

# Higher Education Consulting Services

## Considerations for Conversion from F&A Short Form to Long Form

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Mira L. Levine, Senior Manager  
Allison Toal, Consultant

**MAXIMUS®**



# Agenda

Overview of F&A

Short Form (SF)  
Methodology

Short Form (SF)  
Calculations

Differences  
between Short  
Form (SF) &  
Long Form(LF)

Current F&A  
Issues for Short  
Forms (SF)

Long Form  
Methodology

# Housekeeping

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Polling questions

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PPT/Recording

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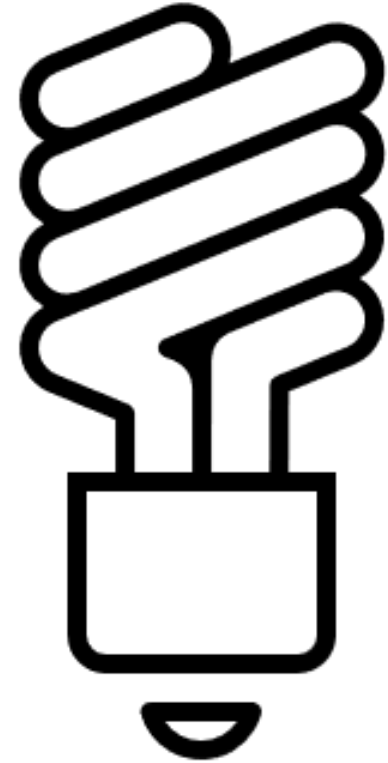
PPT questions/chat

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Evaluation - CPE credit

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# Maximus Higher Education Practice

## Organization and structure

- Established in 1985
- Headquartered in Northbrook, IL, with multiple satellite offices across the country

## Consulting services

- F&A proposal assistance, Space Survey, Negotiations
- Fringe benefit rate proposals
- Reviews of service/recharge centers

- Uniform Guidance Compliance Diagnostic
- Pre- and Post-Award Assistance

## Software Solutions

- Comprehensive Rate Information System (CRIS®)
- WebSpace® — Space Inventory and Survey System
- Effort Reporting System®

**30+**

Years of Experience

**28**

Full-time consulting and IT staff

**250+**

Colleges and universities served

# What are Indirect Costs (F&A)?

Indirect (F&A) costs are those that are incurred for **common or joint objectives** and therefore **cannot be identified readily** and specifically with a particular sponsored activity, or any other institutional activity.

(2CFR 200 Appendix III, A.)

# What is an Indirect Cost (F&A) rate?

- A rate applied to eligible direct costs (Direct costs x F&A rate) that yields an amount that is intended to cover the indirect costs incurred by a University on a federal award.
- **Poll Questions #1 & #2**
- Eligible Short Form direct cost bases are:
  1. Salaries & Wage
  2. Salaries/Wage & Fringe
  3. Modified Total Direct Cost

# Polling Questions

- **#1- What kind of rate does your institution have:**
  - A. Short Form Salaries & Wages
  - B. Short Form Modified Total Direct Cost
  - C. Long Form
- **#2- Is your institution considering moving to the Long Form in the future?**
  - A. Yes
  - B. No

# Indirect Cost (F&A) Components - Pool

Facilities	Administrative
Operations and maintenance	General administration and general expenses
Library	Departmental administration
Building and Equipment depreciation	Sponsored projects administration
Building interest	Student Administration and Services/Acad Support (long form only)*

***\*Student administration and services and academic support are reclassified as direct costs when using the short form.***



# Facilities - Operations and Maintenance (O&M)

- **Administration, supervision, operation, maintenance, preservation, and protection of the institution's physical plant. (2CFR200 B.4.a.):**

- Janitorial and utility services
- Repairs and ordinary alterations of buildings, furniture, and equipment
- Grounds maintenance
- Maintenance and operation of buildings and plant facilities
- Security and safety (readiness for disasters)
- Environmental safety, hazardous waste disposal
- Insurance on property, including liability
- Space and capital leasing
- Facility planning and management
- Central receiving

Most common examples Negotiated Fringe Benefit Rates



# Facilities - Library

- **Costs incurred for the operation of the library (2CFR200 B.8a.):**
  - Cost of books and library materials
  - Does not include costs incurred in purchasing rare books with no value to federal awards, e.g. museum-type books



# Facilities - Building and Equipment Depreciation

- **Portion of costs of buildings, capital improvements to land and buildings, and equipment computed in accordance with 2 CFR 200.436:**
  - Compensation for use of buildings, capital improvements, equipment, and software projects used in federal awards.
  - Calculated with useful lives based on asset class or type
  - Useful lives must be same as those in financial statements
  - Componentization is also an option to accelerate useful lives and depreciation

# Facilities - Building and Equipment Interest

- Interest on debt associated with certain buildings, equipment, and capital improvements used in support of federal awards
- SWCAP (Statewide Cost Allocation Plan) or State paid interest is also eligible

# Administrative- General Administration Expenses

- Expenses for general executive and administrative offices and other general expenses which do not relate solely to any major function of the institution: Instruction, Organized Research, Other Sponsored Activities, or Other Institutional Activities:
  - President's / Chancellor's office, other University-wide VPs and Non-Academic Deans offices
  - Financial management, budget office, business services, procurement
  - Human Resources and Payroll
  - Legal
  - Safety and risk management
  - Central management information systems



# Administrative-Departmental Administration

- Expenses incurred for administrative and supporting services that benefit common or joint departmental activities or objectives in academic deans' offices, academic departments and divisions, and Organized Research units (institutes, study centers, and research centers):
  - Academic deans' offices expenses limited to administrative functions
  - Flat 20% of expenses when using the short form
  - Eligible expenses are payroll, fringe and other expenses



# Student Administration and Services/Academic Support

Expenses incurred for the administration of student affairs and for services to students:

- Dean of students
- Admissions, Registrar
- Counseling and placement services
- Student advisers
- Student health and infirmary services

Expenses incurred in support of the academic function:

- Educational media costs
- Library costs that will be reclassified to the Library
- Student academic resources

# What kind of rates are there?

- **Short Form Salaries and Wages** - the IDCR (indirect cost rate) multiplied by the total of direct cost salaries and wages
- **Short Form Salaries/Wages & Fringe** – the IDCR multiplied by the total of the direct costs salaries, wages and fringe
- **Short form MTDC** – IDCR multiplied by the modified total direct costs . Total costs net of MTDC exclusions (next slide)
- **Long form MTDC** – IDCR multiplied by the modified total direct cost for each rate calculated . Total costs net of MTDC exclusions





# MTDC Exclusions

- Tuition
- Capital expenditures
- Cost of Goods Sold / Goods for Resale
- Participant Support Costs
- Tuition remission
- Scholarships and Fellowships
- The portion of each subaward in excess of \$25,000

# Obtaining an Indirect Cost (F&A) rate

- Prepare an **F&A rate proposal** and submit to institution's cognizant rate agency six months before rate expiration:
  - Dept of Health & Human Services (CAS-HHS) or Dept of Defense's Office of Naval Research (ONR)
    - Depends on which agency has provided more funds to the institution for the most recent three years per National Science Foundation data
    - If neither HHS or DoD has provided funding, cognizant agency defaults to HHS. Decided by cognizant, rarely changes.
  - Rate good for 2-4 years; may request a one-time extension per rate cycle for up to four years under 200.414(g)
  - If institution has never received a rate, a de minimis rate of 10% may be used indefinitely (no rate proposal)- **see COVID slide, too**
- Agency may accept proposed rate or negotiate with institution



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# Short Form

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# Salaries and Wages

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# Modified Total Direct Costs

# Calculation of Salaries and Wages Rate

Establish Indirect (F&A) cost pool (exclusive of capital items and other unallowable expenses):

- General administration expenses (exclusive of student administration and services and academic support)
- Operation and maintenance, depreciation, interest
- Library
- Department administration (20% of salaries and wages of deans and heads of departments)

Total Direct amount of Salaries and Wages (net of MTDC exclusions) = (S&W) distribution base

Divide indirect cost pool by S&W distribution base to get indirect rate

# Short Form S&W Rate Calculation Example

## Salary and Wage Direct Cost Base

### COMPLIANT UNIVERSITY 2014

#### Facilities and Administrative Cost Rate Proposal

#### Rate Schedule

<u>Indirect Functions:</u>	<u>Salaries &amp; Wages</u>	<u>Other</u>	<u>Total</u>
<b>ADMINISTRATIVE:</b>			
General Administration	\$5,276,540	\$2,121,109	\$7,397,649
Department Admin	\$646,801	\$226,380	\$873,181
Sub-Totals	<u>\$5,923,341</u>	<u>\$2,347,489</u>	<u>\$8,270,830</u>
<b>FACILITIES:</b>			
Operations & Maintenance	\$569,666	\$5,955,546	\$6,525,212
Building Depreciation		\$1,672,622	\$1,672,622
Equipment Depreciation		\$272,904	\$272,904
Interest		\$423,235	\$423,235
Library	\$520,830	\$633,191	\$1,154,021
Sub-Totals	<u>\$1,090,496</u>	<u>\$8,957,498</u>	<u>\$10,047,994</u>
Totals	<u><u>\$7,013,837</u></u>	<u><u>\$11,304,987</u></u>	<u><u>\$18,318,824</u></u>

Total Indirect Cost: \$18,318,824

Direct Cost Base: \$24,925,621

On Campus Rate: 73.49 %

Off Campus Rate: 33.18 %

# Calculation of Short Form MTDC Rate

Establish indirect (F&A) cost pool of expenditures (exclusive of capital items and other unallowable expenses) for:

- General administration and general expenses (exclusive of student administration and services, student activities, student aid, and scholarships)
- Operations and maintenance, Depreciation
- Library, Interest
- Department administration (20% of expenses, including salaries, of deans and heads of departments)

Total Direct costs net of MTDC exclusions = MTDC base

Divide indirect cost pool expenditures by MTDC base

to get indirect rate

# Short Form MTDC Rate Calculation Example

## MTDC Direct Cost Base Rate

### COMPLIANT UNIVERSITY 2014 Facilities and Administrative Cost Rate Proposal Rate Schedule

<u>Indirect Functions:</u>	<u>Salaries &amp; Wages</u>	<u>Other</u>	<u>Total</u>
<b>ADMINISTRATIVE:</b>			
General Administration	\$7,145,373	\$252,276	\$7,397,649
Department Admin	\$873,181		\$873,181
Sub-Totals	\$8,018,554	\$252,276	\$8,270,830
<b>FACILITIES:</b>			
Operations & Maintenance	\$790,153	\$5,735,059	\$6,525,212
Building Depreciation		\$1,672,622	\$1,672,622
Equipment Depreciation		\$272,904	\$272,904
Interest		\$423,235	\$423,235
Library	\$682,752	\$471,269	\$1,154,021
Sub-Totals	\$1,472,905	\$8,575,089	\$10,047,994
Totals	\$9,491,459	\$8,827,365	\$18,318,824

Total Indirect Cost: \$18,318,824  
Direct Cost Base: \$38,589,873

On Campus Rate: 47.47 %  
Off Campus Rate: 21.43 %

# Fringe Benefit Options for Short Form Institutions

- ✓ **Specific Identification-** charge actual fringe benefit costs to accounts
- ✓ **Pooled Rate- Predetermined-**average fringe benefit rate charged to accounts- same rate for entire rate period like F&A
- ✓ **Pooled Rate- Fixed with Carryforward-** average fringe benefit rate charged to accounts- submit annually and “true up”



# Common Short Form Negotiation Issues



**Academic vs. Administrative Computing-** in the Indirect Pool vs the Direct Cost Base



**General Admin Breakout-** Dept, Account, Description and Position



**Operations & Maintenance Breakout-** Dept, Account, Description and Position



**Advertising Costs**

# COVID for Short Form Institutions

- **CARES Act-** HEERF funds, CRRSAA funds. American rescue plan
- **Negotiated Indirect Rate-** charged only on Institutional portion of awards, both new and supplemental
- **De Minimis Rate- 10%-** if no current negotiated indirect cost rate
- **Institutional vs. Student portion of funds-** how to determine

# Long Form- What does it mean and when should a Short Form School consider it?

- **Funding >\$10 million** (\$10-\$15 million)
- **Methodology**- requires allocation statistics for each F&A cost grouping (cost pool)
- **F&A rates** - Instruction, Organized Research, Other Sponsored Activities and Other Institutional Activities
- **Space Survey**- to allocate facilities (F) costs
- **Standard Format**- lengthy with many requirements
- **Cognizant Agency**- review and negotiation

# Long Form- How

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- **F&A Proposal process-** 18 mos or more
- **Space Survey** should occur in the Spring of your base year (preceded by current **Space Inventory**)
- Need to collect **financial and asset data sets**
- **Upload data** to cost rates model. Update cost pool structure, mapping, exclusion and allocation rules
- Mitigate **step down** errors
- **Prepare and submit** F&A cost rate proposal to cognizant agency
- Respond to data requests and **negotiate** new F&A rates

Long  
Form-  
How  
“The  
Rate”

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F&A Costs Allocated  
To Organized  
Research

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Divided By:

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Organized Research  
Modified Total Direct  
Costs

# Long Form- How

## The “A” Components- 26 Pt Cap

- **General Administration:** Accounting, Payroll, Human Resources, Budget, IT

Costs are allocated to all, Major Functions (Direct Activities / Costs), including academic functions and auxiliaries

- **Department Administration:** Dean’s Offices, Academic Department Support Staff

Costs are allocated to mainly academic functions, such as Instruction and Organized Research



# Long Form- How

## The “A” Components- 26 Pt Cap

- **Sponsored Projects Administration:** Pre and Post Award, Compliance, VP of Research

Costs are allocated to sponsored, academic activities. Organized Research usually receives the bulk of SPA costs

- **Student Services Administration:** Bursar, Student Affairs, Admissions, Financial Aid

Costs are allocated to Instruction



# Long Form- How

## The “F” Components- Uncapped

- **Building Depreciation:** Allocated based on how the space is utilized in the building.
- **Campuswide Infrastructure:** Allocated based on FTE data.

Data needs to be collected from Institutional Research





# Long Form- How

## The “F” Components- Uncapped

- **Equipment Depreciation:** Allocated based on how the space is utilized in the building
- **Interest:** Allocated based on utilization of space
- **Operations and Maintenance:** Allocated based on utilization of space. Statistics to be developed
- **Utility Cost Adjustment :**New UG treatment. Utility costs may be metered



# Long Form- How

## The “F” Components- Uncapped

- **Library:** Most typically allocated based on FTE data.
- Schools will pay for a “Library Study,” a survey of actual library users.
- Is it worth the additional cost?



# Long Form- How

## The Space Survey

- **Space Survey Process** – Allocation of space based on functional usage
- **Current Space Inventory**- do first, important!
- Allocation method used for facilities components
- Scrutinized by cognizant agency
- Correlate to MTDC bases- Space v. Base



# Long Form- How



## The Space Survey

- **Alternative Space Methodology** - Organized Research departments, as defined by expenditures. The CAS “Best Practices Manual” (2017) allows this sampling approach
- **Room-by-room information** functional usage data is collected, as well as PI, fund source and occupant data
- Also allows selection of specific room types such as 250- Research labs and 255- Research Lab Service & threshold of dollars
- All remaining space is then allocated to functions based on how **departmental salaries** are classified

# Upcoming Events

- **Maximus 34<sup>th</sup> Annual Higher Education Virtual Meeting**  
Tuesday September 21 – Thursday, September 23, 2021

University experts and MAXIMUS staff will present F&A costing sessions with a special emphasis on COVID-19. Topics include:

- F&A Rate Extensions
- ONR and HHS-CAS regional forums
- F&A Proposal Development, Space Surveys, and Negotiations
- Fringe Benefit Rates
- Service Centers
- Beginner and Advanced topics on CRIS

Visit <https://maximus.com/higher-ed-news-events> for registration & more information!

# Questions? / Contact Information

**Mira L. Levine, CPA**

[mirallevine@maximus.com](mailto:mirallevine@maximus.com)

(703) 582-5097

**Allison Toal**

[allisontoal@maximus.com](mailto:allisontoal@maximus.com)

(847) 513-5542