(ii) Required Disclosure Statements shall be filed with the cognizant Federal agency responsible for indirect cost rate negotiations within three months after the end of the fiscal year in which the educational institution meets the criteria in (i), except for educational institutions that establish a specific due date in accordance with paragraph (iii), or that are required to file a Disclosure Statement earlier under the terms and conditions of a CAS-covered contract.

(iii) Prior to December 31, 1995, those educational institutions meeting the criteria of (i) for the most recently completed fiscal year occurring during 1994, the cognizant Federal agency and the educational institution should establish, in writing, a specific due date for the first time submission of the required Disclosure Statement, as follows:

(a) Educational institutions listed as number 1–20 in Exhibit A of this Circular, or unlisted educational institutions that received more than \$50 million under sponsored agreements during a fiscal year ending in calendar year 1994, shall file the required Disclosure Statement no later than June 30, 1996.

(b) Educational institutions listed as numbers 21–50 in Exhibit A of this Circular, or unlisted educational institutions that receive more than \$25 but less than \$50 million under sponsored agreements during a fiscal year ending in calendar year 1994, shall file the required Disclosure Statement no later than December 31, 1996.

(c) Educational institutions listed as numbers 51–99 in Exhibit A of this Circular shall file the required Disclosure Statement no later than June 30, 1997.

(iv) Amendments and revisions. Educational institutions are responsible for maintaining accurate Disclosure Statements and complying with disclosed practices. Educational institutions must amend required Disclosure Statements when disclosed practices are changed to comply with a new or modified Standard, or when practices are changed with or without agreement of the cognizant Federal agency. Amendments and revisions to Disclosure Statements may be submitted at any time and may be proposed by either the institution or the cognizant Federal agency. Resubmission of complete, updated Disclosure Statements is discouraged except when extensive changes require it to assist the review process.

(2) *Cost Accounting Standards (CAS).* An educational institution's cost accounting practices used to estimate, accumulate and report costs for sponsored agreements shall conform with the CAS specified in Part 9905 (48 CFR Part 9905), except for contracts incorporating the full CAS coverage specified in Part 9904 (48 CFR Part 9904). Those CAS in Part 9904 are not incorporated in this Circular. The applicability of the CAS under Circular A–21 will not be effective on the effective date specified in 9905.506–63 (January 9, 1995).

b. Cost and Funding Adjustments. Cost, price, and funding adjustments shall be made by the cognizant Federal agency if an institution fails to comply with an applicable CAS or fails to consistently follow its established or disclosed cost accounting practices when:

(1) Estimating costs in contract proposals and the resultant contract provides funds materially in excess of the amounts that would have been provided had the estimated costs been based on compliant cost accounting practices. In such cases, the contract prices or cost allowances shall be appropriately adjusted.

(2) Accumulating and reporting costs under a sponsored agreement. In such cases, the institution shall correct the noncompliance by changing to a compliant cost accounting practice and by adjusting the accumulated and reported costs to reflect a compliant practice.

c. Overpayments. Excess amounts paid in the aggregate by the Federal Government under sponsored agreements due to a noncompliant cost accounting practice used to estimate, accumulate, or report costs shall be credited or refunded, as deemed appropriate by the cognizant Federal agency. Interest applicable to the excess amounts paid in the aggregate during the period of noncompliance shall also be determined and collected in accordance with applicable Federal agency regulations.

d. *Compliant cost accounting practice changes.* Changes from one compliant cost accounting practice to another compliant practice that are approved by the cognizant Federal agency may require cost or funding adjustments if deemed appropriate by the cognizant Federal agency.

e. *Responsibilities.* The cognizant Federal agency shall:

(1) Determine cost or funding adjustments for all sponsored agreements in the aggregate on behalf of the Federal Government. Actions of the cognizant Federal agency official in making cost or funding adjustment determinations shall be coordinated with all affected Federal agencies to the extent necessary. (2) Prescribe regulations and establish internal procedures to promptly determine on behalf of the Federal Government that a Disclosure Statement adequately discloses the educational institution's cost accounting practices and that the disclosed practices are compliant with applicable Cost Accounting Standards and the requirements of this Circular. The determination of adequacy and compliance shall be distributed to all affected agencies.

Amend Section J, paragraph 16.a.(1), "General Provisions for Selected Items of Cost," to read as follows:

"Equipment" means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which exceeds the lesser of (a) the capitalization level established by the organization for financial statement purposes, or (b) \$5000.

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OFFICE OF MANAGEMENT AND BUDGET

Cost Principles for Educational Institutions

AGENCY: Office of Management and Budget.

ACTION: Proposed revisions to OMB Circular A–21 and proposed rescission of OMB Circular A–88.

SUMMARY: This Notice offers interested parties an opportunity to comment on proposed revisions to Office of Management and Budget (OMB) Circular A–21, "Cost Principles for Educational Institutions" and OMB's proposal to rescind OMB Circular A–88, "Indirect Cost Rates, Audit, and Audit Followup at Educational Institutions."

This proposed revision, together with a separate proposed revision published in this issue of the Federal Register, fulfills the Administration's commitment in the fiscal year 1995 budget to "conduct a comprehensive review with the goal of improving the incentives that govern overhead reimbursement for a wide range of federal research grantees and contractors." It also reflects the Administration's policies regarding Circular A-21 as described in the fiscal year 1996 budget, transmitted to Congress on February 6, 1995. Of the 14 policies in this Notice, eight are proposed as revisions to Circular A-21 itself in this Notice, and the other six revisions, as described below, require