



Program Support Center

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

Presenters: Michael Leonard, C&U National Specialist/Branch Chief
Ryan McCarthy, Senior Negotiator

NECA

Virtual Conference

September, 2020

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CAS Organizational Update

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- Staffing
- Past, Current and Future
- ROI



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 2019:
 - Cost Avoidance of \$1.386 B resulting from reviews/negotiations of rates and plans
 - Cash recoveries of \$59.0 M resulting from negotiations/appeals
 - Rate Agreements issued 2,980 –
 - 1- Statewide Cost Allocation Plans = 226
 - 2- Public Assistance Cost Allocation Plans = 147
 - 3- Special Reviews/Audit Resolutions/Fringe Benefits/Appeals = 446
 - 4- Colleges/Universities, Facilities & Administration Rates = 427
 - 5- Hospital rates = 135
 - 6- Not-For-Profit Organization rates = 1,599
 - Non-HHS customers - Rate Agreements issued 317



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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  
Matthew Dito  
Branch Chief  
State/Local BC  
See Northeast"]; B --- E["Western Field Office  
San Fran, CA  
Vacant  
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

State/Local BC
Cora Coleman

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

CAS Staffing Turnaround

	Approved	Actual	Number of	Number of	Number of	Number of
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
12/31/2019	44.5	41	2	7	1	6,952
8/31/2020	47	43	2	6	1	

C&U Results for Fiscal Year 2019

- 427 C&U Facilities and Administrative (F&A) reviews completed
- 10,534 hours expended on C&U reviews
- \$1,141,899,000 cost avoidance resulted from reviews
- \$20,110,713 cash recovered from reviews

Return on Investment (ROI) for C&U Reviews

- Total cost of reviews (labor hours x billing rate) \$1,148,206
- Cost avoidance per dollar spent for reviews
$$\$1,141,899,000 / \$1,148,206 = \$995$$

For every \$1 spent CAS returned \$995 as cost avoidance
- Cost avoidance per hour spent for reviews
$$\$1,141,899,000 / 10,534 = \$108,401$$

For every hour spent CAS returned \$108,401 as cost avoidance
- In addition, cash reimbursements per hour spent for reviews
$$\$20,110,713 / 10,534 = \$1,909$$

For every hour spent CAS returned \$1,909 as cash reimbursement

Benefit of the Return on Investment (ROI)

- What happens to the CAS cost avoidance?
- ***Each year, each Federal agency has a budget for the dollars that will be spent funding discretionary and non-discretionary awards.***
- ***As a whole, there are not separate budgets for direct costs and F&A costs.***
- ***Therefore cost avoidance on the F&A rates provides more dollars to be used on the direct costs of Federal awards.***
- ***“Every dollar saved by lowering an indirect cost rate is another dollar that is spent directly in support of health research and social service programs”*** – Mike Leonard

COVID-19 Related Issues

1)OMB M-20-17 Rate Extensions and Due Date Extensions

2)Social Security Payroll Tax Deferral

3)Retirement Contribution Reductions

OMB M-20-17

- One-year rate extensions are no longer being granted. If already requested & approved but no rate agreement received yet, it is on its way
- 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

OMB M-20-17

- One-year OMB M-20-17 rate extensions granted did not eliminate eligibility for Uniform Guidance rate extensions if the IHE was eligible prior to OMB M-20-17 rate extension
- 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

Social Security Payroll Tax Deferral

- Coronavirus, Aid, Relief and Economic Security Act (CARES Act) allows employers to defer the deposit and payment of the employer's share of Social Security taxes. The deferment is applicable to wages paid to employees between March 27, 2020, and 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 recommends 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

Social Security Payroll Tax Deferral

For example, a college elects to defer their share of employee Social Security taxes beginning April 1, 2020 through the end of 2020. The college is on a June 30 fiscal year end.

For the calculation of the fringe benefit rate for fiscal year ending June 30, 2020, the Social Security taxes accrued and deferred on employee salaries and wages for the three months (April 1-June 30) should be included in the college's rate calculation.

For the calculation of the fringe benefit rate for fiscal year ending June 30, 2021, the Social Security taxes accrued and deferred on employee salaries and wages for the six months (July 1-December 31) should be included in the college's rate calculation.

The fiscal years ending June 30, 2022 and June 30, 2023 should **not** include the deposit and payment of the amount of Social Security taxes deferred from fiscal years ending June 30, 2020 and June 30, 2021.

Social Security Payroll Tax Deferral

Note:

If a future stimulus bill is passed that eliminates the payment of the employer's deferred social security costs, only the amounts paid can be included in the final actual costs.

This will result in large over-recoveries which 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.

Retirement Contribution Reductions

- Institutions across the nation are considering or have implemented a cut or reduction to the institution's retirement contributions for fiscal year 2021
- Some IHE have reduced their fiscal year 2021 fixed fringe benefit rates to reflect these contribution reductions
- Those without fixed rate reductions may result in having large over-recoveries which 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

Virtual Site Visits

- Conducted in August
 - Interviewed 18 PI's over 5 days and 2 weeks
 - Used Zoom as our source
- Process
 - Interview and Space Walk-Through
 - Equipment Sample
 - Shared Screen Throughout

Virtual Site Visits - Benefits

- Can interview more PI's
 - More Data = More Accuracy
- Scheduling Flexibility increases speed of review
- Projections (New Buildings) TBD

Virtual Site Visits - Conclusion

- Wave of the Present AND Future
 - Smooth and Efficient Process
 - No issues detected

- Will be Case-by-Case Basis
 - Special Issues
 - Training Purposes

Hot Topics

INTEREST

- Proposed Interest costs will be under scrutiny
- Red flags for interest components over 4 points on the rate

Hot Topics

- Average negotiated interest component for *Private Institutions* from 2013-2024:

2013	- 2.7%
2014	- 2.8%,
2015	- 3.0%
2016	- 3.0%
2017	- 3.1%
2018	- 3.1%
2019	- 3.2%
2020	- 2.9%
2021	- 2.8%
2022	- 2.8%
2023	- 2.7%
2024	- 1.3% (small sample)

Hot Topics

- Average negotiated interest component for *Public Institutions* from [2013-2024](#):

2013	- 1.6%
2014	- 1.7%,
2015	- 1.7%
2016	- 1.8%
2017	- 1.8%
2018	- 1.9%
2019	- 2.0%
2020	- 1.9%
2021	- 1.7%
2022	- 1.8%
2023	- 1.7%
2024	- 1.8% (small sample)

Hot Topics

LIBRARY

- **Library components must be reasonable**
- **Library studies** – CAS does **NOT** want to see them
- **Red flags for Library components 3 points or higher**

Hot Topics

- Average **negotiated** library component for **Private Institutions** from **2013-2023**:

2013	- 2.1%
2014	- 2.1%,
2015	- 2.1%
2016	- 2.2%
2017	- 2.2%
2018	- 2.2%
2019	- 2.2%
2020	- 2.2%
2021	- 2.3%
2022	- 2.4%
2023	- 2.4%

Hot Topics

- Average negotiated library component for *Public Institutions* from [2013-2024](#):

2013	- 1.4 %
2014	- 1.4%,
2015	- 1.4%
2016	- 1.4%
2017	- 1.3%
2018	- 1.4%
2019	- 1.4%
2020	- 1.3%
2021	- 1.3%
2022	- 1.4%
2023	- 1.3%
2024	- 1.3% (small sample)



QUESTIONS

