



DEPARTMENT OF HEALTH & HUMAN SERVICES

Program Support Center
Financial Management Services
Division of Cost Allocation

26 Federal Plaza, Room 41-122
New York, New York 10278
Phone: (212) 264-2069
Fax: (212) 264-5478

June 2, 2011

Mr. Dan Shore
Vice President for Finance and Chief Financial Officer
Harvard University
Massachusetts Hall
Cambridge, MA 02138

Dear Mr. Shore:

A negotiation agreement is being faxed to you for signature. This agreement reflects an understanding reached between your institution and a member of my staff concerning the rates or amounts that may be used to support your claim for costs on grants and contracts with the Federal Government. The agreement must be signed by a duly authorized representative of your institution and faxed to me; retain a copy for your file. Our fax number is (212) 264-5478. We will reproduce and distribute the agreement to awarding agencies of the Federal Government for their use.

Requirements for adjustments to costs claimed under Federal Grants and Contracts resulting from this negotiation are dependent upon the type of rate contained in the negotiation agreement. Information relating to these requirements is enclosed.

As a consideration of this agreement, the following conditions were agreed to:

1. The under-recovery of \$6,284,718 resulting from the settlement of the actual fringe benefit rates for fiscal year ended June 30, 2010 has been taken into consideration in computing the fixed fringe benefit rates for fiscal year ending June 30, 2012. This amount must be included in computing the actual fringe benefit rates for fiscal year ending June 30, 2012.
2. The carryforward amounts resulting from the settlement of the actual fringe benefit rates for fiscal year ended June 30, 2010 are as follows:

<u>SCHOOL</u>	UNDER\ (OVER) RECOVERY APPLIED TO FYE 6/30/12 <u>RATE</u>
Medical & Dental	(\$879,056)
SPH	\$165,761

These amounts must be included in computing the actual fringe benefit rates for fiscal year ending June 30, 2012.

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- 3. Carry forward amounts must be applied on an "on-going" basis. Accumulated balances will not be accepted.
- 4. The following accrued vacation time rates are included in the published fringe benefit rates:

Exempt Staff	10.3%
Unionized Non-Exempt Staff	9.9%

- 5. The carryforward amounts resulting from the settlement of the actual accrued vacation time rates for fiscal year ended June 30, 2010 are as follows:

	UNDER\ (OVER) RECOVERY
	APPLIED TO
	FYE 6/30/12
<u>CATEGORY</u>	<u>RATE</u>
Exempt	(\$1,923,270)
Non-Exempt Unionized	(\$ 339,729)

These amounts must be included in computing the actual accrued vacation time rates for fiscal year ending June 30, 2011.

- 6. A fringe benefit cost and vacation time rate proposal based on actual costs for the fiscal year ending June 30, 2011 is due by December 31, 2011.

A proposal encompassing all activities of your institution together with the required supporting information must be submitted to my office at the address shown on page 3 for each fiscal year your institution claims costs under grants and contracts awarded by the Federal Government. This proposal is due within six months after the close of your fiscal year. Therefore, a proposal for fiscal year ending June 30, 2014 will be due in my office not later than December 31, 2014. The proposal will be used to establish rates/amounts for the fiscal year subsequent to the last period covered by an approved final, fixed, or predetermined rate(s). Failure to submit a timely proposal will be interpreted as a forfeiture of reimbursement for indirect costs. Therefore, unless a proposal is received by December 31, 2014 future awards made by the Department of Health and Human Services will be for direct costs only and will not provide for the recovery of costs contained in this agreement. In addition, the costs claimed against awards already made may be subject to disallowances.

If you are unable to submit your proposal by the prescribed date, you may request an extension. This request must be submitted prior to the due date of the proposal and must contain a justification for the extension and the date the proposal will be submitted.

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Your proposal and relevant correspondence should be addressed to:

Department of Health and Human Services
Division of Cost Allocation
26 Federal Plaza, Room 41-122
New York, New York 10278
(212) 264-1823

In addition, please acknowledge your concurrence with the comments and conditions cited above by signing this letter in the space provided below and FAX (212-264-5478) it to me with the enclosed negotiation agreement.

Sincerely,



Robert I. Aaronson
Director, Division of
Cost Allocation

Enclosures

Concurrence: 

Name DAN SHORE

Title VP FINANCE AND CFO

Date JUNE 13, 2011

COLLEGES AND UNIVERSITIES RATE AGREEMENT

EIN: 1042103580B1
 ORGANIZATION:
 Harvard University
 Massachusetts Hall
 Cambridge, MA 02138-

DATE: 06/02/2011
 FILING REF.: The preceding
 agreement was dated
 12/21/2010

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: INDIRECT COST RATES

RATE TYPES:	FIXED	FINAL	PROV. (PROVISIONAL)	PRED. (PREDETERMINED)	
<u>EFFECTIVE PERIOD</u>					
<u>TYPE</u>	<u>FROM</u>	<u>TO</u>	<u>RATE (%)</u>	<u>LOCATION</u>	<u>APPLICABLE TO</u>
PRED.	07/01/2010	06/30/2011	68.00	On-Campus	Research
PRED.	07/01/2011	06/30/2015	69.00	On-Campus	Research
PRED.	07/01/2010	06/30/2011	32.00	On-Campus	Other Sponsored Act.
PRED.	07/01/2011	06/30/2015	34.00	On-Campus	Other Sponsored Act.
PRED.	07/01/2010	06/30/2015	26.00	Off-Campus	All Programs
PROV.	07/01/2015	Until Amended			Use the same rates and conditions as those cited for fiscal year ending June 30, 2015.

*BASE

Total direct costs excluding capital expenditures (buildings, individual items of equipment; alterations and renovations), that portion of each subaward in excess of \$25,000; hospitalization and other fees associated with patient care whether the services are obtained from an owned, related or third party hospital or other medical facility; rental/maintenance of off-site activities; student tuition remission and student support costs (e.g., student aid, stipends, dependency allowances, scholarships, fellowships).

ORGANIZATION: Harvard University
 AGREEMENT DATE: 06/02/2011

SECTION I: FRINGE BENEFIT RATES**

<u>TYPE</u>	<u>FROM</u>	<u>TO</u>	<u>RATE (%)</u>	<u>LOCATION</u>	<u>APPLICABLE TO</u>
FIXED	7/1/2010	6/30/2011	26.60	All	Faculty
FIXED	7/1/2010	6/30/2011	42.60	All	Exempt
FIXED	7/1/2010	6/30/2011	55.40	All	Union (Non-Exempt)
FIXED	7/1/2010	6/30/2011	45.40	All	Union (Hourly)
FIXED	7/1/2010	6/30/2011	10.30	All	Temporary
FIXED	7/1/2010	6/30/2011	24.70	All	Post Docs
FIXED	7/1/2010	6/30/2011	18.60	All	Teach. Asst.
FIXED	7/1/2011	6/30/2012	27.60	All	Faculty
FIXED	7/1/2011	6/30/2012	44.20	All	Exempt
FIXED	7/1/2011	6/30/2012	56.40	All	Union (Non-Exempt)
FIXED	7/1/2011	6/30/2012	46.50	All	Union (Hourly)
FIXED	7/1/2011	6/30/2012	10.40	All	Temporary
FIXED	7/1/2011	6/30/2012	25.20	All	Post Docs
FIXED	7/1/2011	6/30/2012	18.70	All	Teach. Asst.
PROV.	7/1/2012	Until amended			Use the same rates and conditions as those cited for the fiscal year ending June 30, 2012.

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

For the Exempt employee category and the Non-Exempt Unionized employee category: Salaries and wages excluding vacation leave pay.

For all other employee categories: Salaries and wages

ORGANIZATION: Harvard University

AGREEMENT DATE: 06/02/2011

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 for the costs of these paid absences are not made.

Effective July 1, 2007, the following Treatment of Paid Absences is applicable to the Exempt employee category and the Non-Exempt Unionized employee category:

Treatment of Paid Absences: The costs of vacation leave pay are included in the organization's fringe benefit rate and not included in the direct cost of salaries and wages. Claims for direct salaries and wages must exclude those amounts paid or accrued to employees for periods when they are on vacation leave.

Sick leave, holiday 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.

1. The rates in this agreement have been negotiated to reflect the administrative cap provisions to OMB Circular A-21 published by the Office of Management and Budget on May 8, 1996. 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.

2. 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.

3. Activities Performed Partly-On, Partly-Off Campus: The University uses the rate applicable to the location where the preponderance of the time and effort will be expended. Accordingly, each contract or grant is assigned only one indirect cost rate.

4. The Off-Campus rates apply to effort conducted on premises not owned by the University at locations sufficiently far removed from the campus to prohibit the normal use of University facilities and services.

5. Fringe Benefits: The University distributes Fringe benefit costs to its departments and sponsored activities (including Federal programs) on the basis of annual rates applied to direct salaries and wages in lieu of individual direct charges. Over or under distribution of fringe benefit costs are carried forward in estimating future rates.

Included in the fringe benefit rates are: Pension, University Health Services, FICA, Health and Dental Plans, Worker's Compensation, Unemployment Compensation, Parking, Tuition Assistance (Employee Only), Life Insurance, and Disability Insurance.

In addition, for the Exempt employee category and the Non-Exempt Unionized employee category the fringe benefit rates include accrued vacation leave effective July 1, 2007.

The approved fringe benefit rates applicable to extra compensation are as follows:

Extra Compensation:
Pensionable: 15.0%
Non-Pensionable 8.0%

ORGANIZATION: Harvard University

AGREEMENT DATE: 06/02/2011

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.

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:

Harvard University

(INSTITUTION)

[Signature]
(SIGNATURE)

DAN SHORE
(NAME)

VP FINANCE AND CFO
(TITLE)

JUNE 13, 2011
(DATE)

ON BEHALF OF THE FEDERAL GOVERNMENT:

DEPARTMENT OF HEALTH AND HUMAN SERVICES

(AGENCY)
[Signature]
(SIGNATURE)

Robert I. Aaronson
(NAME)

Director, Northeastern Field Office
(TITLE)

6/2/2011
(DATE) 0601

HHS REPRESENTATIVE: Michael Leonard
Telephone: (212) 264-2069