Financial Compliance: Negotiated Rates & Cost Accounting Standards

University of Alaska
Statewide Cost Accounting Dept.
Ginger Baker
November 9, 2001
What We’ll Cover Today

- Overview of Process
- Staff and Leave Benefit Rates
- Facilities and Administrative Rates
- Cost Accounting Standards
- Disclosure Statement
Rate and Disclosure Statement Review and Approval Process

- Statewide Cost Accounting Department
  - Develops rate proposals for all units
  - Prepares SW or UAF Disclosure statement revisions
  - Submits to our cognizant agency and auditing agency

- Defense Contract Auditing Agency (DCAA)
  - Audits rate proposals and disclosure statement revisions
  - Conducts other on site audits
    - Purchasing and existence
    - DS-2 compliance audits
Rate and Disclosure Statement
Review and Approval Process

- **Office of Naval Research (ONR) Indirect Cost Branch**
  - Located
    - Balson Towers #3, 800 North Quincy Street
    - Arlington, VA 22217-5660
  - Reviews audit report from DCAA
  - Negotiates rates with UA
  - Settles outstanding issues

- **ONR Headquarters**
  - Reviews negotiations and reports
  - Final Agreement issued
Rate Development Timeline

- **Timeline**
  - **Actual Incurred Cost Report**
    - September – December report preparation
    - Submit to ONR/DCAA by 12/31/XX or extension required
  - **Forward Pricing Proposal**
    - February – March projection development
    - Distributed for Comment to Units
    - Extension requested to submit to ONR/DCAA by 3/31/XX
  - **Audit**
    - May - June
  - **Rate Agreement**
    - By July 1, XXXX or provisional rates are set
Rate and Disclosure Statement
Review and Approval Process

- University’s Goals
  - Ensure practices are compliant
  - Maximize recovery potential
  - Set rates at optimal levels
- Government’s Goals
  - Compliance with cost principles and Cost Accounting Standards
  - Determine that DS-2 adequately discloses the institution’s cost accounting practices
  - Fair rates
Fringe Benefit Rates
Fringe Benefit Rate Process

- Staff benefit and leave rates are developed each fiscal year
  - Fixed with carry forward rates
- Calculate base year actual costs and recovery
  - FY00
  - Submit report for audit
- Project rates for forward pricing proposal year
  - FY02
  - Include over or under recovery from base year
  - Submit report for audit and negotiation
Fringe Benefits Negotiation Cycle

- Forward Pricing Proposal
- Estimate next periods costs & activity levels
- Audit
- Final Cost Analysis
- Determine Over/Under Recovery
- Rate Negotiation
- Costs Incurred

9
Fringe Benefit Rates

Why

- Equitable means to distribute centrally paid benefit and leave costs to units for current fiscal year
- Federal grants and contracts

Accounted for using reserve method

- Operates as a recharge

Required to negotiate if school uses rate for budget and recording of actual costs
Fringe Benefits – What are they?

- Two groups of benefits
  - Leave
  - Benefits
Leave Benefit Costs

- Varies by Job Group
- Types
  - Annual Leave
  - Sick Leave
  - Other (holiday, jury duty, etc.)
Staff Benefit Costs

- Varies by Job Group
  - Pension and Retirement (PERS/TRS/ORP)
  - Medicare and Social Security
  - Health Care
  - Long-Term Disability and Life Insurance
  - Unemployment and Workers’ Compensation
  - Employee Tuition Waivers
  - Labor Relations
  - Other (Consulting & Miscellaneous)
Fringe Benefit Rates
Employee Job Groups

- Classified - NR
- Classified (AHECTE) – CR
- APT (Exempt) - XR
- Executive and Nonunion Faculty – EX, FN, FR
- Faculty, UNAC – F9
- Faculty, ACCFT Union – AR, A9
- Faculty, Union & Nonunion Adjunct – FT, FW
- Temporary (Students & Other) – CT, GT, NT, ST, XT
- Extended Temporary – NX, XX
- Student – GN, SN
Fringe Benefit Rate Calculations

- Simplified calculation by employee group
  - Leave benefit costs / wages = Leave rate
    - Calculated by benefit
    - Includes over or under recovery from base year by benefit
  - Staff benefit costs / (wages + leave accrual) = Staff benefit rate
    - Calculated by benefit
    - Includes over or under recovery from base year by benefit
Goal

Cost Accounting’s Goal

- Accurately estimate wage base and costs
- Allocate costs fairly across job groups using appropriate basis
- Reduce impact on budget due to volatility
  - Smooth rates
Issues

- Wages difficult to predict
- Health care costs volatile
- Smoothing Rates
  - Analyze employee job class groupings
  - Wage base estimate
  - Cost estimates
  - Analyze basis for distributing costs to groups
# Proposed STAFF BENEFIT RATES
(Revised 5/2/01)
FISCAL YEAR 2002

<table>
<thead>
<tr>
<th>BANNER ECLASS</th>
<th>DESCRIPTION</th>
<th>System Generated</th>
<th>Salary or Hourly</th>
<th>ANNUAL LEAVE CHGE</th>
<th>SICK LEAVE CHGE</th>
<th>HOLIDAY LEAVE CHGE</th>
<th>TOTAL LEAVE CHGE</th>
<th>STAFF BENEFIT CHARGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>A9</td>
<td>ACCFT Union - Regular - &lt;12 month</td>
<td>Y</td>
<td>S</td>
<td>0.00%</td>
<td>1.40%</td>
<td>0.00%</td>
<td>1.40%</td>
<td>29.50%</td>
</tr>
<tr>
<td>AR</td>
<td>ACCFT Union - Regular - 12 month</td>
<td>Y</td>
<td>S</td>
<td>0.00%</td>
<td>1.40%</td>
<td>0.00%</td>
<td>1.40%</td>
<td>29.50%</td>
</tr>
<tr>
<td>CR</td>
<td>CEA Union - Regular</td>
<td>Y</td>
<td>H</td>
<td>8.60%</td>
<td>5.84%</td>
<td>5.96%</td>
<td>20.40%</td>
<td>39.20%</td>
</tr>
<tr>
<td>CT</td>
<td>CEA Union - Temporary</td>
<td>N</td>
<td>H</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>7.60%</td>
</tr>
<tr>
<td>EX</td>
<td>Executive Management</td>
<td>Y</td>
<td>S</td>
<td>7.53%</td>
<td>5.05%</td>
<td>4.72%</td>
<td>17.30%</td>
<td>16.20%</td>
</tr>
<tr>
<td>F9</td>
<td>UNAC Faculty Union - Regular - &lt;12 month</td>
<td>Y</td>
<td>S</td>
<td>0.00%</td>
<td>0.60%</td>
<td>0.00%</td>
<td>0.60%</td>
<td>27.50%</td>
</tr>
<tr>
<td>FN</td>
<td>Faculty - Regular - &lt;12 mo (non-represented)</td>
<td>Y</td>
<td>S</td>
<td>7.53%</td>
<td>5.05%</td>
<td>4.72%</td>
<td>17.30%</td>
<td>16.20%</td>
</tr>
<tr>
<td>FR</td>
<td>Faculty - Regular - 12 mo (non-represented)</td>
<td>Y</td>
<td>S</td>
<td>7.53%</td>
<td>5.05%</td>
<td>4.72%</td>
<td>17.30%</td>
<td>16.20%</td>
</tr>
<tr>
<td>FT</td>
<td>Faculty - Temporary (represented)</td>
<td>Y</td>
<td>S</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>8.50%</td>
</tr>
<tr>
<td>FW</td>
<td>Faculty - Temporary (non-represented)</td>
<td>Y</td>
<td>S</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>8.50%</td>
</tr>
<tr>
<td>GN</td>
<td>Grad Student - Non-FICA taxable - Stipend</td>
<td>Y</td>
<td>H</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>GT</td>
<td>Grad Student - FICA Taxable - Stipend</td>
<td>Y</td>
<td>H</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>7.60%</td>
</tr>
<tr>
<td>NR</td>
<td>NonExempt Staff - Regular</td>
<td>Y</td>
<td>H</td>
<td>8.76%</td>
<td>5.27%</td>
<td>6.37%</td>
<td>20.40%</td>
<td>34.90%</td>
</tr>
<tr>
<td>NT</td>
<td>NonExempt Staff - Temporary</td>
<td>N</td>
<td>H</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>7.60%</td>
</tr>
<tr>
<td>NX</td>
<td>NonExempt Staff - Extended</td>
<td>N</td>
<td>H</td>
<td>6.32%</td>
<td>4.89%</td>
<td>5.99%</td>
<td>17.20%</td>
<td>31.40%</td>
</tr>
<tr>
<td>SN</td>
<td>Student - Non-FICA taxable</td>
<td>N</td>
<td>H</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>ST</td>
<td>Students - FICA Taxable</td>
<td>N</td>
<td>H</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>7.60%</td>
</tr>
<tr>
<td>XR</td>
<td>Exempt Staff - Regular</td>
<td>Y</td>
<td>S</td>
<td>10.09%</td>
<td>4.56%</td>
<td>5.35%</td>
<td>20.00%</td>
<td>24.60%</td>
</tr>
<tr>
<td>XT</td>
<td>Exempt Staff - Temporary</td>
<td>Y</td>
<td>S</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>7.60%</td>
</tr>
<tr>
<td>XX</td>
<td>Exempt Staff - Extended</td>
<td>Y</td>
<td>S</td>
<td>6.32%</td>
<td>4.89%</td>
<td>5.99%</td>
<td>17.20%</td>
<td>31.40%</td>
</tr>
</tbody>
</table>
Fringe Benefit Rate Application

Example of Position Budget Calculation

- Leave charge included in calculation
- Executive position
- Calculate as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Percentage</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages</td>
<td></td>
<td>$10,000</td>
</tr>
<tr>
<td>Leave Accrual</td>
<td>17.3%</td>
<td>1,730</td>
</tr>
<tr>
<td>Staff Benefit Accrual</td>
<td>16.2%</td>
<td>1,900</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$11,730</td>
</tr>
<tr>
<td></td>
<td>33.5%</td>
<td>1,900</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$13,630</td>
</tr>
<tr>
<td>Effective Rate</td>
<td></td>
<td>36.3%</td>
</tr>
</tbody>
</table>
Fringe Benefit Rate Application

Example of Position Budget Calculation

- Leave charge not included in calculation
- Executive position
- Calculate as follows:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages</td>
<td>$10,000</td>
</tr>
<tr>
<td>Staff Benefit Accrual</td>
<td>1,620</td>
</tr>
<tr>
<td>Effective Rate</td>
<td>16.2%</td>
</tr>
</tbody>
</table>

Total: $11,620
FY02 Fringe Benefit Rate Status

- Audit Report Submitted to ONR June 2001
  - No findings or questioned costs
- Provisional Rates Established
  - Effective July 1, 2001
- Included in Negotiation F&A Rate Agreement
  - Pending completion of F&A Forward Pricing Proposal and DS-2 audits
- No Change Anticipated
Facilities and Administrative (F&A) Rates
What’s in a Name?

What does F&A stand for?
Syonyms

- Indirect Costs
- Institutional Costs
- Overhead Costs
- Facilities and Administrative Costs
- F&A Costs
F&A Rate Proposal Process

- F&A Rates are Developed on a Three Year Cycle
  - Negotiate predetermined rates
  - Total timeline – development through negotiation
    - September to June or July

- Develop Base Year Model
  - FY00

- Project Proposal Year from Previous Model
  - FY02 from FY00 base year model
  - FY03 from FY02 projection year model
  - FY04 from FY03 projection year model
F&A Rate Proposal Process

- Proposal Submission to ONR
- DCAA Audit
- Negotiation
- ONR Headquarters Review
- Rate Agreement
F&A Cost Negotiation Cycle

- Forward Pricing Proposal
- Prepare Projections
- Rate Negotiation
- Costs Incurred
- Compute Actuals
- Audit
Regulation

- Federal Circulars
  - OMB Circular A-110
  - Administrative Requirements for federal grants and other agreements with institutions of higher education...
- OMB Circular A-21
  - Cost Principals for Educational Institutions
Regulation

- Cost Accounting Standards
  - Federal standards that are part of Federal Acquisition Regulations (FAR)
  - [http://www.access.gpo.gov/nara/cfr/waisidx_01/48cfrv7_01.html#9900](http://www.access.gpo.gov/nara/cfr/waisidx_01/48cfrv7_01.html#9900) Cost Accounting Standards Board
Federal Policy for Funding Research

- Full-Cost Reimbursement
  - Direct Costs, and
  - Negotiated F&A (Indirect) Costs
Facilities and Administrative Costs Recovery

- Reimbursement of facilities and administrative costs incurred in conjunction with the performance of services under a grant or contract.
F&A Rate Calculation

- Simplified Calculation
  - Indirect Costs / Direct Costs = Rate
  - Pool Costs / MTDC Base = Rate
Total Costs

- Direct Costs
- Indirect Costs
- Excluded Costs
  - Modified Total Direct Cost (MTDC) exclusions
  - Unallowable costs
Direct Costs

Those costs that can be identified specifically with a particular project, an instructional activity, or any other institutional activity.

Those costs that can be directly assigned to such activities relatively easily and with a high degree of accuracy.
Direct Cost Classifications

- Organized Research
- Special Rates: American Russian Center
- Other Sponsored Activities
- Instruction
- Other Institutional Activities
  - Public service
  - Auxiliaries
  - Unallowable activities
  - All other activities
Modified Total Direct Cost Base for Research

Restricted Fund Research  $XXXX.XX
Unrestricted Fund Research  XXXX.XX

Less Exclusions:

   Equipment (> $2,500) (XXX.XX)
   Tuition remission (XXX.XX)
   Subaward expenditures > $25K (XXX.XX)
   Long-term space rentals (XXX.XX)

MTDC Research Base  XXXX.XX
Basis – Defines which direct costs are subject to Facilities & Administration Costs (a.k.a. F&A Costs or Indirect Costs or Overhead)
Indirect Costs

- Costs incurred for common or joint objectives.
- Costs which cannot be identified readily and specifically with a particular sponsored project, instructional activity, or any other institutional activity.
Examples of Indirect Costs

- Physical Plant Costs
- Utilities/Custodial Services
- Library Costs
- Accounting/Payroll/Personnel Offices
- Purchasing/Grants & Contracts Offices
- Computer/Communications Centers
- Central/Campus/Dept. Administration
Indirect Cost Classifications

- **Facilities**
  - Depreciation, use allowances & interest
  - Operations and maintenance
  - Library costs

- **Administration**
  - Institutional and departmental administration
  - Sponsored projects administration
  - All other allowable non-facilities indirect costs
Excluded Costs

MTDC Exclusions
- Equipment
- Capital expenditures
- Charges for patient care
- Tuition remission
- Long-term space rental costs
- Scholarships and fellowships
- Subcontracts and subgrants > $25,000
Unallowable Costs

- Certain costs cannot be charged to federal sponsored projects
Examples of Unallowable Costs

- Expenses
  - Entertainment
  - Advertising
  - Fines and penalties
  - Civic and community club memberships

- Activities
  - Alumni support & activities
  - Fund raising activities
  - Public relations activities
F&A Cost Rate Development

Total Costs → Exclusions

F & A Cost Pools

Direct Cost Bases

Allocation

F&A Costs ÷ Direct Costs = F&A Rate

xxxx On-Campus Research  xxxx
xxxx American Russian Center  xxxx
xxxx Instruction  xxxx
xxxx Other Sponsored Activities  xxxx
xxxx Other Institutional Activities  xxxx
# F&A Pool Cost Allocation

<table>
<thead>
<tr>
<th>Direct Cost Bases</th>
<th>IN</th>
<th>OR</th>
<th>OSA</th>
<th>OIA</th>
<th>F&amp;A Cost Pools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modified Total</td>
<td>$ XXX</td>
<td>$ XXX</td>
<td>$ XXX</td>
<td>$ XXX</td>
<td>$XX</td>
</tr>
<tr>
<td>Direct Costs</td>
<td>XX</td>
<td>XX</td>
<td>XX</td>
<td>XX</td>
<td>XX</td>
</tr>
<tr>
<td>Depreciation</td>
<td>XX</td>
<td>XX</td>
<td>XX</td>
<td>XX</td>
<td>XX</td>
</tr>
<tr>
<td>Oper &amp; Maint</td>
<td>XX</td>
<td>XX</td>
<td>XX</td>
<td>XX</td>
<td>XX</td>
</tr>
<tr>
<td>General Admin</td>
<td>XX</td>
<td>XX</td>
<td>XX</td>
<td>XX</td>
<td>XX</td>
</tr>
<tr>
<td>Sponsored</td>
<td>XX</td>
<td>XX</td>
<td>XX</td>
<td>XX</td>
<td>XX</td>
</tr>
<tr>
<td>Projects Adm</td>
<td>XX</td>
<td>XX</td>
<td>XX</td>
<td>XX</td>
<td>XX</td>
</tr>
<tr>
<td>Dept. Admin</td>
<td>XX</td>
<td>XX</td>
<td>XX</td>
<td>XX</td>
<td>XX</td>
</tr>
<tr>
<td>Library</td>
<td>XX</td>
<td>XX</td>
<td>XX</td>
<td>XX</td>
<td>XX</td>
</tr>
<tr>
<td>Allocated Costs</td>
<td>$XXX</td>
<td>$XXX</td>
<td>$XXX</td>
<td>$XXX</td>
<td>$XXX</td>
</tr>
</tbody>
</table>

*Note:* The values $XXX and XX are placeholders for actual numbers. The table shows how direct costs are allocated to various cost pools.
Indirect Cost Allocation Methodology

- Depends on Pool
- Specified in A-21
- Examples
  - Space use
  - FTE
  - Specific identification
  - MTDC
  - Restricted funds
  - Circulation statistics
Limitations on Cost Collection

- By Law
  - 26% Administrative Cap
  - Faculty administrative salaries limited to 3.6%
  - Limited by statute

- Allocable Costs not Allowable

- Waived F&A
  - FY00 UAA
    - Organized research rate 32.7% - actual recovery ratio 24.6%
    - OSA rate 27.4% - actual recovery ratio 16.0%
    - Sponsored Training 30.0% - actual recovery ratio 11.3%
Significant Changes for FY02-FY04

- Change in Definition of Research
- Inclusion of Long-Term Equipment Rentals in base
  - These expenses are now subject to F&A on restricted funds
- Inclusion of Loss/(Gain) on Disposal of Equipment
- Componentization of Buildings
What Rate Should I Use?

There are different rates?
What Rate Should I Use?

- One Rate for Life of Award
- On-Campus Organized Research Rate
  - Research activity as defined
  - Research training
- American Russian Center
- Instruction/Training Rate
  - Sponsored teaching or training
- Other Sponsored Activities (OSA) Rate
  - All other sponsored activities
# Example of Budget Calculation

<table>
<thead>
<tr>
<th>Acct</th>
<th>Category</th>
<th>Description</th>
<th>Calculation</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>1001</td>
<td>Salary</td>
<td>Faculty (FN)</td>
<td></td>
<td>$40,500.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>9 mths @ $4,500/month</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Leave @ 17.3%</td>
<td>7,006.50</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total Salary &amp; Leave Charge</td>
<td></td>
<td>47,506.50</td>
<td></td>
</tr>
<tr>
<td>1970</td>
<td>Staff Benefits @ 16.20</td>
<td></td>
<td>7,696.05</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total Personnel</td>
<td></td>
<td></td>
<td>$55,202.55</td>
</tr>
<tr>
<td>2001</td>
<td>Travel</td>
<td>2 trips @ $1,000 for airfare</td>
<td></td>
<td>2,000.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&amp; per diem</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3001</td>
<td>Contractual Services</td>
<td>Registration Fees</td>
<td>1,000.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Subcontract</td>
<td>50,000.00</td>
<td></td>
</tr>
<tr>
<td>4001</td>
<td>Project Supplies</td>
<td></td>
<td>3,000.00</td>
<td></td>
</tr>
<tr>
<td>5001</td>
<td>Equipment</td>
<td>Spectrometer</td>
<td>5,000.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total Direct Costs</td>
<td></td>
<td>$116,202.55</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Exclusions from MTDC</td>
<td>Subcontract</td>
<td>25,000.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Equipment</td>
<td>5,000.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total MTDC Exclusions</td>
<td></td>
<td></td>
<td>(30,000.00)</td>
</tr>
<tr>
<td></td>
<td>Total MTDC</td>
<td></td>
<td>$86,202.55</td>
<td></td>
</tr>
<tr>
<td></td>
<td>F&amp;A</td>
<td>Research rate of 32.8%</td>
<td>28,274.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total Project Costs</td>
<td></td>
<td>$144,476.55</td>
<td></td>
</tr>
</tbody>
</table>
F&A Cost Recovery

F&A Cost Recovery Calculation:

Total MTDC $86,203.00

F&A Recovery Research Rate 32.8%

Total F&A Recovery $28,274.00
F&A Recovery Allocation

- Varies by major administrative unit (MAU)
- By department
- Campus allocations established by campus administration
FY02 UAA Standard F&A Recovery Allocation

- Chancellor: 9.1%
- Vice Chancellor: 18.8%
- Library: 4.7%
- Department: 36.4%
- Physical Plant: 13.5%
- Statewide Admin: 12.8%
- Computing: 4.7%
FY02 UAA CAS Standard F&A Recovery Allocation

- Chancellor: 9.1%
- CAS: 7.3%
- Vice Chancellor: 18.8%
- Library: 4.7%
- Department: 29.1%
- Physical Plant: 13.5%
- Statewide Admin: 12.8%
- Computing: 4.7%
**Status of FY02 – FY04 F&A Rate**

**Negotiated Agreement**

**UAA Proposed Rates:**

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY99-FY01</th>
<th>FY02-FY04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organized Research</td>
<td>32.7%</td>
<td>32.8%</td>
</tr>
<tr>
<td>American Russian Center</td>
<td>29.1%</td>
<td>36.0%</td>
</tr>
<tr>
<td>Other Sponsored Activity</td>
<td>27.4%</td>
<td>30.9%</td>
</tr>
<tr>
<td>Instruction</td>
<td>30.0%</td>
<td>30.0%</td>
</tr>
</tbody>
</table>
Status of FY02 – FY04 F&A Rate Negotiated Agreement

- Provisional Rates Established
  - Effective July 1, 2001
- Audit Completed and Report Submitted to ONR August 2001
  - No findings or questioned costs
  - Pending
- No Changes in Rates Anticipated
Cost Accounting Standards (CAS)
History

- Defense Contractors since 1970
  - 19 commercial standards
- All federal contracts effective 1988
- College and universities effective 1994
  - 4 standards
- A-21 incorporated Cost Accounting Standards (CAS) effective May, 1996
CAS 501

- Consistency in estimating, accumulating and reporting costs
  - Purpose is to ensure that practices used in estimating costs for a proposal are consistent with cost accounting practices used in accumulating and reporting costs
  - Ensure that comparable transactions are treated alike
  - Provides financial control and accountability
CAS 501
Consistent Accounting Practices

Example 1:
- Estimate: Average direct labor rate by category
- Actuals: Actual labor recorded by individual

Example 2:
- Estimate: Objects of expense (i.e. postage, copying, phone) are individually estimated and identified to the project in total
- Actuals: Costs are charged directly to the project as incurred in separate object codes
Example 1:

- Estimate: PI effort proposed on a research project is the anticipated effort required to successfully perform the project.
- Actuals: Effort devoted to the project is charged to the restricted fund to the extent of available funding. Effort devoted to the project, but paid from general funds, is charged to an instruction account.
CAS 501
Issues/Concerns

- Must be able to compare costs on proposal with actual costs
  - Proposal = cost accounting = bills & reports to agency
- Must be consistent in classification of costs as direct or indirect
- Proposal cannot be more detailed than accounting system but accounting system can be more detailed than proposal
- All costs in proposal must be accounted for as project costs
- Compliance begins with the proposal
CAS 502

- Consistency in allocating costs incurred for the same purpose
  - Purpose is to require that each type of cost is allocated only once and on only one basis to any sponsored agreement or other cost objective
  - Necessary to guard against overcharging costs and to prevent double counting
CAS 502

Issues/Concerns

- Requires consistency both within and between departments
- All costs incurred for the same purpose, in like circumstances, are either direct costs only or indirect costs only
  - We must define circumstances for charging direct or indirect
  - We must define unlike circumstances
  - Increase in amount of activity does not create an unlike circumstance or purpose
- May require internal resource reallocation
CAS 505

- Accounting for Unallowable Costs
  - Fully allocate overrun costs to agreements
  - Cost overruns must be identified as amount over ceiling, rather than particular cost item
CAS 506

Cost Accounting Period
- Use fiscal year as the cost accounting period
- Recharge activities may have different year
Disclosure Statement (DS-2)
Disclosure Statement (DS-2)

- Formal description of educational institution and accounting practices
- File if total federal sponsored awards > $25 million in a fiscal year
- Submit for each business unit
  - Significantly different practices
- Maintain accurate DS-2
DS-2

- Actual practices consistent with disclosed
- Amend for any changes
  - If material impact, changes must be approved in advance by ONR
    - Cost impact study required
    - Proposal year – prior to proposal preparation
DS-2

- Subsequent audit to determine DS-2 describes actual practices
- Subsequent audit to determine if practices comply with CAS
- Cost adjustments plus interest if fail to
  - Not consistently follow practice
  - Disclose practices
DS-2

- UAA not required to submit yet
- SW & UAF have submitted and have approved DS-2s
DS-2

- Good idea to work on draft of DS-2 for UAA
  - Defines practices
  - Helps identify inconsistencies
  - Encourages compliance with CAS
Common Areas of Non-Compliance

- Inconsistent Charging Practices
  - Direct charging indirect costs
- Effort Certification
- Cost Transfers
- Cost Overruns
- Recharge Centers
- Prior Approvals
- Period of Performance
- Cost Sharing
Results of Non-Compliance

- Overcharges Feds
- Violates CAS
- Provides unreliable internal management information
- Reputation
- Dollars!!!!!
Questions
Miscellaneous

- Disclosure Statements Available on Web
  - http://www.uaf.edu/grcon/
- Future Training
  - What does UAA need?
- Feedback Sheets
Contacts

- **UAF**
  - Financial Services Personnel, Grants & Contracts Personnel
- **Statewide Cost Accounting Dept.**
  - Ginger Baker, Manager
    - Ginger.baker@alaska.edu
    - 474-6496
  - Tanya Hollis, Accountant
    - Tanya.hollis@alaska.edu
    - 474-6488
Thanks for coming!