FINANCIAL MEMORANDUM

ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI

SUBJECT: POLICIES AND PROCEDURES FOR CHARGING INDIRECT COSTS TO SPONSORED PROJECTS RECEIVED FROM EXTRAMURAL SPONSORS, GIFTS, DONATIONS, AND OTHER RECEIPTS

I. PURPOSE

The purpose of this financial memorandum is to set forth the Icahn School of Medicine at Mount Sinai's (ISMMS) policies and procedures for charging indirect costs (also called Facilities and Administrative costs) to sponsored projects received from extramural sponsors, gifts, donations, and others. A separate policy, 157-A, describes the administrative charges for endowment funds.

II. PROCEDURE

A. Indirect Cost Rate Calculations

ISMMS calculates an indirect cost rate which is negotiated with the Federal Government and audited annually by ISMMS's external auditors according to the Federal Grant Management guidelines and OMB Circulars. This rate is also applicable to all research sponsored by Industry. *

There are instances where the indirect cost rate negotiated with the Federal Government may not be applicable, including:

1. Non-Federal, non-profit Sponsors are charged 25% or their stipulated indirect cost rate in accordance with their own policy for research projects.

2. Clinical Trials sponsored by Industry.

3. Gifts, donations, and other receipts are charged 25%.

* Written prior approval of the Chief Financial Officer (CFO) or the Dean is required before a sponsored agreement from a Federal or an industry sponsor for a research project can be accepted with an indirect cost rate lower than the Federally negotiated rate. Requests should be made in writing (including via email) by the Chair or Administrator of the Principal Investigator's Department. Unless the Chair is also the Principal Investigator (PI) the request should not come from the PI. Decisions about waivers of indirect costs on industry sponsored projects will be made in consultation with Mount Sinai Innovation Partners.
B. **Indirect Cost Charges**

For Grants, Contracts and Clinical Trials indirect costs are charged monthly based on direct costs, as the award is spent.

For gifts, donations and other receipts indirect costs are charged as the funds supporting the project are received.

1. **Specific Budget for Indirect Costs (Federal and Non-Federal Sponsored Projects)**

   When the indirect costs are specifically budgeted in the award agreement, (e.g., research awards from either NIH or American Heart Association), indirect costs are charged to the sponsored project each month as the direct cost funds are spent.

2. **Indirect Costs Included in Contract Amount (Industry Sponsors)**

   When the award is for a fixed amount or based on a fixed rate for each patient, (e.g., clinical trial) indirect costs are charged as the expenses are incurred at the appropriate rate (see page 4). Regardless of the disposition of unexpended contract balances, ISMMS retains the indirect costs charged on all direct expenses for all commercial, pharmaceutical and private industry sponsors. Additionally, indirect costs will be charged on any remaining unexpended balance that the sponsor confirms can be retained by the institution before the net unexpended balance is transferred to the department’s unrestricted account.

3. **Indirect Costs for Gifts, Donations, and Other Receipts**

   An administrative charge is applied to all gifts, donations, and other receipts as the monies are received. Regardless of the disposition of unexpended funds, the ISMMS retains all administrative charges. A separate policy, 157-A, describes the administrative charges for endowment funds.

4. **Charges not Subject to Indirect Costs for Grants & Contracts**

   The rate and application of indirect cost charges on direct cost categories vary depending on the sponsoring agency, specifically, all federal awards and research awards from industry with full indirect costs rate are not subject to indirect cost charges on the following direct cost categories “a” through “g”. In most instances of non-federal support, the following categories will be included in the indirect cost rate calculation, unless specifically disallowed by the sponsor.

   a. **Capital Equipment** - which has an unit cost of $1,500 or more and a useful life of at least one year will not be subject to indirect cost charges unless indirect cost on capital equipment items are allowed by the agency or donor.
b. Capital Renovation/Construction of $1,000 or more, will not be subject to indirect cost charges unless indirect costs on capital renovation/construction are allowed by the agency or donor. This includes naming a physical facility that has already been constructed.

c. Student Tuition

d. Subcontract Costs Subcontract costs exceeding $25,000

e. Patient Care Costs - Hospitalization and other fees associated with patient care whether the services are obtained from owned, related or third party hospital or other medical facility

f. Rental/Maintenance - of Off-Site Activities are indirect costs for off-campus activities and will be included in the computation of the off-campus indirect cost rate

g. Genomic Arrays Supplies cost exceeding $75,000

In all cases of pharmaceutical, industry and other commercial support for clinical trials, the indirect cost rate will be applied to all direct cost categories. (In this instance, all direct costs will be included in the base for computing the indirect cost rate.)

Note:
I. Indirect cost will be adjusted accordingly when direct costs are re-budgeted between budget categories
II. ISMMS does not allow indirect costs to be charged on awards or subcontractors issued to other institutions that are supported with ISMMS funds.
C. **Indirect Cost Rates**

A summary of indirect cost rates for various sponsors, the basis for applying the rate, and the disposition of any unexpended indirect cost balance is provided below.

<table>
<thead>
<tr>
<th>Source of Funding</th>
<th>Indirect Cost Rate&lt;sup&gt;(1)&lt;/sup&gt;</th>
<th>Modified Total Direct Cost</th>
<th>Application Basis</th>
<th>Total Direct Costs</th>
<th>As Funds Are Received</th>
<th>Returned to Sponsor</th>
<th>Retained by MSSM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal:</td>
<td>Federally Negotiated Rate</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Federal Fellowships:</td>
<td>8%</td>
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<tr>
<td>Federal Training Programs:</td>
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<td>X</td>
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<tr>
<td>Off-Campus Federal:</td>
<td>Federally Negotiated Off-Campus Rate</td>
<td>X</td>
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<tr>
<td>Other Sponsored Activities</td>
<td>Federally Negotiated Rate</td>
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<tr>
<td>Non-Federal:</td>
<td>25% Minimum</td>
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<td>Non-Federal Fellowship:</td>
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<td>Non-Federal Training Programs:</td>
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<td>Clinical Trials - Industry</td>
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<td>Research - Industry</td>
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<td>Gift and Donations:</td>
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<td></td>
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<td>Other Receipts:</td>
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</tbody>
</table>

<sup>(1)</sup>Finance requires prior written approval from the CFO or Dean to process any modification to the Indirect Cost Rate and/or Application Basis stated in the summary table above.