

OMB Circular A-21 basics

<http://www.whitehouse.gov/omb/circulars/a021/a021.html>

A-21 TOPICS

- Cost Accounting Standards (CAS) require the following: consistency in estimating, accumulating, and reporting costs; consistency in allocating costs incurred for the same purpose; accounting for unallowable costs; a cost accounting period (fiscal year); and a disclosure statement.
- Allowable vs. Unallowable Costs. Allowable costs must be reasonable, allocable, must be treated consistently, and must conform to any limitation or exclusion. Unallowable costs include alcohol, entertainment, and lobbying. A-21 Section J specifies which costs are allowable and unallowable as both direct and indirect costs.
- Direct vs. Indirect (F&A) Costs. Direct costs are those that can be directly associated with a particular sponsored project, and instructional activity, or any other institutional activity. Indirect (Facilities & Administrative) costs are those that are incurred for common or joint objectives and cannot be specifically identified with a particular sponsored project, instructional activity, or institutional activity.
- Effort Reporting requirements demand a system to provide a reasonable basis for distributing salary charges among direct and indirect activities. OHSU uses an after-the-fact effort reporting system. Sponsored Projects Administration sends Effort Certification packets to departments in July and January.

A-21: Cost Principles for Educational Institutions

OMB Circular A-21 establishes principles for determining costs applicable to grants, contracts, and other agreements with educational institutions. The principles deal with the subject of cost determination, and make no attempt to identify the circumstances or dictate the extent of agency and institutional participation in the financing of a particular project. The principles are designed to provide that the Federal Government bears its fair share of total costs, determined in accordance with generally accepted accounting principles, except where restricted or prohibited by law. Agencies are not expected to place additional restrictions on individual items of cost. Provision for profit or other increment above cost is outside the scope of this Circular.

Section D.1 of A-21 states: "Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs. Where an institution treats a particular type of cost as a direct cost of sponsored agreements, all costs incurred for the same purpose in like circumstances shall be treated as direct costs of all activities of the institution."

Direct Costs

This cost principle is applied in section F.6 of A-21. In general, the following costs should always be treated as **direct costs** when developing a budget for a sponsored project:

- Salaries of faculty, technical staff, and research assistants
- Laboratory supplies
- Animals and animal care
- Computer costs
- Travel costs
- Telephone Toll Charges (long distance)
- Specialized Service Facilities costs (including specialized shop costs)

Direct charging of these costs may be accomplished through the specific identification of individual costs to research project objectives which are to benefit, or through recharge centers or specialized service facilities, as appropriate under the circumstances.

Indirect Costs

The following costs should normally be treated as **indirect costs** and should ordinarily not appear as direct costs in the project budget:

- Salaries of administrative and clerical staff (providing normal support activities in the department, institute or school)
- Office supplies (including postage)
- Local telephone calls (including line charges)
- Memberships

Effort Reporting

A-21 sets forth acceptable levels of documentation and accountability for compensation (salary and wages) on activities (or, effort) performed in relation to federally sponsored agreements. Certification is the assertion, by an employee or a responsible official with suitable means of verification, that labor charges accurately reflect effort expended over the period being certified. Under effort certification, payroll charged should not exceed effort expended.