

Agency Limits on F&A Recovery

COGR, February 23, 2012

THE UNIVERSITY OF ALABAMA

Cindy Hope

Assistant Vice President for Research and Director of
the Office for Sponsored Programs



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**:

$$100\text{m} \div 200\text{m (MTDC)} = 50\%$$

Negotiated*
2009 Base 2008

$$220\text{m (MTDC)} - 30\text{m}^{**} = 190\text{m}$$

Adjustments
Applied in 2011

$$220\text{m (MTDC)} \times 50\% = 110\text{m}$$

F&A Costs*
Incurred in 2011

$$190\text{m (MTDC)} \times 50\% = 95\text{m}$$

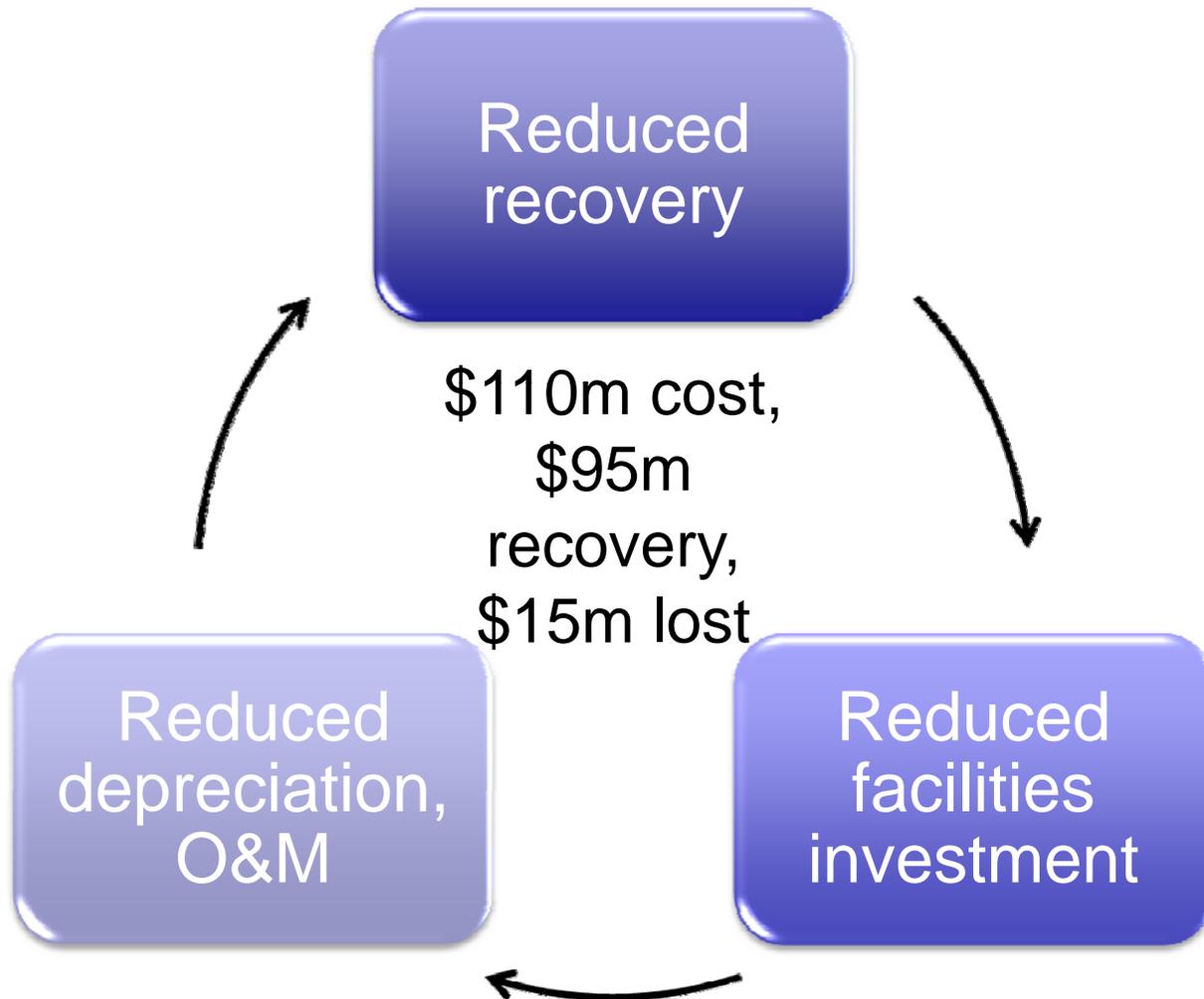
Recovery
2011



* 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?



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?

