

Middle Tennessee State University

OFFICE OF RESEARCH SERVICES

ORS Procedure 002: Charging Administrative and Clerical Expenses

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I. General

In July 1993 and again in May 2004, Circular A-21 was revised by the Office of Management and Budget (OMB) in an effort to clarify and standardize the principles for determining costs applicable to grants, contracts, and other agreements with educational institutions. This revision was brought about because of intense pressure from Congress to increase university accountability for federal funds through more highly standardized costing practices.

The A-21 revisions include a number of changes. In particular, they clarify the way administrative and clerical salaries are to be treated on sponsored projects and require a higher degree of consistency with which institutions must treat these expenditures.

Section F.6.b of A-21 reads:

F. 6. b. (1) In developing the departmental administration cost pool, special care should be exercised to ensure that costs incurred for the same purpose in like circumstances are treated consistently as either direct or facilities and administrative (F & A) costs. For example, salaries of technical staff, laboratory supplies (e.g., chemicals), telephone toll charges, animals, animal care costs, computer costs, travel costs, and specialized shop costs shall be treated as direct cost wherever identifiable to a particular cost objective. Direct charging of these costs may be accomplished through specific identification of

individual costs to benefiting cost objectives, or through recharge centers or specialized service facilities, as appropriate under the circumstances.

F. 6. b. (2) *Salaries of administrative and clerical staff should normally be treated as F & A 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. (See Appendix I of this procedure.)*

F.6.b. (3) *Items such as office supplies, postage, local telephone costs, and memberships shall normally be treated as F & A costs.*

* F&A costs are formerly referred to as “indirect costs.”

II. Objective of the Procedure

In establishing this procedure, the University aims to insure that it complies with the provisions of OMB Circular A-21 (revised 5/10/04) governing the allowability of administrative and clerical salaries and non-personnel costs as direct charges:

- by communicating the Federal rules,
- by providing guidance to faculty and staff in the application of these rules, and
- by setting forth levels of responsibility for ensuring compliance with these rules.

III. Applicability

This procedure governs every instance where any portion of the salary of an administrative or clerical employee is to be charged to a Federal grant or contract, whether awarded directly to Middle Tennessee State University as a prime recipient, or indirectly through a sub-agreement from another institution. In this procedure, federal grants or contracts also include federal flow through funds awarded by the State.

IV. Procedure

Through issuance of this procedure, the University advises all faculty and staff involved with the application for, or administration of Federal grants and contracts that the above principles must be adhered to. Further, following the guidance presented below, where any portion of an administrative or clerical salary is directly charged to a Federal project, the responsibility for documenting the appropriateness of that judgment and for compliance with the Federal requirements, whether at the time of the transaction or subsequently upon audit or other request, rests with both the Principal Investigator and the academic department. If the direct charging of the expenses is deemed unallowable,

the Principal Investigator and the respective academic department and college will be responsible for covering the costs through their indirect and/or departmental accounts.

V. Administrative and Clerical Salaries Which May Not Be Charged Directly To Federal Grants and Contracts

In conducting academic activities, whether they are related to research, teaching, or other institutional objectives, academic units clearly require administrative support to complement the technical and professional personnel who carry out those activities. Although there are differences among the various academic units, there exists within each department a core of administrative personnel who support the various departmental academic missions by providing a broad range of general support services, including secretarial and clerical support, procurement of materials and services, and accounting and bookkeeping. This core of general support services at the academic department level which supports a broad range of sponsored research, comprises what the Federal Circular defines as "departmental administration", and is recovered in part by the institution through the reimbursement of indirect cost. Accordingly academic units may not directly charge federal grants and contracts for any portion of the salary of individuals who are engaged in providing this type of baseline departmental service. Similarly, an academic unit may not assess a "tax" or other similar means of assessing charges to Federal grants and contracts as a means of recovering the cost of administrative effort.

VI. Administrative and Clerical Salaries Which May Be Charged Directly to Federal Grants and Contracts

Although the salaries of administrative and clerical staff should normally be treated as indirect costs, direct charging of these costs would be appropriate where either:

- a. The nature of the work performed under a particular project requires an extensive amount of administrative or clerical support, or
- b. The tasks to be performed under a particular project relate specifically to the technical substance of the project.

Appendix I provides examples of situations where direct charging the salaries of administrative and clerical staff may be appropriate. Note that Appendix I is illustrative and is not intended to be an exhaustive list. The judgment as to whether a direct charge for administrative or clerical salaries is appropriate for a particular award must be based on the needs of the project; accordingly, such judgment can only be made by the principal investigator. If the determination is made that it is appropriate to direct charge the salary of an administrative or clerical staff member, additional requirements, as set forth in Section VII below, must be satisfied.

VII. Additional Requirements for Charging Administrative and Clerical Salaries Directly to Federal Grants and Contracts

Although the principal investigator may conclude that a particular project satisfies the criteria for direct charging clerical and administrative salaries, the Federal requirement that such costs must be explicitly budgeted and the individuals involved must be specifically identified with the project or activity must nevertheless be satisfied. Accordingly, when the requirements of Section VII have been satisfied, the effort of such individuals may be charged to the grant or contract only when:

- a. Such effort is explicitly budgeted in the grant and is approved by the funding agency. **Agency approval will be assumed if the salary of administrative or clerical staff is budgeted and not specifically denied in the notice of grant award or in related correspondence from the agency to the University.** Approval by the funding agency will be deemed to satisfy the Federal criteria for directly charging administrative and clerical salaries to grants or contracts.
- b. The salary of the specific individual devoting effort to the project is charged to the project. Departments may not "share" or "rotate" support of a pool of administrative support personnel, but must discretely charge the individual engaged in supporting a particular grant or contract.

The signatures of both the principal investigator and department chair, or their delegates, must appear on the Personnel Action Form (PAF) or Personnel Event Form (PEF).

VIII. Charging Administrative and Clerical Salaries to Activities Other than Federal Grants and Contracts

In addition to their work on federally sponsored projects, administrative and clerical personnel may be assigned duties related to (i) non-federally sponsored projects and (ii) other university functions that go beyond normal levels of clerical and administrative support. Circular A-21 requires that the University treat such atypical activities in a manner that is consistent with the accounting for charges to sponsored projects. Specifically, D.1. states “*Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or F&A costs.*” Consequently, departments should segregate salary charges for effort devoted to such major non-federal activities and accounts for expense functions that are not accumulated as indirect costs. In contrast, effort devoted to non-sponsored activities that are not "major" should be considered as indirect cost (see Section V, above) charges.

IX. Example of How to Distribute the Salary of Administrative or Clerical Staff in Accordance with the Procedure

Appendix II presents an example of how to account for the effort of an administrative assistant with varied activities.

X. Non-Personnel Costs

In addition to administrative or clerical salaries, the following requirements on other non-personnel costs must also be adhered to:

- a. **Office supplies** – Office supplies are unallowable as a direct cost on federal funds. However, when items normally thought of as office supplies are purchased for the sole direct technical benefit to the project, these charges may be allowable. Such items must be consumed during the course of the project and must be demonstrated to be used only in the conduct of the sponsored project and not used for other projects or for the multiple activities of project personnel.
- b. **Postage** - Postage costs of routine correspondence are unallowable as a direct cost to federal funds. However, shipment of research materials and deliverables under a federal agreement may be allowable if reasonable care is taken to assure that such costs incurred are for the sole direct benefit of the sponsored project. Postage costs for mailing survey instruments, etc., may be allowable if specifically budgeted and justified in the budget approved by the agency.
- c. **Local telephone service costs** - All non-long-distance charges are unallowable as a direct cost on federal funds. These include the monthly use charge on the equipment and local access calls. Long distance charges are allowable under federal funds, as long as they are specifically related to the project. Unallowable costs would normally also include fax lines and pagers. Data or phone line charges may be allowable, if they are used exclusively for data transmission or other technical support in the conduct of the sponsored project and are specifically budgeted and approved by the agency, as direct costs to a federal program.
- d. **Memberships** – Memberships are unallowable as a direct cost on federal funds unless the membership is specifically identified and requested as a part of the project budget and the budget line item is allowed or the cost is specifically approved in writing by the federal agency. Your justification to the agency may be acceptable if, for example, membership is the sole means for getting a subscription to a journal that is necessary for the conduct of the project.

XI. Appendices

APPENDIX I

Examples of Situations Where Direct Charges may be Appropriate

Exhibit C of A-21 -- Examples of "major project" where direct charging of administrative or clerical staff salaries 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 and 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 geographically inaccessible to normal departmental administrative services, such as research vessels, radio astronomy projects, and other research field sites that are remote from 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 salaries 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 (F&A) cost pools or, if the same, the indirect activity costs are immaterial in amount. It would be inappropriate to charge the cost of such activities directly to specific sponsored agreements if, in similar circumstances, the costs of performing the same type of activity for other sponsored agreements were included as allocable costs in the institution's F&A cost pools. Application of negotiated predetermined F&A cost rates may also be inappropriate if such activity costs charged directly were not provided for in the allocation base that was used to determine the predetermined F&A cost rates.

Refer to Section VI of this procedure for further guidance.

APPENDIX II

Example of How to Account for an Administrative Assistant with Varied Duties

The following example demonstrates how to account for the effort of an administrative assistant with varied activities:

	Type of Activity	Allocation Method	Percentage
1.	Federal Grant A (extensive activity, salary budgeted and approved by funding agency)	Charge to Sponsored Project A as a direct cost	25%
2.	Sponsored Projects B, C, etc. Normal level of activity	Charge to departmental funds as "departmental administration" (indirect cost)	25%
3.	Curriculum summarization, copying, etc.	Charge to departmental funds as "instruction" (direct cost)	25%
4.	Other activities (student interaction, course scheduling, etc.)	Charge to departmental funds as "departmental administration" (indirect cost)	25%
	Total		100%

In the above example, 25% of the individual's time is charged to Federal project A, and 75% is charged to department funds. 50% of the 75% charge to departmental funds would be included in the University's indirect cost calculation, with the remaining 25% specifically identified as instruction, and therefore excluded from indirect costs.