FY2008 F&A Rate Proposal
Budget Classification
Unallowable Expenditures

Presented by:
Management Accounting & Analysis
A Unit of Financial Management
Winter & Spring 2008
Objectives and Goals

- Some Context and Background
- Role of Campus Units
- Step-by-step Instructions
  - Budget Classification
  - Unallowable Expenditures
- Documentation
- Timeframe and Deadlines
- Questions and Wrap-up
The Federal Government sponsors a larger dollar volume of research and development at the University of Washington than at any other public university.

Fiscal 2007 Grant and Contract awards:

- Federal: $792,760,000
- Non-Federal: $226,729,000

Total: $1,019,489,000
F&A overhead recovery is a major source of funds to the University.

F&A recovery supports overall research infrastructure, including your 75-(RCR) budgets.

F&A cost recovery over the 12 months ended June 30, 2007, was $188,897,000
...and Finally

The next F&A proposal will be based on costs incurred during fiscal year July 1, 2007, through June 30, 2008, our next “base year.”

The rate proposal is scheduled to be submitted to HHS in December, 2008.
## Facilities and Administrative Rate Proposal Timeline

### Departmental Timeline

**FY 2008 Base Year**

**as of January 28th, 2008**

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>3/31</td>
<td>MAA Communication with Campus</td>
</tr>
<tr>
<td>6/30</td>
<td>Departmental Space Inventory</td>
</tr>
<tr>
<td>9/30</td>
<td>Base Year</td>
</tr>
<tr>
<td>12/31</td>
<td>Extension Analysis</td>
</tr>
<tr>
<td>3/31</td>
<td>Steering Committee Updates</td>
</tr>
<tr>
<td>6/30</td>
<td>Departmental and MAA Review/Coding of Budgets</td>
</tr>
<tr>
<td>9/30</td>
<td>MAA Training to Campus -- F&amp;A process, CAS, and Unallowables</td>
</tr>
<tr>
<td>12/31</td>
<td>MAA Training to Campus -- Space Survey and SIMS</td>
</tr>
<tr>
<td>3/31</td>
<td>Departmental Space Survey</td>
</tr>
<tr>
<td>6/30</td>
<td>Departmental Review of Budgets for Unallowables</td>
</tr>
<tr>
<td>9/30</td>
<td>Departmental Review of Outstanding Equipment Inventory</td>
</tr>
<tr>
<td>12/31</td>
<td>Timely Completion of Faculty Effort Reports and FY 2008 Cost Share Reporting by Departments</td>
</tr>
<tr>
<td>3/31</td>
<td>MAA F&amp;A Proposal Preparation</td>
</tr>
<tr>
<td>6/30</td>
<td>F&amp;A Proposal Submission to HHS DCA by MAA</td>
</tr>
<tr>
<td>9/30</td>
<td>HHS DCA Review of Proposal</td>
</tr>
<tr>
<td>12/31</td>
<td>UW Rate Negotiation with HHS</td>
</tr>
</tbody>
</table>

**Key:**
- **Departmental tasks** in Orange.
- **MAA tasks** in Pink.
- **HHS DCA tasks** in Blue.
- **Base year** in Green.
- **Steering Committee Updates** in light blue.

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Role of Campus Units - General

Active participation and assistance of colleges, departments, and research administrators are necessary to:

1. Maintain (in SIMS) departments' space and functional use completely and accurately;
2. Assist in classifying all departmental budgets accurately;
3. Report any unallowable expenditures posted to departmental (non-research) budgets;
4. Minimize cost sharing commitments;
5. Update and verify the inventory of equipment.
Budget Classification
Why Do We Need to Classify Budgets?

- Financial data is a key component of F&A rate proposal.
- To calculate F&A rates, all costs must be classified according to A-21 cost categories.
- Budget classifications also guide functionalization of space.
On-Campus Organized Research F&A Rate

\[
\text{F&A Expenses} \quad \frac{\text{MTDC Base (incl Cost Sharing)}}{\text{F&A Cost Rate}} = \text{F&A Cost Rate}
\]

Where:
\[
\begin{align*}
\text{F&A Expenses} & = \text{Allowable Indirect Costs} \text{ allocated to the Organized Research function} \\
\text{MTDC Base} & = \text{Allowable Direct Cost expenditures classified as Organized Research} \\
\text{F&A Cost Rate} & = \text{Calculated Organized Research F&A Rate}
\end{align*}
\]
How Do I Classify My Budgets?

1. Gather a list of all your department budgets.


2. Familiarize yourself with A-21 cost category definitions.

   Note – These are the same functions used for the space survey.

   http://www.washington.edu/research/maa/fa/spacefunc.html

   and

   http://www.washington.edu/research/maa/fa/costcats.html
How Do I Classify My Budgets?

   
   Please consider the following:
   - What was the nature of the work the budget funded during FY 2008?
   - Where was the budget located (on campus, off campus, etc.)

4. Make any corrections to the A-21 cost categories.
How Do I Classify My Budgets?


6. Review high level results for reasonableness.

7. Contact MAA with questions.
A-21 Budget Cost Category Definitions

- Instruction:
  - Instruction only
  - Non-research training
  - Departmental research
  - Departmental administration
A-21 Budget Cost Category Definitions

- Organized Research:
  - On-campus
  - Off-campus
  - Applied Physics Lab
  - Regional Primate Center (Non-Core)
  - South Lake Union
  - Marine Vessel Operations
A-21 Budget Cost Category Definitions

- **Other Sponsored Activities:**
  - Non-research clinical trials
  - All other sponsored activities (public service, course development, service agreements, etc.)

- **Patient Care**

- **Other Institutional Activities:**
  - Self-sustaining (e.g. cost/recharge centers)
  - Non-reimbursable (unallowable costs)
A-21 Budget Cost Category Definitions

- Administrative:
  - General
  - College or School (including Health Sciences Administration)
  - Student Services
  - Sponsored Project

- Operations and Maintenance (includes property rent)
A-21 Budget Cost Category Definitions

- Library:
  - Central Library
  - Departmental

- Non-MTDC or Excluded
Other Considerations

Who should review and classify our budgets?

Departmental representatives with first hand knowledge of:
- Nature of the work budgets support, and
- Clear understanding of A-21 cost category definitions.
Some Examples

Unallowable Expenditures
What are Unallowable Expenditures?

- Expenditures deemed non-reimbursable by the federal government either as:
  - Direct costs on grants or
  - Indirect costs included in F&A rates.

- Listed in detail in Section J of A-21, and include such things as:
  - Advertising
  - Fundraising and lobbying costs
  - Entertainment
Why Do We Track Unallowable Expenditures?

- We must demonstrate to federal reviewers that the calculations leading to our proposed F&A rate include no expenditures for which the federal government will not reimburse the University.

- “Unallowable” expenditures are posted primarily to non-research budgets classified in F&A categories.

- MAA removes reported unallowable expenditures from the F&A rate proposal.
How Do I Track and Report Unallowable Costs?

1. Refer to a description of A-21 unallowable expenditures:
   http://www.washington.edu/research/maa/fa/unallow.html

2. Review all state, gift, and RCR budgets for any unallowable activity.

3. As part of monthly reconciliation process, highlight any unallowable activity.
How Do I Track and Report Unallowable Costs?

4. Track any unallowable cost recorded during FY 2008.

5. Toward the end of the year, complete Unallowable Cost Report for each budget and send back to MAA.

6. Contact MAA if you have questions.
Other Considerations

- Discretionary (64-budgets):
  Unless you assign a cost category other than “Non-reimbursable,” MAA will assume all charges are unallowable.

- You do not need to reclassify/JV/RTE these charges to another budget.

- Keep a copy of the Unallowable Cost Report.
We are almost done!
**Recommended Documentation**

- We recommend you keep back-up:
  - For budget cost category classification -- notes from your review of budgets
  - For unallowable expenditures – highlighted BARS or reports from MyFD
  - Keep back-up in your departmental files

- Keep in mind that the proposal will be reviewed by the HHS negotiators **months** after you make these determinations.

- What will help you remember what you did?
What Time Period Should be Used?

- The proposal is based on a full fiscal year of costs and activities (FY 2008).

- All unallowable expenditures recorded during FY 2008 should be tracked and reported to MAA.

FY 2008 = July 1, 2007 through June 30, 2008 aka, the FY 2008 F&A Base Year
When Should I Complete All of This?

- Track unallowable expenditures throughout the fiscal year and document toward end of fiscal year.
- What about a deadline (when does MAA need this)?

  Budget classification = May 2008
  Unallowable expenditures = July 2008
Resources

Functional Use Definitions:
http://www.washington.edu/research/maa/fa/spacefunc.html
http://www.washington.edu/research/maa/fa/costcats.html

Unallowable Definitions:
http://www.washington.edu/research/maa/fa/unallow.html

MAA Web Tool

OMB Circular A-21:
Summary

- UW F&A Base Year is FY 2008
- Key Departmental Deliverables for Proposal:
  - Space inventory (fall 2007)
  - Space functionalization (spring 2008)
  - Review of unallowable expenses (throughout FY 2008)
  - Review of budget classifications (beginning winter 2008)
- MAA is available for training, questions, and overall assistance.

...and thank you!
Questions and Answers
Management Accounting and Analysis

Phone: (206) 543-4990
FAX: (206) 685-7690
Box: 351248

Cristi Chapman 543-9985 cristic@u.washington.edu
Brion Norton 543-8282 brionn@u.washington.edu
Joe Nalley 616-8490 jwfn@u.washington.edu
Devon Rosencrans 616-8490 devonr@u.washington.edu

fa-proposal@u.washington.edu