MEMORANDUM

Date: April 18, 1994

To: Principal Investigators/Project Directors, Sponsored Programs Administrators, Unit Budget Officers

From: Paul M. Cardin, Contract Officer
Ann H. Greenberg, Assistant Chancellor, Office of Sponsored Programs

Subject: Charging of administrative and clerical salaries to federal grants and contracts.

The U. S. Office of Management and Budget (OMB) recently issued revisions to some elements of its Circular A-21, the federal document that governs the determination of costs applicable to grants, contracts and other agreements with educational institutions. One of the changes appears to suggest that universities are improperly recovering routine administrative expenses by charging minor portions, not clearly related to project activities, of the salaries of administrative and clerical personnel directly to grants and contracts. We have been told that the new wording was intended to prevent this practice. While analysis of administrative and clerical charges at NYU did not indicate any significant degree of the types of charges the government now finds inappropriate, the following new language will require greater justification of administrative and clerical salaries and certain other charges in proposals:

F.6. *Departmental administration expenses* . . . The salaries of administrative and clerical staff should normally be treated as 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. Items such as office supplies, postage, local telephone costs, and memberships shall normally be treated as indirect costs.

Several federal agencies, with input from the university community through the Council on Governmental Relations, clarified the intent of the A-21 revision, recognizing that there are many circumstances where direct charging of administrative and clerical salaries is appropriate. The federal agencies have suggested that each institution needs to develop its own guidelines for implementation. Accordingly, the University prepared the attached Guidelines for Including Administrative and Clerical Salaries in Grant and Contract Proposals, based on the government's clarification of the A-21 revision.

We expect that awarding agencies will begin implementation of this new rule as soon as September 1, 1994. All proposal budgets developed for program activity beginning on or after this date should incorporate the attached guidelines. Please call us with any questions you may have about this revision or its implementation.

Encl

cc: Sylvia Baruch
    Harold T. Read,
    Officers/Deans
The Government has amended its Cost Principles for Educational Institutions to restrict the circumstances under which we can charge administrative and clerical salaries directly to Federal grants and contracts. Section F.6.b. of the July 1993 revision of Office of Management and Budget (OMB) Circular A-21 states that the salaries of administrative and clerical staff should normally be treated as indirect costs, but permits direct charging of these costs where a major project or activity explicitly budgets for administrative or clerical services and the individuals involved can be specifically identified with the project or activity.

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 that is significantly greater than the routine level of such services provided by academic departments. All such salaries must meet the general criteria for direct charging in OMB Circular A-21 Section d.1 -- i.e., "... be identified specifically with a particular sponsored project... relatively easily with a high degree of accuracy," and the special circumstances requiring direct charging need to be justified to the satisfaction of the awarding agency in the grant application or contract proposal.

The following examples are illustrative of circumstances under which direct charging the salaries of administrative or clerical staff may be appropriate:

- Large, complex programs, such as Program Projects, and other grants and contracts that entail assembling and managing teams of investigators from a number of institutions or from several units within the University;

- Projects which involve extensive data accumulation and entry, surveying, tabulation, cataloging, 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, (including conferences and seminars).

- Projects whose principal focus is the preparation and production of manuals and large reports (excluding routine progress and technical reports).

- Projects that are geographically inaccessible to normal departmental administrative services, such as those that are remote from the campus.

The Government has not established a minimum level of project effort for an administrative or clerical employee whose salary may be directly charged. Given the concern in this area however, the smaller the percent of effort requested, the greater the difficulty in obtaining approval of the charge. Budget line items for administrative and clerical salaries of 5% to 10% effort or less probably will not be considered reasonable by sponsors, particularly if the justification is based on the recurring performance of routine clerical duties. Examples of circumstances that might result in approval of a relatively low percentage of effort by an administrative or clerical are:

- Internal staff who are responsible for providing support to the project, such as clerical support or administrative assistance.

- External support for specific tasks, such as data entry or report preparation.

- Specialized services that require significant time and effort from administrative or clerical personnel.
○ An activity that requires a high level of effort for a short period, for example, 100% effort for a month or 50% for two months, the equivalent of 8% per year, is more likely to be viewed as non-routine, identifiable to a specific project with a high degree of accuracy.

○ When the activity is not classifiable as routine administrative or clerical effort (for example, when the individual’s time is predominantly devoted to data collection or processing).

Effective immediately, budget requests for administrative and clerical effort must be accompanied by a clear and concise justification. Without adequate justification, federal sponsors will most likely delete the costs before funding. Our ability to reprogram funds for such purposes on a postaward basis under expanded authorities is questionable at the current time. Therefore, the deletion of the costs by the agency will preclude direct charging the administrative and clerical salaries during the approved funding period.

The restriction on administrative and clerical salaries is not the only revision to OMB A-21 to affect project budgets negatively. Items such as office supplies, postage, local telephone costs, and memberships are also to be treated normally as indirect costs. There is no explicit exception for major programs, etc., as there is for administrative and clerical salaries; however, proposals should continue to request these items in those circumstances where administrative and clerical salaries are appropriate. In addition, it will be important to identify certain items, such as computer software, as distinct from general office supplies in proposal budgets.
CIRCULAR A-21 (Revised 8/8/00)

PRINCIPLES FOR DETERMINING COSTS APPLICABLE TO GRANTS, CONTRACTS, AND OTHER AGREEMENTS WITH EDUCATIONAL INSTITUTIONS

F. Identification and assignment of F&A costs.

6. Departmental administration expenses.

b. The following guidelines apply to the determination of departmental administrative costs as direct or F&A costs.

(2) The 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.

Exhibit C -- 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 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 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.

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