

U.S. Department of Housing and Urban Development
Community Planning and Development

Special Attention of: Transmittal Handbook No.: 1300.20

CPD Staff
CDBG Grantees

Issued: June 30, 1983

1. This Transmits

Handbook 1300.20, Cost Principles for Non-Profit Organizations,
OMB Circular A-122.

2. Purpose:

The Office of Management and Budget (OMB) has established a set of cost principles to enable a uniform approach to the problem of determining costs for nonprofit organizations in its Circular A-122, July 1980. This Handbook is a brief introduction and a full reprinting of the Circular.

3. Filing Instructions:

Insert Handbook 1300.20 dated June 30, 1983.

Handbook 1300.20

U.S. Department of Housing and Urban Development
Office of Community Planning and Development

Program Participants
and Departmental Staff

Cost Principles for
Nonprofit Organizations
(A Reprint of Office of
Management and Budget
Circular A-122)

FOREWORD

Circular A-122 provides uniform rules for determining costs applicable to grants, contracts, and other agreements (including subawards) with nonprofit organizations other than institutions of higher education and hospitals. It defines allowable costs and sets forth the procedures to recover them. The principles are designed to provide that Federally assisted programs bear their fair share of costs. The Circular also provides that one Federal agency shall negotiate grantees' indirect costs on behalf of all other Federal agencies.

Headquarters personnel may direct their questions on the material in the Handbook to the Office of Procurement and Contracts. Field personnel may direct their questions to the respective Regional Contracting Officer.

1-3. COGNIZANT AGENCY.

- a. Unless different arrangements are agreed to by the agencies concerned, the Federal agency with the largest dollar value of awards will be designated as the cognizant agency for the negotiation and approval of indirect cost rates. After a rate has been agreed upon, it will be accepted by all Federal agencies.

1-4. INDIRECT COST PROPOSALS.

- a. In order to recover indirect costs, the grantee must have an indirect cost proposal, which is the documentation prepared by an organization to substantiate its claim for the reimbursement of indirect costs. The proposal should describe the services provided and explain their relevance to the grant programs; list the expenses to be charged to grant programs; and explain the method used to distribute the costs.
- b. A nonprofit organization which has not previously established an indirect cost rate with a Federal agency is required to submit its initial cost proposal to the cognizant agency as soon as possible after an award is made. Organizations that have previously established indirect cost rates must submit a new indirect cost proposal to the cognizant agency within 6 months after the close of each fiscal year.

1-5. MAJOR SUBSTANTIVE AREAS COVERED BY THE CIRCULAR.

- a. Clarifies nonprofit organizations not covered by the circular.
- b. Permits Federal agencies to request exemptions from the circular.
- c. Establishes procedures for negotiation and approval of indirect cost rates.

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- d. Permits Federal agencies to accept a substitute

system for documenting personnel costs through means other than personnel activity reports.

- e. Clarifies provisions covering the allowability of costs for unemployment compensation of workmen's compensation and costs of insurance policies on the lives of trustees, officers or other employees.
 - f. Makes allowable any increased costs of pension plans caused by delayed funding.
 - g. Clarifies the value of donated services used in the performance of a direct cost activity.
 - h. Establishes a new definition of capital equipment cost \$500, useful life or more than two years.
 - i. Permits organizational costs to be allowed when approved by awarding agency in writing.
 - j. Allows Public Information Service Costs as direct costs with awarding agency approval.
 - k. Clarifies rental costs.
 - l. Deletes the travel cost requirement for prior approval for domestic costs.
- 1-6. EXCEPTIONS. OMB may grant exceptions. However, in the interest of achieving maximum uniformity, exceptions will be permitted only in highly unusual circumstances.

Attachment A: OMB Circular A-122 Cost Principles for Non-Profit Organizations.

ATTACHMENT

ATTACHMENT CONTAINS FEDERAL REGISTER DOCUMENT WHICH CANNOT BE LOADED INTO DAS. OBTAIN HARD COPY OF DOCUMENT TO VIEW ATTACHMENT.