



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE CHIEF FINANCIAL OFFICER

July 3, 2008

Ms. Rose Zuker  
Chief Accountant  
Michigan Department of Education  
PO Box 30008  
Lansing, MI 48909

Reference: Agreement No. 2008-167

Dear Ms. Zuker:

The original and one copy of an Amended Indirect Cost Rate Agreement are enclosed. These documents reflect an understanding reached by your organization and the US Department of Education. The rates agreed upon should be used to compute indirect cost for grants, contracts, and applications funded by this Department and other Federal Agencies.

After reviewing the Rate Agreement, please confirm acceptance by having the original signed by a duly authorized representative of your organization and returned within thirty (30) calendar days from the date of this letter to:

US Department of Education  
Attention: Mr. John Masaitis  
Room 21C4, UCP  
830 First Street, NE  
Washington, DC 20202-4450

The enclosed copy of this agreement should be retained for your files. If there are any additional questions concerning this agreement, please contact John Masaitis on (202) 377-3837 or you may e-mail Mr. Masaitis at [john.masaitis@ed.gov](mailto:john.masaitis@ed.gov).

The next indirect cost rate proposal based on fiscal year ending September 30, 2008 is due in this office by March 31, 2009. This proposal should be sent to the above address.

Sincerely,

  
Richard T. Mueller, Director  
Indirect Cost Group

Enclosures

COPY

INDIRECT COST RATE AGREEMENT  
STATE EDUCATION AGENCY

ORGANIZATION:

Michigan Department of Education  
PO Box 30008  
Lansing, Michigan 48909

EIN: 386000134

DATE: July 3, 2008

AGREEMENT NO. 2008-167  
FILING Reference: This replaces  
previous Agreement No. 2007-181  
dated April 26, 2007

The purpose of this Agreement is to establish indirect cost rates for use in award and management of Federal contracts, grants, and other assistance arrangements to which Office of Management and Budget (OMB) Circular A-87 applies. The rates were negotiated by the US Department of Education pursuant to the authority cited in Attachment A of OMB Circular A-87.

This agreement consists of four parts: Section I - Rates and Bases; Section II - Particulars; Section III - Special Remarks; and, Section IV - Approvals.

Section I - Rate(s) and Base(s)

TYPE	Effective Period		Rate	Base	Coverage	
	From	To			Location	Applicability
Fixed	10-01-07	09-30-08	2.8%	<u>1/</u>	All	All Programs
Fixed	10-01-08	09-30-09	2.2%	<u>1/</u>	All	All Programs

1/ Total Direct Costs Less: (1) Equipment Purchases; (2) Flow-through Funds; (3) Alterations and Renovations; and, (4) The Portion of Individual Subcontracts Exceeding \$25,000. Payments to separating employees for unused leave are treated as direct costs when allocated to direct activities.

Capitalization Policy: Equipment items are those with a unit acquisition cost of \$5,000 or more, and an estimated useful life of one year or more. The exception is copy machines, which are classified as Equipment regardless of acquisition cost. (On financial reports, some cost centers show Equipment costs of under \$5,000. This is due to purchases being allocated to benefiting centers based on estimated use or other methodology).

**SECTION II – Particulars**

**SCOPE:** The indirect cost rate(s) contained herein are for use with grants, contracts, and other financial assistance agreements awarded by the Federal Government to the Michigan Department of Education and subject to OMB Circular A-87.

**LIMITATIONS:** Application of the rate(s) contained in this agreement is subject to all statutory or administrative limitations on the use of funds, and payment of costs hereunder are subject to the availability of appropriations applicable to a given grant or contract. Acceptance of the rate(s) agreed herein is predicated on the conditions: (A) that no cost other than those incurred by the Michigan Department of Education were included in the indirect cost pools as finally accepted, and that such costs are legal obligations of the State Agency and applicable under the governing cost principles; (B) that the same costs that have been treated as indirect costs are not claimed as direct costs; (C) that similar types of information which are provided by the agency, and which was used as a basis for acceptance of rates agreed to herein are not subsequently found to be materially incomplete or inaccurate; and (D) that similar types of costs have accorded consistent accounting treatment.

**ACCOUNTING CHANGES:** Fixed or predetermined rates contained in this agreement are based on the accounting system in effect at the time the agreement was negotiated. When changes to the method of accounting for cost affect the amount of reimbursement resulting from the use of these rates, the changes will require the prior approval of the authorized representative of the cognizant negotiation agency. Such changes include, but are not limited to changing a particular type of cost from an indirect cost a direct charge. Failure to obtain such approval may result in subsequent cost disallowances.

**FIXED RATE:** The negotiated rate is based on an estimate of the costs, which will be incurred during the period to which the rate applies. When the actual costs for such period have been determined, an adjustment will be made in a subsequent negotiation to compensate for the difference between the cost used to establish the fixed rate and the actual costs.

**NOTIFICATION TO OTHER FEDERAL AGENCIES:** Copies of this document may be provided to other Federal agencies as a means of notifying them of the agreement contained herein.

**AUDIT:** If a rate in this Agreement contains amounts from a cost allocation plan, future audit adjustments, which affect this cost allocation plan, will be compensated for during the rate approval process of a subsequent year.

APR 18 10 09 AM  
RECEIVED  
MICHIGAN DEPT OF EDUCATION  
GENERAL MGT

**SECTION III - Special Remarks**

1. This agreement is effective on the date of approval by the Federal Government.
2. Questions regarding this agreement should be directed to the negotiator.
3. Approval of the rate(s) contained herein does not establish acceptance of the State Education Agency's total methodology for the computation of indirect cost rates for years other than the year(s) herein cited.
4. Federal programs currently reimbursing indirect costs to this Department/Agency by means other than the rate(s) cited in this agreement should be credited for such costs and the applicable rate cited herein applied to the appropriate base to identify the proper amount of indirect costs allocable to the program.

**SECTION IV - Approvals**

For the State Agency:

Michigan Department of Education  
PO Box 30008  
Lansing, Michigan 48909



Signature

Craig Thurman

Name

Assistant Director / OEM

Title

July 8, 2008

Date

For the Federal Government:

US Department of Education  
830 First Street, NE  
Room 21C4, UCP  
Washington, DC 20202-4450



Signature

Richard T. Mueller

Name

Director, Indirect Cost Group

Title

July 3, 2008

Date

John J. Masaitis

Negotiator

(202) 377-3837

Telephone Number