



UNIVERSITY OF HAWAII

OFFICE OF RESEARCH SERVICES

December 6, 2002

MEMORANDUM

TO: Vice Presidents, Chancellors, Provosts
Mānoa Deans and Directors

Marvin S. Enokawa
FROM: Marvin S. Enokawa
Director of Research Services

SUBJECT: **CHARGING OF ADMINISTRATIVE AND CLERICAL EXPENSES TO
FEDERAL GRANTS AND CONTRACTS**

We are noticing a shift in the Federal position on the charging of administrative and clerical expenses in proposal budgets. Whereas past practice relied primarily upon sponsor approval, some Federal sponsors are now beginning to enforce the provisions of OMB Circular A-21, Sections F6b.(2) and F6b.(3).

Sections F6b.(2) and F6b.(3) state that the salaries of administrative and clerical staff, office supplies, postage, local telephone costs, and memberships should normally be treated as facilities & administrative (F&A) costs. In other words, recovered through the F&A rate charged to the grant or contract.

Thus, the general rule is that these costs cannot be charged directly to Federal grants and contracts. As a result, these types of costs are also ineligible for cost sharing purposes. To be eligible for cost sharing, costs must be "allowable [as direct costs] under the applicable cost principles" (OMB Circular A-110, Section 23).

Exceptions are made when the costs are incurred to support a major project. Attached is a memorandum issued in 1995 that describes activities that may qualify as a major project and a copy of the current F6b. provisions.

The key is that the project must require an extensive amount of administrative or clerical support that is significantly greater than the routine level of services provided by the department. Routine services would include activities such as preparing proposals, progress reports and correspondence; processing personnel and procurement actions; and preparing journal vouchers and cost sharing forms.

Whenever administrative or clerical expenses are proposed, they should be explicitly budgeted and justified. The justification should explain the extensive administrative and clerical support required and how direct charging of these expenses are appropriate given the intent of F6b. and the examples provided.

Please note that Federal policymakers and auditors do not consider insufficient or inadequate departmental administrative support, whether attributable to a lack of institutional funding or other reasons, to be valid justification for the direct charging of administrative or clerical expenses.

A National Science Foundation representative stated that if administrative or clerical salaries were proposed without sufficient justification, they would be disallowed.

The onus is on the University to ensure that administrative or clerical expenses are charged in accordance with applicable Federal regulations and University policies. Sponsor approval is no longer a guarantee of allowability.

The most recent National Institutes of Health Grants Policy Statement (3/2001) states: **"The fact that a cost requested in a budget is awarded, as requested, does not ensure a determination of allowability. The organization is responsible for presenting costs consistently and must not include costs associated with their F&A rate as direct costs."**

Please distribute this memorandum to appropriate personnel to ensure that investigators consider Sections F6b.(2) and F6b.(3) before budgeting administrative and clerical expenses in proposals to Federal sponsors.

These policies do not apply to proposals with non-Federal sponsors. However, if the investigator is submitting a proposal to a non-Federal sponsor and would be a recipient of Federal pass-through funds if awarded, the policies do apply.

Should you have any questions, please contact Kevin Hanaoka of the Cost Studies Section at 956-9242.

Attachments

UNIVERSITY OF HAWAII

Contracts and Grants Management Office

July 7, 1995

MEMORANDUM

TO: University Administrators and Chancellors

FROM: *Marvin S. Enohawa*
Marvin S. Enohawa
Director of Governmental Accounting & Cost Studies Office

SUBJECT: **CHARGING OF ADMINISTRATIVE AND CLERICAL EXPENSES
FOR INDIRECT COST PURPOSES**

This is to inform you that the Office of Naval Research (ONR) has issued the attached letter implementing Section F.6.b. of the Office of Management and Budget (OMB) Circular A-21 regarding administrative and clerical expenses charged to sponsored projects.

Generally, administrative and clerical expenses should be treated as indirect costs. Direct charging of these expenses may be appropriate only when these expenses are specifically budgeted for the major project or activity and the individuals involved can be specifically identified with the project or activity.

Please be advised that the University's compliance with OMB Circular A-21 is necessary in the development of indirect cost rates. We appreciate your understanding and cooperation in this matter.

If there are any questions regarding the above, please call me at x66961.

Attachment

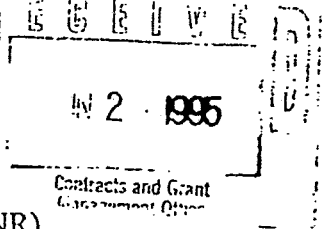
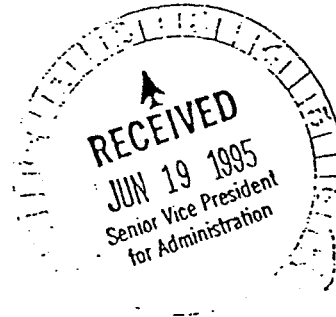


DEPARTMENT OF THE NAVY
OFFICE OF NAVAL RESEARCH
800 NORTH QUINCY STREET
ARLINGTON, VA 22217-5660

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IN REPLY REFER TO
Ser 24/047ad
12 June 95

Mr. Ralph T. Horii
Vice President of Finance and Operations
University of Hawaii
2444 Dole Street
Honolulu, HI 96822



Dear Mr. Horii:

The purpose of this letter is to provide the Office of Naval Research (ONR) implementation of section F.6.b. of Office of Management and Budget (OMB) Circular A-21 concerning administrative and clerical salaries. This section was changed in July 1993 to read:

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.

As stated, generally administrative and clerical expenses are treated as indirect costs. The following examples are illustrative of circumstances when the nature of the work performed under a particular award may require extensive amounts of clerical and administrative effort and direct charging of these expenses 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 seagoing research vessels, radio astronomy projects, and other research field sites that are remote from the campus.
- Individual projects requiring project-specific database management; individualized graphs or manuscript preparation; human or animal protocol, other project-specific regulatory 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 situation illustrated in the examples. Therefore, when deciding to charge clerical and administrative expense to direct or indirect costs, attention must be paid to assure that costs incurred for the same purpose in like circumstances are treated consistently.

When the initial budget did not contemplate charging of administrative and clerical expense directly, funds may be rebudgeted without prior approval when consistent with OMB Circular A-21 and the examples provided here.

If you have any questions, please contact your cognizant ONR Administrative Contracting Officer.

Sincerely,



ANN STUART
Director
University Business Affairs

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

(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 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.

(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.

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

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.

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.