



Better Solutions For Better Lives

Information for F&A Short Form Institutions

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Higher Education Practice

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MAXIMUS®

Agenda

About MAXIMUS

F&A Proposal – what it is

Purpose of F&A Proposal

Process/Steps of preparing Short Form F&A Proposal

Indirect Cost Pools and Bases

Flowchart and helpful web link

MAXIMUS Higher Education Practice

- Serves more than 200 colleges and universities in 49 states plus Puerto Rico and the U.S. Virgin Islands
 - 90 of top 100 research institutions
 - Ranging from <\$1M to >\$1B in research
- Headquartered in Northbrook, Illinois
 - Satellite offices in: Colorado Springs, Colorado | Lexington, Kentucky | Columbus, Ohio | Phoenix, Arizona | Charlottesville, Virginia | Bluffton, South Carolina
- MAXIMUS is a leading provider of government services worldwide with more than 30,000 employees and \$2.0+ billion annual revenue

MAXIMUS Higher Education Practice

F&A Consulting Services

- F&A Cost Rate Proposal Preparation (Long and Short Form)
- Negotiations (DHHS-CAS & ONR/DCAA)
- Space Surveys/Reviews
- Fringe Benefit Rates
- Federal Disclosure Statement (DS-2) and Direct Costing Policy
- Service Centers and/or Recharge Centers Rates and Policies

F&A Software

- Comprehensive Rate Information System (CRIS®)
 - 200+ universities use CRIS
- WebSpace® – Space Utilization Software
 - 60+ universities use WebSpace

The logo for CRIS (Comprehensive Rate Information System) features the letters "CRIS" in a bold, blue, sans-serif font. The "C" and "R" are connected, and the "I" and "S" are separate.

WebSpace

Other Services and Products

- Internal Controls Consulting and Effort Reporting Software (ERS)
- Uniform Guidance Diagnostics and Compliance Consulting
- Pre and Post Award Consulting Services and Training
 - Research Operational Reviews – Business Process Review and Improvement – Change Management
 - Policy Review and Development
 - Onsite and Online Training in Grant Management
 - Fringe Benefit Rates

What is the F&A Rate Proposal?

- The documentation prepared by an institution in accordance with the federal cost principles in Uniform Guidance, 2 CFR Part 200 to validate its claim for the reimbursement of F&A costs.
- There are two methods for preparing F&A Rate Proposals, Long Form and Short Form (Simplified Method)
- The federal government mandates that schools submit the F&A cost proposal to the school's cognizant agency
- The F&A cost proposal is subject to Federal audit.

Reasons for preparing F&A Proposal

- To obtain a negotiated F&A rate so institutions can be reimbursed for overhead / indirect costs incurred during the performance of work on federal (and, non-federal) sponsored agreements.
- Rates are applied to Federal (and, non-federal) grants (e.g., NIH, NSF, NASA, DOD and so forth) as the mechanism to recover institutional indirect costs.
- Provides a critical source of revenue at a time when budgets are tight.

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. (2 CFR 200 Appendix III, A.)

Information about the Simplified Method

Short Form Method is available to small institutions where there is \$10 million or less of sponsored direct costs

Relies on audited financial statements

Very limited additional documentation

Distribution of costs based on either:

- *Salaries and Wages*
- *Salaries and Wages plus Fringes*
- *MTDC*

Steps for preparing the Short Form Proposal

1. Procure Financial Data
2. Procure Asset/Depreciation Data
3. Procure Space statistics
4. Reconcile to Financial Statement
5. Reclassify Costs to UG Cost Categories
6. Elimination Of Costs
7. Adjustments for Interest / Depreciation
8. Calculate Proposed Rate
9. Submit Final Package
10. Negotiate rate and length of term (up to 4 years)

Financial Data

- Operating expenses from Financial Statement must be reconciled
- Some costs may be added to the F&A proposal as an adjustment
- The financial data should represent the activity for a fiscal year

Asset Data – Depreciation

UG, Appendix III, section B2

Gather asset records to identify buildings and equipment.

Reconcile depreciation to amount recorded in Financial Statements.

Determine “allowable” depreciation for Short Form F&A cost proposal.

Space Statistics

- Space statistics for OIA activities
- Determine by building, department, type of space

Reclassify Costs to UG Categories

1. UG, Apdx III, section H
2. Expenditure data needs to be scrutinized at the account and department level.

Facilities Cost Examples

- Library costs may be classified as Academic Support, but they are defined as facilities costs by UG.
- Campus Security is often classified as Institutional Support.

Reclassify Costs to UG Categories

Administrative Cost Examples

- Institutional Support is typically defined as General Administration.
- Department Administration costs are those of Department Heads such as Department Chair and College Deans.
 - Requires salary and fringe benefit expenses, by title code and employee.
 - Costs are re-classified from Instruction, Academic Support.

Reclassify Costs to UG Categories

Unallowable Costs

- UG, sections 200.420 to 475
- Costs such as Alumni Relations and Fundraising need to be classified as **Other Direct Activity**.
- Financial data needs to be scrutinized at the Object / Expense Code level for:
 - Entertainment expenses
 - Certain legal costs
 - Lobbying costs

UG, Apdx III Prescribes Expenditure Eliminations

- Patient care & tuition remission
- Expressly Unallowable
- Scholarships and fellowships
- Subcontract expenditures above \$25,000
- Capital assets
- F&A cost recovery

Adjustments

UG, Apdx III, section B3 allows for inclusion of interest costs on capitalized debt.

Library Revenue

Depreciation net of OIA activities

All costs are aligned to UG!

- You must now determine which rate base (denominator) to use.
- UG allows three different bases:
 - Salaries and Wages
 - Salaries and Wages + Benefits
 - Salaries and Wages + Benefits + Other Expenses (“Modified Total Direct Costs”)
- The first is normally the highest rate, the last, the lowest.
- You need to review your grant stream to determine which base to use.

The Final Package

1. Print out final schedules + Rate Schedule
2. Footnotes on Reclassifications, Eliminations and Adjustments
3. UG requires that certifications be signed by someone in upper management
4. A checklist is also required to be filled out and signed by upper management
5. Send the package to your cognizant agency

The Rate Negotiation

1. Federal Cognizant agency will audit the cost report and will respond with requests for additional data.
2. Then, the institution will negotiate a rate with CAS.
3. The final rate is usually lower than the proposed rate.
4. UG provides that Institutions “normally” establish 4-year rate agreement (but, can be less).

Considerations

CAS requires that Universities must have at least 1 active federal sponsored agreement

The average the F&A cost proposal work takes 8 to 12 weeks to complete.

After submission, CAS normally takes 3 to 6 months for reviews, data request and then final negotiations

Establishing Short Form F&A Cost Pools

Indirect Cost (F&A) Components

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 (long form only)*

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

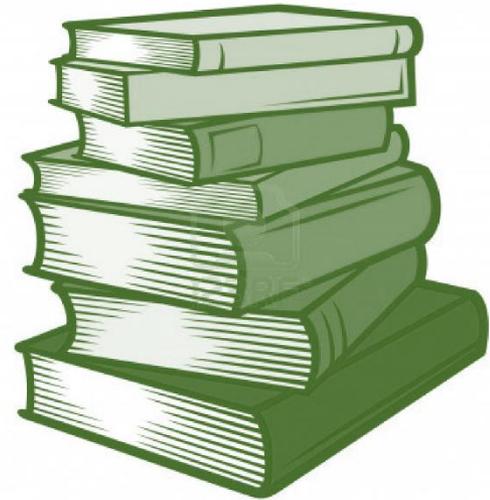
Operations and Maintenance

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

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



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:

- Depreciation amount in accordance with GAAP



Building and Equipment Interest

- Interest on debt associated with certain buildings, equipment, and capital improvements used in support of federal awards



General Administration and General 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 deans offices
- Financial management, budget office, business services, procurement
- Human Resources and payroll
- Legal
- Safety and risk management
- Central management information systems



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



Sponsored Projects Administration

Expenses incurred by a separate organization established primarily to administer sponsored projects, including grant and contract administration, special security, purchasing, personnel, administration, editing/publishing research:

- Pre award and non-financial post award
- Grants and contracts accounting
- VP for research

Student Administration and Services

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
- Catalogs
- Commencements and convocations

Appendix III, Section D - The Short Form

Advantages compared to a Long Form Proposal

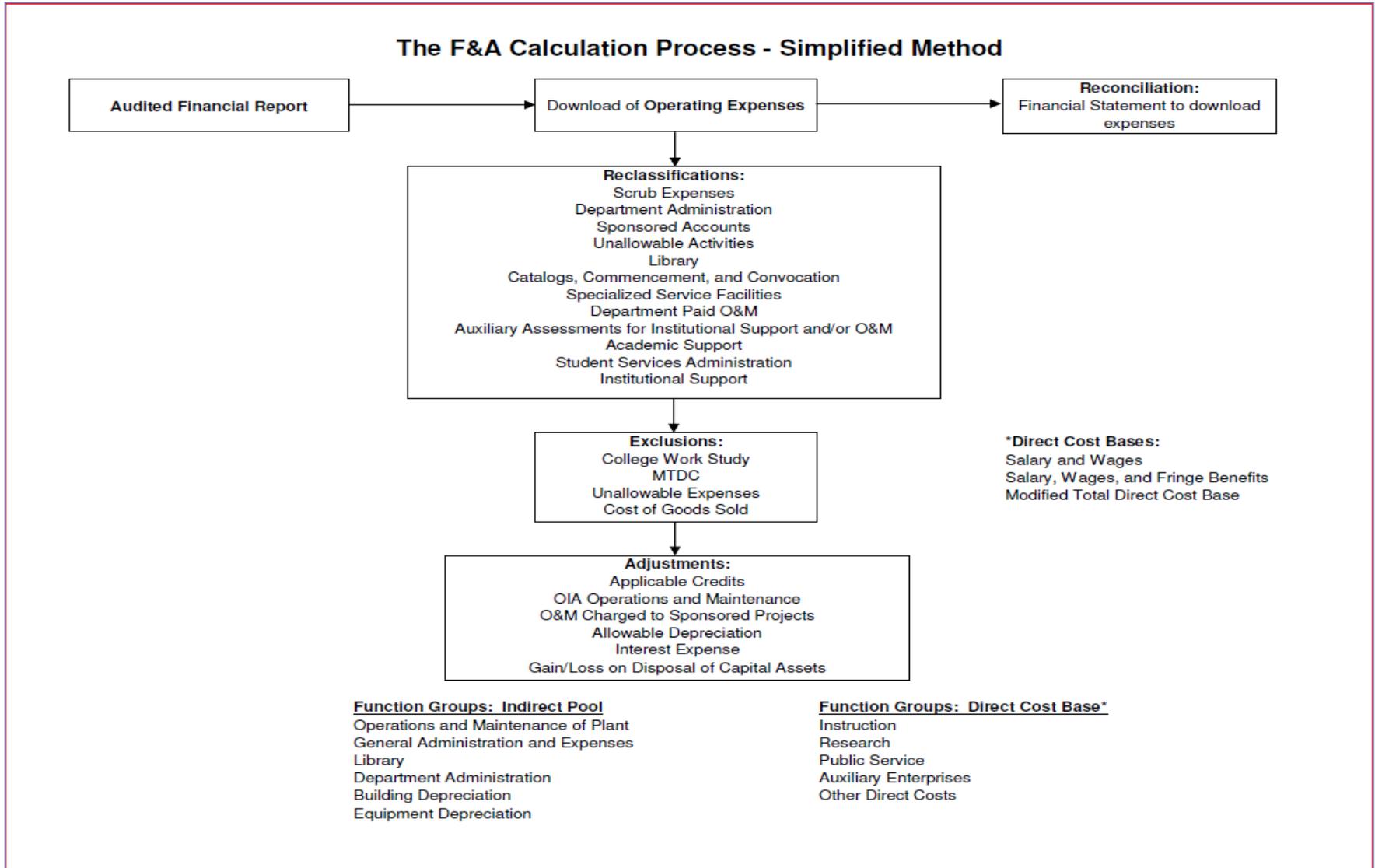
- Relatively easy to prepare and negotiate
- Uses institutional financial statements
- Uses formula approach --1 indirect pool and 1 direct base
- Does not need a space survey
- Does not need a library allocation
- Does not need a DCE calculation
- Does not need sub-pooling of indirect costs

Useful Link

Informative approach and useful information for calculating the short form F&A rate and example of proposal format for submission.

<https://rates.psc.gov/fms/dca/shortform%20example.pdf>

F&A Calculation Process – Short Form Simplified Method



Upcoming Webinars



Tips for Becoming a CRIS Power User
August 20 | 2:00 p.m. ET

**Alternative Methods for Documenting
Compensation – October 2019**

Upcoming Workshop and Annual Meeting



32nd Annual MAXIMUS Higher Education Practice Meeting

September 11 to 14
Gaylord Opryland Resort & Convention Center in Nashville, TN

F&A Long Form Training Workshop

September 10 to 12
Gaylord Opryland Resort & Convention Center in Nashville, TN

Questions/Comments – Contact Info

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