

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



Also known as Overhead Costs, or Indirect Costs.



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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**



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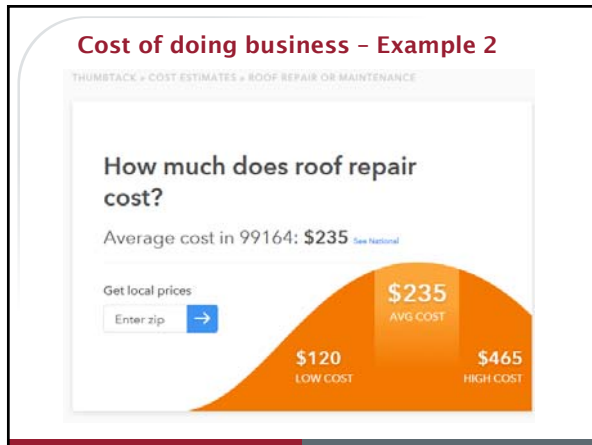
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**Cost of doing business - Example 3**

Hourly Employee Rate	\$ 76
Benefit Rate	abt. 30%
Labor + Benefit Rate	\$ 100
Overhead Rate	52%
Price Quoted to Customer	\$ 152

**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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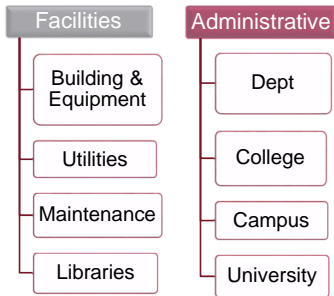
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### F&A Costs



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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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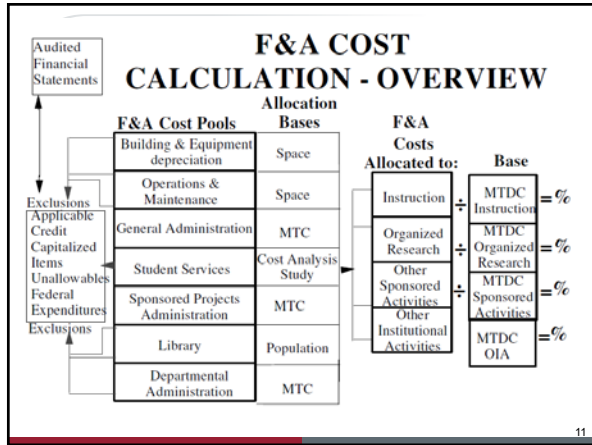
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**Further Examples of F&A Costs**

- **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 *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.

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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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**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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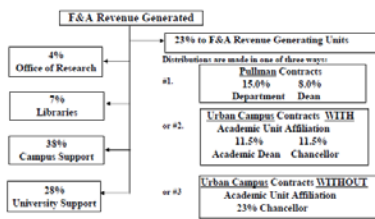
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## F&A Allocations - Executive Policy #2

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 20% 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



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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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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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### 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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### 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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### 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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