



A-21 for the Department Research Administrator

Lori Bassler

Research Administrator
Department of Internal Medicine
Cardiovascular Research Center
University of Iowa Carver
College of Medicine
Iowa City, IA

Objectives

- Discussion of OMB Circular A-21.
- What costs are consistently considered disallowed?
- Allowable, Reasonable, Allocable & Consistently Treated. What does this mean?
- Discussion of best practices of applying cost principles to day-to-day transactions.

A-21 Language

- OMB Circular A-21 establishes the principles for determining the costs applicable to research and development, training, and other sponsored work performed by colleges and universities under grants, contracts, and other agreements with the Federal Government.

A-21 Language

These principles govern costs that may be charged to Federal funding by educational institutions either as direct or facilities & administrative (F&A; indirect) costs.

Most Institutions apply these same cost principles to non-federal funding as well, although in some exceptional cases, non-federal sponsors may define allowable and unallowable costs differently than federal sponsors.

Federal Law & Regulations

- Cost Principles
 - The codified law applicable to:
 - Universities- 2 CFR 220 (OMB Circular A21)
 - Non Profits- 2 CFR 230 (OMB Circular A122)
 - Hospitals- 45 CFR 74, Appendix E (OASC-3)
 - State and Local Governments- 2CFR 225 (OMB Circular A87)
 - Commercial Organizations: FAR 48 CFR part 31

A-21 Determination of Direct vs. F&A Costs

The following guidelines apply to the determination of departmental administrative costs as direct or F&A costs.

In developing the departmental administration cost pool, special care should be exercised to ensure that costs incurred for the same purpose in like circumstances are treated consistently as either direct or F&A costs. For example, salaries of technical staff, laboratory supplies (e.g., chemicals), telephone toll charges, animals, animal care costs, computer costs, travel costs, and specialized shop costs shall be treated as direct cost wherever identifiable to a particular cost objective. Direct charging of these costs may be accomplished through specific identification of individual costs to benefiting cost objectives, or through recharge centers or specialized service facilities, as appropriate under the circumstances.

A-21 Determination of Direct vs. F&A Costs

The salaries of administrative and clerical staff should normally be treated as F&A costs. Direct charging of these costs may be appropriate where a major project or activity explicitly budgets for administrative or clerical services and individuals involved can be specifically identified with the project or activity.

"Major project" is defined as a project that requires an extensive amount of administrative or clerical support, which is significantly greater than the routine level of such services provided by academic departments. Some examples of major projects are listed on the next slide.

Items such as office supplies, postage, local telephone costs, and memberships shall normally be treated as F&A costs.

Major Project Definition

Examples of "major project" where direct charging of administrative or clerical staff salaries may be appropriate.

- Large, complex programs such as General Clinical Research Centers, Primate Centers, Program Projects, environmental research centers, engineering research centers, and other grants and contracts that entail assembling and managing teams of investigators from a number of institutions.
- Projects which involve extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, searching literature, and reporting (such as epidemiological studies, clinical trials, and retrospective clinical records studies).
- Projects that require making travel and meeting arrangements for large numbers of participants, such as conferences and seminars.
- Projects whose principal focus is the preparation and production of manuals and large reports, books and monographs (excluding routine progress and technical reports).

Cost Principles

- Reasonable
- Allowable
- Allocable
- Consistently Applied

What do these terms mean? How do we apply the definitions to real life situations?

Reasonable

A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made.

Reasonable

Considerations:

- The cost must be necessary ... for the performance of the agreement (grant or contract project).
- Consistent with the requirements imposed by arms-length bargaining, federal or state laws, and regulations, and ethical business practices.
- Whether or not the individuals involved acted with due prudence.
- Incurrence of the cost was consistent with existing institutional policies.

Allowable

- Directly benefits the project.
- Eligible for reimbursement by the sponsor; listed in the itemized budget.
- Sponsor guidelines do not place restrictions regarding the expense.
- Institution does not place restrictions on the expense.

Allocable

- Able to associate the expense to one or more project objectives
- If benefits more than one project
 - Able to describe the method of allocation
 - Able to support the method of allocation
- Be incurred solely to advance the work under a sponsored agreement, or

Allocable

- Benefit both the sponsored agreement and other work of the institution, in proportions that can be approximated through the use of reasonable methods, and
- Be assignable to the benefitting activities without undue effort or cost (in accordance with the relative benefits received by the project)

Consistently Treated

- For a cost to meet the requirement of consistency, it must be treated in the same manner (i.e., as either direct or indirect) when used in like circumstances.
- “The fact that a cost requested in a budget is awarded, as requested, does not ensure a determination of allowability. The organization is responsible for presenting costs consistently and must not include costs associated with their F&A rate as direct costs.”
 - NIH Grants Policy Statement

Best Practices

- How do you review costs to be sure they are compliant with A-21?
 - Review costs as they are incurred before they hit the general ledger.
 - Review costs placed on general ledger.
 - How automated is your Institution? Is it easy for you to run queries to review expenses?

Best Practices

- Open Discussion

The New OMB Circular Proposal

- Discussion of the proposed combination of all Circulars by OMB
- Time period for responses to their proposal.
- Implications of this decision.
- Update on the status.

Concluding Remarks

- Call me or e-mail me anytime.
- Lori Bassler
- Loretta-bassler@uiowa.edu
- 319-335-6947