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Sociedad de Administradores de
Investigación de Puerto Rico

*"Budgeting: Complying with the
OMB Circulars A-21 & A-110"*

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Universidad del Turabo, Gurabo, PR



OMB Circular A-21
2 CFR 220, Appendix A

“Cost Principles for Educational Institutions”



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OMB Circular A-21

- “Principles for Determining Costs Applicable to Grants, Contracts and Other Agreements with Educational Institutions”

http://www.whitehouse.gov/omb/assets/omb/fedreg/2005/083105_a21.pdf

- A-21 is a set of instructions to Federal agencies regarding applicable costs
 - Allowable vs. unallowable
 - Direct vs. F & A (or Indirect Costs)

OMB Circular A-21

- Implemented by Federal agencies through the Code of Federal Regulations and agency policies
 - IHEs must comply with these cost principles
 - IHEs 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 IHEs 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 the IHE, the sponsor and the public at large?
 - Did the decision to propose the cost the result come from appropriate negotiation?
 - Is the cost consistent with sponsor and the IHE's 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 vs. 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 be readily 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 vs. 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 & 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)

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 - 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 vs. F&A)
 - 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 your Research Administrator!




Questions/Comments



OMB Circular A-110

2 CFR 215

“Uniform Administrative Requirements for
Grants and Agreements with Institutions
of Higher Education, Hospitals, and Other
Non-Profit Organizations”



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What is A-110?

- Issued by Office of Management & Budget (OMB)
- Instructions to Federal agencies
- Promotes consistency with some flexibility
- applies to grants & cooperative agreements
- latest version 10/8/99
- now codified at 2 CFR 215

<http://www.whitehouse.gov/omb/assets/omb/circulars/a110/2cfr215-o.pdf>


If A-110 instructs federal agencies, how does it affect us?

Agencies must implement

- generally codified in CFR as agency regs
- for example:
 - A-110 citation: ____ .22 Payment
 - USDA citation: 3019.22 Payment (agency reg)
- agencies also publish policy manuals, e.g., NSF Grants Policy Guide
- 2 CFR codification
- Research Terms and Conditions



What does A-110 do?

- sets MAXIMUM requirements that federal agencies may require on grants and cooperative agreements
 - establishes MINIMUM standards for institutional systems
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A-110 Overview

- Subpart A – General
- Subpart B - Preaward Requirements
- Subpart C – Postaward Requirements
 - Financial and Program Management
 - Property Standards
 - Procurement Standards
 - Reports and Records
 - Termination and Enforcement
- Subpart D – After-the-Award Requirements




A-110 Subpart A: General

- describes consistency objectives
 - defines terms
 - allows for deviations when more strict requirements are required by agency
 - extends requirements to subrecipients
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A-110 Subpart A: Definitions

- definitions
 - equipment
 - program income
 - recipient
 - small awards
 - subrecipient
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A-110 Subpart B: Preadward Requirements

- Instruction on appropriate award instruments
- Notify public of funding priorities for discretionary programs
- OIRA form approval
- SF-424
- Requires instruction on applicability of EO 12372 (Executive Order)
- Compliance requirements (debarment, metrics, RCRA)
- Special award conditions
- Annual certifications & representations option



A-110 Subpart C: Postaward Requirements Financial & Program Management

- Sets standards for financial management systems
- Establishes payment methods
- Use of SF270, 271
- Deposit federal funds in interest bearing accounts
- Criteria for cost sharing funds, valuation, and records
- Sets three uses of program income with default for research

A-110 Subpart C: Postaward Requirements

Financial & Program Management

(cont.) ■ Establishes prior approval requirements

- change in scope
- change in key personnel
- absence of PI for more than 3 months or 25% reduction in time
- need for additional federal funding
- transfer direct/indirect costs
- costs requiring approval per A-21
- transfer of trainee stipends to other categories
- subawards unless approved in prime award

A-110 Subpart C: Postaward Requirements

Financial & Program Management

(cont.) Agencies can authorize the following (these “expanded authorities” automatic for research)

- ninety day preaward costs
- one time no cost extension
- Carry forward of unobligated balances
- Agencies may require approval for transfer among budget categories (10%)
- Passes down A-133 audit requirements
- Incorporates A-21
- Prescribes period of availability of funds

A-110 Subpart C: Postaward Requirements

Property Standards

- Insurance requirements
- Prescribes title (real, federally-owned, exempt)
- Equipment title vests with recipient
- Records and inventory requirements
 - inventory every two years
- Sets disposition requirements
- Discusses residual value of supplies
- Incorporates 37 CFR 401
- Incorporates Shelby requirements

A-110 Subpart C: Postaward Requirements

Property Standards (cont.)

- Requires code of conduct for all involved in award & administration of procurement contracts
- Prescribes competition
- Precludes vendors from drafting standards, SOW's, RFP's, etc.
- Requires written procurement procedures

A-110 Subpart C: Postaward Requirements

Property Standards (cont.)

- Requires positive efforts to utilize small, small disadvantaged, women and other special businesses
- Requires cost & price analysis on every procurement
- Establishes special requirements for procurements over \$100K and construction
- Requires all purchase orders to include clauses of Appendix A

A-110 Subpart C: Postaward Requirements Reports and Records

- Requires managing & monitoring of financial & program performance, including subawards
- Performance reports required not more often than quarterly but at least once annually
- Prescribes contents of performance reports
- Requires financial reports and describes content
- Reports due within ninety calendar days of award termination

A-110 Subpart C: Postaward Requirements

Reports and Records (cont)

- Standard forms SF269, 272
- Record retention requirements
 - 3 years after submission of final expenditure report or audit, whichever is later
 - can be electronic (approve through cognizant agency)
 - allows federal access to records
 - F&A & other cost allocation plans also in three year period
 - technical records are included


A-110 Subpart C: Postaward Requirements

Termination and Enforcement

- Identifies circumstances for early termination by agency
- Prescribes sanctions for awardee noncompliance
- Incorporates potential for debarment and suspension



A-110 Subpart C: Important

- Requirements for written procedures
 - Affects all your administrative systems
 - Agency implementations important
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A-110 Subpart D: After the Award Requirements

- Prescribes closeout procedures
 - reports due 90 calendar days after completion
 - financial
 - performance
 - other
- Requires refunds of unobligated balances
- Puts awardees on notice re future disallowances
- Provides agency alternatives for collection of excess payments or disallowed costs



Questions/Comments