TAKING THE MYSTERY OUT OF F&A

Caroline Beeman
Why an F&A Cost Rate?

- It is federal policy to provide for the reimbursement of F&A costs except when specific limitations and prohibitions exist.

- This is accomplished through use of an F&A rate.

- The cognizant agency negotiates and approves the F&A rates for an educational institution on behalf of all Federal agencies.
What is the F&A Cost Rate?

- A single number that reimburses the institution for the use of:
  - Buildings
  - Equipment
  - Interest on Debt
  - O&M
  - Library
  - General Administration
  - Departmental Administration
  - Sponsored Projects Administration
Calculation of the Facilities & Administrative Cost Rate (aka = Indirect Cost Rate)

**F&A COSTS**
- Building Depreciation
- Equipment Depreciation
- Interest on Debt
- Operations & Maintenance
- Library Support
- General Administration
- Departmental Administration
- Sponsored Project Administration

**DIRECT COSTS**
- Research Salaries & Fringes
- Consultant Services
- Travel
- Technical Services
- Research Supplies
- Subcontracts up to $25,000
- Committed Cost Sharing

F&A Costs: $88,160,000

Direct Costs: $152,000,000

0.58 = 58%
Commonly Used Acronyms

- F&A – Facilities and Administrative (Indirect Costs)
- MTDC – Modified Total Direct Cost
- S&W – Salaries and Wages
- FTE – Full Time Equivalent
- GA – General Administrative and General Expenses
- SPA – Sponsored Projects Administration
- O&M – Operations and Maintenance
- DA – Departmental Administration
- OIA – Other Institutional Activities
- OSA – Other Sponsored Activities
- OR – Organized Research
- DR – Departmental (non-sponsored) Research
The Direct Cost Bases

- Bases represent an institution’s direct cost activities:
  - Instruction and Departmental Research (IDR)
    - Instruction
    - Sponsored Instruction
    - Departmental (non-sponsored) Research
  - Organized Research (OR)
    - Sponsored Research and Research Training
    - University-sponsored Research
    - Cost sharing
  - Other Sponsored Activities (OSA)
  - Other Institutional Activities (OIA)
The Direct Cost Bases

- A-21, Section G.2 discusses the distribution basis for F&A costs and defines it as modified total direct costs (MTDC).

- MTDC usually includes:
  - Salaries and wages & associated fringe benefits
  - Materials and supplies
  - Services
  - Travel
  - Sub-grants and subcontracts up to the first $25,000
The Direct Cost Bases

- MTDC excludes
  - Sub-grant and subcontract costs over $25,000
  - Equipment (capital equipment only)
  - Capital expenditures
  - Patient care
  - Tuition remission
  - Scholarships and fellowships
  - Space rental costs
Facilities and Administrative Costs

Costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, instructional activity or any other institutional activity. From OMB Circular A-21, Section B.4.
Facilities Components (Cost Pools)

- Building depreciation
- Building interest
- Equipment depreciation
- Operations and maintenance
- Library
Depreciation

Expenses for the portion of costs related to the institution’s buildings, capital improvements to land and buildings, and equipment which are computed in accordance with J.14, see also F.2.
**Interest on Debt**

- Interest associated with certain buildings, equipment and capital improvements are allowable if they support sponsored agreements.
Operations and Maintenance

- Expenses incurred for administration, supervision, operation, maintenance, preservation and protection of the institution’s physical plant
- Normally includes:
  - Janitorial/housekeeping
  - Utilities
  - Grounds maintenance
  - Security
  - Environmental safety
  - Hazardous waste disposal
  - Maintenance and repair
- Utility cost adjustment (UCA) of 1.3 points only Exhibit B schools
What is a Space Survey?

- A space survey is the process of assigning institutional space into OMB Circular A-21 functional categories based on space use.

- The results are used to calculate the percentage of space that is used to support Organized Research and support the subsequent allocation of space-related costs to Organized Research.

- Used to allocate Building and Equipment Depreciation, Interest and O&M.
Library

- Expenses incurred for the operation of the library including the costs of books and library materials purchased for the library less applicable credits
  - Standard Allocation based on FTE’s
  - At UVA we currently use a Library Cost Study as to allocate the Library Cost Pool
Administrative Components (Cost Pools)

- Administrative components (cost pools)
  - General administration and general expenses
  - Departmental administration
  - Sponsored projects administration
  - Student administration and services

- Administrative components are capped at 26% of modified total direct costs
General Administration and General Expenses

- Expenses incurred for the general executive and administrative offices and other expense of a general nature which do not relate solely to any major function of the institution

- Normally includes
  - Institutional administrative executive offices
  - Financial planning, budgeting, payroll, accounting, procurement
  - Risk management
  - General counsel
  - Management information systems
  - Cross allocations from depreciation, interest and O&M

- Allocation basis is modified total cost of each pool or base
Department Administration

- Expenses incurred for administrative and supporting services that benefit common or joint departmental activities or objectives

- Composed of:
  - Academic deans’ offices (only administrative activities)
  - Academic departments’ and divisions’ salaries and fringe benefits attributable to administrative work
    - Includes bid and proposal effort
    - Limited to 3.6% of department MTDC of faculty and professional personnel conducting research and/or instruction
    - 3.6% limit does not apply to business or administrative officers
  - Other administrative and supporting costs are allowable provided they are treated consistently in like circumstances (includes secretarial and clerical salaries, administrative officers and assistants, travel, office supplies etc.)
  - Allocated based on MTDC of each base within the department/school
Sponsored Projects Administration

- Expenses are limited to those incurred by a separate organization established primarily to administer sponsored projects. Includes grant and contract administration, special security, purchasing, personnel, etc.

- SPA is allocated to the functions performing sponsored projects based on MTDC of the sponsored projects
  - Includes
    - Organized Research
    - Sponsored Instruction
    - Other Sponsored Activity
Student Administration and Services

- Expenses incurred for the administration of student affairs and for services to students including deans of students, admissions, registrar, counseling and placement, student advisors, student health and infirmary services, catalogs and commencements and convocations

- Per A-21 - shall normally be allocated 100 percent to instruction function
How is the F & A Calculation Done?

- Start with Financial Statements – Operating Expenses
- Adjustments – Unallowable costs, Interest, etc.
- Map to OMB Circular A-21 Pools and Bases
- Allocate Pools
- Summarize Pool Allocations to Each Base
- Calculate Rates
# Organized Research F&A Rate *(as Calculated)*

## 07/01/09 - 06/30/10 RESEARCH

<table>
<thead>
<tr>
<th>F&amp;A COMPONENTS</th>
<th>Allocated $</th>
<th>Base</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FACILITIES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building Depreciation</td>
<td>$ 8.7M</td>
<td>$151.7M</td>
<td>5.8%</td>
</tr>
<tr>
<td>Equipment Depreciation</td>
<td>$ 6.6M</td>
<td>$151.7M</td>
<td>4.3%</td>
</tr>
<tr>
<td>Interest</td>
<td>$ 4.1M</td>
<td>$151.7M</td>
<td>2.7%</td>
</tr>
<tr>
<td>Operations &amp; Maintenance</td>
<td>$ 24.0M</td>
<td>$151.7M</td>
<td>15.8%</td>
</tr>
<tr>
<td>Utilities Cost Adjustment</td>
<td></td>
<td></td>
<td>1.3%</td>
</tr>
<tr>
<td>Libraries</td>
<td></td>
<td></td>
<td>2.5%</td>
</tr>
<tr>
<td><strong>Total FACILITIES</strong></td>
<td>$ 43.4M</td>
<td></td>
<td><strong>32.4%</strong></td>
</tr>
</tbody>
</table>

| ADMINISTRATION: *                           |             |            |       |
| General & Administrative                    | $ 9.3M      | $157.8M    | 5.9%  |
| Departmental Administration                 | $ 30.3M     | $157.8M    | 19.2% |
| Sponsored Projects Admin                    | $ 8.7M      | $157.8M    | 5.5%  |
| **Total ADMINISTRATION**                    | $ 48.3M     |            | **30.6%** |

**TOTAL**                                     | $ 91.7M     |            | **63%** |

* Capped by the government.

Taking the Mystery out of F&A
# UVA’s Current F&A Rates

<table>
<thead>
<tr>
<th></th>
<th>Organized Research</th>
<th>Sponsored Instruction</th>
<th>Other Sponsored Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>On</td>
<td>Off</td>
<td>On</td>
</tr>
<tr>
<td>Bldg Depr’n</td>
<td>6.3</td>
<td>4.0</td>
<td>1.4</td>
</tr>
<tr>
<td>Equip Depr’n</td>
<td>3.8</td>
<td>1.0</td>
<td>0.6</td>
</tr>
<tr>
<td>Interest</td>
<td>3.2</td>
<td>1.0</td>
<td>0.6</td>
</tr>
<tr>
<td>O&amp;M</td>
<td>16.2</td>
<td>9.2</td>
<td>5.2</td>
</tr>
<tr>
<td>Library</td>
<td>2.5</td>
<td>12.8</td>
<td>2.2</td>
</tr>
<tr>
<td>Admin Comp</td>
<td>26.0</td>
<td>26.0</td>
<td>26.0</td>
</tr>
<tr>
<td>Total Rate</td>
<td>58.0</td>
<td>26.0</td>
<td>54.0</td>
</tr>
</tbody>
</table>

## F&A Distribution
### Percentage Allocations

**For FY2011-2012**

<table>
<thead>
<tr>
<th>Allocation</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Admin (use the one that applies to your Org)</td>
<td></td>
</tr>
<tr>
<td>UVA Wise, SW Va Center, Ctr for Politics</td>
<td>30%</td>
</tr>
<tr>
<td>All Others</td>
<td>27.8%</td>
</tr>
<tr>
<td>Institutional Allocations (use all three of these)*</td>
<td></td>
</tr>
<tr>
<td>VPR</td>
<td>10.9%</td>
</tr>
<tr>
<td>ITS</td>
<td>2.28%</td>
</tr>
<tr>
<td>VPF/CFO</td>
<td>3.7%</td>
</tr>
<tr>
<td>Library Allocation (use the one that applies to your Org)*</td>
<td></td>
</tr>
<tr>
<td>Alderman Library</td>
<td>2.89%</td>
</tr>
<tr>
<td>Health Sciences Library</td>
<td>2.89%</td>
</tr>
<tr>
<td>Reserve for Capital Outlay (use the one that applies to your Org)**</td>
<td></td>
</tr>
<tr>
<td>Academic</td>
<td>16.6%</td>
</tr>
<tr>
<td>School of Medicine</td>
<td>16.6%</td>
</tr>
<tr>
<td>School of Nursing</td>
<td>16.6%</td>
</tr>
<tr>
<td>UVA Wise</td>
<td>20%</td>
</tr>
<tr>
<td>Schools (Deans &amp; Departments - use the ones that apply to your Org)</td>
<td></td>
</tr>
<tr>
<td>Architecture</td>
<td>35.83%</td>
</tr>
<tr>
<td>Arts &amp; Sciences Dean</td>
<td>19.05%</td>
</tr>
<tr>
<td>Arts &amp; Sciences Departments</td>
<td>16.78%</td>
</tr>
<tr>
<td>Curry Dean (from Departments)</td>
<td>32.247%</td>
</tr>
<tr>
<td>Curry Dean (from Centers)</td>
<td>30.456%</td>
</tr>
<tr>
<td>Curry Departments</td>
<td>3.583%</td>
</tr>
<tr>
<td>Curry Centers</td>
<td>5.374%</td>
</tr>
<tr>
<td>Engineering Dean</td>
<td>21.23%</td>
</tr>
<tr>
<td>Engineering O&amp;M</td>
<td>5.5%</td>
</tr>
<tr>
<td>Engineering Departments</td>
<td>9.1%</td>
</tr>
<tr>
<td>Nursing</td>
<td>35.83%</td>
</tr>
<tr>
<td>SOM Dean (from Non-Clinical Departments)</td>
<td>27.225%</td>
</tr>
<tr>
<td>SOM - Non-clinical Departments</td>
<td>8.605%</td>
</tr>
<tr>
<td>SOM Dean (from Clinical Departments)</td>
<td>6.425%</td>
</tr>
<tr>
<td>SOM - Clinical Departments</td>
<td>29.405%</td>
</tr>
<tr>
<td>UVA Wise</td>
<td>50%</td>
</tr>
<tr>
<td>Center for Politics</td>
<td>70%</td>
</tr>
<tr>
<td>SW Va Center</td>
<td>70%</td>
</tr>
<tr>
<td>Other Schools &amp; Orgs</td>
<td>35.83%</td>
</tr>
</tbody>
</table>

To determine where the F&A from your grants is allocated add:

1) the State Admin percentage that applies to you
2) all the Insitutional Allocations*
3) one of the library allocations*
4) the Capital Outlay percentage that applies to you**
5) the Schools percentage(s) that applies to you
Discussion

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