MEMORANDUM

TO: University of Oregon Research Community

FROM: Paula J. Roberts, Associate Vice President for Research and Director, ORSA

DATE: July 11, 2008

RE: Cost Accounting Standards and OMB Circular A-21 Guidelines on Administrative Costs

As ORSA has received feedback on our recent implementation of a new process to evaluate administrative costs included in grant proposals, we realized the need to provide the campus research community with further guidance regarding why such costs must be carefully evaluated, when they are acceptable as direct costs, and how to properly justify and assign them to align with federal regulations and university policy.

With the advent of the Congressionally-mandated Cost Accounting Standards (CAS) beginning in 1996 and the evolution of OMB Circular A-21 guidelines, researchers are constrained in budgeting administrative expenditures as direct costs (e.g., administrative and clerical staff, supplies, telephone, copying, and postage). As the result of recent UO audit findings and UO’s FY 2009 F&A federal rate negotiation process, ORSA has been rededicated to assure UO’s adherence to A-21, CAS, and our Disclosure Statement (DS-2), including aspects of administrative costs.

Non-compliance with, or lack of awareness of, the policies and procedures cited in A-21 and DS-2 is one of the greatest risks for audit findings, fines and penalties for research universities nationally. We greatly appreciate your assistance in helping to sustain an environment where UO’s sponsored research continues to grow and our grant accounts are well managed in accordance with established standards. Collectively, our actions demonstrate the university’s overall commitment to responsible stewardship of funds and compliance with federal rules and regulations, as well as internal policies and procedures.
ORSA’s current procedure for reviewing administrative costs on sponsored program proposals is as follows: The pre-award Sponsored Program Administrators (SPAs) review the proposed project budget to determine whether any administrative costs are included as direct costs. If so, additional language is required in the budget narrative to define and justify the inclusion of those items as direct costs. The justification must identify how the project qualifies as one of the exceptions noted in the A-21 Circular in which direct charging of administrative costs is allowable. If the pre-award SPA does not find the initial justification to be sufficient, the SPA works collaboratively with the PI and/or the Departmental Grant Administrator (DGA) to develop the appropriate language to be included in the proposal. If the pre-award SPA ultimately concludes that the proposed administrative costs cannot be justified, they are removed from the budget request.

A separate attachment provides ORSA’s “Questions and Answers” document to facilitate an understanding of the Cost Accounting Standards and OMB Circular A-21. This document also contains illustrations of suitable justifications for various categories of administrative costs.

Working collaboratively with our academic and research units, ORSA will provide the UO community with the necessary information and guidance to promote compliance with these policies and procedures. Please let us know if you have additional questions or concerns. We may be contacted at 346-5131 or email research_services@orsa.uoregon.edu. Many thanks for your consideration and assistance.