



CODE OF FEDERAL REGULATIONS (2 CFR PART 230 OMB A-122, PART 215 OMB A-110 & OMB CIRCULAR A-133)

**Presented by
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OVERVIEW: OMB CIRCULARS

- Difference between award types – grants, contracts and cooperative agreements
- Purpose of the circulars
- 2 CFR 215 (OMB A110) 2 CFR 230 (OMB A122)
- NSF Cooperative Agreement Regulations

DEFINITION OF A GRANT

- Purpose is to transfer money, property, services or anything of value to recipient in order to **accomplish a public purpose**
- No substantial involvement anticipated between government and recipient

DEFINITION OF A COOPERATIVE AGREEMENT

- Purpose is to transfer money, property, services or anything of value to recipient in order to **accomplish a public purpose**
- Substantial involvement anticipated between government and recipient

DEFINITION OF A CONTRACT

- Purpose is to acquire property or services for direct benefit or use of the Federal Government.
- **Very restrictive**
- **Usually no expectation of cost sharing**



ASSISTANCE VS. PROCUREMENT

- **Assistance** – generally, what the proposer wants to do. Awards can be either grants or cooperative agreements
- **Procurement** – generally, what the government buys (can include research). Awards are forms of contracts

OMB CIRCULARS

- **Purpose:** To give instructions to the federal agencies affected by the circulars; federal agencies are required to implement.
- **Pass-through:** Federal agencies pass the requirements to institutions
- **Effect:** Set minimum standards for institutions



2 CFR CODE OF FEDERAL REGULATIONS – TITLE 230, 215 AND OMB A- 133

- (230) OMB A-122 Cost Principles for Non-Profit Institutions
- (215) OMB A-110 Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and other Non-Profit Organizations
- OMB A-133 Audits of States, Local Governments, and Non-Profit Organizations

DEFINITIONS

- Definition of cost is:
 - An amount paid or required in payment for a purchase; a price
 - The expenditure of something, such as time or labor, necessary for the attainment of a goal

DEFINITIONS

- **Definition of principle is:**
 - **A rule or standard**
 - **A fixed or predetermined policy or mode of action**

DEFINITIONS

- Cost Principles can be defined as the policy for determining if the cost or expenditure is allowable or not.



(2 CFR - 230)

OMB A-122 COST PRINCIPLES FOR NON-PROFIT INSTITUTIONS

- **Purpose:** Establishes principles for determining costs applicable to grants, contracts, and other agreements with non-profit institutions
- **Determines:** What costs can be included in the Facilities & Administration (F&A) calculation
- **Remember:** A-122 addresses both direct and F&A (indirect) costs as well as specific allowable costs (Appendix B)

2 CFR 230 (OMB A122)

- Attachment A: General Principles
- Attachment B: Selected Items of Cost
- Attachment C: Non Profits not subject to this Circular.

A-122 CONSTANTLY CHANGES

- Tighten rules on allowability and allocation of costs.
- Primary focus on Facilities & Administrative Costs
- Promote greater standardization in treatment of costs



HOW IS ALLOWABILITY DETERMINED?

Allowable: Under the agreement, regulations and public laws

Reasonable: A prudent person would have purchased this item and paid this price

Allocable: They can be assigned to the activity on some reasonable basis

Consistently Treated: Like costs must be treated the same in like circumstances, as either direct or F&A costs

Conform: to any limitations or exclusions set forth in the cost principles or the award

If a cost cannot meet the above criteria, it is NOT ALLOWABLE, no matter what it is for.

UNALLOWABLE COSTS – APPENDIX B

- **Unallowable Activity**
(something you do)
 - Lobbying
 - General public relations not specifically designated in the CA
 - Fundraising
 - Managing Investments solely to enhance income
 - Bad Debts
 - Personal Use of GSA Vehicles
 - Contingency

- **Unallowable Objects**
(something you buy, a line item)
 - Advertising
 - Alcoholic beverages
 - Entertainment and meals
 - Fines & penalties
 - Moving Costs if employee resigns within twelve months
 - Certain recruitment costs – housing

COST PRINCIPLES

- “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.”

DIRECT AND FACILITIES AND ADMINISTRATIVE COSTS

- **Direct Costs:** Costs which can be identified specifically with a particular sponsored project or that can be directly assigned to such activities relatively easily with a high degree of accuracy
- **Facilities & Administrative:** Costs incurred for common or joint objectives and therefore cannot be identified readily and specifically with a sponsored project

EXAMPLES OF DIRECT COSTS

- Salaries and Wages
- Fringe Benefits
- Travel
- Supplies
- Sub-grants and Subcontracts
- Equipment
- Sub-recipient costs

F&A COSTS ARE REAL

- “Any research project must cover two components of costs –

- those directly attributed to the project
- those incurred for the general support and management of the research

...If the sponsor of research projects does not fully reimburse the costs, they must be paid from other institutional funds.”



F&A COST POOLS

- Operations and Maintenance
- Library
- General Administration
- Departmental Administration
- Sponsored Projects Administration
- Facilities costs

CONSISTENCY IS A PROBLEM

- Consistency in estimating, accumulating and reporting costs
- Consistency in allocating costs incurred for the same purpose
- Should be able to compare proposal estimate with actual costs for any “significant” cost

APPENDIX B

1. Advertising and public relations costs
2. Alcoholic beverages
3. Bad debts
4. Bid and proposal costs (reserved)
5. Bonding costs
6. Communication costs
7. Compensation for personal services
8. Contingency provisions
9. Contributions
10. Defense and prosecution of criminal and civil proceedings', claims, appeals and patent infringement
11. Depreciation and use allowances
12. Donations
13. Employee morale, health, and welfare costs and credits
14. Entertainment costs
15. Equipment and other capital expenditures
16. Fines and penalties
17. Fringe benefits
18. Goods or services for personal use
19. Housing and personal living expenses
20. Idle facilities and idle capacity

APPENDIX B

- 21. Independent research and development (reserved)
- 22. Insurance and indemnification
- 23. Interest, fund raising, and investment management costs
- 24. Labor relations costs
- 25. Lobbying costs

- 26. Losses on other awards
- 27. Maintenance and repair costs
- 28. Materials and supplies
- 29. Meetings and conferences
- 30. Memberships, subscriptions, and professional activity costs

- 31. Organization costs

- 32. Overtime, extra-pay shift, and multi-shift premiums
- 33. Page charges in professional journals
- 34. Participant support costs
- 35. Patent costs
- 36. Pension plans
- 37. Plant security costs
- 38. Pre-award costs
- 39. Professional service costs

APPENDIX B

40. Profits and losses on disposition of depreciable property or other capital assets

41. Publication and printing costs

42. Rearrangement and alteration costs

43. Reconversion costs

44. Recruiting costs

45. Relocation costs

46. Rental costs

47. Royalties and other costs for use of patents and copyrights

48. Selling and marketing

49. Severance pay

50. Specialized service facilities

51. Taxes

52. Termination costs

53. Training and education costs

54. Transportation costs

55. Travel costs

ADVERTISING AND ALCOHOL

- **Allowable Advertising**

- Recruitment of personnel required for performance of Federal award
- Procurement of goods & services for the performance of the award
- Disposal of scrap or surplus acquired in the performance of award

- **Allowable Public Relations**

- Costs are specifically required by award
- Costs of communicating with the press pertaining to accomplishments which resulted from the performance of an award
- Cost of keeping the public informed on matters of public concern . . . such as notices of contract/grant awards . . . etc.

- **Specifically unallowable:**

- Costs of promotional items, memorabilia, gifts and souvenirs
- Costs of advertising and public relations designed solely to promote the organization

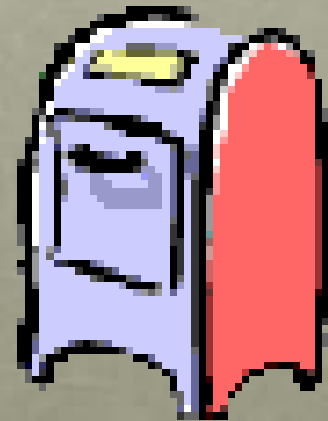
Costs of alcoholic beverages

are unallowable!



COMMUNICATION

- Costs incurred for telephone services, local and long distance telephone calls, telegrams, postage, messenger, electronic or computer transmittal services and the like are allowable.



COMPENSATION

- Includes all compensation paid currently or accrued by the organization during the period of the award. Compensation costs are allowable when:
 - Reasonable
 - Consistent/Allocable
 - Adequately documented



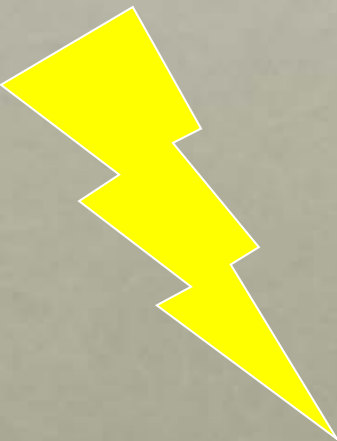
- Fringe benefits
 - Generally allowable. They also need to be reasonable.
 - Includes expenses such as, Annual Leave, Sick Leave, Holiday, Social Security, Workers Comp., Pension, UI, etc.
 - Employer contributions are allowable when paid in accord with established written policies.



SUPPORT FOR TIME AND EFFORT

- **Support of salaries and wages**
 - Personnel Activity Reports or Time Distribution Reports
 - **Must** reflect after-the-fact determination of activity (not budget estimates).
 - **Must** account for total activity for which employee is compensated.
 - **Must** be signed by the employee or responsible supervisor.
 - **Must** be prepared at least monthly and coincide with one or more pay periods.

CONTINGENCY PROVISIONS

- 
- A large, bright yellow lightning bolt graphic is positioned on the left side of the slide, pointing downwards towards the first bullet point.
- Contributions to a contingency reserve, or any similar provision, made for events the occurrence of which cannot be foretold with certainty as to time, intensity, or with an assurance of their happening are unallowable.
 - Exceptions might be self-insurance, pension funds and reserves for normal severance pay.

DEPRECIATION AND USE ALLOWANCES

Are Allowable

- A combination of the two methods may not be used in connection with a single class of fixed assets (e.g., buildings, office equipment, computer equipment)
- Computation of use allowance or depreciation will exclude:
 - Cost of land
 - Any portion donated by Federal Government
 - Any matching portion
- Computation of use allowance or depreciation shall be based on acquisition cost. Acquisition cost of a donated asset shall be the fair market value at the time of donation
- Maximum use allowance
 - Buildings and improvements = 2% of acquisition cost
 - Equipment = 6 2/3% of acquisition cost

INVENTORY

- Adequate property records must be maintained under either method
- Physical inventories must be taken at least once every two years



DONATIONS AND CONTRIBUTIONS

**Contributions or donations rendered,
including cash, property, and services, made
by the organization, regardless of the
recipient, are unallowable**



DONATED SERVICES RECEIVED

- The value of donated services, goods, or space received is not reimbursable either as a direct or indirect cost.
- However, the value of donated services, goods or space may be used to meet cost sharing or matching requirements.

EMPLOYEE MORALE, HEALTH & WELFARE COSTS

- Examples - In-house publications, health clinics, recreational activities, etc.
- Costs are allowable if:
 - In accord with established practice
 - Reasonable
 - Equitably distributed to all activities
 - Offset by income earned



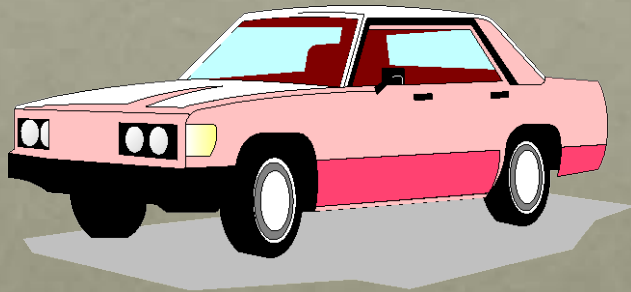
ENTERTAINMENT

Costs of entertainment, including amusement, diversion and social activities and costs relating to these activities such as tickets, meals, lodging, rentals, transportation and gratuities are unallowable.



EQUIPMENT & OTHER CAPITAL EXPENDITURES (CONT)

- Equipment and Capital Expenditures are Unallowable as indirect costs.
- Prior approval from the awarding agency must be obtained to direct charge.



Equipment - an article of non expendable, tangible personal property having a useful life of more than one year and an acquisition cost equal to or greater than the lesser of:

- The organization's financial statement capitalization level or
- \$5,000

Capital Expenditures – expenses for the acquisition cost of capital assets or expenses for improvements that materially increase the value of the capital asset.



FINES AND PENALTIES

- Costs of failures to comply with Federal, state, or local laws are unallowable.
- Allowable if incurred as a result of compliance with specific provisions of an award or instructions in writing from the awarding agency.

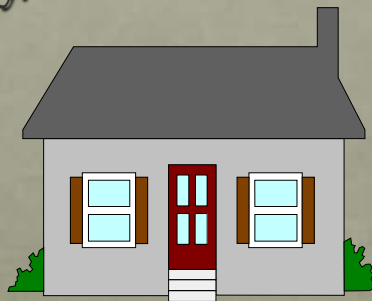
FUND RAISING AND INVESTMENT MANAGEMENT COSTS

- Fund raising and similar expenses incurred to solely to raise capital or obtain contributions are
unallowable
- Costs of investment counsel & staff and similar expenses are unallowable
- Fund raising and investment activities shall be
allocated an appropriate share of indirect costs

GOODS OR SERVICES FOR PERSONAL USE HOUSING AND IDLE FACILITIES

Housing and Personal Living Expenses:

- Unallowable as an indirect cost or fringe benefit regardless of whether it is reported by the employee as taxable income.
- Allowable as direct if necessary and approved by the awarding agency.



- Unallowable except to the extent that:
 - They are necessary to meet fluctuations in workload or
 - Were necessary at one point and because of unforeseen changes are no longer necessary (under this exception, costs of idle facilities are allowable for a reasonable period of time, ordinarily not to exceed one year)
- Goods or Services for Personal Use: Unallowable regardless of whether the cost is reported as taxable income.



INSURANCE AND INDEMNIFICATION

- Insurance required or approved pursuant to an award is allowable.
- Insurance carried by the organization in general conduct of business is allowable subject to the following limitations:
 - Reasonable coverage
 - Cost of insurance on officers must represent additional compensation and the organization may not be identified as the beneficiary
 - Other miscellaneous items

Continued

INSURANCE AND INDEMNIFICATION

- Indemnification includes securing the organization against liabilities to third parties and other loss or damage, not compensated by insurance.
- The Federal government is obligated to indemnify the organization only to the extent expressly provided in the award.



INTEREST

Generally unallowable. See item #23 of the Circular for more details.

LABOR RELATIONS COSTS

Costs of maintaining satisfactory relations with employees, including labor management committees, employee publications and other related activities are allowable.



LOBBYING (1 OF 3)

- Unallowable:

- Attempts to influence election outcomes
- Contributing to political causes
- Attempts to influence Federal or State legislation through virtually any communicative device
- Legislative liaison activities when performed in support of unallowable lobbying



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LOBBYING (CONT.)

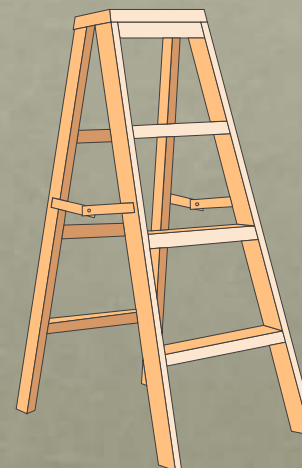
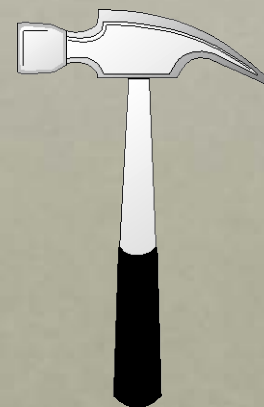
- **Allowable:**

- Providing a technical presentation on a topic directly related to the performance of an award
- Any activity specifically authorized by statute to be accomplished
- Indirect Cost Proposals (ICP) must separately identify lobbying costs and treat them as unallowable
- Nonprofits must provide a “Lobbying Certification” with their annual ICP

Organizations shall maintain adequate records to demonstrate the determination of costs as allowable or unallowable in accord with Circular A-122.

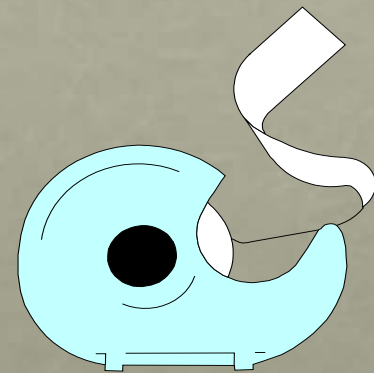
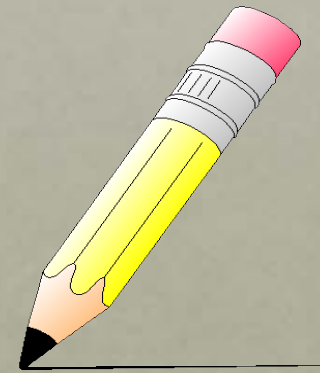
MAINTENANCE AND REPAIRS

- Costs necessary to keep buildings and equipment in efficient operating condition are allowable.
- Costs which add to the permanent value or appreciably prolong the life of the asset shall be treated as capital expenditures.



MATERIALS AND SUPPLIES

- M/S costs necessary to carry out a Federal award are allowable
- M/S must be charged at their actual prices, net of applicable credits
- M/S costs may be allowable as direct or indirect



Continued



MATERIALS AND SUPPLIES (CONT.)

- Only materials and supplies actually used for the performance of a Federal award may be charged as direct costs.
- Where federally-donated or furnished materials are used in performing the Federal award, such materials will be used without charge.

MEETINGS AND CONFERENCES

- Costs of meetings and conferences, the primary purpose of which is the dissemination of technical information, are allowable
- Costs include meals, transportation, rental of facilities, speakers' fees, and other items incidental to the meeting or conference
- Caveat – Entertainment & Participant support costs



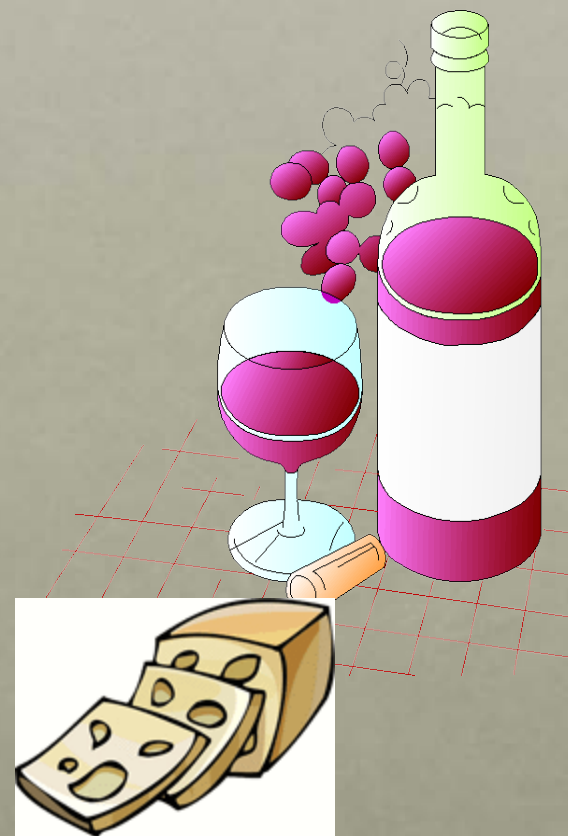
MEMBERSHIPS, SUBSCRIPTIONS AND PROFESSIONAL ACTIVITY COSTS

- Membership in business, technical and professional organizations are allowable
- Subscriptions to business, technical and professional periodicals are allowable
- Costs of memberships in civic or community organizations are allowable with prior approval by the cognizant Federal agency.

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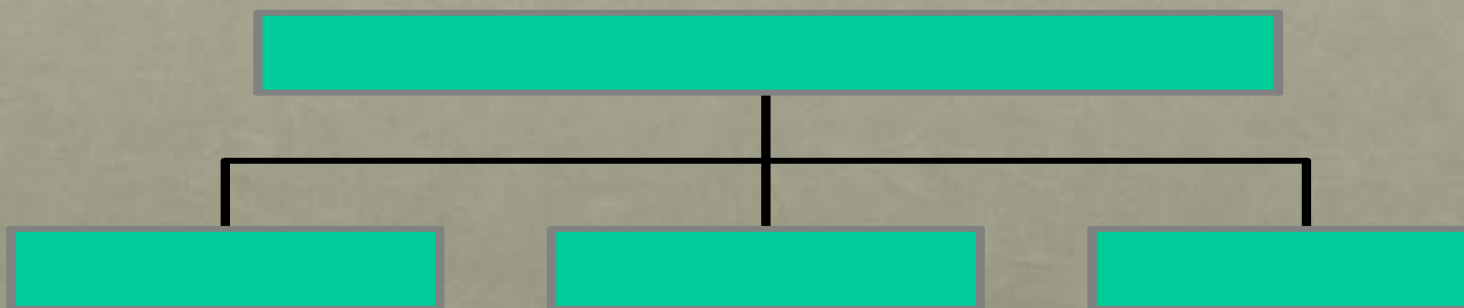
MEMBERSHIPS, SUBSCRIPTIONS AND PROFESSIONAL ACTIVITY COSTS (2 OF 2)

- Memberships in country, social, or dining clubs are unallowable.



ORGANIZATION COSTS

- All costs of organization or reorganization are unallowable except with prior approval of the awarding agency.





PARTICIPANT SUPPORT COSTS

These costs include stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with meetings, conferences, symposia, or training projects and are allowable as direct costs with the prior approval of the awarding agency.

PRE-AGREEMENT COSTS

- Pre-award costs are costs incurred prior to the effective date of the award directly pursuant to the negotiation of the award.
- Such costs are allowable only to the extent that they would have been allowable if incurred after the effective date of the award and only with the written approval of the awarding agency.

PROFESSIONAL SERVICE COSTS



- Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the non-profit organization, are generally allowable if reasonable and not contingent on recovery of costs from the Federal government.



PUBLICATION AND PRINTING

- Generally allowable and include page charges in professional publications.

RECRUITING

- Generally, advertising and associated costs incurred for recruitment of staff are allowable but
 - They must meet the test of reasonableness and
 - They must conform with established practices of the organization

**Help
Wanted**



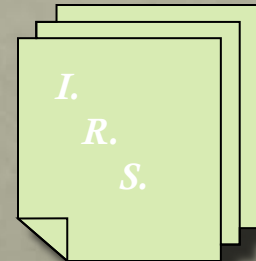
RENTAL COSTS

- Rental costs are generally allowable if reasonable. See item # 43 of the Circular for more details.

**Office Space
For Rent
Phone 634-5789**

TAXES

- **Taxes are generally allowable except for:**
 - Taxes from which exemptions are available
 - Special assessments on land which represent capital improvements and
 - Federal income taxes
- **Applicable credits (offsets to taxes) must be taken where appropriate.**

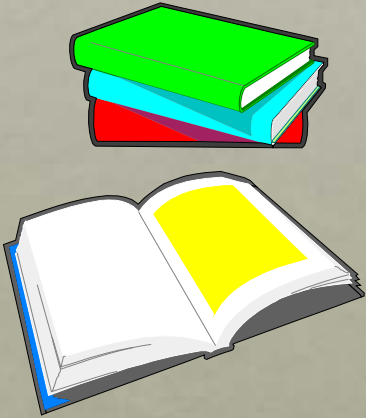




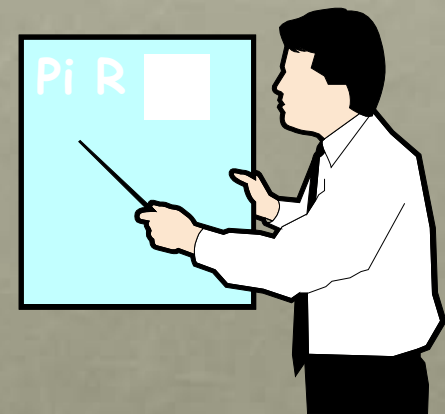
TERMINATION COSTS APPLICABLE TO SPONSORED AGREEMENTS

- Termination of awards generally give rise to costs which would not have arisen had the award not been terminated.
- Reasonable and customary costs of terminating an award are generally allowable. Review additional details in the Circular # 48.

TRAINING COSTS

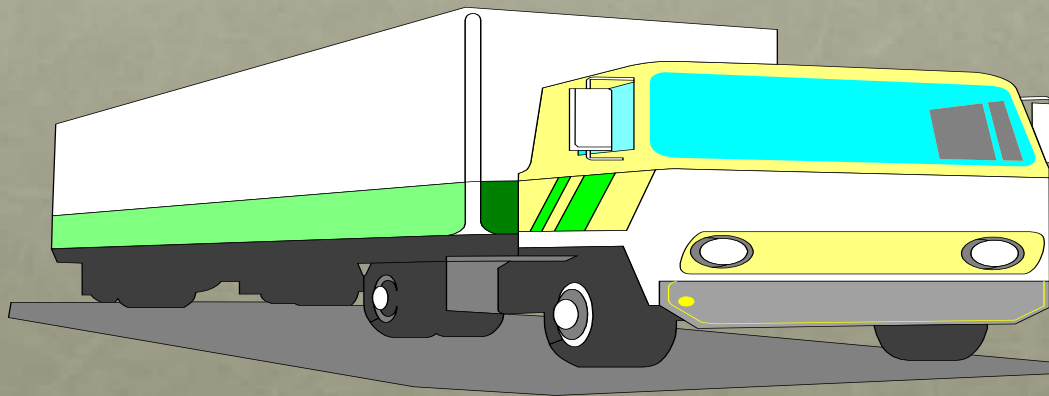


- Generally, training and education costs related to employee development, such as, workshops, textbooks, classes, etc. are allowable

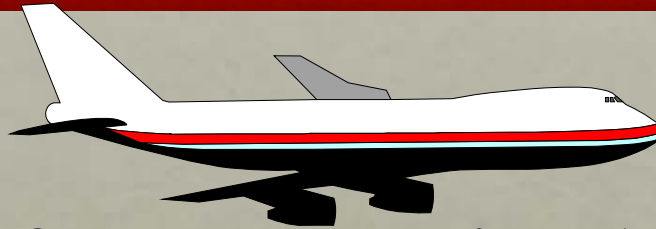


TRANSPORTATION

- Allowable as direct if provided for in the award
- Allowable as indirect for equitable distribution to all benefiting activities



TRAVEL



- Expenses for transportation, lodging, subsistence, and related items incurred by employees on official business are allowable.
- Such costs may be charged on an actual basis, per diem or mileage basis or a combination, but must be consistent with those normally allowed by the organization.

TRUSTEES

Travel and subsistence of trustees (or directors) are allowable, noting restrictions for travel costs (#51).





(2 CFR -215) OMB CIRCULAR A-110 UNIFORM ADMINISTRATIVE REQUIREMENTS

- Purpose
- Subpart A General
- Subpart B Pre-Award Requirements
- Subpart C Post-Award Requirements
- Subpart D After-the-Award Requirements



2 CFR 215 OMB A-110 PURPOSE

“Sets forth standards for obtaining consistency and uniformity among Federal agencies in the administration of grants to and agreements ...”

OMB A-110 SECTIONS

Subpart A – General

- Purpose
- Definitions
- Effect on other issues
- Deviations
- Subawards

OMB A-110 SECTIONS

Subpart B- Pre-Award Requirements

- Pre-award policies
- Forms for applying for Federal assistance
- Special award conditions
- Certifications and representations
 - Debarment and suspension
 - Lobbying

OMB A-110 SECTIONS

Subpart C – Post Award Requirements

Financial and Program Management

- Standards for financial management systems
- Payment
- Cost sharing or matching
- Program income
- Revision of budget and program plans
- Allowable costs
- Period of availability of funds

OMB A-110 SECTIONS

Subpart D – After-the-Award Requirements

- Close-out procedures
- Subsequent adjustments and continuing responsibilities
- Collections of amount due

Appendix A- Contract Provisions

ASPECTS OF A-110

■ Effect on Issues

- No agency can impose rules that are in conflict with A-110

■ Deviation

- OMB can grant exceptions in unusual circumstances

■ Subcontracts

- A-110 applies to any subcontractors performing work under an award



OMB CIRCULAR A-110

UNIFORM ADMINISTRATIVE REQUIREMENTS

- Expanded Authorities under OMB A-110 C.25e
 - Agencies can waive cost-related and administrative prior approvals
 - Pre-award costs (up to 90 days prior to award start date)
 - First no-cost extension up to 12 months
 - Carry forward of balance



CURRENT HOT BUTTONS

- Final Reports
- Cost Transfers
- Cost Sharing
- Effort Reporting
- Non-Indirect Administrative Costs
- Sub-recipient Monitoring
- Program Income
- Participant Support

WHAT'S IMPORTANT?

- Reasonableness
- Avoiding Unnecessary Purchases
- Necessary To Do The Research
- Cost Sharing
- Program Income
- Revision of Budget and Program Plans

COST SHARING

- Verifiable and not included as contributions on Federal projects
- Still have to be allowable
- Provided for in the approved budget “when required by the Federal Awarding agency”
- Unrecovered indirect costs may be included “with prior approval of Federal awarding agency”

REVISION OF BUDGET & PROGRAM PLANS

- Instructions on how to report deviations from budget and program plans
- Changes which require sponsor prior approval:
 - Change in scope
 - Need for additional Federal funds
 - Change in key person specified in the application or award document
 - The absence for more than three months, or a 25 percent reduction in time devoted to the project, by the approved project director or principal investigator

REVISION OF BUDGET & PROGRAM PLANS, CONT'D.

- The transfer of amounts budgeted for indirect costs to absorb increases in direct costs , or vice versa, if required by the Federal awarding agency.
- The transfer of funds allotted for training allowances (direct payment to trainees) to other categories of expense. (participant support)
- Unless described in the application and funded in the approved awards/sub-award. Does not apply to purchase of Materials & supplies, equipment or general support services,₇₈

OMB CIRCULAR A-133

- Establishes audit requirements and defines federal responsibilities for implementation and monitoring such requirements for institutions of higher education
- Institutions receiving more than \$500K in Federal Awards require an audit
- Audits shall normally be performed annually

A-133 EMPHASIS

- Sets standards for audit consistency and uniformity
- Identifies compliance requirements
- Establishes criteria for testing internal controls
- Tests for reasonable assurance that financial statements are accurate

AUDITS

- Question: When do you start preparing for an audit?
- Answer: The day you prepare a proposal



WHO AUDITS AURA?

- DCAA cognizant audit agency – (NSF may be in the future)
- A-133 Auditors (Auditors are contracted by AURA Corporate)
- Program Auditors (NSF OIG, BSRs etc)

KEY TO A SUCCESSFUL AUDIT

- **Organized Files**
- **Documentation for expenses**
- **Appropriate Approvals**
- **Audit Trails (i.e., documentation)**
- **Knowledge of policies and regulations**
- **If it's not documented, it didn't happen....**

AUDITS

- Document! Document! Document!
- When transfers are required – “Defend the Cost”
 - Auditors want to know why the award was charged for the expense

ADDITIONAL RESOURCES

OMB Circulars

2 CFR 230 (OMB A122)

- <http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&rgn=div5&view=text&node=2:1.1.2.3.8&idno=2>

2 CFR 230 (OMB A122)

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

OMB A122

- <http://www.whitehouse.gov/omb/circulars/a133/a133.html>

ADDITIONAL RESOURCES

- NSF Cooperative Agreement Regulations
 - http://www.nsf.gov/pubs/policydocs/papp/aag_index.jsp
 - http://www.nsf.gov/publications/pub_summ.jsp?ods_key=cafatc310506

Note that each Cooperative Agreement or Cooperative Services Agreement (CSA) will have additional regulations



OMB CIRCULARS

- Questions?

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