1. **Purpose**

The university is the recipient of numerous 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." On April 26, 1996, OMB revised Circular A-21 incorporating four cost accounting standards issued by the Cost Accounting Standards Board. These standards were applicable to educational institutions as of January 9, 1995. The standards apply to all Federal agreements (grants, contracts, and cooperative agreements), including Federal funds received by the university from other organizations and state agencies (Federal flow-through funds).

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. This concept is reinforced and emphasized in one of the Cost Accounting Standards (referred to as "CAS 502") incorporated into Circular A-21 as noted above. In the May 8, 1996 revision to Circular A-21, the term “indirect costs” was replaced with the more descriptive term “facilities and administrative (F&A) cost.”

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.

Circular A-21, Section F.6.b. states:

"(2) The salaries of administrative and clerical staff should normally be treated as facilities and administrative (indirect) costs. Direct charging of these costs may be appropriate where a major project or activity explicitly budgets for administrative or clerical services and individuals involved can be specifically identified with the project or activity. “Major project” is defined as a
project that requires an extensive amount of administrative or clerical support, which is significantly greater than the routine level of such services provided by academic departments. Some examples of major projects are described in Exhibit C of OMB Circular A-21.

(3) Items such as office supplies, postage, local telephone costs, and memberships shall normally be treated as F&A (indirect) costs."

**OMB's Interpretation of A-21, Section. F.6.b.**

OMB expects administrative-type expenses to normally be charged as F&A (indirect) costs to sponsored agreements. In July 1994, OMB issued an interpretation of Section F.6.b as follows:

"This provision is intended to establish the principle that the salaries of administrative and clerical staff should usually be treated as indirect costs, but that direct charging of these costs may be appropriate where the nature of the work 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 academic departments. The costs would need to meet the general criteria for charging in Section D.1.--"be identified specifically with a particular sponsored project...relatively easily with a high degree of accuracy"-- and the special circumstances requiring direct charging of the services would need to be justified to the satisfaction of the awarding agency in the grant application or contract proposal.”

The following are examples from OMB Circular A-21 Exhibit C and are illustrative of circumstances where direct charging the salaries of administrative and clerical staff may be appropriate:

- Large, complex programs, such as General Clinical Research Centers, Primate Centers, Program Projects, environmental research centers, engineering 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, such as epidemiological studies, clinical trials, and retrospective clinical records studies.
- Projects that require making travel and meeting arrangements for large numbers of participants, such as conferences and 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 vessels, radio astronomy projects, and other 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 exhaustive nor are they intended to imply that direct charging of administrative or clerical costs would always be appropriate for the situations illustrated in the examples. For instance, the examples would be appropriate when the costs of such activities are incurred in unlike circumstances, i.e., the actual activities charged direct are not the same as the actual activities normally included in the institution’s facilities and administrative (indirect) cost pools.
2. **Policy**

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 on the Proposal Approval Form through the completion of the Form B, “Cost Accounting Exception Request.” (See procedures below for the special conditions for charging administrative or clerical costs directly to federal projects.)

The Office of Sponsored Programs will make the final determination as to when administrative and clerical costs may be included in a proposal for a Federal award based upon the written justification provided by the Principal Investigator (PI). However, departments are responsible for monitoring projects on an on-going basis to ensure consistency in charging administrative and clerical expenses.

This policy is effective for all proposals submitted after June 30, 1998 and will apply to the next budget period after June 30, 1998 for all existing federally-funded projects.

While this policy applies to all sponsored agreements, federal and non-federal, the costs identified as "normally indirect" may be directly charged to a non-federal project if the cost can be specifically identified with the particular sponsored project or directly assigned with a high degree of accuracy and permitted by the sponsor's policy or otherwise approved by the sponsor.

This policy does not apply to Cooperative State Research, Education, and Extension Service (CSREES) formula funds received from the United States Department of Agriculture per memo received from Phil Carter, USDA, dated July 23, 1997.

3. **Procedures**

**Proposals**

Administrative and clerical salaries and wages, supplies, and expenses may only be included in proposals to Federal agencies under exceptional circumstances and they must be explicitly identified and justified in the proposal by the PI. In the event these costs are not approved by the sponsor, the costs must be considered “committed” cost sharing and accounted for in accordance with university policy 3245.

**Administrative and Clerical Salaries and Wages in Academic Departments and Organized Research Units**

Administrative and clerical salaries and wages may only be charged directly to Federal agreements if they meet ALL of the following conditions:

1. They fall within the special circumstances described in OMB Circular A-21, Section Sec. F.6.b., Exhibit C (examples of “major projects”) and Appendix A (explanations and applications of Cost Accounting Standards).

2. The individuals have responsibilities specifically related to the work of the project and the effort devoted to the project is documented through the Personnel Activity Reports for the individual.

3. The title(s), percent of effort, and salary or wage amount(s) for the clerical/administrative position(s) are included in the proposed budget of the sponsored agreement, and the special circumstances requiring direct charging of the services are justified in the proposal.
4. The sponsoring agency accepts the cost as part of the project's direct cost budget (i.e., does not specifically disapprove the cost in the award or other notification to the university).

If the administrative and clerical salaries or wages meet the conditions in 1. and 2. above, but were not included in the approved budget of the sponsored agreement, the salaries or wages 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 to and approved by the Office of Sponsored Programs. 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 salaries and wages were not in the original budget. Approval of these requests will be given where the Office of Sponsored Programs is satisfied that the sponsoring agency would have approved the costs had it been in the original budget.

**Administrative Supplies and Expenses in Academic Departments and Organized Research Units**

Administrative supplies and expenses shall normally be treated as F&A (indirect) costs. The items listed below are examples of expenses typically not allowable as a direct charge on a federal award; however, this list is not exhaustive:

- Postage (mailing technical reports and other project deliverables are considered part of normal business expenses)
- Local Telephone Service (including modems, beepers and Ethernet connections)
- Office Supplies (pens, pencils, sharpies, labels, paper clips, notebooks, post-it-notes, toner cartridges, transparencies, paper, write/read-write CDs, zip discs/diskettes, stapler/staples, general office software, etc.)
- Memberships, subscriptions (journals, magazines)

When special circumstances exist and ALL the conditions listed below are met, these costs may be charged directly to Federally sponsored projects.

1. The project has a special need for the item or service that is beyond the level of services normally provided by the department.

2. The cost can be specifically identified to the work conducted under the project and is appropriately documented.

3. The cost is specified in the proposed budget of the sponsored agreement, and the special circumstances requiring direct charging are justified in the proposal.

4. The sponsoring agency accepts the cost as part of the project's direct cost budget (i.e., does not specifically disapprove the cost in the award or other notification to the university).

If the cost meets the conditions in 1. and 2. 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. 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 is satisfied that the sponsoring agency would have approved the cost had it been in the original budget.
4. **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, etc.

5. **References**


6. **Approval and Revisions**

Approved January 21, 1998 by Vice President for Finance and Treasurer, Raymond D. Smoot, Jr.

- Revision 1

  Update policy to comply with latest revision of OMB Circular A-21 dated 5/10/04.

  Approved February 15, 2005 by the Vice President for Budget and Financial Management, M. Dwight Shelton, Jr.