

TO: Business Managers and Research Administrators

FROM: Joseph M. Gindhart, Director – Sponsored Projects Accounting
John Michnowicz, Director – Grants and Contracts
Kaaren Downey, Acting Director – Research Office

DATE: November 2007

SUBJECT: Administrative Cost Policy and Procedures – **REVISED (11/07)**

Sponsored Projects Accounting (SPA), in conjunction with Grants and Contracts (G&C) and the Research Office (RO), has developed a *revised* set of policies and procedures for managing administrative costs on federally funded sponsored projects. The information noted below was developed 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; the University’s Guidelines for Direct Charging to Grants; 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 than 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.

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- 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.

In addition to supporting a *major project or activity*, the University's Guidelines for Direct Charging Costs to Grants (see <http://spa.wustl.edu/dircharge/interim.html>) lists other conditions that must be satisfied in order to justify the charging of administrative and clerical salaries directly to grants.

- **Grant Specific Association**
Individuals whose salaries and related fringe benefits are paid from a project must have responsibilities specifically associated with the work of the project. They must be able to certify this association on their PAR reports.
- **Realistic Association**
The percentage of the individual's effort and salary assigned to the project must be a realistic reflection of their planned effort (in the case of budgeted costs) or real effort (in the case of actual costs).
- **Specifically Budgeted**
As proposed grant budgets are developed, the percent of effort and the salaries and fringe benefit amounts for the administrative and clerical positions must be specifically included in the budgets and reasonably explained. Agency approval is required.

Non-Personnel Costs

Items such as office supplies, postage, local telephone costs and memberships cannot be direct 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.
- **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.

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- 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.

Note: OMB Circular A-21 also stipulates that certain costs are unallowable under most circumstances. Please refer to the University's Unallowable Cost Policy and Procedure document available at www.spa.wustl.edu.

Procedures:

The Principal Investigator (PI) should normally exclude administrative and clerical costs from proposals submitted to federal agencies. Subsequent to the receipt of an award notice that contains federal funding (including federal pass-through awards), G&C or the RO will restrict the following object codes 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**, the costs should be included in the proposal budget/narrative and be clearly justified on the basis of the unique and mitigating scientific/technical needs of the project. G&C or the RO will review the proposal data and make the final determination of whether the costs are considered direct or F&A. If G&C/RO approve the costs as direct charges to the project, and the **federal** agency subsequently issues an award for the project, then they will be considered appropriate direct costs as long as the project meets the above noted exceptional criteria. G&C/RO will then activate the specific budget object codes related to those costs when the fund is established. The PI should continue to review the costs on an on-going basis to ensure appropriateness and

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consistency. The PI or his designee should also utilize trailing documents in FIS or notations on the source documents to verify the specific identification and unlike circumstances.

If there is a project need to direct charge administrative costs which have not been previously reviewed and approved during the proposal process, an [Administrative Cost Exception Form](#) (Form) (available at <http://spa.wustl.edu/>) should be completed and submitted directly to SPA. If the Form is approved, SPA will activate the individual budget object codes that relate to those items. (Note: The Form is also attached to the end of this document.)

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

Sponsored projects funded by private agencies, foundations and/or industry may not contain restrictions for administrative costs. If the PI believes that there is project related need for administrative costs on the project, he/she should forward this data to SPA for review. Subsequently, SPA will activate the appropriate budget object code(s) related to these costs, as necessary.

The University's Guidelines for Direct Charging Costs to Grants contains additional information and exception examples for administrative costs, (see sections E. and F. at <http://spa.wustl.edu/dircharge/interim.html>). SPA has also 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/admin.html>. If there are any issues that have not been addressed in this document, please contact Joe Gindhart at 935-7089 / joe_gindhart@aismail.wustl.edu, John Michnowicz at 362-6876 / john.michnowicz@wustl.edu, or Kaaren Downey at 935-8324 / downeyk@wustl.edu. Thank you for your cooperation in this matter.

Attachment A

ADMINISTRATIVE BUDGET OBJECT CODES

Budget Object	Object Title	Object Descriptions
34-03	Research Office Supplies	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 .
34-55	Laser Printer Supplies	Includes toner and refurbishment of toner cartridge.
35-12	Postage	Stamps, pre-stamped postcards or envelopes, postage meter charges, bulk rate charges, etc.
35-30	Telephone – Monthly Service	Telephone monthly service charge. Instrument costs for stations extension, mileage, special key equipment, etc.
35-32 Telephone	e – Data Processing Equipment	Telephone-data processing equipment and costs. Monthly equipment and line rental costs for data processing equipment.
35-57	Memberships	Memberships under a personal or University name, conference assessments, or subscriptions included as part of dues.

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](#) 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) The Research Office or Grants & Contracts will review the proposal and make the final determination ([in conjunction with SPA, as necessary](#)) on whether the costs will be considered direct or indirect. If the costs are approved as direct, the related budget object codes will be activated.
- 8) If there is a need to direct charge administrative costs to a project after the proposal has been submitted and the fund is established, an [Administrative Cost Exception](#) 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>, and the Guidelines for Direct Charging Costs to Grants, <http://www.spa.wustl.edu/direct.htm>, for additional information.

Washington University – Sponsored Projects Accounting Administrative Cost Exception Form

_____ **New**

_____ **Additional**

Date _____ Dept. name and # _____ Fund # _____

P.I. or Program Director _____ Agency Number _____

Agency _____ Project Title _____

Department contact for questions: *Name/Phone* _____

Major Project Category: Please check the “Major Project” that is applicable to the project’s Scope of Work.

_____ 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 a 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 routing 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.

_____ Other (please specify):

SECTION I - ADMIN/CLERICAL SALARIES

Please describe job responsibilities & provide justification as to how this is specifically associated with the work of the project. If the role/job title on the project differs from the HRMS job title please explain.

ADMIN/CLERICAL SALARIES

*****Please submit the request at least five days prior to payroll deadline*****

Name _____ % Effort _____ HRMS JobTitle _____

HRMS Job Code _____ Period of time employee will work on project _____

SECTION II – NON –PERSONNEL COSTS

For approval, check each budget object code requested and identify the expense items. Include a detailed explanation of why the item is necessary for the project and how it fits the unlike circumstances requirement.

LASER PRINTER SUPPLIES (3455)

RESEARCH OFFICE SUPPLIES (3403)

POSTAGE (3512)

LOCAL TELEPHONE (3530)

DATA LINES (3532)

MEMBERSHIPS/SUBSCRIPTIONS (3587/3557)

OTHER()

SECTION III - GENERAL PROJECT OBJECTIVES (complete for Sections I and II):

Principal Investigator _____ **Date** _____

Form prepared by _____ Phone number _____ E-mail _____

****Please submit the form to SPA –Elinor Nelson, enelson@wustl.edu or fax (314) 935-4309****

APPROVALS (SPA USE ONLY)

Approved	Not Approved (provide brief explanation)	SPA Initials
Salaries _____	_____	_____
3455 _____	_____	_____
3403 _____	_____	_____
3512 _____	_____	_____
3530 _____	_____	_____
3532 _____	_____	_____
3587/3557 _____	_____	_____
Other () _____	_____	_____

Please use this section for further approval explanation by SPA and/or other information for the department related to the requested expenses.

Comments:

Sponsored Project Accounting Final Approval: _____ **Date:** _____

Date AIS Profile Updated: _____

Washington University – Sponsored Projects Accounting
Instructions for completing the Administrative Cost Exception Form

The Administrative Cost Exception form should be completed if there is a project need to direct charge administrative costs which have not been previously reviewed and approved during the proposal process. In accordance with OMB Circular A-21, expenditures that are normally considered F&A costs need specific identification and unlike circumstances justified before they can be charged directly to a federal project. It is important to fully describe and justify why these exceptions are necessary to achieve project objectives.

When to complete an ACE request? – Complete this form when:

- 1.) You have a **federal or non-federal** project which requires administrative/clerical salaries/fringe benefits which can be justified as meeting unusual/unlike circumstances.
- 2.) You have a **federal or non-federal** project which requires administrative/clerical salaries/fringe benefits for someone who has an admin/clerical job code in HRMS although the employee's duties are not administrative in nature.
- 3.) You have a **federal** project which requires administrative non-personnel costs such as toner (3455), research office supplies (3403), postage (3512), local telephone (3530), data lines (3532) or memberships/subscriptions (3587/3557) which can be justified as meeting unusual/unlike circumstances.
- 4.) You have a **federal or non-federal** project which requires a non-personnel budget object code not previously listed in number 3 which is currently prohibited AND it is NOT specifically disallowed by the sponsor. Choose "other" option in Section II and list budget object code and reason needed.

When completing the form, please check if this is a new or additional request for the same federal fund.

Major Project Category – To better understand the purpose of the project and why administrative costs (personnel and non-personnel) may be needed, please choose the appropriate "Major Project" category as it applies to your project. If no choice seems to fit, please choose "Other" and provide a description.

SECTION I - ADMINISTRATIVE/CLERICAL 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 than the routine level of such services provided by academic departments throughout the University. Detailed justification for the request needs to be provided clearly indicating why this cost should be allowed. If the justification is not sufficient, SPA may request additional information to be provided in order to make a final decision.

SECTION II - NON-PERSONNEL COSTS

Items such as office supplies, postage, local telephone and membership costs cannot be charged directly to sponsored funds unless their applicability and distinctive requirements (i.e., unlike circumstances) can be clearly established. The cost must support an activity that is directly related to the project and the link between the cost and the activity is close and clear. Please provide a detailed and sufficient justification for each item marked on the form. Attach additional information to the form if needed. If the justification is not sufficient, SPA may request additional information to be provided in order to make a final decision.

GENERAL PROJECT OBJECTIVES

For the general project objectives section, please provide a brief and specific description of the fund, its purpose and goals. This will help us better understand the environment and circumstances surrounding the sponsored project. This section should be completed for both Sections I and II. If necessary, send a copy of the budget justification from the proposal and/or any other proposal documents which may help explain the project goals.

The **signature of the PI** is required when submitting the form to SPA. SPA will not process the form without the signature or appropriate exception explanation.

After reviewing the form and submitted justification, SPA will use the **Approval box** to indicate if the requested costs have been approved/disapproved, and provide additional information if needed. When finalized, SPA will sign the **Final approval**. If any specific instructions are given to the department regarding the direct charges or if additional documentation exists and it relates to the request, SPA will use the **Comments** sections to address it. Also, if as a result of the decision making process more supporting documentation had been provided, it should be indicated under this section and attached to the form.

Once the final decision has been reached, SPA will inform the department about the decision. If approved, the adjustment to the AIS profile will be made to un-prohibit the requested expenses and profile comments will be added to provide more details regarding the approved direct charges.

Please submit the completed form to Elinor Nelson, via e-mail, enelson@wustl.edu (scan) or fax, (314)935-4309. For any additional information please call (314) 935-5763. For administrative and clerical salaries, please submit the request at least five days prior to the payroll deadline for timely processing.

ADDITIONAL REFERNCES:

SPA Top 10 list on Administrative Costs

Direct Charging Policies

Administrative Cost Policy

Administrative Cost Matrix

These references can be found on the SPA website at <http://spa.wustl.edu>