



DEPARTMENT OF THE NAVY
OFFICE OF NAVAL RESEARCH
800 NORTH QUINCY STREET
ARLINGTON, VA 22217-5660

IN REPLY REFER TO

NEGOTIATION AGREEMENT

INSTITUTION: Carnegie Mellon University
Pittsburgh, PA 15213-3890

The Facilities and Administrative (F&A) and Fringe Benefit rates contained herein are for use on grants and contracts with all Federal agencies in accordance with the cost principles mandated by the Office of Management and Budget (OMB) Circular A-21. These rates shall be used for forward pricing and billing purposes for Carnegie Mellon University's Fiscal Year 2004. This rate agreement supersedes all previous rate agreements or determinations for Fiscal Year 2004.

SECTION I: Rates - Type: Fixed With Carry-forward (Fixed)

Facilities & Administrative (F&A) Rates

Type	Effective Period		Rate	Base	Location	Applicable To
	From	To				
Fixed	7/1/03	6/30/04	47.00%	(a)	On-Campus	Organized Research (1) / (2)
Fixed	7/1/03	6/30/04	26.86%	(a)	Off-Campus	Organized Research (1) / (2)
Fixed	7/1/03	6/30/04	27.86%	(a)	Off-Campus REC *	Organized Research (1) / (2)
Fixed	7/1/03	6/30/04	58.90%	(a)	Off-Campus West Coast **	Organized Research (1) / (2)
Fixed	7/1/03	6/30/04	5.25%	(a)	SEI ***	All Programs (1) / (2)

*REC - Robotics Engineering Consortium

** CMU West Coast Campus

*** SEI - Software Engineering Institute

Fringe Benefit Rates

<u>Type</u>	<u>Effective Period</u>		<u>Rate</u>	<u>Base</u>	<u>Location</u>	<u>Applicable To</u>
	<u>From</u>	<u>To</u>				
Fixed	7/1/03	6/30/04	24.66%	(b)	All	Full Time Faculty & Staff
Fixed	7/1/03	6/30/04	18.50%	(c)	All	Part Time Employees Receiving Benefits
Fixed	7/1/03	6/30/04	10.00%	(d)	All	Part Time Employees Not Receiving Benefits

Software Engineering Institute - Other Direct Expense (ODE) Rate

<u>Type</u>	<u>Effective Period</u>		<u>Rate</u>	<u>Base</u>	<u>Location</u>	<u>Applicable To</u>
	<u>From</u>	<u>To</u>				
Fixed	7/1/03	6/30/04	124.40%	(e)	SEI	All Programs

Distribution Bases

(a) Modified Total Direct Costs consisting of salaries and wages, fringe benefits, materials and 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). Equipment, capital expenditures, 50% of graduate student compensation regarded as tuition remission, rental costs, scholarships and fellowships, as well as the portion of each subgrant and subcontract in excess of \$25,000 shall be excluded from modified total direct costs.

(b) Total full time faculty, staff and union salaries and wages.

(c) Total part time salaries and wages with benefits. Applies to employees who work at least 17.5 hours per week, in an appointment of four months or longer.

(d) Total part time salaries and wages with mandated benefits. Applies to employees who work less than 17.5 hours per week, or in an appointment of less than four months.

(e) Total personnel expenses (salaries, wages, and benefits).

Applicable To

- (1) Applies to all DoD contracts and subcontracts awarded or issued before November 30, 1993, all Non-DoD Instruments, and all DoD grants. See Section II, Part E hereof. (Capped Rate)
- (2) Applies to all DoD contracts awarded or issued on or after November 30, 1993 in accordance with and under the authority of DFARS 231.303(1). See Section II, Part E hereof. (Uncapped Rate)

SECTION II: GENERAL

A. LIMITATIONS: Use of the rates contained in this Agreement is subject to any statutory or administrative limitations and is applicable to a given grant or contract only to the extent that funds are available. Acceptance of the rates agreed to herein is predicated upon the following conditions: (1) that no costs other than those incurred by the grantee/contractor were included in this indirect cost pool as finally accepted and that such costs are legal obligations of the grantee/contractor and allowable under governing cost principles; (2) that the same costs that have been treated as indirect costs are not claimed as direct costs; (3) that similar types of costs have been accorded consistent accounting treatment; and (4) that the information provided by the grantee/contractor which was used as a basis for acceptance of the rates agreed to herein is not subsequently found to be materially incomplete or inaccurate.

B. ACCOUNTING CHANGES: The rates contained in this Agreement are based on the accounting system in effect at the time the agreement was negotiated. Changes to the method of accounting for costs, which affect the amount of reimbursement resulting from the use of these rates require the prior approval of the authorized representative of the cognizant negotiation agency. Such changes include, but are not limited to changes in the charging of a particular type of cost from indirect to direct. Failure to obtain such approval may result in subsequent cost disallowances.

C. FIXED RATES: Each fixed rate in this agreement is based on an estimate of the costs for the period covered by the rate. When actual costs for this period are determined, an adjustment may be made to a rate of a future year to recognize the difference between the estimated costs used to establish the fixed rate and the negotiated actual costs.

D. USE BY OTHER FEDERAL AGENCIES: The rates contained herein were negotiated in accordance with the authority set forth in OMB Circular A-21, and should be applied to grants and contracts to which OMB Circular A-21 applies, subject to any

limitations in paragraph A. above. Copies of this document may be provided by the Institution to other Federal Agencies having grants and contracts using these rates as a means of providing them with early notification of the agreement contained herein.

E. APPLICATION OF INDIRECT COST RATES TO DOD CONTRACTS/SUBCONTRACTS

In accordance with DFARS 231.303, no limitation (unless waived by the institution) may be placed on the reimbursement of otherwise allowable indirect costs incurred by an institution of higher education under a DoD contract awarded on or after November 30, 1993, unless the same limitation is applied uniformly to all other organizations performing similar work. It has been determined by the Department of Defense that such limitation is not being uniformly applied. Accordingly, the rates cited (2) of Section I, as explained under title "APPLICABLE TO" (2), do not reflect the application of the 26% limitation on administrative indirect costs imposed by OMB A-21, whereas (1) does so.

F. LIQUIDATION OF PRIOR YEAR CARRYFORWARD (CFW) AMOUNTS

1. F&A Rates: The F&A rates set forth herein include adjustments for the following carry-forward amounts:

		Carnegie Mellon Under / (Over) Recovery					
	FY	Total CFW	Liquidated In FY 2001	Liquidated in FY 2002	Liquidated in FY 2003	Liquidated in FY 2004	Balance to be Liquidated
On Campus	FY 1998	\$ (3,927,107)	\$ -	\$ -	\$ (577,593)	\$ (1,635,000)	\$ (1,414,514)
Off Campus	FY 1999 estimate	\$ 29,000				\$ 13,000	\$ 16,000
Off Campus - REC	FY 1999 estimate	\$ 130,655			\$ 63,567	\$ 67,088	\$ -
SEI	FY85-96 *	\$ (2,314,075)	\$ (462,815)	\$ (464,000)	\$ (571,184)	\$ (816,076)	\$ -
	FY 1997	\$ (467,034)	\$ -	\$ -	\$ -	\$ (190,000)	\$ (277,034)
	* excludes FY93						

2. Fringe Benefit Rates: The FY 2004 Full Time rate set forth herein includes an adjustment for the estimated carry-forward amounts as shown below:

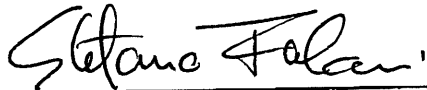
		Carnegie Mellon Under / (Over) Recovery					
	FY	Total CFW	Liquidated In FY 2001	Liquidated in FY 2002	Liquidated in FY 2003	Liquidated in FY 2004	Balance to be Liquidated
Full Time Fac / Staff	2001 estimate	\$ (1,417,699)			\$ (929,369)	\$ (488,330)	\$ -
	2002 estimate	\$ (780,767)				\$ (780,767)	\$ -

G. QUALIFICATIONS:

1. The purpose of this agreement is to establish fixed F&A cost rates and fixed/predetermined Fringe Benefit rates for the period 1 July 2003 through 30 June 2004. Rates established in Section I above are based on Carnegie Mellon University's proposal dated May 2, 2003. The establishment of these rates by the Government, based on the accounting systems and allocation methodologies contained in this proposal, does not represent an agreement that these systems, methodologies, and cost estimates are accepted for FY 2004, or for any subsequent fiscal year's rate negotiation. The recommendations of the Defense Contract Audit Agency, Pennsylvania Branch in Audit Report No. 6701-2003G2300001 dated July 25, 2003 were considered during the negotiation of these rates.

2. Carnegie Mellon is not making any concession or admission about the classification or allocation of certain costs, nor is it agreeing to a similar treatment of these costs in the future.

For Carnegie Mellon University:



Stefano Falconi
Vice President for Administration
and Chief Financial Officer

11/05/03

Date

For the U.S. Government:



Deborah K. Rafi
Contracting Officer

11-13-03

Date

For information concerning this agreement contact:

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