



DEPARTMENT OF HEALTH & HUMAN SERVICES

Program Support Center  
Financial Management Service  
Division of Cost Allocation

DCA Western Field Office  
90 7<sup>th</sup> Street, Suite 4-600  
San Francisco, CA 94103

NEW ADDRESS

Dennis F. Dougherty  
Senior V. P., Finance & CFO  
University of Southern California  
University Park  
Los Angeles, CA 90089-0011

JUN 07 2007

Dear Mr. Dougherty:

A copy of an indirect cost/fringe benefit Negotiation Agreement is attached. 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 indirect costs on grants and contracts with the Federal Government. Please have the Agreement signed by a duly authorized representative of your organization and return it to me BY FAX, retaining the copy for your files. We will reproduce and distribute the Agreement to the appropriate awarding organizations of the Federal Government for their use.

An indirect cost and fringe benefit proposal together with required supporting information must be submitted to this office for each fiscal year in which your organization claims indirect costs under grants and contracts awarded by the Federal Government. Thus, your next indirect cost proposal based on your fiscal year ending 06/30/09 is due in our office by 03/31/10, and your next fringe benefit proposal based on your fiscal year ending 6/30/07 is due by 12/31/07.

Sincerely,

Wallace Chan  
Director

Attachments

PLEASE SIGN AND RETURN THE NEGOTIATION AGREEMENT BY FAX

**COLLEGES AND UNIVERSITIES RATE AGREEMENT**

EIN #: 1951642394A1

DATE: May 30, 2007

INSTITUTION:  
University of Southern California  
University Park

FILING REF.: The preceding  
Agreement was dated  
March 19, 2007

Los Angeles

CA 90089-0011

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.	07/01/08	06/30/10	63.0	On-Campus	Organized Research
PRED.	07/01/10	06/30/11	62.0	On-Campus	Organized Research
PRED.	07/01/08	06/30/11	26.0	Off-Campus	Organized Research
PRED.	07/01/08	06/30/11	55.0	On-Campus	Instruction
PRED.	07/01/08	06/30/11	26.0	Off-Campus	Instruction
PRED.	07/01/08	06/30/11	26.0	Off-Campus	Info Science Inst.
PRED.	07/01/08	06/30/11	26.0	Off-Campus	Inst-Creative Tech.
PRED.	07/01/08	06/30/11	38.0	On-Campus	Other Spon Act
PRED.	07/01/08	06/30/11	26.0	Off-Campus	Other Spon Act
PROV.	07/01/11	UNTIL AMENDED	Use same rates and conditions as those cited for fiscal year ending June 30, 2011.		

\*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 periods 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.

The off-campus base shall exclude facilities rental costs and operations and maintenance expenses from the direct cost items of materials and supplies and services.

INSTITUTION:  
University of Southern California

AGREEMENT DATE: May 30, 2007

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	07/01/07	06/30/08	27.5	(1) All	All Employees
FIXED	07/01/07	06/30/08	6.0	(2) All	Info Science Inst.
FIXED	07/01/07	06/30/08	6.5	(2) All	(3)
PROV.	07/01/08	06/30/09	27.5	(1) All	All Employees
PROV.	07/01/08	06/30/09	6.0	(2) All	Info Science Inst.
PROV.	07/01/08	06/30/09	6.5	(2) All	(3)

(3) Center for Creative Technology

\*\*BASE:

(1) Direct salaries and wages including vacation, holiday, and sick pay of faculty and staff personnel only. Rate does not apply to student employees, Research Assistants or Teaching Assistants.

(2) Direct salaries and wages excluding all fringe benefits.

INSTITUTION:  
University of Southern California

AGREEMENT DATE: May 30, 2007

SECTION II: SPECIAL REMARKS

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 for the costs of these paid absences are not made.

The cost of vacation and personal days off are included in the Information Sciences Institute and the Institute for Creative Technology fringe benefit rates. Federal projects must be credited for salaries and wages for periods when employees are on vacation or personal days off. Holiday, sick leave pay, and other paid absences are included in salaries and wages and are charged to Federal projects as part of the normal charge for salaries and wages.

TREATMENT OF OTHER FRINGE BENEFITS

This organization uses a fringe benefit rate which is applied to salaries and wages for both budgeting and charging purposes for Federal projects. The following fringe benefits are included in the fringe benefit rate:

SOCIAL SECURITY, RETIREMENT PLANS, HEALTH AND DENTAL, UNEMPLOYMENT, WORKERS COMPENSATION, SABBATICAL LEAVE, TUITION REMISSION, LIFE INSURANCE, AND MISCELLANEOUS EMPLOYEES SERVICES Beginning 07/01/99, the fringe benefit rate includes only employee tuition remission. A separate rate is also applied for the Information Sciences Institute and the Institute for Creative Technology for vacation and personal days off.

DEFINITION OF OFF-CAMPUS: A project is considered off-campus if the activity is conducted at locations other than in University owned or operated facilities and indirect costs associated with physical plant and library are not considered applicable to the project.

Projects conducted partially on-campus and partially off-campus: Actual costs will be apportioned between on-campus and off-campus sites consistent with where the work is performed and each portion will bear the appropriate on-campus or off-campus rate.

DEFINITION OF EQUIPMENT

Equipment is defined as tangible nonexpendable personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit.

The rates in this agreement have been negotiated to reflect the administrative cap provisions of the revision to OMB Circular A-21 published by the Office of Management and Budget on July 26, 1993. No rate affecting the institution's fiscal periods beginning on or after October 1, 1991 contains total administrative cost components in excess of that 26 percent cap.

The rates relating to the Information Sciences Institute (ISI) is effective for the periods identified in the negotiation agreement provided that the ISI funding or costing mechanisms now in place remain unchanged.

INSTITUTION:  
University of Southern California

AGREEMENT DATE: May 30, 2007

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 A above. The organization may provide copies of the Agreement to other Federal Agencies to give them early notification of the Agreement.

BY THE INSTITUTION:

University of Southern California

(INSTITUTION)

(SIGNATURE)

Dennis F. Dougherty

(NAME)

Senior VP Finance and CFO

(TITLE)

June 12, 2007

(DATE)

ON BEHALF OF THE FEDERAL GOVERNMENT:

DEPARTMENT OF HEALTH AND HUMAN SERVICES

(AGENCY)

(SIGNATURE)

Wallace Chan

(NAME)

DIRECTOR, DIVISION OF COST ALLOCATION

(TITLE)

May 30, 2007

(DATE) 0239

HHS REPRESENTATIVE: Jean Chui

Telephone: (415) 437-7820