CSULB FOUNDATION

ADMINISTRATIVE COSTS CHARGING ON FEDERAL GRANTS
POLICY AND PROCEDURE

(This document is intended to help investigators and staff at the proposal preparation stage. This policy applies only to projects which contain federal money, or agreement provisions which cite the applicability of OMB Circular A-21. This policy/procedure does not apply to non-federal agreements/proposals.)

BACKGROUND

Office of Management and Budget (OMB) Circular A-21, Cost Principles for Institutions of higher Education establishes the principle that administrative and clerical staff salaries and other expenses should normally be treated as indirect costs. However, A-21 guidelines allow direct charging of these costs under certain exceptional circumstances.

The principles for determining which of the costs associated with CSULB’s research, training, and other sponsored work are applicable to federal contracts, grants, and other agreements are set out in OMB Circular A-21. A-21 defines allowable direct cost categories and prescribes a standard methodology for the recovery of facilities and administrative (F&A) (indirect) costs. The University/Foundation is responsible for ensuring that costs charged to a sponsored agreement are allowable, allocable, and reasonable under these cost principles.

ADMINISTRATIVE COSTS MAY BE CHARGED DIRECTLY WHEN A PROJECT HAS BEEN DETERMINED TO BE A “MAJOR PROJECT”

Circular A-21 allows administrative salaries and clerical expenses to be charged directly to federal grants, contracts, and other agreements when the expense is in support of a “major project”—defined as one that requires extensive administrative or clerical support that is significantly greater than the level of such services routinely provided by the department*; and

- the expense is identified specifically with the project and directly benefits the project;
- the expense is budgeted specifically and approved by the sponsor; and
- the expense is supported by an explicit budget justification in the proposal.

*The key concept is of administrative intensity significantly beyond routine levels. If the project work scope requires an extensive amount of administrative or clerical support, then A-21 allows the definition of the project as “major.” A project may be “major” regardless of its size or the amount of its funding. Some examples are included below.
DECISION TREE - CHARGING ADMINISTRATIVE AND TECHNICAL EXPENSES TO FEDERAL AWARDS

The chart below outlines the process of deciding whether or not an administrative expense may be charged directly to a federal sponsor.

<table>
<thead>
<tr>
<th>Question</th>
<th>If Yes</th>
<th>If No</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Is the expense reasonable, allowable, and allocable to the project?</td>
<td>Go to question 2.</td>
<td>Cannot be charged to this award.</td>
</tr>
<tr>
<td>2. Is the expense for a technical purpose?</td>
<td>Charge direct to award.</td>
<td>Go to question 3.</td>
</tr>
<tr>
<td>3. Is the project administratively intensive?</td>
<td>Go to question 4.</td>
<td>Cannot be charged to this award.</td>
</tr>
<tr>
<td>4. Was expense budgeted and justified?</td>
<td>Go to question 5.</td>
<td>Cannot be charged to this award.</td>
</tr>
<tr>
<td>5. Was expense specifically disapproved by sponsor?</td>
<td>Cannot be charged to this award.</td>
<td>Charge direct to award.</td>
</tr>
</tbody>
</table>

NOTE: The requirement to establish a “major project” in order to charge clerical and administrative expenses applies only to federal sponsors. When being charged to a non-federal sponsor, these expenses must still be allowable, allocable to those projects, and reasonable, but they do not have to pass the “major project” test.

PROPOSAL PROCEDURES

It is the responsibility of the principal investigator/project director to determine whether or not to classify a proposed project as “major.” This must be stated on the CSULB Internal Clearance Form and must also be stated explicitly in the budget justification section of the proposal (see sample language below).

BUDGET JUSTIFICATION

Whenever a proposal budget to a federal sponsor includes clerical or administrative salaries or other expenses, the proposal must establish that the project being proposed meets the A-21 definition of a “major project.”

The following sample language is suggested for inclusion in the budget justification section of the proposal to establish this point:

The PI has determined that this is a major project, as defined by OMB Circular A-21, and it meets A-21 requirements for direct charging of administrative expenses. All effort and expenses charged to this project will be for services specific to the project, and not for general support of the academic activities of the faculty or Department. In addition, effort charged to this project can be specifically identified to the project.
In addition to this statement, a clear and compelling budget justification for those expenses must also be included.

The following key elements should be included in the budget justification, describing specific costs pertaining to the “major project”:

- a description of the expense or service;
- how it relates to and benefits the project;
- the anticipated cost;
- the time period in which it will be utilized; and
- any other information that will aid the sponsor in evaluating and funding the proposed item of cost.

In justifying administrative and clerical charges in proposal budgets, the following items also should be considered:

- The job title within the human resources system may imply that the effort is dedicated to administrative purposes.
  Is the nature of the work different from the general administrative work conducted for all sponsored projects?
  Are the charges necessary to meet the technical needs of the project rather than to support the administrative needs?
- The cost category (e.g., office supplies) may imply that the items are being used for administrative purposes.
  How will the items be used to meet the technical needs of the project?
  Explain in detail their relevance to the methods used in conducting the project.
- Can the proposed charges be easily and accurately documented as appropriate to the project?
  How will this be done?

EXAMPLES OF “MAJOR PROJECTS” FROM CIRCULAR A-21

Exhibit C of Circular A-21 provides the following examples of “major projects” where direct charging of administrative or clerical staff salaries and costs 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.

  CSULB examples:
  - Strategic Language Institute (SLI) Grants/contracts that make multiple or complex subawards to different faculty and/or other institutions
  - SCORE grant (with suballocations given to different faculty)

- 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).
CSULB examples:
- NIH Training Grants (MARC)
- Projects which require extensive data collection and dissemination
- Telephone or mail surveys

- **Projects that require making travel and meeting arrangements for large numbers of participants, such as conferences and seminars.**

CSULB examples:
- Conference/workshop grants
- Social Work Training Centre
- Student Support Services Grants

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

CSULB examples:
- Curriculum development grants
- Grants to develop electronic reference materials

- **Projects that are geographically inaccessible to normal departmental administrative services, such as research vessels, radio astronomy projects, and other research field sites that are remote from campus.**

CSULB examples:
- Grants/Contracts partially or entirely performed off-campus
- Projects conducted at field sites remote from campus -- CBRS

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

CSULB example:
- Project requiring extensive administrative management/record keeping of human or animal subjects performed by an administrator rather than technical staff

These examples are not exhaustive nor are they intended to imply that direct charging of administrative expenses would always be appropriate for the situations illustrated in the examples.

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