

Institutions of Higher Education (IHE)

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I. F&A Cost Rate Proposal

Question # 1: Where are the Frequently Asked Questions (FAQ) presented by the U.S. Chief Financial Officers (CFO) Council on OMB's Uniform Guidance at 2 CFR 200 located?

Answer: The FAQ related to 2 CFR 200 can be found here:

CFO Council Website - <https://cfo.gov/grants/uniform-guidance/>

Question # 2: How soon after you submit an F&A rate proposal can you expect negotiations to begin with CAS? Is there always an on-site review?

Answer: For CAS there is no definitive answer. It depends on current workload and the extent of information to be requested for the review. The more comprehensive and well-organized that the proposal submission is, the sooner the review can be completed. It also depends on how soon the supplemental information CAS requests are submitted. It is the goal of CAS to negotiate rates within a year of proposal submission but this is not always possible because of the current workloads, or due to the extent of the review, or the delay in receiving information, or delays in setting up a site visit. A site visit is normally necessary for a long-form proposal.

Question # 3: Why do CAS negotiators request additional data, beyond what is specified under the Standard Format for Long-Form proposals?

Answer: The information required under the Standard Format is the minimum requirement. The standard format summarizes financial and statistical data that is included in the proposal. It does not provide detailed explanations or serve as detailed documentation to support the accumulation and allocation of costs. Additional documentation may be requested by the CAS to address specific issues and concerns raised during our review.

Question # 4: What is the difference between On-Campus and Off-Campus rates?

Answer: The specific definition varies from institution to institution. However, in general, an Off-Campus rate would be developed for activities performed in facilities not owned or operated

by the institution and where facility costs may be directly charged to the activities taking place in the facilities. An On-Campus rate is used for activities performed On-Campus where facility costs are not directly charged.

Question # 5: What is considered to be the preferred term of agreement for an F&A Rate Agreement, and what variables affect the length of the term negotiated?

Answer: F&A rates for an IHE are usually negotiated using predetermined rates for a period of two to four years, based on the review of a complete F&A proposal. However, the number of years actually negotiated depends on a number of variables associated with each specific negotiation. For example, is the IHE's research funding fairly stable or is it expected to significantly change in the future? Is the IHE planning major infrastructure and/or research facility construction and renovation projects? These are the types of questions the CAS considers when deciding the number of years to be negotiated.

Question # 6: What documentation does CAS need in order to consider an F&A rate extension as per 2 CFR part 200.414 (g) which states that any non-Federal entity that has a federally negotiated indirect cost rate may apply for a one-time extension of their current negotiated indirect cost rates for a period of up to four years?

Answer: The required data in support of an F&A Rate Extension Request can be found on the CAS website at:

<https://rates.psc.gov/fms/dca/orgmenu1.html>

Question # 7: Is it beneficial for an IHE to use a consultant in the negotiation of the IHE's F&A rate?

Answer: The use of a consultant in the F&A rate negotiation should not have any effect on the outcome of the negotiation. The IHE is responsible for supporting the submitted proposal. Normally the IHE uses its own employees to maintain the process that is utilized to support the allocation of costs in the F&A rate proposal such as equipment inventory tracking and room by room space classifications. In the case that a consultant was employed for preparing a portion of the F&A proposal, it may be beneficial to involve the consultant in the negotiation when there is exception taken by CAS to that component of the proposal. In any case, CAS has no objection to the use of a consultant in the F&A rate negotiation, however, it is maintained that the IHE bears the ultimate responsibility for supporting their F&A rate proposal and the negotiation outcome should not be impacted.

II. Space and Facility Related Cost Pools

Question # 1: Space Survey Reviews: Are there any plans to simplify the space review process by the Federal reviewers?

Answer: Yes, an alternative space methodology is included in the CAS Best Practices Manual for Reviewing IHE Long-Form Facilities & Administrative Cost Rate Proposals.

Question # 2: Does the university need to keep track of all the people who use a lab and where they are funded?

Answer: CAS considers this information essential in the space survey. In addition, CAS addresses this issue in the CAS Best Practices Manual for Reviewing IHE Long-Form Facilities & Administrative Cost Rate Proposals. The person conducting the space survey should have knowledge of the 2 CFR 200 Appendix III definitions of the major functions of the institution as well as room use, room occupants and funding sources for the occupants. The CAS is trying to have the IHE match the space coded as organized research to the dollars (accounts) that are coded to organized research.

Question # 3: When classifying space occupied by Graduate Research Assistants as Organized Research (OR) we are to either adjust the space classification to IDR/OIA or impute the salaries and wages plus applicable fringe benefits for the graduate assistants and add this to the OR base. Please explain what is meant by "impute the salaries and wages plus applicable fringe benefits". Could we simply use the amount of tuition remission or stipend that they received?

Answer: The preferred adjustment is to adjust the space classification from OR to IDR/OIA based on an FTE adjustment. This is how CAS normally calculates an adjustment for this issue. However if instead a base adjustment is to be made, imputing a salary and fringe benefits for this person would be based on the equivalent salary and fringe benefits for a low level Research Assistant. In some cases, the stipend or tuition remission amount may be sufficient.

Question # 4: What documentation does the CAS require to support building componentization studies?

Answer: The CAS requires (at a minimum) the following documentation to support building componentization studies:

1. A copy of the study methodology, which includes the procedures and assumptions used in conducting the study as well as the results of the study (in summary and in detail).
2. A list of the building components used in the study as well as the estimated useful life for each component. An explanation of how the estimated useful life for each component was

computed should also be provided. The useful lives should reflect actual experience at the grantee institution.

3. The depreciation computed in the study should be reconciled to the audited financial statement depreciation figures.

Question # 5: What documentation does CAS require to support space utilization surveys?

Answer: The CAS requires (at a minimum) the following documentation to support space utilization surveys:

1. A copy of the space survey methodology which includes the process, procedures and assumptions used in conducting the survey. In addition, a copy of the survey form used during the survey, a list of functional categories used to functionalize space and the definitions of the space functional categories (i.e. Instruction, Organized Research, Departmental Administration, etc.).

2. The results of the survey should be provided in summary and detailed format. The detailed results should include a room listing by building, by college and by department identifying the functional use of each room on a percentage use basis.

3. The survey should identify all room occupants by title and the number of individuals associated with each title on a room by room basis. In addition, a list of the funding sources, including sponsored and non-sponsored accounts for each room occupant should be available to the room surveyors during the survey. Room occupants that are not funded should also be identified.

4. The institution should have building and floor plans available showing the location of all surveyed space.

Question # 6: Is an institution permitted to include future facility costs as part of their F&A rate proposal?

Answer: Yes, however, the projections should not be included as part of the base year F&A rate proposal. The institution should submit a facility projection proposal separate from the F&A rate proposal, but it should be submitted with the F&A rate proposal or within a relatively short time thereafter. The facility cost projection proposal must be submitted with sufficient detail to allow the CAS to make adequate determination as to its reasonableness. The proposal should include projected increases in facility costs related to new capital assets that are under construction, not on the drawing board. The projected costs should be identified by category including building depreciation, capital interest, equipment depreciation, etc. The proposal should also identify projected increases to the MTDC base for the applicable years with explanation as to how the base increases were determined. Other information that should be submitted includes estimated

occupancy dates, useful lives of the assets, estimated use of the space and what academic departments and research protocols will occupy the space. The CAS will review the F&A rate proposal and the facility projections proposal as one submission before entering into negotiations with the institution.

Question # 7: From the CAS Best Practices Manual, why doesn't the Facilities Cost Projection include O&M? If we build a new building and move half of our double-upped researchers into the new building while leaving the other half to continue their research in their recently overcrowded labs then we obviously have much more research space and have the O&M that goes with that additional space while not gaining any dollars in the research base.

Answer: The level of O&M expenses in future years is very uncertain. New buildings are usually more energy efficient and there is a decrease in O&M in the building these researchers are moving from even if the space is still used as research. This uncertainty is combined with the uncertainty of the increase in the research base that this new facility may bring. These uncertainties make it irrational for CAS negotiators to negotiate projected O&M for future years. Projected capital (depreciation and interest) is calculated by component over a projected base. Therefore, not including projected O&M does not impact the projected capital calculations.

Question # 8: Interest expense: allocating interest costs to the buildings affected by an IHE's many debt-financed projects often involves assumptions and default allocations. Is it acceptable to use the total campus square feet statistics to functionally allocate interest expense?

Answer: No, interest should be identified by project and allocated in the same manner as the depreciation on the buildings, equipment and capital improvements to which the interest relates. In order to determine allowability, interest must be identified by building.

Question # 9: Is it best that institutions coordinate their increases to the equipment capitalization threshold (e.g., from \$2,500 to \$5,000) with their "base" year and F&A proposal submission?

Answer: Yes, absolutely. Usually, the institution would submit the F&A proposal with the change and identify the unamortized balance of equipment to be written off. The unamortized balance could be written off over the period of the negotiation. An institution must receive CAS approval prior to changing their equipment capitalization threshold. An institution that unilaterally increases their equipment threshold could over claim F&A costs reimbursement, and would be subject to cost disallowances that may require a cash refund to the Federal government.

Question # 10: What is the current perspective on Operations & Maintenance (O&M) costs paid by colleges or departments and including these within the F&A Rate Proposal O&M cost pools? For example, these expenses may meet the Uniform Guidance definition of O&M costs (e.g., insurance, minor repair & replacement, etc.). However, under current very tight budgets,

colleges/departments may be paying for these type costs since the central facilities unit no longer has funding for such under stringent “deferred maintenance” conditions.

Answer: This cost pool is generally called “Departmental O&M”. Many academic departments choose to charge some of these costs directly to Federal and other sponsored agreements. The costs that are not charged to Federal awards are reclassified out of the academic departments into a departmental O&M cost pool and then allocated to the department functions based on the department space. This results in inconsistent costing much like the administrative and clerical salaries issue which resulted in the DCE. Depending on the materiality of charges to Federal accounts, an adjustment may have to be made to compensate for the inconsistent costing.

Question # 11: Within the componentized building depreciation area, are Federal negotiators now accepting the room-by-room approach for handling remodeling or renovation projects?

Answer: Building Depreciation, whether for building costs, renovations or alterations, is unacceptable when allocated at a finer level than by building square footage. The CAS is not accepting depreciation associated with building renovations and remodeling when allocated on a room-by-room or on a project basis. Depreciation related to such projects must be allocated on a building basis in compliance with 2 CFR 200 Appendix III.

Question # 12: The Utility Cost Adjustment (UCA) described in 2 CFR part 200, in Appendix III B.4.c. is very confusing. Does CAS have any example that an IHE can use in developing a UCA?

Answer: Yes, an example is included in the CAS Best Practices Manual in Section V. on page 55. If the IHE elects to submit a UCA, the UCA computation should be a separate proposal provided as a supplement to the actual cost proposal.

III. Specialized Service / Recharge Centers

Question # 1: Define a specialized service center, as opposed to a ‘recharge’ center, and discuss the rationale for suggesting that an IHE fully load the rates of centers that provide services to grants and meet the definition of specialized service centers.

Answer: A specialized service center or facility (SSF) is a service center that provides highly complex or specialized facilities operated by the institution.

First, the IHE should have a written policy describing the guidelines used to identify a specialized service center from a recharge center. Many institutions use a dollar threshold. For example, service centers with annual budgets exceeding \$1,000,000 may be considered specialized service facilities.

Next the nature of the services being provided should be considered. For example a large copy center is usually not considered a specialized service center because it is not highly complex.

But a specialized electron microscope facility may be considered as a specialized service center even if below the dollar threshold because it is highly complex and only some Federal awards may benefit from this service center while many other Federal awards do not. Materiality and the significance of the charges to Federal awards are the criteria. If charges are significant, categorizing a service center as an SSF is necessary to assure that the full costs are assigned to the users rather than spread to awards that do not benefit from the service center.

Last note, CAS requires fully loading rates for Specialized Service Facilities only. If the institution chooses not to include facility costs in the billing rates then the applicable facility costs must be assigned to OIA. There is no requirement to fully load rates of service centers that do not meet the definition of a Specialized Service Facility.

Question # 2: Does the SSF approach also apply to smaller recharge and service centers?

Answer: Recharge centers are not required to add the facility costs to the billing rates and the facility costs do not have to be assigned to OIA.

Question # 3: Can service centers charge a higher rate for the same service to occasional external customers than they charge to internal customers charging to federal awards? If so, does the 'profit' element have to be used to reduce the rate charged to internal customers or is it ok to use that 'profit' for purposes unrelated to the service center?

Answer: Yes. Also, you do not have to include the profit element for determining the over/under recovery in computing the carry-forward into future years' billing rates.

Question # 4: Our institution wants to charge a lower rate (possibly no charge) to graduate students who need to have access to the equipment in a service center for training purposes. Is it ok to charge a lower rate or no rate to students learning how to use equipment and another rate to faculty who may pass this charge on to a Federal award?

Answer: Yes, but you must keep a record of such use and when calculating the year end under or over recovery of the service center, the normal charge rate should be applied to the units of service that were not charged the full rate. This is referred to as imputing or imputed revenue.

IV. MTDC Base

Question # 1: What is the appropriate treatment of salary costs in excess of the NIH salary limitation in terms of an F&A proposal?

Answer: The salary in excess of the NIH salary limitation must be included in the appropriate base for the F&A rate calculation according to where individual effort was performed. For instance, if an individual worked on an Organized Research project(s), the salary in excess of the NIH limitation related to effort on that project(s) must be included in the Organized Research base.

Question # 2: (From the CAS Best Practices Manual) Section XII. E. Tuition Remission Expense, page 135 - "The space occupied by the individuals who are compensated by the tuition remission being excluded from the direct cost base, in lieu of salary and wage compensation, should be identified. This space should be classified as IDR or OIA. If an institution classifies the space occupied by these individuals as organized research, then the negotiator should either make an adjustment to the space classification or impute the salaries and wages plus applicable fringe benefits for these individuals and this calculation must be added to the organized research direct cost base." Please clarify whether this means people solely compensated by tuition remission or if it includes all people receiving tuition remission even if they are also paid a salary by the grant. Also, please explain how it could be proper to add tuition remission or some imputed amount of salaries in lieu of tuition remission to the research base when tuition remission is specifically an exclusion from the research base.

Answer: This is a matching issue. If tuition remission is supporting an individual and the costs are not in the research base, then the space for this individual should not be classified as research. If the person is compensated by both tuition remission and a wage paid by the grant, then it must be evaluated. Obviously, if an individual receives \$12,000 of tuition remission and also receives a wage of \$4,000 but the individual works 40 hours a week in a lab, then the tuition remission also supports the individual's effort in the lab. In this case, assuming the \$4,000 is in the research base and the \$12,000 is excluded, then 25% of the individual's FTE is research and 75% is IDR or OIA. Each individual must be evaluated on a case-by-case basis to determine the space adjustment required. A space adjustment using FTE is the most logical adjustment. If the IHE chooses to add tuition remission or an imputed salary to the research base, then the applicable space may be classified as research. The space classification must be matched to the treatment of the applicable cost in the base. The recovery of F&A costs is not the criteria in classifying space.

Question # 3: Some institutions treat student research trainee space as "research" and include the training grants in their research base. How does CAS feel about this practice?

Answer: This is acceptable since the trainees are usually commingled within the research labs. The key is that when the space is coded as research then the training grants must be in the research base.

Question # 3(a): Would this be treated in the same manner as faculty "voluntary uncommitted cost sharing"?

Answer: Absolutely not. Voluntary uncommitted cost sharing (VUCS) only applies to institutional faculty and senior researchers. It does not apply to students or anyone working in the lab that is not a faculty member or a senior researcher.
