



Program Support Center

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# Dept. of Health & Human Services - Program Support Center, Cost Allocation Services (CAS)

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## NECA

Virtual Conference

September 2021

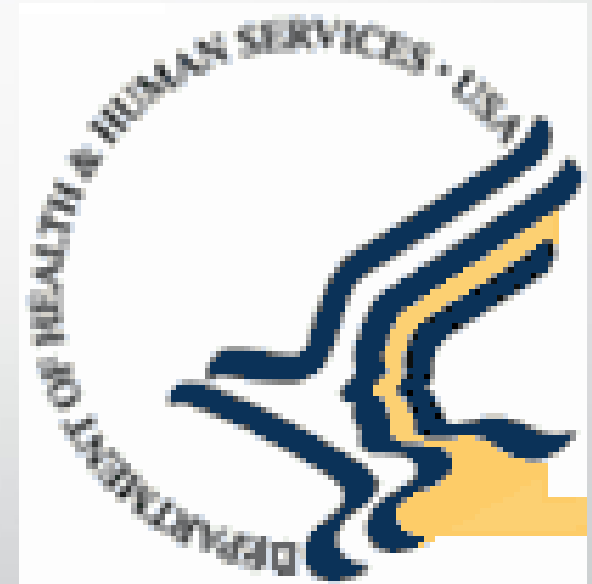
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# CAS Organizational Update

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- CAS Staffing



# Mission Statement

**Cost Allocation Services (CAS) is committed to providing the highest level of indirect cost rate and cost allocation plan negotiation services to Federal Departments and Agencies where HHS is designated by OMB as the cognizant Federal Agency. We will be the Agency of choice for providing technical guidance and assistance regarding the development of indirect cost rates and cost allocation plans. Our professional staff is recognized for their technical knowledge and professional expertise. Although CAS represents the Federal Government during negotiations and has a fiduciary responsibility to protect the public funds, we will be fair, reasonable and equitable when communicating and negotiating with the grantee community.**

# CAS Accomplishments

## Successfully delivered for FY 2020:

- *Cost Avoidance of \$1.297 B resulting from negotiations of F&A rates, fringe benefit rates, indirect cost rates, and statewide plans*
- *Cash recoveries of \$61.0 M resulting from negotiations/appeals*
- *Rate Agreements issued 3,081*
- *Rate Agreements issued for Colleges/Universities, Facilities & Administration Rates = 516*
- *Cost Avoidance of \$704.6 M resulting from negotiations of Colleges/Universities F&A rates*



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graph TD; A["Arif 'Mak' Karim  
Director  
Cost Allocation Services"] --- B["Darryl Mayes  
Deputy Director"]; B --- C["Mid-Atlantic Office  
Bethesda, MD  
Steven Zuraf  
Branch Chief  
State/Local BC  
See Western"]; B --- D["Central States Office  
Dallas, TX  
VACANT  
Branch Chief  
State/Local BC  
See Northeast"]; B --- E["Western Field Office  
San Fran, CA  
Janet Turner  
Acting Branch Chief  
State/Local BC  
Cora Coleman"]; B --- F["Northeast Office  
New York, NY  
Mike Leonard  
Branch Chief - C&U, N/P  
Mike Stanco  
Branch Chief - N/P, Hospital  
State/Local BC  
Amritha Sugrim-Singh"];
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Branch Chief - N/P, Hospital

State/Local BC  
Amritha Sugrim-Singh

# CAS Staffing

As of:	FTEs	FTEs	Directors	Branch Chiefs	Nat. Specialists	Grantees
9/30/2005	64	57	5	8	5	
9/30/2007	61	58	4	8	4	
9/30/2009	61	51	4	8	4	5,337
9/30/2011	56	49	4	7	4	
9/30/2013	49	47	2	6	4	
9/30/2015	48	45	2	6	3	6,423
9/30/2017	50.5	39.5	2	6	2	
12/31/2018	43.5	36	2	3	2	6,870
12/31/2020	47	41	2	7	1	6,952
8/31/2021	47	39	2	5	1	6,990

# COVID-19 Related Issues

**1) Due Date Extensions**

**2) Fringe Benefit Impacts**

**3) Space Classification Considerations for Remote Work**



# DUE DATE EXTENSIONS

- One-year OMB M-20-17 rate extensions are no longer being granted. Due date extensions are still being granted
- Uniform guidance 1 to 4 year rate extensions still being granted for grantees who last negotiated rates based on their submitted actual cost proposal
- Now that OMB M-20-17 rate extension requests are no longer accepted, we may consider an IHE request to move base year one year later, leaving rates as is

# FRINGE BENEFIT IMPACTS

## Social Security Payroll Tax Deferral

- Coronavirus, Aid, Relief and Economic Security Act (CARES Act) allowed employers to defer the deposit and payment of the employer's share of Social Security taxes through December 31, 2020. Deferred deposits of the employer's share of Social Security tax must be deposited by the following dates:
  - December 31, 2021, 50 percent of the deferred amount; and
  - December 31, 2022, the remaining amount

## Social Security Payroll Tax Deferral

To avoid significant drops then spikes in the rates, CAS has recommended that the amounts accrued be included in the rate calculations for the year accrued (which is in accordance with GAAP), and make certain that the deferred payments in the future years are not included in the rate calculations

# Retirement Contribution Reductions

- Many institutions across the nation implemented a cut or reduction to the institution's retirement contributions in fiscal year 2021
- Some IHEs reduced their fiscal year 2021 fixed fringe benefit rates to reflect these contribution reductions prior to the beginning of fiscal year 2021
- Those who did not reduce their fixed rate and did cut or reduce retirement contributions may have large over-recoveries in the fiscal year 2021. This over-recovery can be spread over 2 years (maximum) in the future fixed rates, or the Federal share can be reimbursed through a check which can be done to reduce or eliminate the over-recovery

# New or Increased Fringe Benefit Costs Due to COVID

- Covid testing, Vaccine implementation, and the costs associated with related supplies
  - May include these expenses in the fringe benefit pool for the expenses related to the employees who the fringe benefit rate is applicable to
  - Expenses related to non-employee students is a student service cost
- Additional Childcare Services
  - Many institutions have expanded their childcare spending and raised the age of children eligible for childcare
  - Allowable fringe benefit expense as long as the childcare expense is reasonable and does not discriminate between Federal and non-Federal employees

# Remote Work due to COVID

- Many are still working remotely due to COVID
  - Are those working remotely considered Off-Campus?
  - How is the on-campus space classified where these employees worked prior to COVID?

# Remote Work due to COVID

- Those working remotely due to COVID are still considered temporary. Discuss with awarding agency, but normally can still be considered on-campus if when conditions are safe the employee will return to their on-campus space.
- Space Classification for those now working remotely
  - Is remote location going to be a permanent worksite for employee after conditions are safe due to COVID?
  - Is permanent equipment being installed or renovations being done for the remote worksite in order for the employee to carry out their work?
  - If the answer to either question is YES, then the space the employee used at the campus (office, lab bench, etc.) should no longer be classified according to the employee's function. The space may be considered vacant until filled by a new employee.

# Treatment of Rebates & Credits

- Two ways CAS assisted in handling Rebates & Credits in Past
  - A) Put Rebates & Credits as a credit to O&M in the F&A Proposal
  - B) Work with CAS on submitting a cash refund for the Federal share of the Rebates & Credits
- Going forward, Federal awarding agencies require all applicable Federal awards and projects receive a credit for all Rebates & Credits applicable to each Federal award or project



# Treatment of Rebates & Credits

- Therefore A) from last slide is no longer the permitted treatment. Treatment B) will ONLY be used for the Federal share of rebates & credits that cannot be credited back to the Federal award or project because that award or project is already closed.
- It is the responsibility of the institution to have a mechanism in place to credit back rebates & credits to the applicable Federal awards and projects
- Federal awarding agencies consider the credit back to the Federal award or project for applicable rebates and credits to be a requirement when accepting Federal funding

# Treatment of Rebates & Credits

- In accordance with HHS' regulatory provisions at 45 CFR Part 75.406 – Applicable credits, recipients of HHS federal financial assistance are required to apply credits and rebates obtained under an HHS federal award by crediting the full amount of the credit and rebate “to the Federal award either as a cost reduction or cash refund, as appropriate.” Additionally, in accordance with 45 CFR Part 75.305(b)(5) – Payment, recipients “must disburse funds available from program income (including repayments to a revolving fund), rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments.”

# Hot Topics

## COST SHARING - VUCS

- **CAS is finding institutions have been underestimating their cost sharing which is underestimating the direct cost base**
- **Volunteer Uncommitted Cost Sharing (VUCS) should NOT be used as a reason for underestimating the cost sharing in the direct cost base**

# Hot Topics

## COST SHARING - VUCS

- On January 5, 2001, OMB issued M-01-06 to clarify VUCS
- VUCS is defined as university faculty (including senior researchers) effort that is over and above that which is committed for in a sponsored agreement
- Most faculty organized research effort is either charged directly to the sponsor, or is considered mandatory or voluntary committed cost sharing (i.e., cost sharing specifically pledged in the proposal's budget or award) on the part of the recipient

# Hot Topics

## COST SHARING - VUCS

- **Committed faculty effort shall not be excluded from the organized research base by declaring it to be voluntary uncommitted cost sharing**
- **For example, a principle investigator (PI) who commits 75% of their salary as effort to sponsored federal research projects while only requesting 25% salary reimbursement has committed to cost sharing, and therefore 75% of the PI salary should be included in the organized research base**

# Hot Topics

## COST SHARING - VUCS

- **VUCS excludes effort devoted to a project that was originally committed by the faculty, including senior researchers, or is a result of a shift in normal workload**
- **So, what is VUCS? That additional time that a faculty member or senior researcher may find during the year that they use to perform research, over and above their normal commitment, perhaps due to a lighter teaching commitment one year**
- **For example, a faculty member commits 50% of their salary as research and 50% to instruction, but during the academic year their teaching commitment is reduced by 2 hours per week. That might result in under 5% of the faculty salary being identified as VUCS (under 5% because the academic year is only  $\frac{3}{4}$  of the full year)**

## Hot Topics

# COST SHARING - VUCS

## RED FLAGS for CAS

- **Cost sharing amount included in the organized research base is below 10% of the On-Campus Federal (full-rate) base**
- **Cost sharing amount included in the organized research base is below 5% of the total organized research base**



# QUESTIONS

