

# Facilities and Administrative (F&A) Cost “base year” and how it affects the entire university

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Remember ...

This is DFA Conversations.

Your questions, comments and interruptions throughout these slides are both welcomed and encouraged!





## What is base year?

- The year (FY20) used to develop F&A rate proposal
- Proposal or extension request will be due 12/31/20
- Review performed by Division of Cost Allocation, Health and Human Services
- Site visit by DCA in Summer 2021
- Negotiation of rates in Summer 2021
- Rates will be effective July 1, 2021 (FY22)



## Why is the whole university affected?

- In order to receive an F&A rate from the federal government the accounting for the entire university must comply with the cost principles in 2 CFR 200
  - This facilitates the use of standard buckets for cost and an efficient and effective review
- Must also be consistent with our disclosed costing practices (DS-2)



## What is the F&A Rate

- This rate is the mechanism whereby the university gets reimbursed for infrastructure costs incurred in the pursuit of sponsored activity.
- The rate, negotiated with the federal government, is assessed against most grant expenditures.
- Currently the rates are 64% (EN) and 57% (CC) of Modified Total Direct Cost. This means that of a \$1000 award, the project will receive no less than \$610 for direct costs, and the college will receive \$390 towards infrastructure costs.
- In FY18 the Ithaca-based campus received approximately \$84M in F&A recovery



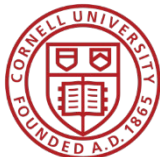
## F&A = Real Cost of Supporting Research

- Buildings
- Equipment
- Interest
- Operation and Maintenance
- Libraries
- Departmental Administration
- Academic Support
- Institutional Support

Above items are not capped

Above items are capped at 26%.



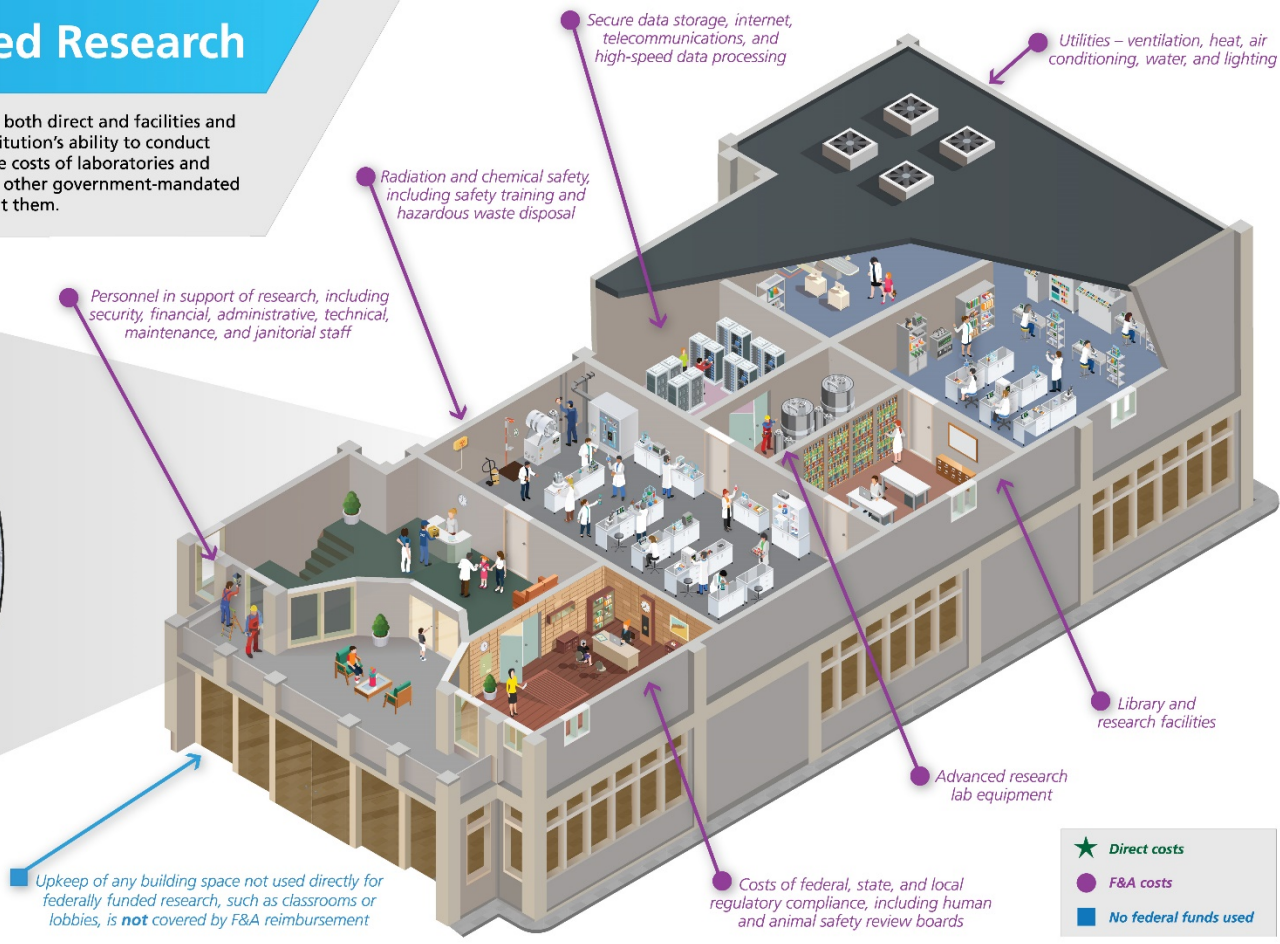


# Costs of Federally Sponsored Research

The total cost of federally sponsored research includes a combination of both direct and facilities and administrative (F&A) costs. Both types of expenditures are key to an institution's ability to conduct cutting-edge research. F&A consists of the construction and maintenance costs of laboratories and high-tech facilities; energy and utility expenses; and safety, security, and other government-mandated expenses. These costs are real and research cannot be conducted without them.



★ **Direct costs** - These expenses solely cover research and include lab supplies and equipment; salaries and stipends for researchers and graduate students; and travel costs for conducting and sharing research



- ★ **Direct costs**
- **F&A costs**
- **No federal funds used**





## Areas addressed in proposal and site review

- Many of the things you do routinely over the course of a year directly affect Cornell's proposal, the review process, and the resulting rates.
- Flaws in our proposal, or discrepancies noted in the site review, will result in a lower rate.
- Each point of the rate is worth ~\$1.25M
- Areas of concern include:





## Base Size

- Functional Classification of Accounts
  - If the function is wrong, then the base size may be wrong.
- Cost Sharing
  - If not booked properly the base is too small
- NIH Cap
  - If not accounted for correctly then the base is too small

*“Base too small” means proposed rate is too high*

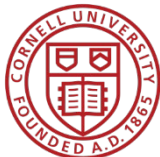


Chart Code: IT - Ithaca Campus

Account Number: U558400

Account Name: NSF 69874 Operation of CHESS

Organization Code and Description: 3470-Cornell High Energy Synchrotron Source

Campus Code: IT - Ithaca

Account Effective Date: 04/01/2014

Account Expiration Date: 08/31/2019

Account Postal Code: 14853

Account City Name: ITHACA

Account State Code: NY

Account Street Address: RES Division

Account Off Campus Indicator: No

Closed?: No

Account Type Code: EN - Endowed

SubFund Group Code: CGFEDL - Federal

Sub-Fund Program Code:

Appropriation Account Number:

Major Reporting Category Code:

Account Fringe Benefit: Yes

Fringe Benefit Chart Of Accounts Code:

Fringe Benefit Account Number:

Higher Ed Function Code: 4300 - Organized Research - General

Account Restricted Status Code: U - Unrestricted

Account Restricted Status Date:

Endowment Chart of Accounts Code:

Endowment Income Account Number:

Labor Benefit Rate Category Code: EN

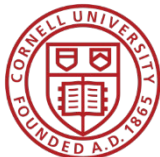


Chart Code:	IT ** Ithaca Campus	Account Number:	3297834
Sub-Account Number:	04300	Sub-Account Name:	Cost Share 3298734 - 4300
Active Indicator:	Yes	Sub-Account Type Code:	CS
Off Campus Indicator:	No		
FINANCIAL REPORTING CODE SECTION:		Financial Reporting Chart Code:	**
Financial Reporting Org Code:		Financial Reporting Code:	
		CG COST SHARING SECTION:	
Cost Sharing Chart of Accounts Code:	IT - Ithaca Campus	Cost Sharing Account Number:	3294300
Cost Sharing Sub-Account Number:			
CG ICR SECTION:		Indirect Cost Rate Id:	
ICR Type Code:			



# Compliance

- Uniform Guidance
  - Is the UG being properly observed
  - Are we treating costs consistently
  - Is there any activity that disadvantages the government
- Disclosure Statement
  - Are we following our own rules
- Proper Rate Application
  - Large payback at another university (and a smaller one at another)
  - Must observe the institutional definition





## Off Campus Definition from NICRA

For all activities performed at a location which has neither the use nor aid of owned or leased University-operated facilities and with personnel off campus for two months or longer, the off-campus rate will apply. Normally actual costs will be apportioned between on-campus and off-campus components with each portion bearing the appropriate rate. For further details please refer to the Disclosure Statement (DS-2).



## Rate Components

- Space Survey
- Equipment
- Admin / Clerical Costs



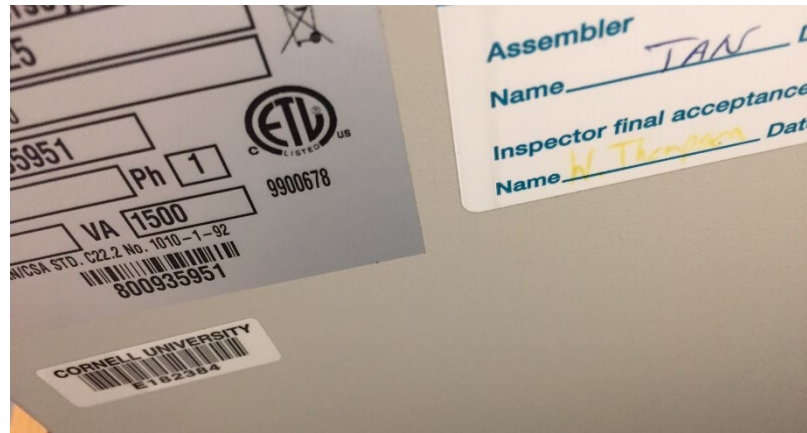
## Space Survey

- Space drives half of the rate allocation and is uncapped
- Proper coding and backup is critical
- Space allocation used for:
  - Building depreciation and interest
  - Operation and maintenance expenses
  - Equipment depreciation
- New facilities always have a high potential for review during the site visit (Cornell Tech)



## Equipment

- Is it located where indicated in our records
- Is it in use
- Was it inventoried
- Is it properly tagged



*Will you be able to find it quickly on a late summer/fall day?*





## Admin / Clerical

- Admin/Clerical has been a normally indirect cost for almost 25 years.
- Charging directly may represent a situation of “bypassing” the 26% admin cap.
- HHS will seek to ensure that directly charged admin/clerical costs are compliant with UG and Cornell policy



## Site Review

- Units and PIs selected by DHHS
- Pre-review analysis of supplemental state
- Review consists of an interview with PI
- Walk-through of lab
- Review of capital assets

*Could your unit be chosen? The results will affect all federal awards for a much as a five year period.*



## Questions asked during the interview

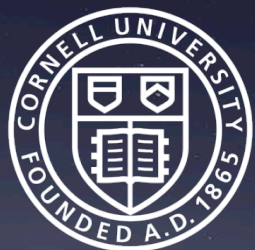
- What do you do here?
- How are you paid?
- How are students paid?
- Any unfunded students?
- Who is in this space?
- Any Research Training Grants?
- Do you teach and what percentage?
- How are students funded?
- Do you have visiting scientists in this space
- Any changes in funding or space?



## Support for units

- DFA Cost and Capital Assets
  - Nancy Abbott, Manager
  - Kevin Hull, Financial Analyst
- Training sessions
- Policies





Questions (or conversations)?

