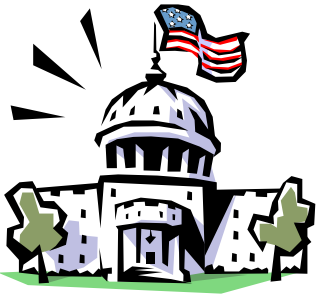


What is the OMB?

- Executive Branch agency that assists in preparation of the federal budget
- Responsible for coordination of financial management information.
- Helps to improve administrative management and develop government wide policies
- Assures grants are managed properly and funds are spent in accordance with applicable laws and regulations.





Authority

- The OMB Circulars do not work by themselves
- They are binding when published by Federal Agencies.
- Publishing a final rule in the Federal Register officially adds it to the Code of Federal Regulations therefore making it mandatory.



Federal Register & CFR

- The Federal Register is the official daily publications for Rules, Proposed Rules and Notices of Federal agencies.
- The Code of Federal Regulations (CFR) is the codification of the general and permanent rules published in the Federal Register. It is divided into 50 titles that represent broad areas subject to Federal regulation.



Administrative Requirements and the CFR

- On March 12, 1987, the President directed the Federal grantmaking agencies to issue a grants management common rule to adopt governmentwide terms and conditions for grants
- The attachments to the Administrative Requirement Circulars were replaced by the grants management common rule
- It is important for a grantee to review the regulations of their Federal awarding agency



Administrative Requirements

- Provides consistency and uniformity among Federal agencies in the management of grants and cooperative agreements
- Specific grantmaking requirements for CNCS can be found in the *Code of Federal Regulations* (CFR).
- The CFR required all Federal agencies to issue a grants management common rule to adopt government wide terms and conditions.

How & when do I use the OMB Circulars?

The Circulars provide information relevant to the grant in the following areas:

- Cost Principles
- Administrative Requirements
- Audits



Cost Principles

- Established principles to determine the allowable costs incurred by organizations under grants or contracts;
- Principles are designed so that Federal awards bear their fair share of cost recognized under these principles





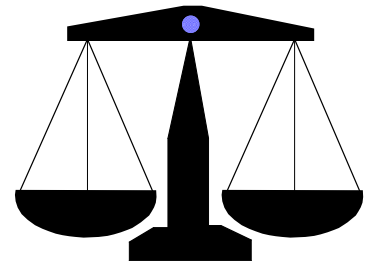
Cost Principles

- Provides guidance about reimbursement requirements
- Provides uniform standards of allowability and allocation
- Encourages consistency of treatment of costs

Factors affecting allowability of costs

To be allowable under an award, costs must meet the following general criteria:

- Be **reasonable** for the performance of the award and be **allocable** under OMB principles.
- **Conform to any limitations** set forth in OMB principles or in the award as to types or amount of cost items.
- Be **consistent with policies and procedures** that apply uniformly to both federally-financed and other activities of the organization.





Factors affecting allowability of costs (con' t)

To be allowable under an award, costs must meet the following general criteria:

- Be accorded consistent treatment.
- Be determined in accordance with generally accepted accounting principles (GAAP).
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.
- Be adequately documented.
- Be **ordinary and necessary** for the operation of the organization or the performance of the award.

Reasonable Costs

- A cost is reasonable if it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs. The question of the reasonableness of specific costs must be scrutinized with particular care in connection with organizations or divisions which receive the preponderance of their support from awards made by Federal agencies.



A-133 Audits

- Standards for obtaining consistency and uniformity among Federal agencies for the audit of organizations expending Federal funds
- Applicable to organizations that expend \$500,000 or more of federal funds in a year





Which Circular do I Follow?

- Although there are six grant circulars, you are only covered by three of them, depending on type of entity:
 - States, local governments, and Indian Tribes
 - Educational Institutions (even if part of a State or local government)
 - Non-Profit Organizations
- Subgrantees should follow the circulars for their organization type regardless of the grantors.

Summary of Relevant OMB Circulars

	Educational Institutions	Non- Profit Organizations	State & Local Governments
Uniform Administrative Requirements	45 CFR 2543 & Circular No. A-110	45 CFR 2543 & Circular No. A-110	45 CFR 2541 & Circular No. A-102
Cost Principles	Circular No. A -21	Circular No. A-122	Circular No. A-87
Audits	Circular No. A-133	Circular No. A-133	Circular No. A-133

Each of the specific circulars can be downloaded from the internet at the following address:

[Http://www.whitehouse.gov/OMB/circulars/index.html](http://www.whitehouse.gov/OMB/circulars/index.html)