

OMB Circulars and Cost Principles

Approximately half of Carthage's sponsored funding comes from the federal government. As steward of the taxpayer's money, the government has issued principles for determining costs allocable to research and administrative regulations to augment these principles. Carthage uses the following federal requirements in establishing its Institute procedures for administering all awards for research and other sponsored agreements:

- OMB Uniform Guidance, Subpart E (Cost Principles)
- Office of Management & Budget (OMB) A-21: Cost Principles for Educational Institutions
- OMB Circular A-110: Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations
- Federal Acquisition Regulations (FAR): Contracting requirements

The provisions of the OMB Circulars and the FAR are applicable to all agencies that award federal funds. Carthage has translated these principles into its policies.

Significance of Uniform Guidance and OMB A-21:

The cost principles in Uniform Guidance and A-21 provide the general accounting "rules" for colleges and universities. Subpart E of the UG and A-21 spell out the Four Cost Principles that apply to all award costs:

A cost is allowable when:

- It serves an institute business purpose, including instruction, research, and service
- It is permissible, according to Carthage policy and federal regulations (regardless of whether or not it is a sponsored project)
- It is permissible (for a sponsored project) according to the terms and conditions of the Sponsored Agreement
- It does not meet the rules for "unallowables"

A cost is allocable:

- When the cost benefits the project that is being charged

A cost is **reasonable** if a prudent person would purchase the item at that price:

- The cost is necessary for the performance of the activity
- Incurrence of the cost is consistent with established Institute policies and practices

A cost is **consistent** when like expenses are treated in the same manner in like circumstances. For sponsored projects, consistency means that sponsors pay for costs either as a direct charge or as an F&A cost, but not both directly and indirectly. The Institute establishes policies that, if followed, ensure consistency.