

Charging Administration & Clerical Salaries, Federal Grants & Contracts

Date issued: April 20, 1994

EXECUTIVE SUMMARY

Changes to Federal regulations governing charges to grants and contracts, which became effective on July 1, 1994, curtailed the reimbursement of administrative and clerical salaries as direct charges on grants and contracts. The regulations provide that such salaries are generally indirect costs, and therefore should not generally be charged to individual grants and contracts. Since earlier changes to the Federal regulations already limited the University's recovery of administrative costs through the indirect cost rate, the effect of this change will be a loss of reimbursement, to the extent that salaries of such individuals previously funded by Federal grants and contracts may no longer be funded from those sources.

In the past, the determination of whether to charge administrative or clerical staff to a given federal grant or contract was solely the jurisdiction of the Principal Investigator. In accordance with the regulatory changes, for all Federal projects with budget periods commencing on or after July 1, 1994, such salaries may only be charged when:

- they have been explicitly budgeted on the Federal project, and
- the individuals involved can be specifically identified with the project or activity.

Accordingly, it is vital that the Principal Investigator fully justify in grant and contract applications those situations where administrative and clerical support is necessary to the project, whether because of the nature of the work performed under a particular project requires an extensive amount of administrative or clerical support, or the tasks to be performed under a particular project relate specifically to the technical substance of the project. The accompanying policy sets forth the requirements, as well as examples of situations where it remains appropriate to directly charge these salaries.

Responsible University Office & Officer

Office of the Controller

Jim Kemp,

Associate Vice President

Contacts

Carl Sparano, Director, RPIC (cs16@columbia.edu) (212) 854-1049

Tamara Hamdan, Director, SPF-MS (th2271@columbia.edu) (212) 854-1067

Jennifer Crockett, Director, SPF-CUMC (jc3737@columbia.edu) (212)851-9238

Revision History

Previous version dated April 20, 1994

1. Purpose of Policy

On July 26, 1993 the (Federal) Office of Management and Budget issued regulations which limit those instances where the salaries of administrative and clerical staff may be charged as a direct cost to grants and contracts awarded by Federal agencies. This policy is issued to implement the Federal rules, which take effect on July 1, 1994, and to set forth guidance on when such salaries may, any may not be directly charged to Federal awards.

2. Background

As a recipient of Federal awards, the University is obliged to comply with numerous rules and regulations promulgated by Federal agencies. Those agencies includes the Office of Management and Budget (OMB), which sets forth broad policies governing grant and contract financial administration, as well as numerous individual agencies which award grant and contracts, such as the Public Health Service (PHS), and the National Science Foundation (NSF), which have their own agency-specific regulations for administering grants and contracts. Periodically, OMB revises its Circular A-21, Cost Principles for Educational Institutions, which sets forth principles for indirect cost applicable to federally sponsored grants and contract. The Circular prescribes the types of costs which should be treated as indirect cost, and therefore not customarily directly charged to Federal awards. The Circular specifically includes the salaries of administrative and clerical staff in this latter category.

3. Objective of the Policy

In promulgating this policy, the University aims to insure that it complies with the provisions of the OMB Circular A-21 governing the allowability of administrative and clerical salaries as direct charges:

- by communicating Federal rules
- by providing guidance to faculty and staff in the application of these rules
- by setting forth levels of responsibility for ensuring compliance with these rules

4. Effective Date

This policy will be effective for all grant or contract awards (including continuation awards) made to the University by Federal agencies commencing on or after July 1, 1994.

5. Applicability

This policy governs every instance where any portion of the salary of an administrative or clerical employee is to be charged to a Federal grant or contract, whether awarded directly to Columbia as a prime recipient, or indirectly through a sub-agreement from another institution. It

does not limit the support of such salaries from non-Federal awards or other funding sources consult the policies of those agencies for guidance,

6. Federal Requirements

Section F.6.b. of OMB Circular A-21, captioned departmental administration expense sets forth requirements. The section indicates that:

- "Special care should be exercised to ensure that cost incurred for the same purpose in like circumstances are treated consistently as either direct or indirect costs."
- "The salaries of administrative and clerical staff should be treated as indirect cost. Direct charging of these costs may be appropriate where a major project or activity explicitly budget for administrative or clerical services and individuals involved can be specifically identified with the project or activity."

7. Policy

Through issuance of this policy, the University advises all faculty and staff involved in the application for, or administration of Federal grants and contracts that the above principles must be adhered to. Further, following the guidance presented below, where any portion of an administrative or clerical salary is directly charged to a Federal project, the responsibility for documenting the appropriateness of that judgement and for compliance with the Federal requirements, whether at the time of the transaction or subsequently upon audit or other request, rest with both the Principal Investigator and the academic department.

8. Administrative and Clerical Salaries Which May Not Be Charged Directly To Federal Grants and Contracts

In conducting academic activities, whether they are related to research teaching or other institutional objectives, academic units clearly require administrative support to complement the technical and professional personnel who carry out those activities. Although there are differences among the various academic units, there exists within each department a core of administrative personnel who support the various departmental academic missions by providing a broad range of general support services, including secretarial and clerical support, procurement of materials and services and accounting and bookkeeping. This core of general support services at the academic department level which supports a broad range of ac sponsored research, comprises what the Federal Circular defines as "departmental administration", and is recovered in part by the institution through the reimbursement of indirect cost. Accordingly academic units may not directly charge federal contracts for any portion of the salary of individuals who are engaged in providing this type of baseline departmental service. Similarly, academic unit may not assess a "tax" or other similar means of assessing charges to Federal grants and contracts as a means of recovering the cost of administrative effort.

9. Administrative and Clerical Salaries Which May Be Charged Directly to Federal Grants and Contracts

Although the salaries of administrative and clerical staff should be treated as indirect costs, direct charging of these costs would be appropriate where either:

1. The nature of the work performed under a particular project requires an extensive amount of administrative or clerical support, or
2. The tasks to be performed under a particular project relate specifically to the technical substance of the project.

Appendix I provides examples of situations where direct charging the salaries of administrative and clerical staff may be appropriate. Note that Appendix A is illustrative, and is not intended to be an exhaustive list. The judgment as to whether a direct charge for administrative or clerical salaries is appropriate for a particular award must be based on a facts and circumstances test, which considers the needs of the science; accordingly, such judgment can only be made by the Principal Investigator. If the determination is made that it is appropriate to direct charge the salary of an administrative or clerical staff member, additional requirements, as set forth in Section 10 below, must be satisfied.

10. Additional Requirements for Charging Administrative and Clerical Salaries Directly to Federal Grants and Contracts

Although the Principal Investigator may conclude that a particular project satisfies the criteria for direct charging clerical and administrative salaries, the Federal requirement that such costs must be explicitly budgeted and the individuals involved is specifically identified with the project or activity, must nevertheless be satisfied. Accordingly, when the requirements of Section 9 have been satisfied, the effort of such individuals may be charged to the grant or contract only when:

- a.** Such effort is explicitly budgeted in the grant, and is approved by the funding agency. Agency approval will be assumed if the salary of administrative or clerical staff is budgeted and not specifically denied in the notice of grant award or in related correspondence from the agency to the University. Approval by the funding agency will be deemed to satisfy the Federal criteria for directly charging administrative and clerical salaries to grants or contracts.
- b.** The salary of the specific individual devoting effort to the project is charged to the project. Departments may not "share" or "rotate" support of a pool of administrative support personnel, but must discreetly charge the individual engaged in supporting a particular grant or contract.
- c.** The signature of both the Principal Investigator and Department Chair, or their delegates, appear on the Salary Accounting Form.

11. Exception to the Policy

This policy does not apply to Institutional National Research Service or any similar awards which provide a fixed allotment of funds for institutional discretionary spending to support research training and which do not require discrete budgeting of the institutional support expenses.

12. Charging Administrative and Clerical Salaries to Activities Other than Federal Grants and Contracts

In addition to their work on federally sponsored projects, administrative and clerical personnel may be assigned duties related to (i) non-federally sponsored projects and (ii) other university functions that go beyond normal levels of clerical and administrative support. Circular A-21 requires that the University treat such atypical activities in a manner that is consistent with the accounting for charges to sponsored projects. Consequently, departments should segregate salary charges for effort devoted to such major non-federal activities and account for expense functions that are not accumulated as indirect costs. In contrast, effort devoted to non-sponsored activities that are not "major" should be considered as indirect cost (see Section 8, above) charged.

13. Example of How to Distribute the Salary of Administrative or Clerical Staff in Accordance with the Policy

Appendix II presents an example of how to account for the effort of an administrative assistant with varied activities.