

Fermi National Accelerator Laboratory Planning and Controlling Indirect Costs

Background

Budgets for all organizations within the Laboratory are established in the same manner regardless of whether the activities are programmatic or in an overhead pool. Fermilab is a single-program laboratory; nearly all funding is received from the Office of High Energy Physics (OHEP). Thus all indirect costs must be allocated from the Laboratory's total HEP funding for the year. In the Laboratory's budget formulation and execution processes, the overhead pools are treated as distinct DOE Budget & Reporting (B&R) categories.

Budget Formulation Process

Before the beginning of the fiscal year the Directorate allocates a preliminary budget (called the budget "guidance") to the divisions/sections/centers for the coming fiscal year. A distribution is made for general operations, GPP, and for other specific projects or activities. Some projects have DOE-approved funding profiles. Others have funding profiles that have been agreed upon between the division/section/center and the Directorate. General operations funding for ongoing activities, including most indirect activities, is allocated on a prior-year + inflation basis, with specific adjustments for known fluctuations in staffing levels or M&S (materials & services) needs. The divisions/sections/centers are given several weeks to plan their activities at a detailed level to meet the Directorate's guidance.

It should be noted that any fiscal year budget has been iterated in this manner at least twice previously, due to the DOE budget cycle beginning approximately two years prior to the laboratory's budget execution year.

The next stage of the budget formulation process is the "Director's Budget Review", a key control in the indirect cost planning process. (Note that this activity only occurs in the iteration of the budget just prior to the execution year.) Each division/section/center head including the Directorate makes a presentation to the Director's senior staff including all other division/section/center heads, specifying what can and cannot be accomplished in the coming year with the guidance level of funding. Additional budget allocation can be requested at this time, and attendees may register challenges to planned expenditures as well. These presentations are made with data at the DOE B&R level by Lab-wide Work Breakdown Structure (LWWBS) categories to provide consistency across the lab, supplemented with organizational or other breakdowns of the data at the discretion of the division/section/center head in order to fully explain his/her plan. The series of Director's Budget Review meetings is generally completed early in the new fiscal year.

At the time of its Director's Budget Review, each division/section/center uploads the detailed budget into Oracle Projects, the same system used to track costs and obligations throughout the year. The detailed budget uploads include DOE B&R (or indirect pool code), LWWBS, labor and M&S, organization, and other detailed data. Detailed budgets are entered in quarterly allocations totaling the full-year allocation.

Once all presentations are completed and detailed budgets uploaded, the Director, Deputy, Associate Directors, CFO, and Lab Financial Planning Manager meet to discuss the additional needs or challenges presented. The Budget Office produces reports as necessary from the uploaded detailed budgets to assist in this process. The Director may approve adjustments to the guidance allocations at this time. Once this process is complete, budgets are considered baselined for the year and the budget formulation process for both direct and indirect costs is complete. The Director's management reserve is generally very small, thus subsequent adjustments to these budgets are not significant unless additional funding is received from OHEP.

See Fermilab's Indirect Burden Allocation Policy and Methodology at the following link for a description of how indirect rates are established for a new fiscal year:
<http://finance.fnal.gov/IndirectPolicyWriteup.pdf>

Budget Execution Process

Budgets at Fermilab are established on an obligation basis. Budget is considered to have been used as soon as a legal obligation for goods and services has been entered into (i.e. when a purchase order is placed) rather than when goods and services are delivered. Current year obligations are equal to year to date cost + current open commitments – open commitments at the end of the prior year.

Monthly reporting and monitoring

Each month reports are prepared comparing budgets at the organizational, project, and funding category, including indirect pool, levels to actual obligations. Both annual and quarterly budgets are compared to spending to date. If analysis shows that any organization or project is not following their budget plan, the member of the senior management team responsible for that organization or project (COO, CFO, CIO or Associate Director) will request an explanation and determine if a budget adjustment is required.

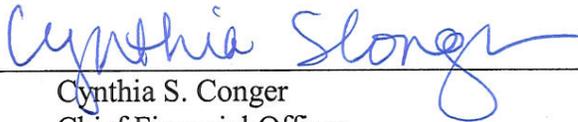
Also on a monthly basis, a report is created that calculates the actual year to date indirect rate for each pool which is compared to the published rate, the actual year to date rate in the prior year and the actual rate at year end for the prior year. This report is reviewed by Accounting, the Budget Office and the CFO. If any actual year to date rate is significantly different from the published rate and the comparison to prior year actual year to date is not similar to the current year to date rate, the Budget Office will investigate the components of the pool in question and determine the reasons for the anomaly. If necessary, spending in the pool will be adjusted or, if it is determined that the pool costs are an accurate reflection of a change in the budget plan, a mid-year correction in the rate would be required.

Quarterly DOE report

Each quarter a report is prepared and submitted to the DOE site office which compares the year to date budget by organization in each indirect pool with the actual year to date costs in the pool. This report is an additional check that spending in the pools is following the budget plans.

Cost Accounting Standards and Rate Changes

FRA is subject to Cost Accounting Standards in its prime contract with DOE, and the Laboratory must file a new Cost Accounting Standards (CAS) Disclosure Statement with DOE 90 days prior to any significant change to the indirect allocation. The CAS Disclosure Statement states that the Laboratory will distribute all significant variances by September 30 of each year, effectively adjusting indirect rates to actual on a fiscal year basis. See Fermilab's Indirect Burden Allocation Policy and Methodology for more information on the management of indirect rates during the year.



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