The F&A Rate Proposal and Updating the DS-2
The F&A Rate Proposal and DS-2 go hand-in-hand to indicate how ASU expenditures are allocated and how we remain compliant with federal costing principles.

I. Preparing the F&A Rate Proposal

II. Revising the University Disclosure Statement (DS-2)
I. Preparing the F&A Rate Proposal

1) Where is the process/format defined?
2) Who is involved?
3) Steps of the Process
4) Endgame - Proposed Rate vs. Negotiated Rate vs. Recovery Rate
5) Applying Rates
1. Where is the process/format defined?

- Standard Form for F&A proposals is provided by the federal government as Appendix C to OMB Circular A-21.
- 2 Sections:
  - Part 1 – Summary of Cost Pools, Allocations, and proposed F&A rates
  - Part 2 – Standard Documentation (includes detail for information summarized in Part 1)
2. Who is involved?

- MAXIMUS Higher Education Consulting (Space Survey, Rate Calculation, Negotiation)
- Data Trustees

<table>
<thead>
<tr>
<th>Who</th>
<th>F&amp;A Info</th>
</tr>
</thead>
<tbody>
<tr>
<td>Space Coordinators/ RA</td>
<td>Space Usage (Survey)</td>
</tr>
<tr>
<td>University Architect</td>
<td>Facility Detail</td>
</tr>
<tr>
<td>Financial Services</td>
<td>Depreciation, Interest</td>
</tr>
<tr>
<td>Property Control</td>
<td>Equipment</td>
</tr>
<tr>
<td>Other Departments</td>
<td>Account Detail, Operations &amp; Maintenance, ASU FTE, Library, Utilities</td>
</tr>
</tbody>
</table>
3. Steps of the Process

A. Space Survey

- Space Coordinators and Research Advancement Staff

- 1. Who is in the space?
  2. What activities are happening in the space?
  3. Connect accounts/payroll
  4. Account for effort
Steps of the Process (cont.)

- **B. Pull Expenditure Data (remove transfer activity)**
  - Pull at end of fiscal year
  - Include any expenses that posted by 6/30, including salaries/wages/benefits through that date.

- **C. Reconcile to Financial Statements**
  - DCA will review what we claim for our costs each year. Reconciliation confirms that we can tie expenditure detail to our reported numbers. Look for **consistency** in how we code our expenses.
  - By category – Total, facility, equipment, and interest costs
Steps of the Process (cont.)

- D. Account “Scrubbing” and Exclusions (based on A-21 guidance for allowability for sponsored expenditures)

  **Account Level**
  - Watch for certain key words in account names (e.g. “gift” or “advertising”); make sure these are not included as Organized Research accounts

  **Subaccount/Object Code Level**
  - Costs where F&A can’t be charged (subcontracts > $25K, capital)
  - Costs not allowed (bad debt, risk management)
  - ERE (negotiated separate from F&A calculation)
Steps of the Process (cont.)

- E. Map Costs to OMB Circular A-21 Cost Pools and Bases

Indirect Costs

Total Costs

Direct Costs

Facilities:
- Building Depreciation
- Equip. Depreciation
- Building Interest
- Operations & Maintenance
- Library

Administrative:
- General Admin
- Dept. Admin
- Sponsored Projects Admin
- Student Services

*Can have more specific pools.

Instruction/Dept. Research

Organized Research

Other Sponsored Activity

Other Institutional Activity

State & Local

Sponsored/TRIF Accounts

Sponsored Public Service

Everything Else
Steps of the Process (cont.)

- F. Allocate Cost Pools (Space Survey Results used)

Default - Space Allocated by Dept. Salary & Wage distribution.

<table>
<thead>
<tr>
<th>If dept. salaries are broken down like this:</th>
<th>Indirect Costs may be allocated like this:</th>
<th>Or like this:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department Admin. (DA) – 11%</td>
<td>DA – 11%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Instruction/Dept. Res. (IDR) – 71%</td>
<td>IDR – 71%</td>
<td>66%</td>
</tr>
<tr>
<td>Organized Research (OR) – 11% Other</td>
<td>OR – 11%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Sponsored Act. (OSA) – 5%</td>
<td>OSA – 5%</td>
<td>4%</td>
</tr>
<tr>
<td>Other Institutional Act. (OIA) – 2%</td>
<td>OIA – 2%</td>
<td>10%</td>
</tr>
</tbody>
</table>

* Difference caused by adjustments to survey (specifically for lab space.)

Also allocate by room type or usage (i.e. Classrooms = 100% Instruction, vacant/unassigned space = 100% OIA)
Steps of the Process (cont.)

- **F. Assess Risk in Proposal Model**

  What will a DHHS negotiator see as Red Flags?
  - Accounts moved from OR base to another direct cost base
  - Rooms with 100% OR activity
  - Too many indirect cost pools
  - Administrative costs close to 26% cap

- **G. Submit and Negotiate**

  * New Space Projections, if applicable, would be submitted with the proposal.

  DHHS will audit proposal for correctness, but final interactions will be a negotiation.
### 4. Endgame - Proposed Rate vs. Negotiated Rate, Effective Rate vs. Actual Recovery Rate

<table>
<thead>
<tr>
<th></th>
<th>Instruction</th>
<th>Organized Research</th>
<th>Other Sponsored</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposed</td>
<td>51.7</td>
<td>54.4 (Base Year) 60.1 (Projections)</td>
<td>38.6</td>
</tr>
<tr>
<td>Negotiated</td>
<td>51.6</td>
<td>54.0 (FY13, FY14) 54.5 (FY15, FY16)</td>
<td>37.5</td>
</tr>
<tr>
<td>FY10 Effective</td>
<td>53.0</td>
<td>52.5</td>
<td>36.0</td>
</tr>
<tr>
<td>FY10 Recovery</td>
<td>3.27</td>
<td>39.26</td>
<td>7.43</td>
</tr>
</tbody>
</table>

F&A recovery may be far less than a negotiated rate based on negotiations with sponsors, F&A waivers, off-campus activity, and/or a sponsor or agency that caps the amount of F&A that they will pay.
5. Applying Rates

- Check your F&A Wizard: [http://researchadmin.asu.edu/fa/fa-wizard](http://researchadmin.asu.edu/fa/fa-wizard)

- In most cases, the F&A rate dictated by the sponsor/program/award will be applied, especially with federal sponsors. Check funding announcement.

- Budget using appropriate rates for each fiscal year.

- Off-campus activity may require an off-campus rate (capped at 26%).

- Unless negotiated otherwise, industry sponsors should pay a fully-burdened rate (67.7%), which includes uncapped administrative costs.
II. Revising the University Disclosure Statement (DS-2)

1) Where is the process/format defined?
2) Who is involved?
3) Categories of the DS-2
1. Where is the DS-2 process/format defined?

- Standard format for DS-2 is provided by the federal government as Appendix B to OMB Circular A-21
- Can be updated at the time of the proposal or in between proposal years.
  *If revised at time of F&A proposal, should match how the proposal was done (rules for allocations, allowability, etc.)
- Contains policies and procedures to indicate how your institution is compliant with federal cost accounting guidelines.
2. Who is involved?

- Each section of the DS-2 may involve subject matter experts on how the University complies with costing guidelines. (Knowledge of University systems, policies, structure, F&A.)

- Research Operations
- Financial Services
- MAXIMUS Higher Education Consultants
- DCA Reviewer
3. Categories under the DS-2

- Part 1. General Cost Accounting/Financial Accounting, Unallowables
- Part 2. Direct Costs (Allocations, Accounting for Salaries/Wages, ERE, Transfers)
- Part 3. Indirect Costs (Service Centers, Allocations, Cost Pools)
- Part 4. Depreciation/Capitalization
- Part 5. Leave Costs, Credits to Sponsor
- Part 7. Organizations Structure, Allocations (Used to indicate if institutions with multiple divisions/campuses account for their costs in different ways. ASU reports financials consistently as a single entity.)
Tying DS-2 to F&A Proposal

- General Cost Accounting/Financial Accounting, Unallowables
- Direct Costs (Allocations, Accounting for Salaries/Wages, ERE, Transfers)
- Indirect Costs (Service Centers, Allocations, Cost Pools)
- Depreciation/Capitalization

- Where/how do we capture expenditures? What do we include or exclude for our proposal?
- What do we include in our Direct Cost bases? How is ERE handled in general? (Excluded from proposal)
- Detail regarding cost pools and allocation methods; Service Centers are accounted for and reported separately from F&A.
- How do we calculate depreciation on capital assets for proposal?
4. Submission and Approval

- New DS-2 or current revisions are submitted to DHHS- DCA national office and then forwarded to the regional DCA office for detailed review.

  - DS-2 and F&A should reflect each other.

  - Cognizant Agency reviews both for consistency between the two documents and for consistency with A-21 principles.
Other Resources

- NCURA Video – [Click Here](#) (Special Demonstration of F&A Cost Calculations)

- The PocketGuide to A-21, Center for Grant and Contract Studies, University of Oklahoma
  - A-21
  - Appendix A (CAS)
  - Appendix B (DS-2)
  - Appendix C (F&A Standard Form)

- DCA Best Practices Manual – [Click Here](#)
Questions?

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