OMB CIRCULAR A-21:

PRINCIPLES FOR DETERMINING COSTS APPLICABLE TO GRANTS, CONTRACTS AND OTHER AGREEMENTS WITH EDUCATIONAL INSTITUTIONS
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
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
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?
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
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
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
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
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
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](http://or.ucr.edu/SP/Lifecycle/Prepare/nonsaladminexpspecgui.aspx)