

OMB CIRCULAR A-21:

PRINCIPLES FOR DETERMINING
COSTS APPLICABLE TO GRANTS,
CONTRACTS AND OTHER
AGREEMENTS WITH EDUCATIONAL
INSTITUTIONS

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OMB Circular A-21

- “Principles for Determining Costs Applicable to Grants, Contracts and Other Agreements with Educational Institutions”
- OMB is part of the Executive Branch
- A-21 is a set of instructions to Federal agencies regarding applicable costs
 - ▣ Allowable v. unallowable
 - ▣ Direct v. F & A

OMB Circular A-21

- Implemented by Federal agencies through the Code of Federal Regulations and agency policies
 - UCR must comply with these cost principles
 - Serve as the principles underlying UCRFS
 - UCR must flow down these cost principles when making a subaward to other educational institutions

OMB Circular A-21 : At-A-Glance

- Divided into sections
 - Purpose and scope
 - Definition of terms
 - Basic considerations
 - Direct costs
 - F&A costs
 - Identification and assignment of F&A costs
 - Determination and application of F&A costs
 - Simplified methods for small institutions
 - General provisions for selected items of costs
 - Exhibits

OMB A-21: Basic Considerations

- What makes a cost allowable? (Section C.2)
 - ▣ Reasonable (Section C.3)
 - ▣ Allocable to the proposed project (Section C.4)
 - ▣ Treated consistently in like circumstances (Section C.11)
 - ▣ Conform to sponsor policies and guidelines, the cost principles contained in A-21 and institutional policy
 - This concept is embedded throughout Section C

OMB A-21: Basic Considerations

- Why is it important to ensure that a cost is allowable before including it in a proposal budget or charging it to a sponsored award?
 - ▣ Because UCR will be spending the public's money
 - Proper stewardship of public funds
 - Responsible for upholding public trust
 - ▣ Prevent double-dipping
 - ▣ Required by A-21

OMB A-21: Reasonable

- Prudent person test
 - ▣ Would a prudent person reach the same conclusion given the same circumstances?
 - ▣ Is the cost necessary to perform the project?
 - ▣ Is the cost in the best interest of UCR, the sponsor and the public at large?
 - ▣ Did the decision to propose the cost the result from arm's-length dealings?
 - ▣ Is the cost consistent with sponsor and UCR policies?

OMB A-21: Allocable

- What makes budgeted costs allocable to a project?
 - ▣ It is necessary to incur the budgeted costs to perform the proposed work
 - ▣ The costs can be assigned to the project or program
 - In Whole
 - In-part
 - Proportion easily approximated
 - Determined without undue effort

OMB A-21: Consistency

- What do I need to know about consistency?
 - ▣ Budget costs in the same cost category to which they will be charged
 - ▣ Budget and allocate costs in the same manner under similar circumstances and for the same purpose
 - Basis for determining if a cost should be treated as a direct cost v. F&A cost

OMB A-21: Direct Costs

- What are direct costs? (Section D)
 - ▣ Identified specifically with a particular sponsored agreement and incurred to advance the work under that sponsored agreement
 - ▣ Assigned to a sponsored agreement with relative ease and a high degree of accuracy

OMB A-21: F&A Costs

- What are F&A costs? (Section E)
 - ▣ Benefit common or joint activities
 - ▣ Benefit numerous projects
 - Cannot readily be identified with a particular sponsored agreement
 - ▣ Cannot be proportioned to benefit a group of sponsored agreements with relative ease or a high degree of accuracy

OMB A-21: Direct v. F&A Costs

□ Direct costs

- ▣ Salaries and fringe benefits of project personnel
- ▣ Scientific equipment
- ▣ Travel necessary to perform the work or report results
- ▣ Graduate student tuition and fee remission
- ▣ Lab supplies

□ F&A costs

- ▣ Clerical and administrative salaries and fringe benefits
- ▣ Office supplies
- ▣ Telephone instrument charges
- ▣ General purpose equipment
- ▣ Routine postage

OMB A-21: Special Circumstances

- Can F&A costs be budgeted as direct costs?

YES

But only under special circumstances!

Section F.6.b.(2) & Major Project Exception (Exhibit C)

UCR DS-2 Sections 2.1.0 & 2.2.0

UCR's Disclosure Statement is available at:

<http://www.accounting.ucr.edu/forms/casb.pdf>

OMB A-21: Special Circumstances

- Examples of special circumstances
 - ▣ Sponsored projects not supported, in whole or in part, by federal funds
 - Sponsor's policy does not prohibit treating an F&A cost as a direct cost
 - ▣ Training grants
 - ▣ Remote field projects that cannot access normal departmental services
 - ▣ Major projects such as General Clinical Research Centers, center grants and program project grants

OMB A-21: Special Circumstances

- If special circumstances exist, an F&A cost may be budgeted as a direct cost provided that the cost is:
 - ▣ Allowable
 - ▣ Identified specifically with a proposed project and will advance the proposed work
 - ▣ Cost can be attributed to the proposed project with relative ease and a high degree of accuracy

OMB A-21: General Provisions for Select Costs

- Section J
 - ▣ Establishes allowability of certain costs
 - ▣ Lists 54 cost elements, such as
 - Alcoholic beverages and entertainment
 - Memberships in civic and community organizations, country clubs or social or dining clubs

Cost Principles - The Final Word

- When creating a proposal budget or considering charging a cost to a sponsored award
 - ▣ First, determine the allowability of each cost to be proposed
 - ▣ Second, determine how each cost should be proposed
 - Direct cost v. F&A cost
 - ▣ Third, assign the costs to the proper cost category
 - ▣ Always act prudently and in accordance with the cost principles and campus policy
 - ▣ When in doubt, call SPA or Extramural Funds!

Discussion

- Faculty Summer Effort
 - ▣ Not budgeted and/or charged to the benefiting sponsored award
- Journal Subscriptions
- Memberships in Professional Associations
- Text Books
- General Purpose Equipment
 - ▣ Computers
- Office of Research Guidance
 - ▣ <http://or.ucr.edu/SP/Lifecycle/Prepare/nonsaladminexpspecgui.aspx>