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 Research¹ (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.


"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.

¹ As of July 1998, the University’s Cognizant Audit Agency became the Department of Health and Human Services.
Significant Research Effort: Salaries of administrative and clerical salaries may be directly charged to a federal agreement if it can be demonstrated that the person is performing a research service to the agreement. Administrative and clerical activities involving data collection (such as surveys), statistical analysis, literature searches, or similar efforts are examples of such extraordinary services. Routing account monitoring, meeting arrangements, or typing of general correspondence or project reports are not research services as used herein.

In either case (major project or significant research effort), the following criteria must be met for the charge to be allowable as a direct cost: the salaries are requested as part of the original project budget (and are not specifically disallowed in the resultant award) or are subsequently explicitly approved by the funding agency, and sufficient justification is made in the project budget to show other than routine administrative or clerical support to the project:

**Implementation Date:**
- **January 1, 1994** (proposals)
- **July 1, 1994** (active awards)

2. **Office supplies.** Unallowable as a direct cost on federal funds. However, when items normally thought of as office supplies are purchased for the sole direct technical benefit to the project, these charges are allowable. Examples of such research supplies would include computer paper (when it is needed in the technical course of the project) and research notebooks. Items such as pencils, paper clips, memo pads, and post-it notes are generally unallowable as a direct cost to a federal project. Reasonable judgement should be exercised when purchasing research supplies which could be interpreted as being general office supplies.

**Implementation Date:**
- **January 1, 1994** (proposals)
- **July 1, 1994** (active awards)

3. **Postage.** Postage costs of routine correspondence are unallowable as a direct cost to federal funds. However, shipment of research materials and deliverables under a federal agreement may be allowable if reasonable care is taken to assure that such costs incurred are for the sole direct benefit of the project.

**Implementation Date:**
- **January 1, 1994** (proposals)
- **July 1, 1994** (active awards)

4. **Local telephone costs.** Unallowable as a direct cost on federal funds including the monthly use charge on the equipment and local access calls. Long-distance charges are allowable under federal funds. Unless a clear justification is made and approved by ORPA, costs of pagers and fax lines are also unallowable direct costs to federal funds. Costs incurred for data lines are allowable, but equipment and installation charges connected with the data lines are unallowable as direct costs to a federal program.

**Implementation Date:**
- **January 1, 1994** (proposals)
- **July 1, 1994** (active awards)

5. **Memberships.** Unallowable as a direct cost on federal funds unless the membership is 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. If Ledger 5 non-federal funds are to be used, a statement should be placed on the payment requisition as follows: “This account is neither a

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2 After issuance of the 1993 Revision, OMB clarified additional situations where administrative charges to individual investigator awards may be appropriate:

“Individual projects requiring project-specific database management; individualized graphics or manuscript preparation; human or animal protocol, IRB preparations and/or other project-specific regulatory protocols; and multiple project-related investigator coordination and communications.”

As a result of this additional guidance and programmatic consideration, PI’s/Departments may at some time need to rebudget funds and make appointments of clerical and administrative personnel on federally-funded awards. Where the University is allowed to rebudget without restriction, any appointment or payroll reallocation forms should be accompanied by a justification of costs and routed through ORPA for approval. That justification should be prepared in accordance with the OMB guidance for allowability of these charges.
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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