



NATIONAL COALITION for HOMELESS VETERANS

OMB CIRCULARS

Introduction

OMB Circulars are, "Administrative policy documents issued by OMB [Office of Management and Budget] that give instruction to federal agencies on a variety of topics, including the administration of federal grants and cooperative agreements" (U.S. Department of Education). This fact sheet features four OMB Circulars that provide instructions and guidelines relating to most federal grants.

OMB Circular A-87

■ Subject: Cost principles for State, Local, and Indian Tribal Governments

Purpose: This Circular establishes principles and standards for determining costs for Federal awards carried out through grants, cost reimbursement contracts, and other agreements with State and local governments and federally recognized Indian tribal governments (government units). The principles are for determining *allowable costs* only.

Circular A-87 presents criteria which costs must meet to be allowable under Federal awards. It explains how to determine whether or not a cost is reasonable. The question of reasonableness is particularly important when governmental units or components are predominantly funded. This Circular discusses how costs are classified and gives examples of typical direct costs which are chargeable to Federal awards.

The sections in Attachment B provide principles used to establish the allowability or unallowability of certain items of cost. These principles apply whether a cost is treated as direct or indirect. Attachment B contains definitions and criteria regarding lobbying and travel costs, as well as advertising costs and donations and contributions. It is important to note that contributions or donations, including cash, property, and services, made by the governmental unit, regardless of the recipient, are unallowable. The cost of certain influencing activities associated with obtaining grants, contracts, cooperative agreements, or loans is an unallowable cost.

State public assistance agencies must develop, document and implement, and the Federal Government

will review, negotiate, and approve, public assistance cost allocation plans in accordance with Subpart E of 45 CFR Part 95.

To the extent that problems are encountered among the Federal agencies and/or governmental units in connection with the negotiation and approval process, the OMB will lend assistance, as required, to resolve such problems in a timely manner.

This Circular offers background information on indirect costs, and stipulates that a cost may not be allocated to a Federal award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to a Federal award as a direct cost.

All departments or agencies of the governmental unit desiring to claim indirect costs under Federal awards must prepare an indirect cost rate proposal and related documentation to support those costs. Once a rate has been agreed upon, it will be accepted and used by all Federal agencies unless prohibited or limited by statute.

To read Circular A-87 in its entirety, visit:

http://www.whitehouse.gov/omb/circulars/a087/a87_2004.html.

OMB Circular A-110

■ Subject: Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations

Purpose: This Circular sets forth standards for obtaining consistency and uniformity among Federal agencies in the administration of grants to and agreements with institutions of higher education, hospitals, and other non-profit organizations.

Circular A-110 determines the maximum requirements that the agencies may require on grants and cooperative agreements. It establishes minimum standards for institutional systems for managing federal awards. Note that under unusual circumstances, the OMB may permit deviations from standard requirements.



This Circular provides instruction on appropriate award instruments (i.e., grants, cooperative agreements, or contracts). It explains how federal awarding agencies will notify the public of funding priorities for discretionary grant programs, and details the standards governing use of banks and other institutions as depositories of funds advanced under awards. Circular A-110 presents property and procurement standards, and defines the procedures for monitoring and reporting on financial and program performance.

Keep in mind that any fund paid to a recipient in excess of the amount to which the recipient is finally determined to be entitled under the terms and conditions of the award constitute a debt to the Federal Government.

To read Circular A-110 in its entirety, visit:
<http://www.whitehouse.gov/omb/circulars/a110/a110.html>.

OMB Circular A-122

■ **Subject: Cost principles for Non-Profit Organizations**

Purpose: This Circular establishes principles for determining costs of grants, contracts and other agreements with non-profit organizations.

Circular A-122 presents the criteria which costs must meet to be allowable under an award. It determines factors affecting allowability of costs, and details what are reasonable costs, allocable costs, applicable credits, advance understandings, and conditional exemptions.

This Circular defines indirect costs as those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. Indirect costs are classified into two broad categories: "Facilities" and "Administration."

Attachment B, "Selected Items of Cost," provides principles to apply when establishing the allowability of certain items of cost. These principles apply whether a cost is treated as direct or indirect. The costs covered in Attachment B include the following:

- Advertising and public relations costs
- Communication costs
- Donations and contributions

- Interest
- Lobbying
- Publication and printing costs
- Rental costs of buildings and equipment
- Travel costs

To read Circular A-122 in its entirety, visit:
http://www.whitehouse.gov/omb/circulars/a122/a122_2004.html.

OMB Circular A-133

■ **Subject: Audits of States, Local Governments, and Non-Profit Organizations**

Purpose: This Circular sets forth standards for obtaining consistency and uniformity among Federal agencies for the audit of States, local governments, and non-profit organizations expending Federal awards.

Circular A-133 presents standards for obtaining consistency and uniformity among Federal agencies for the audit of non-Federal entities using Federal awards. It explains information regarding audits, including audit requirements, how to determine when an award is expended, frequency of audits, and sanctions.

This Circular identifies auditee responsibilities. The auditee must identify, in its accounts, all Federal awards received and expended, and the Federal programs under which they were received. Remember that the auditee is responsible for follow-up and corrective action on all audit findings.

Subpart B specifies non-Federal entities that expend \$500,000 or more in a year in Federal awards will have a single or program-specific audit conducted for that year in accordance with the provisions of this part.

Subpart D covers auditee and Federal agency responsibilities and management decision. Subpart E details how auditor's report(s) may be organized, as well as components that will be included in a schedule of findings and questioned costs.

To read Circular A-133 in its entirety, visit:
<http://www.whitehouse.gov/omb/circulars/a133/a133.html>.