

Prior Approval Requirements in the Cost Principles

OMB Circular A-21, “Cost Principles for Educational Institutions”

Salary rates for faculty members:

...in unusual cases where consultation is across departmental lines or involves a separate or remote operation, and the work performed by the consultant is in addition to his regular departmental load, any charges for such work representing extra compensation above the base salary are allowable provided that such consulting arrangements are specifically provided for in the agreement or approved in writing by the sponsoring agency. [A-21, Att. J.8.d.(1)]

Equipment and other capital expenditures:

- (1) Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except where approved in advance by the sponsoring agency. [A-21, Att. J.16.b.(1)]
- (2) Expenditures for special purpose equipment are allowable as direct charges with the approval of the sponsoring agency. [A-21, Att. J.16.b.(2)]
- (3) Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as direct charges, except where approved in advance by the sponsoring agency. [A-21, Att. J.16.b.(3)]

Insurance and indemnification:

...costs of insurance or of any contributions to any reserve covering the risk of loss of or damage to federally-owned property are unallowable, except to the extent that the Federal Government has specifically required or approved such costs; [A-21, Att. J.21.b.(2)]

A-21, continued

Rearrangement and alteration costs:

Costs incurred for ordinary or normal rearrangement and alteration of facilities are allowable. Special arrangement and alteration costs incurred specifically for the project are allowable when such work has been approved in advance by the sponsoring agency. [A-21, Att. J.35.]

OMB Circular A-87, “Cost Principles for State, Local and Indian Tribal Governments”

Equipment and other capital expenditures:

Capital expenditures for equipment, including replacement equipment, other capital assets, and improvements which materially increase the value or useful life of equipment or other capital assets are allowable as a direct cost when approved by the awarding agency. [A-87, Att. B, 19.c.]

Gains and losses on disposition of depreciable property and other capital assets and substantial relocation of Federal programs:

Substantial relocation of Federal awards from a facility where the Federal Government participated in the financing to another facility prior to the expiration of the useful life of the financed facility requires Federal agency approval. [A-87, Att. B, 22.a.]

Memberships, subscriptions, and professional activities:

Costs of membership in civic and community, social organizations are allowable as a direct cost with the approval of the Federal awarding agency. [A-87, Att. B, 30.d.]

Proposal costs:

...proposal costs may be charged directly to Federal awards with the prior approval of the Federal awarding agency. [A-87, Att. B, 34.]

A-87, continued

Rearrangements and alterations:

Special arrangements and alterations costs incurred specifically for a Federal award are allowable with the prior approval of the Federal awarding agency. [A-87, Att. B, 36.]

Travel costs:

Notwithstanding the provisions of section 23, travel costs of officials covered by that section, when specifically related to Federal awards, are allowable with the prior approval of a grantor agency. [A-87, Att. B, 41.a.]

Note: Section 23 lists the following officials -- Governor of a State, the chief executive of a political subdivision, the chief executives of federally-recognized Indian tribal governments, State legislatures, tribal councils, county supervisors, city councils, school boards, the judiciary branch of a government.

OMB Circular A-122, “Cost Principles for Non-Profit Organizations”

Compensation for personal services:

Where an organization follows a consistent policy of expensing actual payments to, or on behalf of, employees or former employees for unemployment compensation or workers' compensation, such payments are allowable in the year of payment with the prior approval of the awarding agency, provided they are allocated to all activities of the organization. [A-122, Att. B, 7.(3)(b)]

Organization-furnished automobiles:

That portion of the cost of organization-furnished automobiles that relates to personal use by employees (including transportation to and from work) is unallowable as fringe benefit or indirect costs regardless of whether the cost is reported as taxable income to the employees. These costs are allowable as direct costs to sponsored award when necessary for the performance of the sponsored award and approved by awarding agencies. [A-122, Att. B, 7.g.]

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Equipment and other capital expenditures:

- b. (1) Capital expenditures for general purpose equipment are unallowable as a direct cost except with the prior approval of the awarding agency.
 - (2) Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5000 or more have the prior approval of awarding agency.
 - c. Capital expenditures for land or buildings are unallowable as a direct cost except with the prior approval of the awarding agency.
 - d. Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior approval of the awarding agency.
- [A-122, Att. B, 15.b-d.]

Housing and personal living expenses:

Costs of housing (e.g., depreciation, maintenance, utilities, furnishings, rent, etc.), housing allowances and personal living expenses for/of the organization's officers are unallowable as fringe benefit or indirect costs regardless of whether the cost is reported as taxable income to the employees. These costs are allowable as direct costs to sponsored award when necessary for the performance of the sponsored award and approved by awarding agencies. [A-122, Att. B, 19.a.]

Memberships, subscriptions, and professional activity costs:

Costs of membership in any civic or community organization are allowable with prior approval by Federal cognizant agency. [A- 122, Att. B, 30.d.]

Organization costs:

Expenditures, such as incorporation fees, brokers' fees, fees to promoters, organizers or management consultants, attorneys, accountants, or investment counselors, whether or not employees of the organization, in connection with establishment or reorganization of an organization, are unallowable except with prior approval of the awarding agency.

[A-122, Att. B, 31.]

Overtime, extra-pay shift, and multi-shift premiums:

Premiums for overtime, extra-pay shifts, and multi-shift work are allowable only with the prior approval of the awarding agency except:

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- a. When necessary to cope with emergencies, such as those resulting from accidents, natural disasters, breakdowns of equipment, or occasional operational bottlenecks of a sporadic nature.
 - b. When employees are performing indirect functions, such as administration, maintenance, or accounting.
 - c. In the performance of tests, laboratory procedures, or other similar operations which are continuous in nature and cannot reasonably be interrupted or otherwise completed.
 - d. When lower overall cost to the Federal Government will result.
- [A- 122, Att. B, 32.]

Participant support costs:

Participant support costs are direct costs for items such as 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. These costs are allowable with the prior approval of the awarding agency. [A-122, Att. B, 34.]

Publication and printing costs:

Publication and printing costs are unallowable as direct costs except with the prior approval of the awarding agency. [A-122, Att. B, 41.c.]

Rearrangement and alteration costs:

Costs incurred for ordinary or normal rearrangement and alteration of facilities are allowable. Special arrangement and alteration costs incurred specifically for the project are allowable with the prior approval of the awarding agency. [A-122, Att. B, 42.]

Selling and marketing:

Costs of selling and marketing any products or services of the organization (unless allowed under paragraph 1 as allowable public relations costs) are unallowable. These costs, however, are allowable as direct costs, with prior approval by awarding agencies, when they are necessary for the performance of Federal programs. [A-122, Att. B, 48.]

Severance pay:

Severance payments to foreign nationals employed by the organization outside the United States, to the extent that the amount exceeds the

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customary or prevailing practices for the organization in the United States are unallowable, unless they are necessary for the performance of Federal programs and approved by awarding agencies. [A-122, Att. B, 49.d.]

Severance payments to foreign nationals employed by the organization outside the United States due to the termination of the foreign national as a result of the closing of, or curtailment of activities by, the organization in that country, are unallowable, unless they are necessary for the performance of Federal programs and approved by awarding agencies.
[A-122, Att. B, 49.e.]

Training and education costs:

Costs of tuition, fees, training materials, and textbooks (but not subsistence, salary, or any other emoluments) in connection with full-time education, including that provided at the organization's own facilities, at a post-graduate (but not undergraduate) college level, are allowable only when the course or degree pursued is related to the field in which the employee is now working or may reasonably be expected to work, and only where the costs receive the prior approval of the awarding agency. Such costs are limited to the costs attributable to a total period not to exceed one school year for each employee so trained. In unusual cases the period may be extended. [A-122, Att. B, 53.c.]

Training and education costs in excess of those otherwise allowable under subparagraphs b and c may be allowed with prior approval of the awarding agency. To be considered for approval, the organization must demonstrate that such costs are consistently incurred pursuant to an established training and education program, and that the course or degree pursued is relative to the field in which the employee is now working or may reasonably be expected to work. [A-122, Att. B, 53.g.]

Travel costs:

Direct charges for foreign travel costs are allowable only when the travel has received prior approval of the awarding agency. Each separate foreign trip must be approved. For purposes of this provision, foreign travel is defined as any travel outside of Canada and the United States and its territories and possessions. However, for an organization located in foreign countries, the term "foreign travel" means travel outside that country. [A-122, Att. B, 55.e.]