Understanding Facilities and Administration (F&A) Costs

Also known as Overhead Costs, or Indirect Costs.

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Welcome and Hello!

Presenters:
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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

Cost of Research

Cost of doing business – Example 2

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

Cost of doing business – Example 3

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

Price Quoted to Customer $153
### 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>

### 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

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.
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

<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 Amended</td>
<td></td>
<td></td>
<td>Use same rate &amp; conditions cited for FY 6/30/2019</td>
</tr>
</tbody>
</table>

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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?
Office of Research

F&A Returns
Expense to Revenue
% Distribution

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

<table>
<thead>
<tr>
<th>Start of Fiscal Year</th>
<th>Space Usage Survey</th>
<th>End of Fiscal Year</th>
<th>Financial Report</th>
<th>F&amp;A process: Calculate &amp; submit</th>
</tr>
</thead>
</table>

F&A COST
CALCULATION - OVERVIEW

<table>
<thead>
<tr>
<th>Allocation Bases</th>
<th>F&amp;A Costs Allocated to:</th>
</tr>
</thead>
<tbody>
<tr>
<td>F&amp;A Cost Pools:</td>
<td>MTDC Instruction</td>
</tr>
<tr>
<td></td>
<td>MTDC Organized Research</td>
</tr>
<tr>
<td></td>
<td>MTDC Organized Research</td>
</tr>
<tr>
<td></td>
<td>MTDC Sponsored Activities</td>
</tr>
<tr>
<td>Library</td>
<td>Population</td>
</tr>
<tr>
<td>Departmental Administration</td>
<td>MTC</td>
</tr>
</tbody>
</table>
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:
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.

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 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 Board
  • 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
  • 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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hrstraining@wsu.edu