Sponsored Projects Accounting (SPA), in conjunction with Office of Sponsored Research Services (OSRS), has developed an updated set of policies and procedures for managing administrative costs on federally funded sponsored projects. The information noted below was provided from the following sources: OMB Circular A-21 – Cost Principles for Grants, Contracts and Other Agreements with Educational Institutions; the NIH Grants Policy Statement; the NSF Grants Policy Manual; and the current Financial Information System (FIS) chart of accounts. All University personnel involved with the financial management of sponsored projects should utilize these policies and procedures. This document supersedes all previous policies on this subject.

Policy

OMB Circular A-21 prohibits most administrative costs from being directly charged to federally funded sponsored projects. Normally, the salaries of administrative and clerical staff plus non-personnel costs such as office supplies, postage, local telephone and memberships must be treated as facilities and administrative (F&A) costs. Accordingly, administrative costs should not be directly charged to federally funded grants and contracts. These administrative costs should be charged to departmental accounts and/or other non-federal funding sources.

Circular A-21 further stipulates that administrative costs can be direct charged to a project when exceptional circumstances exist. Noted below is a description of those exceptions.

Salaries

Direct charging of administrative and clerical salaries (and related fringe benefits) may be appropriate where a major project or activity explicitly budgets for these services and the individuals involved can be specifically identified with the project or activity. This type of project/activity would require an extensive amount of administrative or clerical support that is significantly greater that the routine level of such services provided by academics departments through the University. Projects that could have the necessary characteristics to justify direct charging of administrative expenses include, but are not limited to the following:
Large complex programs such as Clinical Research Centers, Primate Centers, Program Projects, Environmental Research Centers, Engineering Research Centers and other agreements that entail assembling and managing teams of investigators from a number of departments or institutions.

Projects which involve extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, searching literature, and reporting (such as epidemiological studies, large-scale clinical trials and retrospective clinical record studies).

Projects requiring 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 or scientific manuscripts).

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 campus.

Individual projects requiring project-specific database management; individualized graphics or manuscript preparation; human or animal protocols; and multiple project-related investigator coordination and communication.

The University’s human resources and payroll system (HRMS) identifies each position (job code) as research eligible (e.g., faculty members, research scientists, technicians, nurse coordinators...) or research ineligible (e.g., accountant, administrative assistant, admissions representative, benefits coordinator...). Edits within the HRMS system are initiated when employees are sourced to sponsored projects based upon the federal guidelines mentioned above and their job code. Additionally, data elements within the general ledger provide additional restrictions for administrative and clerical salaries.

Non-Personnel Costs
Items such as office supplies, postage, local telephone costs and memberships cannot be directly charged to grants unless their applicability and distinctive requirements (i.e., unlike circumstances) can be clearly established. The cost must support activity that is directly related to the project and the link between the cost and the activity is close and clear.

Office Supplies and Research Office Supplies
Certain items may meet the exceptional criteria such as specialized laboratory notebooks used specifically to document the results and conclusions of scientific activity for a particular grant. Investigators cannot use such laboratory notebooks for purposes other than documentation of experiments (e.g., class notes, general “to do” lists, etc.) for a particular grant or specified group of grants. Normal office supplies items (i.e., pens, pencils, paperclips, paper, files/folders...) would not be appropriate as a direct cost.
Administrative Cost Policies and Procedures
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- Postage
  Extraordinary postage, FedEx or courier fees directly related to the scientific/technical needs of the project may be appropriate. The costs of shipping project samples to a laboratory or a collaborator for analysis may be appropriate, as would costs for mailing large surveys. Costs for routine correspondence or mailing proposals, manuscripts or reports would not be appropriate.

- Local Telephone, Fax and Data Line Costs
  Local telephone, fax and data line costs would not be appropriate where the purpose is to provide general telephone/fax/data line accessibility to faculty and staff.

- Cell Phones and Pagers
  The costs of these items may be appropriate for an individual whose primary task is to travel from location to location to gather data or conduct patient surveys and that individual must maintain contact on a continual basis, as part of the specific needs of the project. Costs would only be allowable based on the pager/cellular telephone use being dedicated solely to the needs of the project. In the case of an individual who has multiple duties or works on several projects or where the pager / cell phone is not an integral part of the specific tasks associated with the project, costs of a pager/cellular phone would not be appropriate as a direct expense. If the pager/cellular phone is needed primarily because the person needs to be reachable by staff, such costs may not be directly charged to a grant.

- Memberships, Professional Dues
  Appropriate as a direct cost on an exception basis only where: (1) Membership is a mandatory requirement of the sponsored agreement; or (2) for training/fellowship programs where the membership is authorized for a trainee as part of the trainee’s development/training program.

The University’s general ledger system contains specific budget object codes related to functional expenditure categories. The budget object codes related to the administrative costs noted above can be restricted for federal and other applicable sponsored projects, thus ensuring that transactions cannot post to applicable accounts. Additionally, OMB Circular A-21 also stipulates that certain costs are unallowable under most circumstances, regardless of its treatment as a direct or indirect cost. Please refer to the University’s Unallowable Cost Policy and Procedure document available at www.spa.wustl.edu.

Procedures

Federally Funded Project (Direct and pass-through)
The Principal Investigator (PI) should normally exclude administrative and clerical costs from proposals submitted to federal agencies. However, if the above exception criteria have been met, these administrative costs should clearly be noted and justified in the proposal budget and budget justification. Proposal submissions which include budget requests for direct charging of administrative and clerical expenses are subject to review by OSRS prior to the submission of the application.

Subsequent to the receipt of an award notice that contains federal funding (including federal pass-
through awards), OSRS will restrict the following budget object codes on the account and related allocations when the fund is established:

- 3403 - Research Office Supplies
- 3455 - Laser Printer Supplies
- 3512 - Postage
- 3530 - Telephone Monthly Service
- 3532 - Telephone Data Processing Equipment
- 3557 - Memberships

Refer to Attachment A for detailed descriptions of these budget object codes.

If the PI believes that certain administrative expenditures are appropriate on a federal project, an Administrative Cost Exception (ACE) form should be completed and submitted to SPA. The PI should clearly justify the basis of the unique and mitigating scientific/technical needs of the project. SPA will review the justification in the ACE form and make the final determination of whether the costs are considered direct or F&A. The ACE form and corresponding instructions can be obtained from the SPA website under the Forms submenu, see http://spa.wustl.edu/forms.htm.

Only administrative and clerical costs specifically noted on the ACE form should be charged to the fund. If the scientific need/requirement to incur other/additional administrative costs arises during the performance of the project, and those costs differ substantially from the costs on the approved original ACE form, a secondary ACE form should be completed and submitted to SPA for approval. In addition, the ACE approval is specific to the department fund number combination and must be completed for each subsequent allocation or new fund number. Please contact SPA regarding with questions or clarifications about the ACE Form process.

The PI should continue to review the administrative costs charged to the project on an on-going basis to ensure appropriateness and consistency. The PI or his/her designee should also utilize trailing documents in FIS or notations on the source documents to verify the specific identification and unlike circumstances.

While there is no specific dollar value required for exception requests, exceptions should only be requested for extraordinary costs and circumstances, so that most small dollar value requests would probably not meet the strong, mitigating need criteria for an exception. Additionally, neither the lack of other non-sponsored supportive funding nor the availability of funding under a sponsored agreement is justification, in and of itself, for requesting an exception. All exceptions must be based on a specific, extraordinary scientific/technical need and must be essential to successful completion of the project.

**Private / Non-Federal Projects**

Restrictions on administrative costs vary substantially among non-federal sponsors such as voluntary health agencies, private foundations and/or industry. A number of non-federal entities will specifically address administrative costs within the terms and conditions of the award, whereas some do not provide that level of detail. If the PI believes that there is a project related need for certain administrative costs, he/she should contact SPA to discuss their reasonableness and allocability to the project. In some situations, it may be necessary to contact the awarding agency to obtain clarification.
and/or approval for administrative costs.

For non-personnel administrative costs, OSRS will prohibit the applicable budget object codes that have been explicitly deemed unallowable/inappropriate by the sponsoring agency. For administrative salaries and wages, an Administrative Cost Exception (ACE) form should be completed and submitted to SPA. The PI should describe the direct benefit and scientific/technical needs of the administrative personnel to the project.

SPA has developed a Top 10 List for Administrative Costs (see Attachment B) and an Administrative Cost Guideline Matrix (see Attachment C) as a quick reference tools for this subject.

This memo and other policy and procedure documents can be found on the SPA web site, http://spa.wustl.edu/. If there are any issues that have not been addressed in this document, please contact Joe Gindhart at 935-7089 / jgindhart@wustl.edu. Thank you for your cooperation in this matter.
## ADMINISTRATIVE BUDGET OBJECT CODES

<table>
<thead>
<tr>
<th>Budget Object</th>
<th>Object Title</th>
<th>Object Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>34-03</td>
<td>Research Office Supplies</td>
<td>Approved exceptional office supply items that are distinctively needed on large projects that contain an administrative core or for the distinct scientific work scope of the project. Purchase of such items does require a justification of how the item directly benefits the project.</td>
</tr>
<tr>
<td>34-55</td>
<td>Laser Printer Supplies</td>
<td>Includes toner and refurbishment of toner cartridge.</td>
</tr>
<tr>
<td>35-12</td>
<td>Postage</td>
<td>Stamps, pre-stamped postcards or envelopes, postage meter charges, bulk rate charges, etc.</td>
</tr>
<tr>
<td>35-30</td>
<td>Telephone – Monthly Service</td>
<td>Telephone monthly service charge. Instrument costs for stations extension, mileage, special key equipment, etc.</td>
</tr>
<tr>
<td>35-32</td>
<td>Telephone – Data Processing</td>
<td>Telephone-data processing equipment and costs. Monthly equipment and line rental costs for data processing equipment.</td>
</tr>
<tr>
<td>35-57</td>
<td>Memberships</td>
<td>Memberships under a personal or University name, conference assessments, or subscriptions included as part of dues.</td>
</tr>
</tbody>
</table>
SPA'S TOP 10 LIST

-ADMINISTRATIVE COSTS-

1) Administrative costs are generally prohibited from being directly charged to federally funded sponsored projects, per OMB Circular A-21.

2) Normally, the salaries of administrative and clerical staff plus non-personnel costs such as office supplies, postage, local telephone, and memberships must be treated as indirect costs on federal grants and contracts.

3) The following BUOB’s are normally restricted, unless identified during the pre-award stage or noted on an Administrative Cost Exception (ACE) form which is subsequently approved by Sponsored Projects Accounting, 3403–research office supplies, 3455–laser printer supplies, 3512–postage, 3530–telephone, 3532–telephone data processing equipment, and 3557–memberships.

4) OMB Circular A-21 does allow for direct charging of administrative and clerical staff (and related fringe benefits) and non-personnel administrative costs if the costs meet the exception criteria of unlike or special circumstances.

5) Administrative costs may be appropriate on certain “major projects”. This type of project/activity would require an extensive amount of administrative or clerical support that is significantly greater than the routine level of such services provided by academics department through the University. Examples of a “major project” would include: unusually large and complex projects (i.e., program projects, research centers), project which involve extensive data accumulation; conference or seminar grants; projects that produce large manuscripts or reports; projects that are geographically inaccessible (i.e., research vessels) or projects that require project-specific database management.

6) The Principal Investigator (PI) should clearly describe and justify the administrative costs that meet the exception criteria in the proposal budget and narrative.

7) Requests for support of administrative and clerical costs should be clearly justified in the proposal budget and are subject to review by OSRS.

8) If there is a need to directly charge administrative costs to a project after the proposal has been submitted and the fund is established, an Administrative Cost Exception (ACE) form should be completed and submitted to Sponsored Projects Accounting. The request will be reviewed and if it is approved, the budget object codes related to the cost items will be activated on the fund.

9) A trailing document should be completed when a budget object code related to administrative charges that are normally not considered allowable is utilized on a financial transaction. The trailing document should justify the specific identification and unlike circumstances of the costs.

10) Please refer to the University’s Administrative Cost Policy, http://www.spa.wustl.edu/policies.htm.