Agency Limits on F&A Recovery
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THE UNIVERSITY OF ALABAMA

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COGR Recommendations to A-21 Task Force
Enforcement of Current Rules with an Emphasis on Consistency, Fairness and Simplicity

B1) The Negotiated F&A Rate should be reimbursed by all Federal funding agencies on all Federally-sponsored research, service and educational programs, unless statutorily prohibited.

B2) Prohibit arbitrary Federal funding agency restrictions on F&A cost recoveries associated with Bulk Purchase, High-Volume, and/or Significant Dollar Transactions. If arbitrary restrictions persist, develop solutions to update Circular A-21 and the definition of “modified total direct cost”.
Why are F&A reimbursement limitations common when requirements for committed cost sharing are unfair and inefficient in achieving long term objectives of research productivity?

• F&A is not well or widely understood
  • Actual Cost
  • Predetermined Rate
  • Is a Calculation of Average Costs

• At project level, the result can appear “inequitable”. “Other items may only be excluded where necessary to avoid a serious inequity in the distribution of F&A costs” OMB Circular A-21, G.2.
Example**: 

Negotiated*
2009 Base 2008

Adjustments
Applied in 2011

F&A Costs*
Incurred in 2011

Recovery
2011

* Assuming a “good” negotiation resulted in rates similar to proposed/experienced.

** Example demonstrates MTDC exclusions applied during rate application. (e.g. vendor classified as subrecipient, bulk purchase of supplies treated as equipment or as sub)
Does the problem stop with losing $15 million in recovery?

- Reduced recovery
- $110m cost, $95m recovery, $15m lost
- Reduced depreciation, O&M
- Reduced facilities investment
Recent Experience:

• University of Alabama
  • Cooperative Agreement – Contracting Officer insisted that all professional service agreements are subcontracts and, therefore, F&A limited to first $25K
  • $9.8 million grant. $3.5 for drilling proposed as a subaward.

• Other Institutions
  • Examples?

• Discussion?