



DEPARTMENT OF HEALTH & HUMAN SERVICES

Darrell
COPY
 Program Support Center
 Financial Management Service
 Division of Cost Allocation

April 10, 2003

Cohen Building-Room 1067
 330 Independence Avenue, S.W.
 Washington, DC 20201
 PHONE: (202)-401-2808
 FAX: (202)-419-3379

Mr. Stephen A. Kimata
 Assistant Vice President for Finance
 The University of Virginia
 Carruthers Hall
 P.O. Box 400194
 Charlottesville, Virginia 22906-4194

Dear Mr. Kimata:

An original and one copy of a facilities and administrative (F&A) cost Rate Agreement are enclosed. 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.

The Office of Management and Budget (OMB) has requested that we reach an agreement with each institution on the components of the published F&A cost rates. The attached form is provided for that purpose. Please sign the form and return it with the original Agreement.

In addition, the following is agreed between the University and this office:

- We have approved a change to the University's equipment capitalization policy from \$2,000 to \$5,000, starting July 1, 2003.
- Equipment and supplies cost must be claimed in accordance with the capitalization threshold and useful life assumptions reflected in the institution's financial statements.
- Expenditures for equipment exceeding \$4,999 must be claimed by use allowance or depreciation procedures, unless that equipment is specifically approved by an awarding agency (or permitted by expanded/supplemental authority granted by the awarding agency) as a direct cost.

- Grant proposal and contract budget submissions must be consistent with the equipment capitalization threshold stipulated on the Rate Agreement.
- Unamortized amounts are considered written-off before June 30, 2006. No further use allowance or depreciation may be claimed on existing equipment valued between \$2,000 and \$4,999 on any future F&A cost proposal. The effect of unamortized amounts related to the above assets has been reflected in this Rate Agreement.
- Raising the equipment threshold does not alter accountability responsibilities (including acquisition and safeguarding of supplies).
- The college must follow property management standards for equipment covered by the new capitalization policy.
- Department will exercise its disposition rights for equipment with a fair market value of \$5,000 or more [45 CFR 74.34(g)]

Also, both parties agree that the differences between fixed and actual fringe benefit costs for fiscal year ended June 30, 2001 (FY01) are:

- Over-recovery of 1,197,287 applicable to Faculty employees
- Over-recovery of 844,667 applicable to Classified employees
- Over-recovery of 82,657 applicable to Permanent Part-time employees
- Over-recovery of 454,296 applicable to Part-time employees

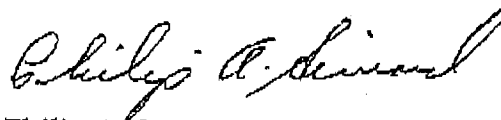
These amounts have been included in your fixed fringe benefit rates for the year ending June 30, 2003, which are listed in the attached Rate Agreement.

To indicate your concurrence with the understandings cited above, please have the original of this letter, in the space provided below, and the original of the Agreement, signed by an authorized representative of your organization and return them to me, retaining the copies for your files. We will distribute the Agreement to the appropriate awarding agencies within the Federal Government for their use.

An F&A cost proposal and a fringe benefits proposal, together with the required supporting information, must be submitted to this office to substantiate your claims for F&A costs and fringe benefits costs claimed under grants and contracts awarded by the Federal Government. Therefore, your next F&A proposal, based on actual

costs for the fiscal year ending 06/30/05 is due in our office by 12/31/05. Your next fringe benefits proposal, based on actual costs for the fiscal year ending June 30, 2002, was due in our office December 31, 2002.

Sincerely,



Philip A. Simard
Director
Division of Cost Allocation

Enclosures

CONCURRENCE:



Signature

Stephen A. Kimata
Assistant Vice President
for Finance and University
Comptroller for the Rector
and Visitors of the
University of Virginia

Name

Title

7 MAR 2003

Date

PLEASE SIGN AND RETURN THE "ORIGINAL" RATE AGREEMENT,
LETTER, AND COMPONENTS OF PUBLISHED RATES FORMS

COPY

COLLEGES AND UNIVERSITIES RATE AGREEMENT

BIN #: 54-6001796

DATE: April 10, 2003

INSTITUTION:
 University of Virginia
 Carruthers Hall
 P.O. Box 400194
 Charlottesville VA 22906-4194

FILING REF.: The preceding
 Agreement was dated
 March 14, 2002

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.

SECTION I: FACILITIES AND ADMINISTRATIVE COST RATES*

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

TYPE	EFFECTIVE PERIOD		RATE (%)	LOCATIONS	APPLICABLE TO
	FROM	TO			
PRED.	07/01/02	06/30/03	48.0	On-Campus	Organized Research
PRED.	07/01/02	06/30/03	23.6	Off-Campus	Organized Research
PRED.	07/01/03	06/30/05	52.0	On-Campus	Organized Research
PRED.	07/01/05	06/30/06	52.5	On-Campus	Organized Research
PRED.	07/01/03	06/30/06	26.0	Off-Campus	Organized Research
PRED.	07/01/02	06/30/06	50.0	On-Campus	Instruction
PRED.	07/01/02	06/30/06	26.0	Off-Campus	Instruction
PRED.	07/01/02	06/30/03	28.0	On-Campus	Other Spon Act
PRED.	07/01/02	06/30/03	22.5	Off-Campus	Other Spon Act
PRED.	07/01/03	06/30/06	32.8	On-Campus	Other Spon Act
PRED.	07/01/03	06/30/06	26.0	Off-Campus	Other Spon Act
PROV.	07/01/06	UNTIL AMENDED	Use same rates and conditions as those cited for fiscal year ending June 30, 2006.		

***BASE:**

Modified total direct costs, consisting of all salaries and wages, fringe benefits, materials, supplies, services, travel and subgrants and subcontracts up to the first \$25,000 of each subgrant or subcontract (regardless of the period covered by the subgrant or subcontract). Modified total direct costs shall exclude equipment, capital expenditures, charges for patient care, tuition remission, rental costs of off-site facilities, scholarships, and fellowships as well as the portion of each subgrant and subcontract in excess of \$25,000.

(1)

U20450

INSTITUTION:
University of Virginia

AGREEMENT DATE: April 10, 2003

SECTION I: FRINGE BENEFITS RATES**

RATE TYPES:		FIXED	FINAL	PROV. (PROVISIONAL)	PRED. (PREDETERMINED)
<u>TYPE</u>	<u>EFFECTIVE PERIOD</u>		<u>RATE (%)</u>	<u>LOCATIONS</u>	<u>APPLICABLE TO</u>
	<u>FROM</u>	<u>TO</u>			
FIXED	07/01/02	06/30/03	26.3 ✓	All	Classified Employees
FIXED	07/01/02	06/30/03	23.3 ✓	All	Faculty Employees
FIXED	07/01/02	06/30/03	7.0 ✓	All	Hourly Employees
FIXED	07/01/02	06/30/03	10.5 ✓	All	Perm.Part-Time Empl.
PROV.	07/01/03	UNTIL AMENDED	Use same rates and conditions as those cited for fiscal year ending June 30, 2003.		

**DESCRIPTION OF FRINGE BENEFITS RATE BASE:
Salaries and wages.

(2)

INSTITUTION:
University of Virginia

AGREEMENT DATE: April 10, 2003

SECTION II: SPECIAL REMARKS

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 costs of these paid absences.

OFF-CAMPUS DEFINITION: For all activities performed in facilities not owned by the institution and to which rent is directly allocated to the project(s), the off-campus rate will apply. Grants or contracts will not be subject to more than one F&A cost rate. If more than 50% of a project is performed off-campus, the off-campus rate will apply to the entire project.

Fringe benefits include FICA, retirement, disability insurance, life insurance, TIAA/CRF, workers' compensation, unemployment insurance and health insurance.

Until 06/30/02, equipment means an article of nonexpendable tangible personal property having a useful life of more than one year, and an acquisition cost of \$2,000 or more per unit.

Effective 07/01/03, equipment means an article of nonexpendable tangible personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit.

INSTITUTION:
University of Virginia

AGREEMENT DATE: April 10, 2003

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 facilities and administrative cost pools 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 facilities and administrative 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 facilities and administrative 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 Office of Management and Budget Circular A-21 Circular, and should be applied to grants, contracts and other agreements covered by this Circular, subject to any limitations in it 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 facilities and administrative 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 facilities and administrative costs allocable to these programs.

BY THE INSTITUTION:
University of Virginia

(INSTITUTION)

(SIGNATURE)

(NAME)

(TITLE)

(DATE)

Stephen A. Kimata
Assistant Vice President
for Finance and University
Comptroller for the Rector
and Visitors of the
University of Virginia

5/7/03

BY THE COGNIZANT AGENCY
ON BEHALF OF THE FEDERAL GOVERNMENT:

DEPARTMENT OF HEALTH AND HUMAN SERVICES

(AGENCY)

(SIGNATURE)

Philip A. Simard

(NAME)

DIRECTOR

DIVISION OF COST ALLOCATION

(TITLE)

April 10, 2003

(DATE) 0450

HHS REPRESENTATIVE: Patricia Gilley

Telephone: (202) 401-2808

COPY

COMPONENTS OF PUBLISHED F&A RATE

UNIVERSITY OF VIRGINIA

FISCAL YEARS COVERED BY RATE: JULY 1, 2002 to June 30, 2006

TYPE OF RATE:

	ORGANIZED RESEARCH				INSTRUCTION		OTHER SPON ACTIVITIES			
	2003	2004-2005	2006	2003-2006	2003	2004-2006	2003	2004-2006	2003	2004-2006
RATE COMPONENT:	ON-CAMPUS	OFF-CAMPUS	ON-CAMPUS	OFF-CAMPUS	ON-CAMPUS	OFF-CAMPUS	ON-CAMPUS	OFF-CAMPUS	ON-CAMPUS	OFF-CAMPUS
Building Depr	3.2	4.1	4.3	1.5	0.4	0.4	0.4	0.4	0.4	0.4
Equip Depr	5.2	4.6	4.6	1.9	0.8	0.8	0.7	0.8	0.8	0.7
Interest	0.0	1.1	1.2	0.0	0.0	0.0	0.8	0.0	0.0	0.8
Oper & Maint.	14.1	14.2	14.4	6.2	3.2	3.2	3.1	3.2	3.2	3.1
Library	1.9	2.0	2.0	14.4	1.1	1.1	1.8	1.1	1.1	1.8
Admin Component	23.6	26.0	26.0	26.0	22.5	22.5	26.0	22.5	22.5	26.0
TOTAL	48.0	52.0	52.5	50.0	28.0	28.0	32.8	22.5	22.5	26.0

CONCURRENCE:

UNIVERSITY OF VIRGINIA

Organization

Stephen A. Kumata
Signature

Stephen A. Kumata
Assistant Vice President
for Finance and University
Comptroller for the Rector
and Visitors of the
University of Virginia

Name

Title

Date

9/7/03