

## Understanding Facilities and Administration (F&A) Costs



Also known as Overhead Costs, or Indirect Costs.



Revised Feb 2018

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WASHINGTON STATE UNIVERSITY

**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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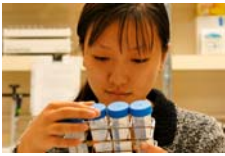
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### Topics

- 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**



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### Cost of doing business—

THUMBSTACK » COST ESTIMATES » GENERAL CARPENTRY

How much does a carpenter cost?

National average: \$265



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### Cost of doing business - Example 2

THUMBSTACK » COST ESTIMATES » ROOF REPAIR OR MAINTENANCE

How much does roof repair cost?

Average cost in 99164: \$235 See National

Get local prices

Enter zip



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### Cost of doing business - Example 3

Hourly Employee Rate	\$ 76
+ Benefit Rate	abt. 30%
Equals: Labor + Benefit Rate	\$ 100
+ Overhead Rate	53%
Price Quoted to Customer	\$ 153

### Cost of Research

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### FY2018 F&A Rates

	FY18
On-Campus Research	53%
Off-Campus Research	26%
On-Campus Instruction	57.5%
Off-Campus Instruction	26%
On-Campus Other	36%
Off-Campus Other	26%

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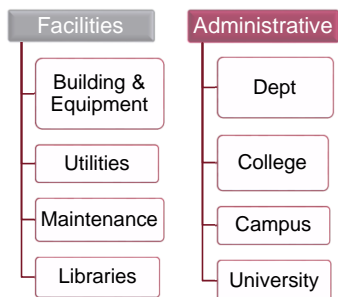
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### F&A Costs



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### What are Examples of F&A Costs?

Janitorial Services  
Minor Repairs and Renovation  
Buildings & Grounds  
Maintenance  
Physical Plant  
Environmental Safety  
Facility Planning  
Utilities



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### 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.)

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### 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



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**Lab Example:**  
A lab is used in several projects.



- If records could *finetely* 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.

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**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**

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**WSU negotiated F&A Rates**

From	To	Rate	Location	Applicable To
7/1/15	6/30/16	51%	On-Campus	Organized Research
7/1/16	6/30/17	52%	On-Campus	Organized Research
<b>7/1/17</b>	<b>6/30/19</b>	<b>53%</b>	<b>On-Campus</b>	<b>Organized Research</b>
7/1/15	6/30/19	26%	Off-Campus	Organized Research
7/1/15	6/30/19	36%	On-Campus	Other Sponsored Activity
7/1/15	6/30/19	26%	Off-Campus	Other Sponsored Activity
7/1/19	Until Amended	Use same rate & conditions cited for FY 6/30/2019		

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## 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?

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## Office of Research

F&A Returns  
Expense to Revenue  
% Distribution

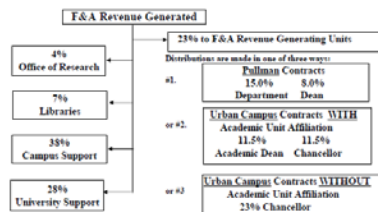


Architectural design view of the PACCAR Inc. ([www.paccar.com](http://www.paccar.com)) Environmental Technology facility, also known as the Clean Technology Lab Building, occupancy began about October 2015.

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## F&A Allocations – Executive Policy #2

Allocation of Facilities and Administrative Cost Recovery Revenue  
From Domestic and International Grants and Contracts



Note: In addition to the 23% of F&A collections, the College of Nursing receives an additional 30% of the revenue they generate to pay for plant operations and maintenance.

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

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### 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.

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### 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



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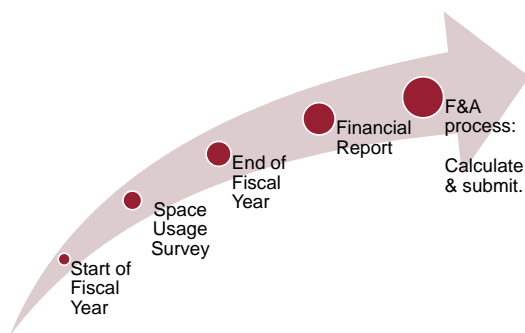
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### Overall Timeline for F&A Rate process



Slide 21

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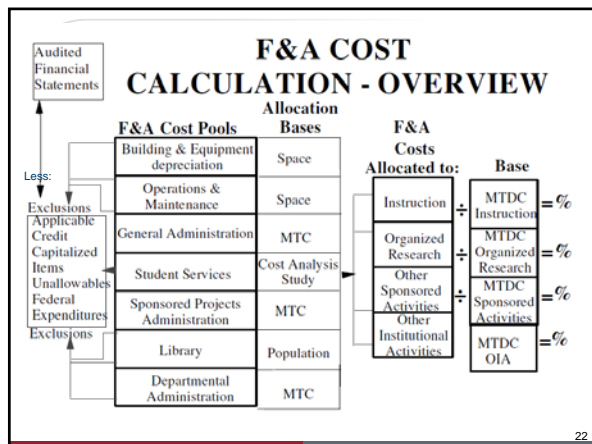
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### Simple Sponsored Program Project continued

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

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### 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?

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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-110, Institutions of Higher Education, CFR, Part 215
- 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
  - 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 agreement(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.

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**hrstraining@wsu.edu**