Background

Costs charged to sponsored programs consist of two categories: direct costs and indirect costs. When considering federally funded projects, 2 CFR part 200 states that “Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award...relatively easily with a high degree of accuracy." Direct costs are easily assigned to a specific sponsored project and paid by its direct grant funding.

By contrast, "F&A costs are those that are incurred for common or joint objectives, and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity." F&A costs are those involving resources used mutually by different individuals and groups, making it difficult to assess precisely who should pay what share.

Policy

The University of Cincinnati uses the formalized process developed by the Federal government (consistent with generally accepted accounting principles and presented in 2 CFR part 200) to determine the F&A cost rate for sponsored projects. This process is generally conducted every four years or at the end of a period covered by the last approved rates.

Procedure

To prepare a rate proposal, all F&A costs within the institution are assigned to one of nine cost pools related to primary functions. The nine cost pools, as defined by 2 CFR part 200, are:

- Building Depreciation
- Interest
- Equipment Depreciation
- Operations and Maintenance
- Library
- General Administration
- Departmental Administration
- Sponsored Projects Administration
- Student Services Administration

Additionally, to further identify costs, every transaction when processed and all university space must be coded with a functional area code (see Related Links).

**Roles and Responsibilities**

University offices that are responsible for establishing new funds and new cost centers in UC Flex must ensure that the correct fund, cost center, and functional area codes are available for use.

University personnel are responsible for assigning the correct fund, cost center, and functional area codes to all transactions in UC Flex.

Organizational unit business managers are responsible for correctly assigning functional area codes in the space management system for space assigned to their organizational unit.

Government Cost Compliance is responsible for:

- Reviewing personnel, space data, and all expenditures for the base year of the proposal
- Preparing an F&A proposal
- Coordinating the space walk-through and proposal audit by Department of Health and Human Services (DHHS)
- Securing approval of the proposed rates from DHHS

**Related Links:**

Government Cost Compliance  
2 CFR part 200  
University of Cincinnati Functional Areas

**Phone Contacts:**

Government Cost Compliance 556-4815