Costing Principles

OMB A-21
AND
OMB UNIFORM GUIDANCE

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

F&A Cost Calculation
**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.

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**F&A Cost Calculation**

1. Total Costs
2. Financial Statement
3. Exclusions
4. Capital Expenditures
5. Adjustments
6. System/State Allocation
7. Building/Equip. Use
8. Modified Total Costs

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**Facilities and Administration (F&A) Cost Calculation**

Direct Cost Pools: These become the denominator (base) in the rate calculations.

- Instruction
- Organized Research
- Other Sponsored Activities
- Other Institutional Activities

F&A Cost Pools: After cross-allocations, these become the numerator in the rate calculations.

- Depreciation of Building & Equip.
- Operations & Maintenance
- Library
- General & Administrative
- Departmental Administration
- Sponsored Project Administration
- Student Services Administration
Direct Cost Pools

Major Functions of an Institution (Direct Cost Activity)
- Instruction
- Organized research
- Other sponsored activities
- Other institutional activities

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

The Administrative Pools - The “A” in the F & A

General University Administration
Departmental Administration
Sponsored Projects Administration
Student Administration and Services
Calculation of Research F&A Rate

F&A Costs (overhead) = F&A Rate
Organized Research Base (incl. University Research)
Sponsored project costs
University-funded competitive awards
Committed Cost Sharing
Overdrafts
All direct (MTDC) expenses related to organized research

Sample Fiscal Year 20XX
Rate Schedule - Research

<table>
<thead>
<tr>
<th>F&amp;A</th>
<th>MTDC</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Admin</td>
<td>7,359</td>
<td>111,582</td>
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<tr>
<td>Department Administration</td>
<td>21,000</td>
<td>111,582</td>
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<tr>
<td>Sponsored Programs Admin</td>
<td>2,706</td>
<td>108,038</td>
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<tr>
<td>Building Use Allow</td>
<td>2,400</td>
<td>90,929</td>
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<td>Equipment Use</td>
<td>2,609</td>
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<tr>
<td>Building Interest</td>
<td>1,442</td>
<td>90,929</td>
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<tr>
<td>Operating &amp; Maintenance</td>
<td>19,500</td>
<td>90,929</td>
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<tr>
<td>Library</td>
<td>1,679</td>
<td>90,929</td>
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<tr>
<td>Facilities</td>
<td>30,38</td>
<td></td>
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<tr>
<td><strong>Total on Campus Rate</strong> (as calculated)</td>
<td>58.29</td>
<td>58.29</td>
</tr>
<tr>
<td><strong>Total Off Campus Rate</strong> (as calculated)</td>
<td>27.91</td>
<td>27.91</td>
</tr>
</tbody>
</table>

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 Rosensweig
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

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

Costing Principles

This section refers to the highlighted version of the Uniform Guidance
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

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