

**UNIVERSITY OF ROCHESTER POLICY**  
**IMPLEMENTING CHANGES IN OMB CIRCULAR A-21**  
(Cost Principles for Educational Institutions)  
Effective January 1, 1993 for proposals and membership costs  
Effective July 1, 1994 for active awards

**Introduction**

In July, 1993, the Office of Management and Budget (OMB) issued revised regulations regarding the allowability of certain types of expenditures on federal and federal flow-through funds. It is expected that each institution will develop its own policies and procedures to implement the revision. Despite many requests to do so, the federal government has not issued clarification of the text which appears below. Of significant concern is the probability that the Office of Naval Research<sup>1</sup> (the University's cognizant audit agency) will audit institutions to determine their compliance with the regulations. **As such, it is important the principal investigators and project directors understand their and the University's liability for inappropriate charges or use of personnel, particularly in the areas identified below.**

**Revised Text of F.7.B, Departmental Administration Expenses.**

"In developing the departmental administration cost pool, special care should be exercised to ensure that costs incurred for the same purpose in like circumstances are treated consistently as either direct or indirect costs. For example, salaries of technical staff, laboratory supplies (e.g., chemicals), telephone toll charges, animals, animal care costs, computer costs, travel costs, and specialized shop costs shall be treated as direct costs wherever identifiable to a particular cost objective. Direct charging of these costs may be accomplished through specific identification of individual costs to benefiting cost objectives, or through recharge centers or specialized service facilities, as appropriate under the circumstances. The salaries of administrative and clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate where a major project or activity explicitly budgets for administrative or clerical services and individuals involved can be specifically identified with the project or activity. Items such as office supplies, postage, local telephone costs and memberships shall normally be treated as indirect costs."

**UR Policy Implementation of F.7.b.**

(NOTE: AS USED BELOW, "FEDERAL FUNDS" ARE THOSE FUNDS WHICH ARE RECEIVED EITHER DIRECTLY FROM THE FEDERAL GOVERNMENT OR INDIRECTLY AS A SUBRECIPIENT UNDER ANOTHER ENTITY'S FEDERAL AGREEMENT).

1. Administrative and clerical costs. There are two instances when administrative and clerical costs may be charged directly to federal funds: one, where the project is defined as a major project or activity (defined below); or, two, where the employee is providing a substantive contribution to the research project (defined below as significant research effort). These instances are defined below:

*Major Project or Activity:* A project which is multi-purpose and multi-investigator or interdisciplinary and requires a core administrative budget to ensure the project's operation and effectiveness. Examples of such major projects or activities include center grants or contracts, project grants ("P" series grants for PHS), cooperative agreements made for the purposes of running large programs (such as the LLE core agreement with DOE) and other major awards with an agency-approved administrative support portion (such as the DOD University Research Initiative or the NSF Science and Technology Center), projects in remote locations where departmental administrative support is not possible, conference grants, and similar activities. Where these projects are established with a master administrative account and several subaccounts, administrative and clerical salaries should be charged to the core administrative account.

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<sup>1</sup> As of July 1998, the University's Cognizant Audit Agency became the Department of Health and Human Services



direct federal project or a subagreement under a federal project and this cost is allowable by the sponsor”.

Implementation Date: January 1, 1994 (proposals and active awards)

### **UR Monitoring of F.7.b.**

- a. Principal investigators and appointing departments or units are responsible for making staff appointments consistent with approved project budgets or subsequent agency approvals and in assessing charges for personnel and other costs which meet these guidelines.
- b. ORPA and Sponsored Programs Accounting will make periodic review (not less than annually) of the monitored workload system, appropriate subcode categories, and telecommunication records for compliance with policy.

### **IMPLEMENTATION GUIDELINES**

(These guidelines are applicable to all federal and federal flow-through costs which are charged directly to a project)

### **ADMINISTRATIVE AND CLERICAL SALARY REQUIREMENT**

#### Proposal Preparation

Effective Date: Proposals submitted on or after January 1, 1994

In justifying clerical and administrative charges to grants, contracts, and cooperative agreements (including federal flow-through funds coming from another entity) which are not those specifically identified as a major project, principal investigators will be required to document that *such expenses include significant research effort* and are not routine administrative or clerical support (see page 2 of the Policy Implementation). Such documentation should be detailed in the budget explanation and should identify specific non-routine tasks of each individual. In addition, all such charges regardless of type of project should be individually and specifically justified on proposal budgets to federal agencies. Without such justification, it is probable that sponsoring agencies will delete the costs of such personnel prior to award.

#### Active Awards

Effective Date: July 1, 1994

Salaries and wages for administrative personnel on active awards are presently allowable; however, we await specific clarification from the federal agencies. It is probable that agencies will each implement their own policies with respect of the continuance of charging these costs to current awards. When a new proposal is required, however, administrative and clerical salaries must be budgeted and justified in the proposal and specifically granted in the award such that allowability can be reasonably assured.

#### Pending Proposals

Effective Date: See below

Principal investigators and project directors should be able to utilize clerical and administrative personnel on grants and contracts awarded after January 1, 1994 but for which proposals were submitted prior to that date unless such salaries are deleted by the agency prior to funding. Clarification is expected from most federal agencies regarding the allowability of such costs after July 1, 1994.

### **OFFICE SUPPLIES, POSTAGE, LOCAL TELEPHONE COSTS**

#### Proposal Preparation

Effective Date: Proposals submitted on or after January 1, 1994

The policy guidelines should be followed for allowability on proposal budgets.

Active Awards

Effective Date: July 1, 1994

The policy guidelines should be followed for allowability on active awards. It is specifically suggested that items typically classified as office supplies but which have a specific technical use on the project be physically separate from other office supply items. For example, these supplies should be located in the research laboratory, not in a departmental storeroom.

Pending Proposals

Effective Date: See below

The policy guidelines should be followed for allowability on awards made after January 1, 1994 but for which proposals were submitted prior to that date.

**MEMBERSHIP COSTS**

Proposal Preparation, active Awards, Pending Proposals

Effective Date: January 1, 1994

Membership costs may not be charged to active awards unless the cost has been specifically identified and requested as a part of the project budget and the budget item is allowed or the cost is specifically approved in writing by the federal agency. When subscriptions are included as part of the membership fee and that cost is specifically identified in the dues invoice, the subscription portion is allowable to the project.

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