

## SPONSORED PROGRAMS AND GRANTS MANAGEMENT

Policy and Procedures

Date: October 4, 2012

**Subject:** Consistency in Charging Administrative and Clerical Costs

### I. Purpose:

The university is the recipient of awards from the federal government; therefore, it must adhere to the cost principles issued by the Office of Management and Budget (OMB) in its Circular A-21, "Cost Principles for Educational Institutions.

Consistent treatment of costs is a basic cost accounting principle and is specifically required by Circular A-21 to assure the same types of costs are not charged to federally sponsored agreements both as direct costs and as indirect (Facilities and Administrative) costs.

Consistency in this context means all costs incurred for the same purpose, in like circumstances, must be treated uniformly as either direct costs or as indirect costs. For example, certain types of costs, such as the salaries of administrative and clerical staff, office supplies, postage, etc. are normally treated as indirect (facilities and administrative) costs. These same types of costs cannot be charged directly to federally sponsored agreements, unless the circumstances related to a particular project are clearly different from the normal operations of the institution. For example, although postage is normally treated as an indirect cost, a particular project may have a special need for postage because of the mailing of 20,000 survey questionnaires. In this case, it would be appropriate to charge the project directly for the postage to mail the questionnaires, since this would constitute "unlike circumstances" compared to routine postage requirements.

The consistency standard must be applied to all departmental administrative expenses. Departmental administrative expenses normally include such activities as answering the telephone, making appointments, performing word processing tasks, preparing proposals, making travel arrangements, ordering supplies, and keeping records for the department or unit. The costs associated with these activities normally consist of administrative and clerical salaries, office supplies, postage, local telephone service (including basic service for modems and Ethernet connections), memberships, and other similar costs.

OMB Circular A-21 Exhibit C allows for typical unallowable costs to be directly charged to "major projects." Such examples would include:

- Large, complex programs, such as General Clinical Research Centers, Environmental Research Centers, and other grants and contracts that entail assembling or managing teams of investigators from a number of institutions.
- Projects which involve extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, searching literature, and reporting.

- Projects that require making travel and meeting arrangements for large numbers of participants, such as conferences or seminars.
- Projects whose principal focus is the preparation and production of manuals and large reports, books, and monographs (excluding routine progress and technical reports).
- Projects that are geographically inaccessible to normal departmental administrative services, such as research fields sites that are remote from the campus.
- Individual projects requiring project-specific database management; individualized graphics or manuscript preparation; human or animal protocols, and multiple project-related investigator coordination and communications.

These examples are not intended to imply that direct charging of administrative or clerical costs would always be appropriate for the situations illustrated in the examples above. For instance, the examples would be appropriate when the costs of such activities are incurred in unlike circumstances, i.e., the actual activities charged directly are not the same as the actual activities normally included in the institution's facilities and administrative (indirect) cost pools.

## **II. Policy and Procedures**

In compliance with the federal regulations, the university will charge administrative or clerical costs to Federal agreements and Federal flow-through projects as F&A (indirect) costs, except where the nature of the work being performed under a particular project requires an extensive amount of administrative or clerical support which is significantly greater than the routine level of such services provided by the department. The need to charge administrative or clerical costs directly to Federal projects must be explained and justified in writing to the Office of Sponsored Programs and Grants Management.

The Director of the Office of Sponsored Programs and Grants Management will make the final determination as to whether administrative and clerical costs can be included in a proposal for a Federal award based upon the written justification provided by the Principal Investigator (PI).

If the cost meets the conditions as stated above, but was not included in the approved budget of the sponsored agreement, the cost may be charged directly to the agreement only where the university has re-budgeting authority under Federal regulations or the terms of the sponsored agreement, and the charge is justified and approved by the Office of Sponsored Programs and Grants Management. The justification must be in writing, providing the same information that would have been provided to the sponsoring agency in the proposed project budget, and it must be explained why the cost was not in the original budget. Approval of these requests will be given where the Office of Sponsored Programs and Grants Management is satisfied that the sponsoring agency would have approved the cost had it been in the original budget.

#### **IV. Definitions**

**Administrative and clerical salaries and wages:** These costs are normally included in departmental administration expenses and typically refer to employees in secretarial positions, office services, and fiscal classifications; however, the nature of the task being performed, and not the class title, determines if the work is classified as administrative or clerical.

**Direct Costs:** These are costs that can be identified specifically with a particular sponsored project or can be directly assigned relatively easily with a high degree of accuracy, such as salaries of employees working on specific projects and related fringe benefit costs.

**Facilities and Administrative (indirect) costs:** These are generally support costs that cannot be identified readily and specifically with a particular sponsored project; for example, departmental clerical salaries, utility costs, custodial expenses, office supplies, etc.

#### **V. References**

Office of Management and Budget (OMB) Circular A-21, Cost Principles for Educational Institutions.

#### **VI. Approvals and Revisions**

This policy and procedure was approved by the Director of Sponsored Programs and Grants Management on October 4, 2012.