

March 1995

MULTIFAMILY HOUSING

Better Direction and Oversight by HUD Needed for Properties Sold With Rent Restrictions



**Resources, Community, and
Economic Development Division**

B-259713

Letter date goes here

The Honorable Mark O. Hatfield
Chairman
The Honorable Robert C. Byrd
Ranking Minority Member
Committee on Appropriations
United States Senate

The Honorable Bob Livingston
Chairman
The Honorable David R. Obey
Ranking Minority Member
Committee on Appropriations
House of Representatives

Federal agencies obligated about \$12 billion to universities and colleges for scientific research in fiscal year 1994. The government pays for direct costs specifically identified with a particular research project as well as indirect costs for associated administrative and facilities expenses. For every dollar spent for the direct costs of universities' research, subject to certain exclusions, the government pays an additional 50 cents, on average, to cover its share of universities' indirect costs.

You requested that we examine the federal government's principles, contained in Office of Management and Budget (OMB) Circular A-21, for allowing universities to recover indirect costs associated with the performance of federally funded research. Specifically, you asked us to assess the effect of (1) October 1991 revisions to Circular A-21 that primarily established a 26-percent cap on federal reimbursements to universities for three components of their administrative costs and (2) July 1993 revisions that further clarified and tightened certain indirect cost accounting procedures, including the specification that the remission of tuition for graduate students working on federally funded research be treated as a direct cost. You also asked us to identify alternatives for further revising Circular A-21's cost principles to control the growth of indirect costs, improve consistency in the way that universities treat costs, and/or streamline indirect cost accounting procedures. This review follows up on our August 1992 report on universities' indirect costs.¹

¹Federal Research: System for Reimbursing Universities' Indirect Costs Should Be Reevaluated (GAO/RCED-92-203, Aug. 26, 1992). See the list of related GAO products at the end of this report.

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