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July 28, 2011

A-21 Interagency Task Force
National Institutes of Health
9000 Rockville Pike
Bethesda, Maryland 20892

RE: Request for Information (RFI): *Input on Reduction of Cost and Burden Associated with Federal Cost Principles for Educational Institutions (OMB Circular A-21)*, NOT-OD-11-091

To whom it may concern:

The University of Alaska appreciates the opportunity to provide input on the National Institutes of Health (NIH) June 28, 2011 Request for Information: *Input on Reduction of Cost and Burden Associated with Federal Cost Principles for Educational Institutions (OMB Circular A-21)*. Please consider the following suggestions:

1. Interest/ lease-purchase analysis, OMB Circular A-21, J26b(1) - Remove requirement for universities to prepare a lease-purchase analysis prior to acquisition or replacement of a facility costing over \$500,000. It is already in a university's best interest to make wise financial decisions. This requirement adds little value with significant effort required to complete the analysis. We also suggest the federal government re-examine the importance of a 25% initial equity contribution for debt arrangements over \$1 million. The ensuing interest calculation is complex.
2. Depreciation and use allowance, OMB Circular A-21, F2c - Remove requirement for large research facilities to document factors affecting construction costs such as: life cycle costs, unique research needs, special building needs, building site preparation, environmental consideration, federal construction code requirements, competitive procurement practices. Universities typically have these factors documented for construction purposes, therefore it is unnecessary to document these factors for the purpose of a facilities and administrative rate proposal audit. Including this requirement in OMB Circulars A-21 and A-110 creates duplicate regulations for universities to be measured against during audits. How does the federal government significantly benefit from this requirement?
3. Disclosure Statement (DS-2), OMB Circular A-21, C14 and Appendix B – If DS-2 documents are required to be submitted timely, we recommend that the document should be audited and approved timely. Institutions must file a DS-2 within six months after the end of the fiscal year that the institution has received \$25 million or more in sponsored agreements. It is common knowledge that many institutions have waited multiple years to receive approval on their DS-2. There is little value added to the federal government's oversight if the documents are not reviewed in a timely manner.

4. Reimbursement of costs, OMB Circular A-21, E, F, G and Appendix C - Large institutions are required to complete an elaborate process to calculate facilities and administrative (F&A) cost rates, which are audited and negotiated with the federal government. Significant preparation and oversight of base year activity goes into the calculation of these rates. A-21, G11b clearly states that negotiated rates shall be accepted by all federal agencies, unless limited by law or regulation. However, agencies frequently reimburse universities an amount lower than their negotiated rates. As budgets tighten at all levels, it becomes increasingly difficult for universities to cover these real costs with internal funding sources. A negotiated F&A rate provides federal agencies assurance that they are sharing in the cost of maintaining university equipment and facilities that are occupied by federally funded activities. In addition, the administrative cost of compliance is also shared through the full reimbursement of F&A rates. Council On Governmental Relations' November 2010 paper titled "Federal Funding Agency Limitations on Cost Reimbursement: A Request for Consistency in the Application of Federal Guidelines" provides additional information and examples related to federal agency reimbursement limitations.

Institutions are required to describe "normally direct activities" and "normally indirect activities" in their DS-2. Determination of whether an activity should be classified as direct or as indirect varies from one institution to another, which is why identification is necessary in the DS-2. Federal agencies do not consistently classify costs as indirect only or direct only, therefore it is confusing for principal investigators to decipher the proper treatment of costs when developing proposal budgets. This confusion leads to improper classification of costs in proposal budgets, which may be disallowed after the award is made and not reimbursed to the institution. We recommend that agencies develop a clear guide to advise when activities should be treated as direct versus indirect.

5. Effort Reporting, OMB Circular A-21, J10 – Effort reporting has been examined by several organizations including the Federal Demonstration Partnership (FDP), Council On Governmental Relations (COGR), the Association of American Universities (AAU) and the Association of Public and Land-grant Universities (APLU), to name a few. Consistently, examination leads to the belief that effort reporting imposes a significant burden on all levels of an institution, while providing little added value to the federal government. Federal audits of the effort reporting process are expensive, and prove that the effort reporting is not precise, therefore not reliable. Faculty members are required to submit progress reports to agencies to demonstrate the progress of a project. If the project is not progressing at a satisfactory pace, the government can use the progress reports to monitor and intervene, if necessary. Payroll certification systems that satisfy the requirements of the Department of Labor should provide sufficient assurance that the work is being performed.
6. Subrecipient monitoring, OMB Circular A-133, B210 and OMB Circular A-21, J – Frequently institutions collaborate on projects; this creates a situation where the prime institution issues a subaward to another institution. If both entities have established procedures in place to effectively manage federal awards, then it is not efficient to require the prime institution to monitor the institution that received a subaward. We recommend that collaborative projects should be exempt from subrecipient monitoring if both entities are established recipients of federal awards.

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Please contact me if you have any questions or if you need additional information. Thank you for your consideration of these recommendations.

Sincerely,

A handwritten signature in black ink, appearing to read "Tanya Hollis", written in a cursive style.

Tanya Hollis