



DEPARTMENT OF HEALTH & HUMAN SERVICES

Program Support Center
 Financial Management Service
 Division of Cost Allocation
 Central States Field Office

1301 Young Street, Room 732
 Dallas, Texas 75202
 (214)-767-3261
 FAX: (214)-767-3264

June 17, 2004

Mr. Ronnie Smith
 Vice Chancellor for Administration & Finance
 LSU Health Sciences Center, New Orleans
 (Formerly LSU Medical Center - EIN#1726000848A5)
 433 Bolivar Street
 Suite 811
 New Orleans, LA. 70112-2223

Dear Mr. Smith:

The original and one copy of a facilities and administrative 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 facilities and administrative costs on grants and contracts with the Federal Government.

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 \$1,000 to \$5,000 starting 07/01/02.
- * Equipment and supplies cost must be claimed in accordance with capitalization threshold/useful life assumptions reflected in the organization'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 the awarding agency (or permitted by expended/supplemental authority granted by an awarding agency) as a direct cost.
- * Grant proposal and contract budget submissions must be consistent with equipment capitalization threshold stipulated on the Rate Agreement.
- * Unamortized amounts will be written-off to benefitting activities over a period of 4 years (07/01/03 - 06/30/07). No further use allowance or depreciation may be claimed on existing equipment valued between \$1,000 and \$4,999 on any future indirect cost proposal. The effect of unamortized amounts related to the above assets has already been reflected in the Rate Agreement dated June 17, 2004.
- * Raising equipment threshold does not alter accountability responsibilities (including acquisition and safeguarding of supplies).
- * Must follow property management standards for equipment covered by 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) and 92.32(e)).

Please have the agreement signed by an authorized representative of your organization and fax it to me, retaining a copy for your files. Our fax number is (214) 767-3264. We will reproduce and distribute the Agreement to the appropriate awarding organizations of the Federal Government for their use.

In addition, we are enclosing the component breakdown of the facilities and administrative cost rate(s) as agreed to by both parties. Please sign this form and fax it with the signed Rate Agreement.

The Fixed Fringe Benefit Rate for the fiscal year ending June 30, 2004 is based on actual costs for the fiscal year ended June 30, 2002. They included over-recovered costs of \$206,805. The fixed rate for fiscal year ended June 30, 2002 is considered final.

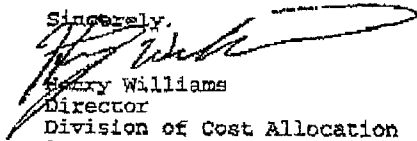
The Fixed Fringe Benefit Rate for the fiscal year ending June 30, 2005 is based on actual costs for the fiscal year ended June 30, 2003. They included under-recovered costs of (\$1,668,525). The fixed rate for fiscal year ended June 30, 2003 is considered final.

A Fringe Benefit proposal, together with supporting information and the certified financial statement, is required each year. Thus, your next Fringe Benefit proposal based on actual costs for the fiscal year ending June 30, 2004 is due in our office by December 31, 2004. Your next facilities and administrative (F&A) costs proposal based on actual costs for the fiscal year ending June 30, 2006 is due in our office by December 31, 2006.

Since this is an integral part of the Negotiation Agreement, please note your acceptance by signing in the space provided below.

Thank you for your cooperation.

Sincerely,



Henry Williams
Director
Division of Cost Allocation
Central States Field Office

Enclosures

Acceptance:

Name

Signature

Title

Date

COLLEGES AND UNIVERSITIES RATE AGREEMENT

EIN #: 1725087770A2

DATE: June 17, 2004

INSTITUTION:

LSU Health Sciences Center, New Orleans
 (Formerly LSU Medical Center - EIN #1726000848A5)
 433 Bolivar Street
 Suite 811
 New Orleans LA 70112-2223

FILING REF.: The preceding Agreement was dated April 1, 2003

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. | 07/01/03 | 06/30/06 | 43.0 | On Campus | Organized Research |
| PRED. | 07/01/06 | 06/30/07 | 42.0 | On Campus | Organized Research |
| PRED. | 07/01/03 | 06/30/07 | 34.0 | On Campus | Other Spon. Act |
| PRED. | 07/01/03 | 06/30/07 | 26.0 | Off Campus | All Programs |
| PROV. | 07/01/07 | UNTIL AMENDED | Use same rates and conditions as those cited for fiscal year ending June 30, 2007. | | |

***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.

INSTITUTION:

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AGREEMENT DATE: June 17, 2004

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 | 07/01/03 | 06/30/04 | 23.0 | All | F/T Faculty & Staff |
| FIXED | 07/01/04 | 06/30/05 | 25.0 | All | F/T Faculty & Staff |
| PROV. | 07/01/05 | UNTIL AMENDED | 25.0 | All | F/T Faculty & Staff |

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

INSTITUTION:

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AGREEMENT DATE: June 17, 2004

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.

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.

Equipment Definition -

Through fiscal year ended 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 \$1,000 or more per unit. Effective 07/01/02, the acquisition cost of equipment, as defined above, is \$5,000 or more per unit.

FRINGE BENEFITS:

Retirement
Unemployment Insurance
Health Insurance
Terminal Leave
Sabbatical Leave
Unfunded Retirement
Worker's Compensation
FICA
Life Insurance
stipends

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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 purposed 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-11 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:

LSU Health Sciences Center, New Orleans
(Formerly LSU Medical Center - EIN #1726000848A5)
(INSTITUTION)

(SIGNATURE)

(NAME)

(TITLE)

(DATE)

ON BEHALF OF THE FEDERAL GOVERNMENT:

DEPARTMENT OF HEALTH AND HUMAN SERVICES

(AGENCY)

(SIGNATURE)

Henry Williams

(NAME)

DIRECTOR, DIVISION OF COST ALLOCATION-

(TITLE) CENTRAL STATES FIELD OFFICE

June 17, 2004

(DATE) 0024

HHS REPRESENTATIVE: My (Robert) N. Nguyen

Telephone: (214) 767-3267