Grants Made Easy: The Cost Principles

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Preparing for and Conducting an F&A Rate Negotiation

Planning

- Identify strategic goals
  - » Rate increase
    - How large?
    - How aggressive?
    - How many years?
  - » Rate extension – Must the institution submit a proposal?

Prior to Negotiations

- Know Your Negotiator
  - » Know who your cognizant agency is
  - » Know what region you are in
  - » Know who is responsible for your region
  - » Know his/her negotiation style and background
  - » Understand his/her “favorite” areas of negotiation focus

Prior to Negotiations

- Know the Environment
  - » Know what has been going on in your region Talk to peers at other institutions
    - » Hot buttons, what happened, how did it get resolved
  - » Join appropriate professional organizations (NACUBO, COGR, NECA/SECA/WECA/NACCA)
  - » Attend their conferences – Federal negotiators do

Proposal Submission-Do's

- Neatness counts
- Cover letter from CFO
- Table of contents
- Summary rate schedules (OR,OSA,Inst)
- F&A cost pool allocation schedules
- Summary step down schedule

- (continue)

Proposal Submission

- Narrative summaries of cost pools and statistical bases
- Reconciliation schedules
  - FS, FS reclassifications, and adjustments
- Certification statements
  - F&A certification
  - Proposal checklist
- Additional documentation as required by definition or by your particular region and/or cognizant agency

Final Check

- NO UNALLOWABLES are included in the F&A cost pools

Statistics are sound and represent benefit relationship to costs

- Do not do anything that is obviously wrong
- Develop a checklist to ensure everything ties and is consistent

The Negotiation Process
The Do's and Don'ts

Negotiation Considerations

- Determine who at your institution will negotiate
- Ensure this individual has authority to make decisions and bind the institution
- Level of proposal complexity and desired rates may cause additional review
  - » Use of special studies (library)
  - » Componentization of buildings
  - » Variance between calculated rate and desired rate

  - » (continue)

Negotiation Considerations

- Ensure proposal is based on factual information and all supporting documentation is available for the negotiation
- Keep cool – leave ego behind
- Imagine role reversal – how would you represent the taxpayers’ interests and justify to Congress
- Anticipate conflict and be prepared to manage it

Successful Negotiation “Do's”

- In general, DO
  - » Establish a friendly dialogue
  - » Respond expeditiously to information requests
  - » Respond honestly, but carefully--DON’T ASSUME

The “Do's”

- In general, DO
  - » Submit a professional response that is:
    - Prepared with thought and care
    - Well formatted
    - Well documented
    - Easy to follow

The "Do's"

- During negotiations, DO
  - » Conduct discussions/debates on a professional level
  - » Take breaks from time to time to access the opposing points

The “Do’s”

- Keep an open mind, but:
  - » Be prepared to defend your position with the best arguments and data.
  - » Recognize your weak points.
- Argue your case with conviction, but listen to your opponent.

The “Do's”

- Keep an open mind for possible alternatives and options.
- Be prepared to accept impasse.
- Leave negotiations on good personal terms.

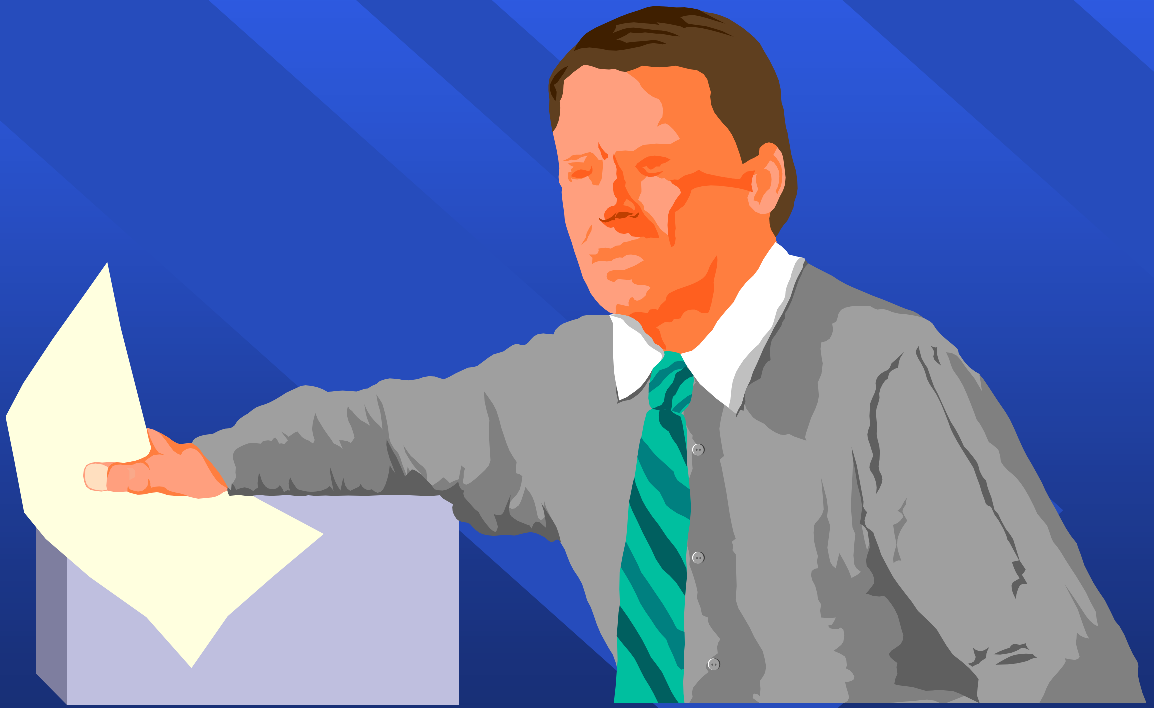
The Don'ts

- In general, DON'T:
  - » Submit a sloppy, incomplete proposal
  - » Submit numerous revisions
  - » Be evasive or deal in half-truths
  - » Delay in responding to requests for information

The Don'ts

- In negotiation, DON'T:
  - » Be boorish in making your point
  - » Go in unprepared
  - » Go in with a closed mind
  - » Go in with a chip on your shoulder
  - » Be afraid to appeal
  - » Leave enemies behind

What makes a good negotiator?



Traits of a good negotiator

- Planning skills
- Ability to think clearly under stress
- General practical intelligence
- Verbal ability
- Product/subject knowledge
- Personal integrity
- Ability to perceive and exploit power

Traits of a good negotiator

- 2-Planning skills
- 1-Ability to think clearly under stress
- 7-General practical intelligence
- 4-Verbal ability
- 3-Product/subject knowledge
- 6-Personal integrity
- 5-Ability to perceive and exploit power

The Rate Agreement

- Includes a cover letter from the DCA Director. Includes important information and sometimes supplements the agreement document

- Signed by Federal Division of Cost Allocation Director and University CFO

- Should include a schedule reflecting the component breakdown of the rate(s)

The Rate Agreement

- Section I
  - » Lists F&A cost rates and fringe benefit rates (represents the maximum rate for federal programs)
  - » Identifies rate type, effective period, rate %, locations (on/off site, campus), applicability (research, instruc)
  - » Defines MTDC base and fringe benefits base
  - » Describes the treatment of fringe benefits
  - » Describes the treatment of paid absences

The Rate Agreement

- Section II, General – Provides information pertaining to
  - » Rate limitations
  - » Accounting changes
  - » Fixed rate statement
  - » Use by other federal agencies statement
  - » Other

The Rate Agreement

- Section II, General – Special Remarks
  - » Provides definition of off-campus activities (read to make sure they are correct)
  - » Defines fringe benefits costs (read to assure it is direct)
  - » Defines equipment – capitalization threshold
  - » Other information (e.g., unallowability of tuition benefits for family members beginning June 30, 1999)