

Costing Principles

OMB A-21
AND
OMB UNIFORM GUIDANCE

1

The Federal Government has changed the rules

OMB Circular A-21 is still in effect for awards and funding increments issued prior to December 26, 2014

2 CFR Chapter I, Chapter II Parts 200,215,220, 225 and 230 is now the "Uniform Guidance"

- Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards
- Issued December 26, 2013 and Amended December 19, 2014

2

F&A Cost Calculation

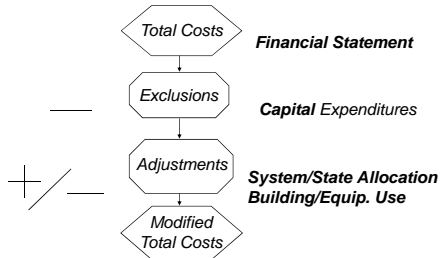
3

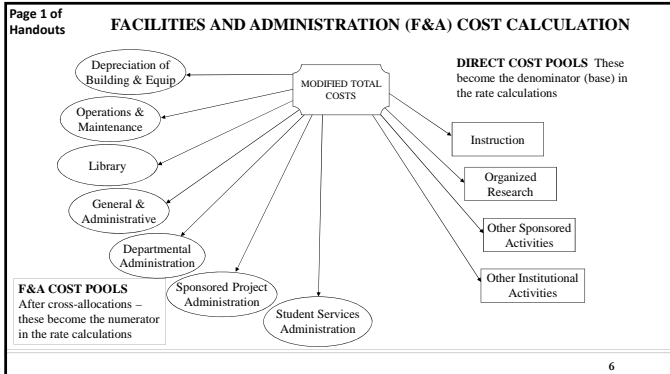
Negotiation of F&A Rates

Cognizant Agency: Either Dept of Health and Human Services (DHHS) or Office of Naval Research (ONR)

A "cognizant agency" means the Federal agency responsible for negotiating and approving F&A rates for an educational institution on behalf of all Federal agencies

F&A Cost Calculation





Direct Cost Pools

Major Functions of an Institution (Direct Cost Activity)

- Instruction
- Organized research
- Other sponsored activities
- Other institutional activities

7

The Facility Pools - The "F" in the F & A

Depreciation and Use Allowance

- Buildings (Use charge or depreciation)
- Equipment (Use charge or depreciation)

Interest on Capital Debt

Operations and Maintenance expense

Library expense

8

The Administrative Pools - The "A" in the F & A

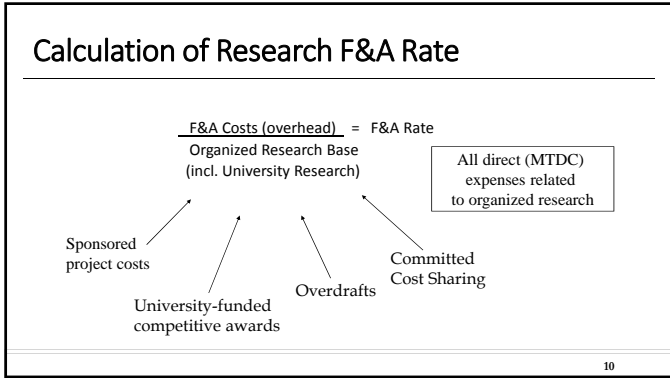
General University Administration

Departmental Administration

Sponsored Projects Administration

Student Administration and Services

9



Page 2 of Handouts

Sample Fiscal Year 20XX Rate Schedule - Research

	F&A	MTDC	%	
General Admin	7,339	111,582	6.58	
Department Administration	21,000	111,582	18.82	
Sponsored Programs Admin	2,706	108,038	2.51	
			27.91	26.00
Building Use Allow	2,400	90,929	2.63	
Equipment Use	2,609	90,929	2.86	
Building Interest	1,442	90,929	1.59	
Operating & Maintenance	19,500	90,929	21.45	
Library	1,679	90,929	1.85	
Facilities			30.38	
Total on Campus Rate (as calculated)		58.29	56.38	
Total Off Campus Rate (as calculated)		27.91	26.00	

11

Observation on the F&A Process

"There will always be room to argue about the allocation of costs between research and instruction. That ambiguity is built into the fabric of the university and cannot be removed so long as research and teaching are done in the same place by the same people, a condition that describes every research university."

Dr. Robert Rosenswieg
 COGR Paper: "The Politics of Indirect Cost" (1998)

12

F&A Rate Versus F&A Recovery

F&A is often waived or reduced for cost sharing

F&A rate calculation based on recoverable costs, i.e., all awards receive a full allocation of F&A, not recovery

In reality, institutions subsidize a significant portion of F&A costs

13

F&A Rate Versus F&A Recovery

F&A Rate is the result of an imperfect costing exercise and a negotiation process; rates may not reflect true cost, government strives to minimize risk

Federal laws limit the recovery of certain costs (i.e., administrative costs), prohibits the recovery of others

Many Sponsored Projects do not pay the Full (Negotiated) F&A Rate, e.g., USDA grants, NIH training grants, NSF REU awards, Foundation awards

14

Costing Principles

THIS SECTION REFERS TO THE HIGHLIGHTED VERSION OF THE UNIFORM GUIDANCE

15

Read the Award!

The Uniform Guidance has been implemented by each Federal Agency differently.

The award document will tell you which rules apply.

Document ! Document! Document!

Auditors want to know what you charged to the award and why.

Don't rely on your memory to explain charges – audits are often years after the expense is incurred.

Make sure the files contain copies of all receipts for expenses that were charged to the award.

If transfers are necessary, do them as quickly as possible and fully explain what happened

How to Contact Us

Ann Holmes
Assistant Dean, College of Behavioral and Social Sciences
amholmes@umd.edu

Helena Moynahan
Assistant Director, Contract and Grant Accounting
hmoynaha@umd.edu
