  
Arif Karim, Director  
Cost Allocation Services

Digitally signed by Arif M. Karim -S  
DN: cn=US, ou=U.S. Government, ou=#15,  
ou=PSC, ou=People, cn=Arif M. Karim -  
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Date: 2018.06.29 14:22:42 -05'00'

Enclosure

In concurrence:

  
Signature

Nathan Brostrom  
Name

EVP - Chief Financial Officer  
Title

7/2/2018  
Date

PLEASE SIGN AND RETURN THE NEGOTIATION AGREEMENT BY EMAIL

**COLLEGE AND UNIVERSITY RATE AGREEMENT**

EIN: 94-3067788  
 ORGANIZATION:  
 University of California (UCOP)  
 Office of the President  
 1111 Franklin St., #10310  
 Oakland, CA 94607-5200

Date: 6/22/2018  
 FILING REF.: The preceding  
 agreement was dated  
 7/5/2017

The rates approved in this agreement are for use on grants, contracts and other agreements with the Federal Government, subject to the conditions in Section III.

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**SECTION I: INDIRECT COST RATES**

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RATE TYPES:      FIXED    FINAL    PROV. (PROVISIONAL)      PRED. (PREDETERMINED)

TYPE	EFFECTIVE PERIOD		RATE(%)	LOCATION	APPLICABLE TO
	FROM	TO			
FINAL	7/1/2009	6/30/2010	20.00	On-Campus	All Programs
FINAL	7/1/2009	6/30/2010	7.80	Off-Campus	All Programs
PRED.	7/1/2010	6/30/2011	20.00	On-Campus	All Programs
PRED.	7/1/2010	6/30/2011	7.80	Off-Campus	All Programs
PRED.	7/1/2011	6/30/2014	17.80	On-Campus	All Programs
PRED.	7/1/2011	6/30/2014	9.30	Off-Campus	All Programs
PROV.	7/1/2014	6/30/2016	17.80	On-Campus	All Programs
PROV.	7/1/2014	6/30/2016	9.30	Off-Campus	All Programs

**\*BASE**

Modified total direct costs, consisting of all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel and up to the first \$25,000 of each subaward (regardless of the period of performance of the subawards under the award). Modified total direct costs shall exclude equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs.

**SECTION I: FRINGE BENEFIT RATES\*\***

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<u>TYPE</u>	<u>FROM</u>	<u>TO</u>	<u>RATE(%)</u>	<u>LOCATION</u>	<u>APPLICABLE TO</u>
FIXED	7/1/2018	6/30/2019	38.60	All	All Employees
PROV.	7/1/2019	6/30/2020	38.60	All	All Employees

**\*\* DESCRIPTION OF FRINGE BENEFITS RATE BASE:**

Salaries and wages excluding vacation and catastrophic leave.

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**SECTION II: SPECIAL REMARKS**

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TREATMENT OF FRINGE BENEFITS:

The fringe benefits are charged using the rate(s) listed in the Fringe Benefits Section of this Agreement. The fringe benefits included in the rate(s) are listed below.

TREATMENT OF PAID ABSENCES:

Vacation, holiday, sick leave pay and other paid absences are included in salaries and wages and are claimed on grants, contracts and other agreements as part of the normal cost for salaries and wages. Separate claims are not made for the cost of these paid absences.

**SECTION III: GENERAL**

**A. LIMITATIONS:**

The rates in this Agreement are subject to any statutory or administrative limitations and apply to a given grant, contract or other agreement only to the extent that funds are available. Acceptance of the rates is subject to the following conditions: (1) Only costs incurred by the organization were included in its indirect cost pool as finally accepted; such costs are legal obligations of the organization and are allowable under the governing cost principles; (2) The same costs that have been treated as indirect costs are not claimed as direct costs; (3) Similar types of costs have been accorded consistent accounting treatment; and (4) The information provided by the organization which was used to establish the rates is not later found to be materially incomplete or inaccurate by the Federal Government. In such situations the rate(s) would be subject to renegotiation at the discretion of the Federal Government.

**B. ACCOUNTING CHANGES:**

This Agreement is based on the accounting system purported by the organization to be in effect during the Agreement period. Changes to the method of accounting for costs which affect the amount of reimbursement resulting from the use of this Agreement require prior approval of the authorized representative of the cognizant agency. Such changes include, but are not limited to, changes in the charging of a particular type of cost from indirect to direct. Failure to obtain approval may result in cost disallowances.

**C. FIXED RATES:**

If a fixed rate is in this Agreement, it is based on an estimate of the costs for the period covered by the rate. When the actual costs for this period are determined, an adjustment will be made to a rate of a future year(s) to compensate for the difference between the costs used to establish the fixed rate and actual costs.

**D. USE BY OTHER FEDERAL AGENCIES:**

The rates in this Agreement were approved in accordance with the authority in Title 2 of the Code of Federal Regulations, Part 200 (2 CFR 200), and should be applied to grants, contracts and other agreements covered by 2 CFR 200, subject to any limitations in A above. The organization may provide copies of the Agreement to other Federal Agencies to give them early notification of the Agreement.

**E. OTHER:**

If any Federal contract, grant or other agreement is reimbursing indirect costs by a means other than the approved rate(s) in this Agreement, the organization should (1) credit such costs to the affected programs, and (2) apply the approved rate(s) to the appropriate base to identify the proper amount of indirect costs allocable to these programs.

BY THE INSTITUTION:

University of California (UCOP) Office of the President

(INSTITUTION)

(SIGNATURE)

Nathan Brostrom

(NAME)

EVP - Chief Financial Officer

(TITLE)

(DATE)

ON BEHALF OF THE GOVERNMENT:

DEPARTMENT OF HEALTH AND HUMAN SERVICES

(AGENCY)

Arif M. Karim -S

Digitally signed by Arif M. Karim -S  
DN: c=US, o=U.S. Government, ou=HHS, ou=PSC,  
ou=People, cn=Arif M. Karim -S,  
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Date: 2018.06.29 14:19:57 -0500

(SIGNATURE)

Arif Karim

(NAME)

Director, Cost Allocation Services

(TITLE)

6/22/2018

(DATE)

HHS REPRESENTATIVE: Janet Turner  
TELEPHONE: (415) 437-7820

DEFINITION OF ON-CAMPUS AND OFF-CAMPUS RATES

DEFINITION OF OFF-CAMPUS RATE

The off-campus rate is applicable to those projects conducted at facilities not owned or leased by the University. However, if the project is conducted in leased space and lease costs are directly charged to the project, then the off-campus rate must be used.

PROJECTS CONDUCTED ENTIRELY ON-CAMPUS OR ENTIRELY OFF-CAMPUS:

Projects conducted entirely on-campus or entirely off-campus will be applied the on-campus or off-campus rate respectively.

PROJECTS CONDUCTED PARTIALLY OFF-CAMPUS AND PARTIALLY ON-CAMPUS:

If the project involves work at both on-campus and off-campus sites, either the on-campus or off-campus rate generally should be applied, consistent with where the majority of the work is to be performed. Salary cost is generally accepted as a measure of work performed in terms of the total project.

USE OF BOTH ON-CAMPUS AND OFF-CAMPUS RATES

The use of both on-campus and off-campus rates for a given project may be justified if both of the respective rates can clearly be identified with a significant portion of salaries and wages of the project. For purposes of this provision, significant is defined as approximately 25% or more of the total costs and a project's total salary and wages costs exceed \$250,000.

Effective December 1, 2015, the following fringe benefits are included in the fringe benefit rate(s):

BENEFITS ADMINISTRATION, DENTAL, DISABILITY, LIFE, MEDICAL, UNEMPLOYMENT, VISION, AND WORKERS' COMPENSATION INSURANCE, EMPLOYEE SUPPORT PROGRAMS, FICA AND MEDICARE TAX, INCENTIVE AWARD PROGRAMS, AND RETIREMENT BENEFITS.

NEXT PROPOSAL DUE DATE

A Fringe Benefit rate proposal based on actual costs for fiscal year ending 06/30/18, will be due no later than 12/31/18.

Equipment means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds \$5,000.