Understanding Facilities and Administration (F&A) Costs

Also known as Overhead Costs, or Indirect Costs.

Welcome and Hello!

Presenters:
Matt Michener  matthew.michener@wsu.edu
Grant and Contract Coordinator Lead, Office of Research
509-335-1960
Karen Breese  kbreese@wsu.edu
F&A Cost Specialist, Business Services
509-335-2056

Topics
• What are "Facilities & Administrative" or overhead costs? Let's discuss:
  • Source of terminology, definitions and guidance.
  • How does the F&A rate impact WSU?
• Distribution of F&A returns, i.e. recoveries
• Please ask Questions
FY2018 F&A Rates

<table>
<thead>
<tr>
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<th>FY18</th>
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</thead>
<tbody>
<tr>
<td>On-Campus Research</td>
<td>53%</td>
</tr>
<tr>
<td>Off-Campus Research</td>
<td>26%</td>
</tr>
<tr>
<td>On-Campus Instruction</td>
<td>57.5%</td>
</tr>
<tr>
<td>Off-Campus Instruction</td>
<td>26%</td>
</tr>
<tr>
<td>On-Campus Other</td>
<td>36%</td>
</tr>
<tr>
<td>Off-Campus Other</td>
<td>26%</td>
</tr>
</tbody>
</table>

F&A Costs

- Facilities
  - Building & Equipment
  - Utilities
  - Maintenance
  - Libraries

- Administrative
  - Dept
  - College
  - Campus
  - University

What are Examples of F&A Costs?

- Janitorial Services
- Minor Repairs and Renovation
- Buildings & Grounds
- Maintenance
- Physical Plant
- Environmental Safety
- Facility Planning
- Utilities
Facilities and Administrative Costs:
- Incurred for common or joint purposes;
- Identifiable at a high level;
- Benefiting the entire University.
(That is, F&A Costs are Not Direct Costs which are allocable and specific to project.)

Further Examples of F&A Costs
- Research Compliance
  - Animal Care Review
  - Human Subjects Review
- Office of Research Operations and Support
- Sponsored Programs Services
- Purchasing
- Payroll
- Human Resources
- Accounts Payable
- General Accounting
If records could **finitely** track—then we could differentiate between the uses. **Estimation** is used when it is not possible to track:

- Joint Costs are pooled and allocated.
- **F&A costs are not charged as a direct cost.**

How are F&A costs handled?
- Calculated *indirectly* to represent a return or recovery of costs already incurred by the institution.

**Why are there F&A Rates?**

To **formalize** reimbursement of University overhead costs from sponsors of research, instruction and training.

- **F&A is difficult to estimate** project-by-project.
- The F&A agreement establishes that the sponsor or federal government agency will pay its fair share of total costs.

**Context:** Federal Cost Accounting

**Reference:** [Uniform Guidance](#) subsection B.1

**F&A Rate Application Complexities**

Barriers to charging the full F&A rate

- **Sponsor limitations:**
  - Example USDA 10%
  - Ex. Training Grant 8%
  - Ex. Foundations (common with humanities programs)

- **TDC Base**

  **Know that F&A Waivers are the exception.**

  **Question for the Audience:** Why?
Office of Research
F&A Returns
Expense to Revenue
% Distribution

Architectural design view of the PACCAR Inc. (www.paccar.com)
Environmental Technology facility, also known as the Clean Technology Lab Building, occupancy began about October 2015.

F&A Allocations – Executive Policy #2

F&A Splits Contact
Pete Beeson  5-9683
Budget Office

F&A Rate in Action ➔

- Projects for external sponsors have direct costs and indirect costs, with Indirects being recovered through an F&A percentage.
  - F&A recoveries support the University.
  - QUARTERLY F&A recovery distributions.
Current WSU discussion items:
- PACCAR and other new research facilities
- WSU Spokane and Everett Growth
- Grand Challenges and Drive-to-25

Simple Sponsored Program Project continued
Total Direct Costs: $130,000
  - Salaries/benefits: $95,000
  - Supplies: $5,000
  - Scholarships: $10,000
  - Capital Equipment: $20,000

Modified Total Direct Costs:
  = $130,000 - $10,000 - $20,000
  = $100,000 MTDC

The geographically dispersed locations of WSU:
**Governing Principles**

- Cost Accounting Standards – CFR/OMB and Compliance Supplement
- Financial Reporting
- F&A Rate Submittal
- Business Policies and Procedures
- Disclosure Statement

Ensure there are no special accounting practices for sponsored projects; that all costs are consistently treated. F&A rates apply to all projects externally funded. Costs charged to a project must be during the term of the agreement and for the benefit of the project.

- Reasonable, Allocable and Appropriate.

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**WSU negotiated F&A Rates**

<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
<th>Rate</th>
<th>Location</th>
<th>Applicable To</th>
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</thead>
<tbody>
<tr>
<td>7/1/15</td>
<td>6/30/16</td>
<td>51%</td>
<td>On-Campus</td>
<td>Organized Research</td>
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<tr>
<td>7/1/16</td>
<td>6/30/17</td>
<td>52%</td>
<td>On-Campus</td>
<td>Organized Research</td>
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<tr>
<td>7/1/17</td>
<td>6/30/19</td>
<td>53%</td>
<td>On-Campus</td>
<td>Organized Research</td>
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<tr>
<td>7/1/15</td>
<td>6/30/19</td>
<td>26%</td>
<td>Off-Campus</td>
<td>Organized Research</td>
</tr>
<tr>
<td>7/1/15</td>
<td>6/30/19</td>
<td>36%</td>
<td>On-Campus</td>
<td>Other Sponsored Activity</td>
</tr>
<tr>
<td>7/1/15</td>
<td>6/30/19</td>
<td>26%</td>
<td>Off-Campus</td>
<td>Other Sponsored Activity</td>
</tr>
<tr>
<td>7/1/19</td>
<td>Until</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Amended</td>
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Use same rate & conditions cited for FY 6/30/2019
Calculating the Base for the F&A Rate

Modified Total Direct Cost (MTDC)

MTDC include Total Direct Costs minus:

• Cost of capitalized equipment
• Buildings
• Patient care
• Off-campus rents
• Training Stipends
• Student Tuition / Scholarships and
• Sub-contracts over $25,000

Includes cost sharing in Organized Research

Question for the Audience:
Does Cost Share help our F&A Rate?

References

- OMB A-133, Audits of States, Local Governments and Non-Profit Organizations
- DHHS Division of Cost Allocation College and University Long Form Costs
- DHHS Division of Cost Allocation Frequently Asked Questions
- State of Washington and WSU:
  • Bylaws of the Board of Regents of Washington State University & Executive Policy Manual
  • WSU’s Business Policies and Procedures Manual
  • State Administrative and Accounting Manual (SAAM) - State of Washington
  • Division of Cost Allocation (DCA) - Washington Statewide Cost Allocation Plan (SWCAP)
  • Cost Accounting Standards Disclosure Statement (DS-2)
  • Current negotiated federal F&A rate agreements(s) between WSU and the Department of Health & Human Services, through WSU’s cognizant negotiation agency: the Division of Cost Allocation
  • Postsecondary Education Facilities Inventory and Classification Manual, for Room Use codes.