Defining Federal Grant Costs Reported on the Exclusion Table and Unallowable for and Facilities & Administration (F&A) Recovery
White Paper
September, 2012

Overview
This white paper is to be used to help Texas A&M members with consistency and to improve compliance with state, federal and system office rules for costs that must be excluded from the base that is used for facilities & administration (F&A) recoveries and costs that should not be charged to sponsored projects, the costs are considered unallowable costs. It is intended that all expenses should be reasonable, allocable to a sponsored agreement and given consistent treatment.

OMB Circular A-21 Guidelines
The rules for federal grant management and the F&A rate calculation are defined in the e-CFR, Title 2, Part 220-Cost Principles for Educational Institutions (historically known as OMB Circular A-21) http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&tpl=/ecfrbrowse/Title02/2cfr220_main_02.tpl . Section J of this circular provides principles to be applied in establishing the allowability of certain items involved in determining costs on a federal grant.

DHHS Facilities and Administrative (F&A) Rate Agreement
The Texas A&M University System members’ rates are approved through the United States Department of Health and Human Services (DHHS), a federal agency. They are considered our cognizant agency. Under the long-form and short-form F&A rate agreements, the base is defined as the Modified Total Direct (MTDC) base. The F&A rate agreement defines types of expenses that the MTDC base can include and types of expenses that must be excluded.

The MTDC base is used in the F&A cost recovery calculation by multiplying the costs that should be included by the agreed upon rate. This amount is then recorded as revenue in an F&A (indirect) cost recovery account and a corresponding IDC expense is recorded on the grant account.

The rate agreement is a starting place for defining rules for federally sponsored agreements. A specific sponsored agreement may override portions of the rate agreement. In some cases the System Office, needs to be notified of these agreements, so the F&A rate calculation can be adjusted. We need to ensure that the federal government is not charged twice for the facilities and administration costs. If there is concern on a particular grant, please contact our office.

MTDC Exclusions
Exclusions from the MTDC base must be treated with consistency for all Texas A&M University System members that are within a single rate agreement for grants from federal sponsors. This list of expense object codes will be referred to as the MTDC Base.
FAMIS Users  For all FAMIS users a master base table is set up called “MTDC” on screen 801 for use by members. The Research Foundation will have access to this table, but since their object codes are different, the use of the table will not be the same as other members. The MTDC Base will be maintained by the TAMUS – Office of Budgets and Accounting.

Non-FAMIS Users  All non-FAMIS users should implement a similar process in order to ensure consistent treatment of these exclusions.

TAMUS –Office of Budgets and Accounting Website
A table of all expense object codes that should be excluded from having the facilities and administrative rate applied to them are compiled, maintained and posted on the TAMUS-Office of Budgets and Accounting website.

Unallowable Costs
In accordance with Section J of e-CFR, Title 2, Part 220-Cost Principles for Educational Institutions (historically known as OMB Circular A-21), a list of TAMUS expense object codes that should always be unallowed to be charged to a grant unless specifically allowed by a grant has been compiled and is posted on the TAMUS-Office of Budgets and Accounting website. Failure to mention a particular expense object code is not intended to imply that it is either allowable or unallowable; rather determination as to allowability in each case should be based on the treatment provided for similar or related object codes and in accordance with the specific sponsored agreement.

Conclusion
Each sponsored agreement must be analyzed and the member must determine the most appropriate treatment of expense items. If the sponsored agreement has an MTDC Base then the defined MTDC based should be used which has been defined by the TAMUS-Office of Budgets and Accounting. By using a master table, this will help with consistency and improve compliance with state, federal and system office rules for excluded. If the sponsored agreement does not have additional items allowed to be charged within the agreement then the Unallowed Cost list of object codes should be used to determine if certain costs can or cannot be charged to the sponsor.

If the member has any questions on the treatment for the MTDC base or criteria used to define the Unallowed costs, please contact the System Office of Budgets and Accounting.