

NIH GUIDE

for GRANTS and CONTRACTS

U.S. DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

No. 8, June 29, 1971

AWARDING OF INDIRECT COSTS FOR NIH RESEARCH GRANTS (NIH 5006)

PROCEDURE NOTICE

1. The attached procedure entitled "Awarding of Indirect Costs for NIH Research Grants" is effective July 1, 1971, and applies to all NIH research grant awards to organizations with approved indirect cost rates.
2. With the implementation of this procedure, the Indirect Cost Management Section, Federal Assistance Accounting Branch, Office of Financial Management, NIH, will be responsible for the calculation of indirect costs for all NIH research grants, the issuance of the Summary Notice of Indirect Cost Awarded/Adjusted, and the settlement of indirect costs awarded.
3. Grantee organizations will be given the option of (a) recording the amount of indirect cost awarded based on the direct cost shown on the Notice of Grant Awarded when received or (b) recording the indirect cost awarded from the monthly Summary Notice of Indirect Cost Awarded/Adjusted. Under either option the amount of indirect cost awarded should be verified for completeness and correctness to assure agreement with the records of NIH.
4. Some grantee organizations may find it difficult to begin reporting expenditures under the three prescribed headings--Base, IDC, Total--on the monthly/quarterly Grantee Report of Expenditures. Prompt action in reporting in the prescribed manner will facilitate settlement of indirect costs on research grants awarded on or after July 1, 1971.

The GUIDE is published at irregular intervals to provide policy, program, and administrative information to individuals and organizations who need to be kept informed of requirements and changes in grants and contracts programs administered by the National Institutes of Health.

AWARDING OF INDIRECT COSTS FOR NIH RESEARCH GRANTS

A. Purpose: This issuance sets forth the policy and procedures which apply to the calculating of indirect costs for research grants made by the National Institutes of Health, DHEW, and will serve to place the Indirect Cost Management System (ICMS) into effect. The purpose of these instructions is to provide recipient organizations with a clear and comprehensive understanding of the ICMS and to initiate proper reporting requirements between the agency and the grantee.

B. Definition: The concept of calculating indirect costs centrally can be interpreted as meaning the removal from the individual NIH program activities responsibility for the calculation, any subsequent adjustment and final settlement of indirect costs and placement of these functions in an office which is organizationally common or central to them all. The central office will be located within the Office of Financial Management, National Institutes of Health, DHEW. Approval and administration of research grants for both direct and indirect cost rests with the awarding units.

C. Applicability: This policy applies to all NIH research grants.

D. Background: The initial authorization and procedural guide for the award and payment of indirect costs on project grants is contained in the "DHEW Grants Administration Manual", Chapter 1-80. The procedures for the calculation of indirect cost amounts under the new "Indirect Cost Management System" are defined within the guidelines of this manual.

E. Policy: Indirect cost for NIH research grants will be calculated by the National Institutes of Health through the Indirect Cost Management System. The issuance of one award by an awarding unit showing both direct and indirect cost will be discontinued for research grants only. The calculation, payment and reporting requirements under the revised system are outlined in subsequent paragraphs, as well as, the role of each organizational component which is discussed in paragraph F.

F. Responsibilities: The responsibilities of the organizational components involved in the processing of documents to and from the Indirect Cost Management System are enumerated as follows:

1. The grantee institution will be responsible for providing the basis from which indirect cost will be computed. The

information will be included in the detail budget worksheet (Form 398). After approval of the application and its subsequent award, the grantee institution will receive a Notice of Grant Awarded document showing direct cost only. At the end of each month, the grantee will receive a single notice for indirect cost. The amounts contained therein are applicable to the current month's direct cost awards. The Office of Financial Management, NIH, will mail the document to the grantee institution's business office address as shown on the Notice of Grant Awarded document. The indirect cost amounts will be shown on the new "Summary Listing of Indirect Cost Awarded/Adjusted" and should be verified by the grantee institution. The reporting of any discrepant amounts will be made in writing or by direct contact with the Indirect Cost Management Section, NIH.

2. The Indirect Cost Management Section, Office of Financial Management, NIH, will serve as the focal point for all matters related to indirect cost. The function of this office will be to communicate with the grantee institutions and the awarding units in matters regarding calculation and settlement of indirect cost. Authority for the payment of grant funds, both direct and indirect, is exclusively the responsibility of the Federal Assistance Financing Branch, OFM, NIH. The Indirect Cost Management Section will:

a. Maintain a master indirect cost rate file for all grantee institutions having grants with the NIH.

b. Update the file as new or continued negotiated agreements are made with the grantee institution by the Office of Grant Administration Policy, DHEW.

c. Maintain an informational file on indirect costs.

d. Provide indirect cost amounts to the NIH internal accounting system and to the Federal Assistance Financing Branch, NIH.

e. Review and communicate with grantee institutions on matters relative to indirect costs. The communication will be done by direct contact when necessary and/or by published reports that will be part of the ICMS reporting system.

3. Awarding Units, NIH

Awarding Units will review the application of a grantee institution and approve the need for indirect costs. The awarding units will then process the direct cost award document to the Office of Financial Management, NIH, who will calculate indirect cost based on the latest information contained in the

rate file. The indirect cost dollars applied to each direct cost award will be transmitted back to the awarding units from the accounting system.

G. Procedures: The Indirect Cost Management System provides for an automated calculation of indirect cost applicable to a research grant award. This calculation is based on the current negotiated rate agreement contained in the Indirect Cost Rate File. The Indirect Cost Rate File, located in a single office within NIH, will be updated as each rate agreement is published for a particular grantee institution. This enhances the capability of reconciling indirect cost dollars between the grantee institution and the agency accounting systems. The Indirect Cost Management Section, NIH, will reference the automated files and compute each single indirect cost award amount as the direct cost award is received thru the normal internal process.

The grantee will have received sometime during the month, an award statement (PHS Form 1533), showing only the direct cost for a grant. A monthly single indirect cost covering letter entitled "Summary Notice of Indirect Cost Awarded/Adjusted" will be issued and there will be attached an itemized listing of each new or amended indirect cost award issued during the same month. These amounts will be listed as shown on the "Summary Listing of Indirect Cost Awarded/Adjusted", Exhibit II.

1. Notice of Grant Awarded

The Notice of Grant Awarded (PHS Form 1533) will show direct cost only whenever a research grant is involved. As each award is made by an awarding unit, the Notice of Grant Awarded document will be forwarded to the grantee institution based on existing procedures, with the exception that indirect costs will not be shown on the Notice of Grant Awarded document, but rather will appear as a separate line item on the "Summary Listing on Indirect Cost Awarded/Adjusted", Exhibit II. Included under remarks will be a statement to the effect: This award includes applicable indirect costs which will be separately calculated and shown on a Summary Notice of Indirect Cost Awarded/Adjusted. The awarding units will be responsible for mailing direct cost award documents to the grantee institutions. Similarly, the Office of Financial Management, NIH, will forward all documents relative to the award of indirect costs to the same recipients.

2. Summary Listing of Indirect Cost Awarded/Adjusted

The report, (Exhibit II) is a newly created ICMS report. It will be used by the Indirect Cost Management System, as well as, the grantee institution. The purpose of the report is to provide the grantee institution business office with the amount of indirect cost awarded during a given accounting period. The report will list each individual indirect cost amount or an

amount for a previous grant that was adjusted during the month. The amount shown on this report contains only indirect costs and the grantee will recognize the applicable award by the grant number and/or the related document number. Responsibility for accumulating data and preparing this report rests with the Office of Financial Management, NIH. This list is important to the grantee institution in that the amount of indirect cost calculated for a grant will be shown as a single line entry and it will be the grantee's communication link for reporting any discrepant amounts. Accompanying this summary listing will be a covering letter (Exhibit I).

3. Revised Monthly/Quarterly Grantee Report of Expenditures

The Grantee Report of Expenditures (Exhibit III) as revised is used in the present reporting system. This report will also be used in the ICMS. The major change in the report format relates to "Total Expended to Date". This figure will now be shown as three separate amounts.

a. Base - the amount of direct cost expended to date upon which indirect cost is calculated.

b. Indirect Cost - the amount of indirect cost expended on a grant. This amount should be the amount actually earned, or the amount determined by applying the indirect cost rate to the direct cost base.

c. Total - this is the total cost expended on a grant for a given period. It includes the base direct costs (column 1), the indirect costs (column 2), and all other direct costs expended for a given period. It should be noted that column one plus column two does not equal column three.

The Federal Assistance Financing Branch will continue to publish this report and mail the copy to the grantee institution. The grantee institution will insert the necessary figures and return the document to the following address:

National Institutes of Health
Federal Assistance Financing Branch
Office of Financial Management
Westwood Building, Room 550
Bethesda, Maryland 20014

4. The Summary Report of Expenditures Adjustment Sheet

The Summary Report of Expenditures Adjustment Sheet, (Exhibit IV) or a similar report, will be used in the settlement of indirect cost under the Indirect Cost Management System.

This report will be computer prepared after negotiation of a finalized rate and will reflect the allowable indirect costs for each grant for which direct costs were reported during the rate year involved. The Indirect Cost Management Section will forward this report to the grantee. The grantee will verify this report making any corrections as appropriate, with explanations. The report will then be certified by a responsible official as the claim of the grantee and be returned to the Indirect Cost Management Section, OFM, NIH. Upon acceptance by NIH, this claim will serve as the basis for settlement.

H. This policy and procedure is effective July 1, 1971.

I. Any questions regarding this issuance should be directed to the - Chief, Indirect Cost Management Section
Federal Assistance Accounting Branch
Office of Financial Management
National Institutes of Health
Building 31, Room B1B62
Bethesda, Maryland 20014
(Phone - 301-496-5316)

Department of Health, Education and Welfare
National Institutes of Health
Summary Notice of Indirect Cost Awarded/Adjusted
(Research Grants)

TO:

DATE:
REF. NO:
GRANTEE INST. NO:
PERIOD:

Attached is the Summary Listing of Indirect Cost Awarded/
Adjusted applicable to research grant awards made or adjusted
during the period shown above.

This listing should be verified against direct cost awards
made for the period indicated and checked to determine that
the appropriate indirect cost rate has been applied. Any
discrepancies should be reported immediately to the Indirect
Cost Management Section, Federal Assistance Accounting Branch,
Office of Financial Management, National Institutes of Health,
Bethesda, Maryland 20014.

Chief, Indirect Cost Management Section

Exhibit I

Department of Health, Education and Welfare
 Summary Listing of Indirect Cost Awarded/Adjusted
 National Institutes of Health-Research Grants
 Dollar Amounts for Month of 8-69

GRANTEE IDENTIFICATION NUMBER AND NAME: XYZ UNIVERSITY 62-4810

<u>DOCUMENT NUMBER</u>	<u>GRANT NUMBER</u>	<u>INSTITUTION CONTROL NUMBER</u>	<u>RATE</u>	<u>BASE COSTS</u>	<u>INDIRECT COSTS</u>
06-011794	5 R01	HE08043-06	%	\$ 19,500	\$ 3,875
02-012837	5 R01	HE11519-02	%	75,250	15,237
03-016843	5 R01	HE10742-03	%	2,000	806
01-041009	5 R01	GM06532-01	%	72,800	14,273
04-012345	5 R01	DE1234-04	%	<u>25,300</u>	<u>7,400</u>
GRANTEE INSTITUTION TOTAL:				<u>\$194,850</u>	<u>\$41,591</u>

NOTE: This document contains indirect cost for the budget period applicable to each research grant issued in the month of August.

GRANTEE REPORT OF EXPENDITURES

GRANTEE IDENTIFICATION NUMBER AND NAME: XYZ UNIVERSITY 62-4810

<u>Document Number</u>	<u>Grant Number</u>	<u>Institution Control Number</u>	<u>Amount Authorized</u>	(X) <u>Final ROE Received</u>	<u>TOTAL EXPENDED TO DATE</u>		
					<u>Base</u>	<u>IDC</u>	<u>Total</u>
12345-03-0	5R01 DE1234-03	12345678	\$22,300	X	\$12,500	\$3,750	\$17,000

-----Data supplied by NIH Grant Payment System-----

--Data supplied by grantee--

Exhibit III

SUMMARY REPORT OF EXPENDITURES
ADJUSTMENT SHEET

Institution Various
Address Anywhere, U.S.A.

I/C Rate Alternative 1
Adjustment Period (Fed. Fiscal Year) 7/1/65--6/30/66

<u>Transaction Number</u> (1)	<u>Grant Number & Governing Date</u> (2)	<u>Grant Budget Period</u>		<u>Allowable Cost Base</u>		<u>Final I/C Rate</u>		<u>Allowable IC Amount</u> (4)	<u>IC Claimed</u>	<u>I/C Adjustment</u>	<u>Cost Sharing</u> (5)	<u>Net I/C Adjustment</u>
		<u>From</u>	<u>To</u>	<u>TDC</u>	<u>S&W</u> (3)	<u>TDC-%</u>	<u>S&W-%</u>					
National Institutes of Health												
(A) 01-010000	1-R01-HE-10000-01	8/1/65	7/31/66	\$20,000	\$8,000		40.00	\$3,200	\$2,400	\$ 800	\$-0-	\$ 800
(B) 02-020000	5-R01-HE-20000-02 GD 3/1/65	3/1/66	2/28/67	20,000	8,000		(90%x30.00)	2,160	3,600	(1,440)	-0-	(1,440)
(C) 01-030000	1-R01-AM-60000-01	4/1/66	3/31/67	20,000	8,000		60.00	4,800	3,200	1,600	80	1,520
(D) 01-031000	1-R01-AM-40000-01	12/1/65	11/30/66	20,000	8,000	20.00		4,000	4,000	-0-	-0-	-0-
(E) 01-040000	1-R01-AM-50000-01	5/1/66	4/30/67	20,000	8,000		40.00	3,200	4,000	(800)	(40)	(760)
								<u>\$ 160</u>	<u>\$40</u>	<u>\$ 120</u>		

NOTES:

General - Prepare separate adjustment sheet for each Agency (Office of Education, NIH, SRS, etc.). Show amounts to nearest whole dollar.

- (1) Obtain number from award statement; arrange in numerical order by five digits of transaction number.
 - (2) Governing Date - For continuing projects for which the original award was made before March 1, 1966, indicate basic award date.
 - (3) Record allowable cost base chargeable to grant; if base different from TDC or S&W, state the formula used.
 - (4) The allowable IC amount for grants subject to statutory or administrative limitations should show only the amount allowable up to the limitation. The allowable amount in these instances should be footnoted and explained.
 - (5) If cost sharing was reflected in previous indirect cost amount claimed, compute amount to enter in this column by multiplying dollars of IC adjustment x cost sharing rate.
- (A) Provisional rate of 30% S&W was finalized at 40% S&W (IC amount using final rate is less than 20% TDC).
 - (B) Provisional rate of 50% S&W was finalized at 30% S&W (90/20 policy applies, claim limited to 90% x final rate x S&W).
 - (C) Provisional rate of 40% S&W was finalized at 60% S&W (cost shared through individual cost sharing agreement - 5% of total project costs).
 - (D) Provisional rate of 60% S&W was finalized at 70% S&W (90/20 policy applies, claim limited to 20% TDC).
 - (E) Provisional rate of 50% S&W was finalized at 40% S&W (cost shared 5% through individual cost sharing agreement).

I hereby certify that the above information is true, complete and accurate to the best of my knowledge and that expenditures reported have been made in accordance with appropriate grant policies.

Signature & Title

Date

Exhibit IV