
Research Administration for Scientists

COMP 918

OMB Circulars: A-21 Cost Principles

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Office of Management and Budget

Working cooperatively with the grantmaking agencies and the grantee community, OMB leads development of governmentwide policy to assure that grants are managed properly and that Federal dollars are spent in accordance with applicable laws and regulations.

OMB does not award grants. To find the information necessary to apply for a Federal grant, consult the [Catalog of Federal Domestic Assistance \(CFDA\)](#). The CFDA provides a short summary of each grant program, as well as [contact information for Federal agencies that award grants](#)

[Circulars](#) | [Forms](#) | [Current Documents](#) | [Links](#)
[Intergovernmental Review \(SPOC list\)](#) | [Grant Reform](#)

CIRCULARS ([Which Circular do I Follow?](#))

- Cost Principles

- [A-21](#), Educational Institutions (8/8/00)

- [A-87](#), State and Local Governments (5/4/95, amended 8/29/97)

- [A-122](#), Non-Profit Organizations (5/19/98)

- [How are cognizant agencies determined for indirect costs?](#)
 - [Where is the updated OMB list?](#)

- Administrative Requirements

- [A-102](#), State and Local Governments (10/7/94, amended 8/29/97)

- [Where is the A-102 Common Rule?](#)
 - [Where are the Attachments to A-102?](#)
 - [Where have Agencies Codified the A-102 Common Rule?](#)

- [A-110](#), Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations (11/19/93, amended 9/30/99)

- [Where are the Attachments to A-110?](#)
 - [Where have Agencies Codified A-110?](#)

- Audit Requirements

- [A-133](#), States, Local Governments, and Non-Profit Organizations (6/24/97)

- [March 2001 Compliance Supplement](#)
 - [March 2000 Compliance Supplement](#)
 - [Access the Federal Audit Clearinghouse](#)

Applicable OMB Circulars

- A-21 *Establishes principles for determining costs applicable to grants, contracts, and other agreements with educational institutions*
- A-110 *Uniform administrative requirements for grants and agreements with institutions of higher education, hospitals and other non-profit institutions*
- A-133 *Audit standards for states, local governments and non-profit organizations*

A-21 Cost Principles: Definitions

Direct Cost – any cost which is identified specifically with a particular sponsored agreement or other institutional function.

Facilities and Administrative (F&A) Costs – costs incurred for common or joint objectives that cannot be readily/specifically identified with a particular sponsored project or other institutional function.

Composition of Total Costs – the total cost of a sponsored agreement is comprised of the allowable direct costs incident to its performance, plus the allocable portion of the allowable F&A costs of the institution.

Sample Budget

	<u>Subject - F&A</u>	<u>Not Subj - F&A</u>	<u>Total</u>
Personnel	\$25,000		\$25,000
2 Graduate Students	\$40,000		\$40,000
Fringe Benefits	\$6,950		\$6,950
Equipment		\$50,000	\$50,000
Travel	\$7,500		\$7,500
Supplies	\$6,000		\$6,000
Computer Services	\$8,000		\$8,000
Other (maintenance, communication, tuition)	\$2,950	\$15,000	\$17,950
Total Direct	\$96,400	\$65,000	\$161,400
F&A (47.5% of MTDC)	\$45,600		\$45,600
Grand Total	\$142,000	65,000	\$207,000

MTDC = Modified Total Direct Costs

(TDC-Equipment-Tuition)*

***Also minus any SubK costs > \$25,000**

A-21 Cost Principles

University accounting systems must allow for the assignment of costs to various institutional functions consistent with A-21 definitions.

A-21:

Major Institutional Functions

1. Instruction – all teaching/training activities
 - Institution Funded
 - Sponsored Instruction/Training
 - Departmental Research (No separate budget)

2. Organized Research – All R&D activities that are budgeted and accounted for separately
 - Sponsored Research
 - University Research

A-21:

Major Institutional Functions

3. Other Sponsored Activities

- Health Service
- Community Service

4. Other Institutional Activities

- Residence and Dining Halls
- Hospitals
- Athletics
- Book Stores
- Museums

A-21:

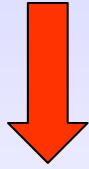
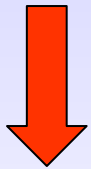
Major Institutional Functions

1. Instruction
2. Organized Research
3. Other Sponsored Activities
4. Other Institutional Activities

TASK: To allocate (assign) each cost incurred by the institution to one or more function (cost or objective) in reasonable/realistic proportion to the benefits provided or other equitable relationship.

Account Numbers

5 – 12345 – 0 – 110 – 3276



Ledger

Account

Budget
(Fund Source)

Purpose

Department

UNC Central Report

UJ

REPORT PAGE 2531
PROGRAM ID FBM0929
ACCOUNT PAGE 1

FBM090 - C2

SUMMARY ACCOUNT STATEMENT FOR
DIST# REPORT DISTRIB = 3276

ACCT: 5-31136
ATTRI 0-110-32761

TO:
CB 3175, SITTERSON

SPON:NAT CTR FOR RES RESR BUD PD:051500-051401 AWARD: \$855,675.00
CON#:5-P41-RRO2170-17 CAN#: PRJ PD:050184-051401 FROE:0000 FR:081201 PY:530846
SPON CODE:DHHS TR:081201 PRIME #:531136 OVHD-ON:H 4500 OFF:

SUB CODE	DESCRIPTION	----- BUDGETS -----		----- ACTUALS -----			OPEN	BALANCE
		ORIGINAL	REVISED	CURRENT MONTH	FISCAL YEAR	PROJECT YEAR	COMMITMENTS	AVAILABLE
1001	C/G PERSONNEL	395,190.00	255,069.96					255,069.96
1112	EPA NON-TEACH -		54,859.36	21,120.22	35,799.04	54,859.36		
1113	EPA NON-TEACH -		9,365.19	2,369.00	4,034.78	9,365.19		
1117	MO STU/OTHER NON		42,792.35	15,888.63	25,264.44	42,792.35		
	EPA NON-TEACH SA		107,016.90	39,377.85	65,098.26	107,016.90		
1212	SPA ON CAMPUS		31,377.76	2,420.16	4,791.55	7,694.83	23,682.93	
1251	SPA SEVER WAGES		15.38	4.84	9.58	15.38		
	SPA EMPLOYEE SAL		31,393.14	2,425.00	4,801.13	7,710.21	23,682.93	
1411	NON-STUDENT WAGE		300.00	300.00	300.00	300.00		
1451	STUDENT WAGE		1,410.00	468.75	915.00	1,410.00		
	TEMP EMPLOYEE WA		1,710.00	768.75	1,215.00	1,710.00		
	TOTAL PERSONNEL	395,190.00	395,190.00	42,571.60	71,114.39	116,437.11	23,682.93	255,069.96
1800	STAFF BENEFITS	60,086.00	41,545.31					41,545.31
1812	SOCIAL SECURITY		5,483.63	1,410.22	2,520.07	4,292.87	1,190.76	
1813	SOC SECUR - HOSP		1,433.46	406.44	704.25	1,154.98	278.48	
1822	STATE RETIREMENT		4,087.85	759.83	1,301.56	2,401.63	1,686.22	
1831	MED INSURANCE OT		413.28	118.00	236.00	413.28		
1832	MEDICAL INSURANC		738.68	128.25-	214.81	738.68		
1833	HMO/HEALTH PLANS		2,596.30	281.97	582.74	898.37	1,697.93	
1836	MEDICAL INS GRAD		469.02	207.99	469.02	469.02		
1872	TIAA RETIREMENT		2,194.84	684.17	1,444.65	2,194.84		
1873	TIAA-HEALTH PLAN		531.69	416.85	474.66	531.69		
1876	ORP FIDELITY		359.10	359.10	359.10	359.10		
1892	COMPOSITE BENEFI		232.84	85.13	142.21	232.84		
	STAFF BENEFITS	60,086.00	60,086.00	4,601.45	8,449.07	13,687.301,	4,853.39	41,545.31
1920	PROF CONSULTING	5,500.00	5,500.00					5,500.00
2000	SUPPLIES & MATER	9,500.00	7,384.00					7,384.00
2311	EDUCATIONAL SUPP		2,116.00	1,644.24	1,753.67	1,809.66	306.34	
	SUPPLIES / MATER	9,500.00	9,500.00	1,644.24	1,753.67	1,809.66	306.34	7,384.00
3100	TRAVEL	8,317.00	5.90-					5.90-

A-21 Cost Principles

Total Institutional Costs

1. Instruction
2. Organized Research
3. Other Sponsored Activities
4. Other Institutional Activities

Allowable*

Direct
Costs

Indirect
Costs
(F&A)

Unallowable*

* For Federal Participation

A-21 Cost Principles

Tests of Allowability: in order to be allowable as either a direct or indirect cost, a cost must be:

- Reasonable

A-21 Tests of Allowability

Reasonable: a cost may be considered reasonable if it's nature and amount reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision was made.

- Generally recognized as necessary
- “Arm's-length” bargaining
- Acted with due prudence
- Consistent with institutional policies applicable to all of the institution's work

A-21 Cost Principles

Tests of Allowability: in order to be allowable as either a direct or indirect cost, a cost must be:

- Reasonable
- Allocable under A-21 principles/methods

A-21 Tests of Allowability

Allocable: a cost may be considered to be allocable to a particular project if it:

- is incurred solely to advance work under the sponsored agreement or
- it benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated using reasonable methods or
- it is necessary to the overall operation of the institution and is, consistent with A-21, deemed assignable in part to the sponsored agreement.

A-21 Cost Principles

Tests of Allowability: in order to be allowable as either a direct or indirect cost, a cost must be:

- Reasonable
- Allocable under A-21 principles/methods
- Treated consistently

A-21 Tests of Allowability

Consistent Treatment

- In estimating, accumulating and reporting costs
 - the format and definitions used in the proposal budget should be consistent with that used in both the institution's accounting system and on financial reports submitted to the agency
- In allocating costs incurred for the same purpose
 - All costs incurred for the same purpose, in like circumstances, are either direct costs only or indirect costs only

A-21 Cost Principles

Tests of Allowability: in order to be allowable as either a direct or indirect cost, a cost must be:

- Reasonable
- Allocable under A-21 principles/methods
- Treated consistently
- Conform to limitation/exclusions under A-21 and sponsored agreements

A-21 Tests of Allowability

Limitation/Exclusions under A-21 and sponsored agreements

- A-21 defines in Section J (50 items) unallowable costs that include:
 - Alcoholic beverages
 - Alumni activities
 - Bad debts
 - Commencement costs
 - Lobbying costs
 - Fines and penalties
 - Goods/services for personal use
 - Losses on other sponsored agreements/contracts
 - Student activity costs

A-21 Tests of Allowability

Limitation/Exclusions under A-21 and sponsored agreements

- Sponsored agreements may be subject to statutory limits on allowance of costs
- Unallowable costs shall be identified in accounting system

A-21 Cost Principles

Total Institutional Costs

1. Instruction
2. Organized Research
3. Other Sponsored Activities
4. Other Institutional Activities

Allowable*

- Reasonable
- Allocable
- Consistent
- Not excluded

Direct Costs

- Specific to project

Indirect Costs (F&A)

- Common objective
- Not Specific to project

Unallowable*

- Don't meet A-21 test
- Specifically not allowable in Section J
- Specifically not allowable in award

* For Federal Participation

Facilities and Administrative Costs

“Costs incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project or other institutional function.”

- Facility Costs
 - Building depreciation and use allowances (50 year use)
 - Interest on debt associated with certain buildings
 - Equipment depreciation and write offs
 - Operations and maintenance
 - Library

Facilities and Administrative Costs

Administrative Costs (capped at 26% - can take 24% fixed allowance)

- General administration
- Departmental administration
- Sponsored project administration
- Student administration and services

F&A Costs: Special Provisions

- Administrative and clerical staff should normally be treated as F&A costs
 - Unless “major project”
- Office supplies, postage, local telephone costs and memberships shall normally be treated as F&A costs
- F&A rates in effect at the time of the initial award shall be used throughout the life of the award
 - “Life” means each competitive segment of a project

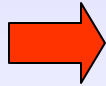
F&A Rate Negotiation: Cognizant Agency

“Cognizant Agency” is the federal agency responsible for negotiating and approving F&A rates for an institution on behalf of all federal agencies.

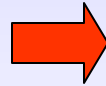
- Department of Health and Human Services (HHS) or
- Department of Defense’s Office of Naval Research (DOD-ONR)
- Assignment usually based on which agency provides most money
- If neither provides money, HHS prevails

F&A Rate Negotiation: Typical Process

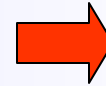
**Institution
Develops
F&A Cost
Pools for
Base Period**



**Submits to
Cognizant
Agency**



**Negotiation
Process**



**F&A Rates
Approved**

Sample F&A Rate: UNC-CH

	<u>Proposed</u>	<u>Negotiated</u>
<u>Facilities</u>		
Building Use/Depreciation	1.22	
Building Interest	.93	
Equipment Depreciation	4.76	
O&M	12.02	
Library	<u>2.00</u>	
Total Facilities	20.93	19.50
<u>Administrative</u>		
General Administration	5.30	
Departmental Administration	25.57	
Sponsored Program Administration	2.68	
Adjustment for Unallowables	<u>(.09)</u>	
Total Administrative	33.46	26.00*
<u>Total F&A</u>	54.39%	45.50%

*Capped

TEST

Cost Item	Direct	Indirect	Unallowable
Salary of PI and 2 grad. students			
Appropriate fringe benefits			
Corner office for PI and "tiny cubicles" for grad. students			
Flowers sent to your program officer's secretary			
Telephone connected to campus PBX			
Tuition costs for grad. students			
Consultant to work on project			
Lunch to celebrate getting new award			
PI effort spent writing proposals			
Electricity to run your computer lab			

Assignments

Review the following federal circular before next class:

<http://www.whitehouse.gov/omb/circulars/a110/a110.html>

Due Monday, Sept. 8 by 5:00 pm via email – detailed budgets for presentation in class, discussion and critique