Understanding Facilities and Administration (F&A) Costs

Also known as Overhead Costs, or Indirect Costs.

Recording date of this workshop is February 23, 2018.

Some of the information presented in this workshop is subject to change.

Please check university resources before relying exclusively on this recorded presentation.

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Welcome and Hello!

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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

Cost of doing business—

How much does a carpenter cost?
National average: $265

$265
LOW COST

$660
HIGH COST

$105


Cost of doing business - Example 2

How much does roof repair cost?
Average cost in 99164: $235

$235
LOW COST

$465
HIGH COST

Enter zip →
### Cost of doing business - Example 3

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Hourly Employee Rate</strong></td>
<td>$76</td>
</tr>
<tr>
<td>+ <strong>Benefit Rate</strong></td>
<td>abt. 30%</td>
</tr>
<tr>
<td><strong>Equals: Labor + Benefit Rate</strong></td>
<td>$100</td>
</tr>
<tr>
<td>+ <strong>Overhead Rate</strong></td>
<td>53%</td>
</tr>
<tr>
<td><strong>Price Quoted to Customer</strong></td>
<td>$153</td>
</tr>
</tbody>
</table>

### FY2018 F&A Rates

<table>
<thead>
<tr>
<th></th>
<th>FY18</th>
</tr>
</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>
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

**WSU negotiated F&A Rates**

<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
<th>Rate</th>
<th>Location</th>
<th>Applicable To</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/1/15</td>
<td>6/30/16</td>
<td>51%</td>
<td>On-Campus</td>
<td>Organized Research</td>
</tr>
<tr>
<td>7/1/16</td>
<td>6/30/17</td>
<td>52%</td>
<td>On-Campus</td>
<td>Organized Research</td>
</tr>
<tr>
<td>7/1/17</td>
<td>6/30/19</td>
<td>53%</td>
<td>On-Campus</td>
<td>Organized Research</td>
</tr>
<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>
<td></td>
</tr>
<tr>
<td></td>
<td>Amended</td>
<td></td>
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</tr>
</tbody>
</table>

*Use same rate & conditions cited for FY 6/30/2019*
F&A Rate Application Complexities

- 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
• F&A Base Year

Overall Timeline for F&A Rate process
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

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?
The geographically dispersed locations of WSU:

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**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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**Presenters**

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References

- Uniform Guidance, formerly OMB A-21, Relocated to 2 CFR, Part 220
- OMB A-133, Audits of States, Local Governments and Non-Profit Organizations
- DHHS Division of Cost Allocation College and University Long-Form Guide
- 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
  - State Administrative and Accounting Manual (SAAAM) - 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 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.

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