



## **Administrative Costs Charging on Federal Grants**

### **Policy Objective:**

This policy establishes guidelines intended to support Principal Investigators (PI) 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's) Code of Federal Regulations Part 200 —Uniform Administrative Requirement, Cost Principles and Audit Requirements for Federal Awards (“Uniform Guidance”). This policy/procedure **does not apply to** non-federal agreements/proposals.)

### **Policy Statement:**

The Uniform Guidance establishes the principle that administrative and clerical staff salaries and other expenses should normally be treated as indirect costs. However, guidelines allow direct cost charging under certain exceptional circumstances. The principles for determining these exceptional circumstances associated with research, training, and other sponsored work are applicable to federal contracts, grants, and other agreements set out in the Uniform Guidance. The Uniform Guidance defines allowable direct cost categories and prescribes a standard methodology for the recovery of facilities and administrative (F&A) (indirect) costs. The CSULB Research Foundation is responsible for ensuring that costs charged to a sponsored agreement are consistent, allowable, allocable, and reasonable under these cost principles.

### **Administrative Costs and Clerical Effort**

To charge administrative and clerical effort directly to a federally funded project all four of the following conditions must be met:

- Administrative or clerical services are integral to a project or activity;
- Individuals involved can be specifically identified with project objectives;
- Such costs are explicitly included in the budget and/or have the prior written approval (as required) of the federal awarding agency; and
- The costs are not also recovered indirectly through the F&A rate.

OMB has not established a minimum (or maximum) level of project effort for an administrative or clerical employee whose salary may be a direct cost charged to a project. Given the audit concerns in this area, however, the smaller the percent of effort requested, the greater the difficulty in justifying the charge. Budget line items of 5%-10% effort or less are unlikely to be regarded as integral to the project. Likewise, the direct allocation of such modest amounts of administrative effort over multiple projects is not an indication of consistent treatment, nor that specific individuals can be clearly identified with project objectives.

## Non-Personnel Administrative Costs

Whenever non-salary administrative costs are to be charged, they must be justified explicitly and explained in detail. The costs must be essential to the project, which creates a special or unique need for the item that is clearly different from normal circumstances. For example:

- Office supplies that are used exclusively for specific project activities may be a direct cost charged to a project when appropriately described in terms of their proposed use.
- Computing devices, such as laptops, may be charged if it can be clearly demonstrated that they are essential to fulfilling project objectives (even if not used exclusively).

## Decision Tree – Charging Administrative and Technical Expenses to Federal Awards

The chart below outlines the process of deciding if an administrative expense may be charged directly to a federal sponsor.

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

## Proposal Procedures

It is the responsibility of the principal investigator/project director to determine such costs. This **must be stated** 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 Uniform Guidance requirements. 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, and it meets the Uniform Guidance requirements for direct cost 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, time and 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 (i.e., 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?

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