Guidance on Direct Charging of Administrative and Clerical Salaries

Updated: August 10, 2015

For proposals submitted and awards made on or after 12/26/14 that are subject to the Uniform Guidance.

Key Notes

Salaries of administrative and clerical staff should normally be treated as F&A costs, but may be appropriate as direct costs if certain conditions are met. This document is intended to serve as a guide for the UW-Madison campus regarding direct charging of administrative and clerical salaries. Approval for these costs resides with the funding agency. Federal agency representatives have been clear that approval for these costs will not be automatic. Budget justifications or prior approval requests should be articulated carefully and thoughtfully. PIs and departments are strongly encouraged to include these costs in the budget at the time of proposal. In some cases, including NIH, an agency may waive the requirement to obtain prior approval to rebudget for such costs. If agency approval has been waived, then the Dean’s or Director’s office must make a determination as to the need for direct charging of the salaries.

Background

The Federal government’s view on administrative and clerical salaries has not changed. In both OMB Circular A-21 and in the Uniform Guidance (2 CFR 200 et al.), the Office of Management and Budget states that administrative and clerical salaries should normally be treated as F&A costs.

In OMB Circular A-21, OMB made an exception for inclusion of administrative and clerical salaries as a direct cost in a “major project”, defined as “a project that requires an extensive amount of administrative or clerical support, which is significantly greater than the routine level of such services provided by academic departments.” Although the concept of major project does not appear in the Uniform Guidance, UW-Madison is using major project examples from A-21 to help illustrate situations where direct charging administrative and clerical salaries may be appropriate.

In the Uniform Guidance, OMB has clarified the process of obtaining approval for administrative and clerical costs. This guidance document is intended to assist researchers in providing budget justifications and requests for agency prior approval that will be successful.

Effective Date

Effective immediately, proposals for awards with an expected start date of 12/26/14 or later may include costs for administrative and clerical salaries in accordance with the Uniform Guidance, as outlined below. New awards (as well as incrementally funded awards with a new funding increment, depending on agency guidelines) beginning on or after 12/26/14 also may proceed in accordance with this guidance.

Federal Guidance

Administrative and clerical salaries are addressed in the Uniform Guidance, 2 CFR §200.413 Direct costs:
(c) The salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs. Direct charging of these costs may be appropriate only if all of the following conditions are met:

1. Administrative or clerical services are integral to a project or activity;
2. Individuals involved can be specifically identified with the project or activity;
3. Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and
4. The costs are not also recovered as indirect costs.

In order to be able to direct charge administrative and clerical salaries, Federal agencies require that all four conditions listed above must be met. The PI is responsible for providing justification that these salaries should be direct charged. The word “integral” is generally interpreted as activities that are necessary or fundamental to the project. In order to justify that the individual can be “specifically identified with the project or activity,” the individual must spend a minimum of 20% of their time or roughly eight hours per week on the project.

**Non-Federal Sponsors**

The guidance for non-Federal sponsors is similar, but it may be more flexible. It is important to be familiar with the program guidelines, as well as terms and conditions. Sponsor terms and conditions may restrict the direct charging of administrative and clerical salaries. All other sponsor required stipulations apply (e.g., rebudgeting, prior approval, etc.). If there are questions, please contact your dean’s or director’s office for advice.

**Awards**

If the proposal is accepted, and the Federal agency issues the award without explicitly deleting the administrative cost, no other action by the PI is necessary. UW-Madison will consider the administrative cost to be allowable in that circumstance.

An FAQ document is available to address Proposals and Post-Award questions related to this guidance.
FAQs on Direct Charging of Administrative and Clerical Salaries

Guidance on Direct Charging of Administrative and Clerical Salaries

For proposals submitted and awards made on or after 12/26/14 that are subject to the Uniform Guidance.

Proposals

1. Under what conditions would it be appropriate to request administrative and clerical salaries as direct costs to my grant?

Direct charging of these costs may be appropriate if all four of the following conditions are met:

   (1) Administrative or clerical services are integral to a project or activity;

   (2) Individuals involved can be specifically identified with the project or activity;

   (3) Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and

   (4) The costs are not also recovered as indirect costs.

2. What should I include in my proposal to request approval for these costs?

Federal regulations require the PI to explicitly include direct costs for administrative and clerical salaries in the proposal budget and budget justification. The PI must explain why the salaries are integral or fundamental to the project or activity. The administrative or clerical staff member must be allocated at least 20% time or roughly eight hours per week to the project. The budget justification should include an explanation of the work to be done for the project and an explicit request (shown in bold). An example is provided below:

   This is a collaborative project involving over 200 individuals from 30 institutions in 10 countries. The project involves coordination of funding from U.S. Federal government agencies, along with funding from agencies in other partner countries. Our institution will oversee seven subawards to other U.S. institutions, perform data storage and analysis, coordinate annual collaborator meetings, and manage overall project operations. We are requesting agency approval for a [list % time appointment] [list position title] as a directly-charged administrative cost in accordance with 2 CFR 200.413.

3. Must these costs be approved by the Federal awarding agency?

Yes, the Federal agency must approve the direct charging of administrative and clerical salaries. Costs must either be explicitly included in the approved budget or have prior written approval of the agency.

PIs and departments are strongly encouraged to include these costs in the budget at the time of proposal. In some cases, including NIH, an agency may waive the requirement to obtain prior approval to rebudget for such costs. If agency approval has been waived, then the Dean’s or Director’s office must make a determination as to the need for direct charging of the salaries.
4. What if I am submitting a proposal to a non-federal sponsor? What should I include in my proposal?

The guidance for non-Federal sponsors is similar, but it may be more flexible. It is important to be familiar with the program guidelines, as well as terms and conditions. Assuming that sponsor terms and conditions do not restrict the direct charging of administrative and clerical salaries, you may wish to include such costs in budget justification. An example is provided below:

This project requires management of twelve separate subawards to other U.S. and non-U.S. institutions. Our university will oversee all subawards, perform data storage and analysis, coordinate annual collaborator meetings, and manage overall project operations. We are requesting sponsor approval for a [list % time appointment] [list position title] as a directly-charged administrative cost.

If there are questions, please contact your dean’s or director’s office for advice.

5. What is the difference between programmatic activities and administrative/clerical activities on a grant?

Programmatic activities are those activities that can be directly charged to a project without needing to provide additional justification or obtain prior approval. Administrative or clerical activities need to meet the four conditions outlined in 200.413(c) in order to be directly charged to a project, including being explicitly included in the budget or having prior approval of the Federal awarding agency. Examples of activities that fall into each category are included in the table below.

<table>
<thead>
<tr>
<th>Programmatic Activities (direct costs, no prior approval needed)</th>
<th>Administrative or Clerical Activities (normally indirect costs, unless prior approval obtained)</th>
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</thead>
<tbody>
<tr>
<td>Activities contributing and directly related to work under an agreement, such as:</td>
<td>If the four conditions are met, activities that support the project that may be allowable as direct charges might include:</td>
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<td>• delivering special lectures about specific aspects of the ongoing activity,</td>
<td>• travel and meeting arrangements</td>
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<td>• writing reports and articles,</td>
<td>• travel reimbursements</td>
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<tr>
<td>• developing and maintaining protocols (human, animals, etc.),</td>
<td>• purchasing activities</td>
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<tr>
<td>• managing substances/chemicals,</td>
<td>• financial tracking and management</td>
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<td>• managing and securing project-specific data,</td>
<td>• data processing</td>
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<tr>
<td>• coordinating research subjects,</td>
<td>• payroll</td>
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<tr>
<td>• participating in appropriate seminars,</td>
<td>• human resources</td>
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<tr>
<td>• consulting with colleagues and graduate students, and</td>
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<td>• attending meetings and conferences.</td>
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</tbody>
</table>

6. For what types of projects might administrative and clerical salaries be considered integral and allocable?

Please see the list below for some examples of project activities where administrative and clerical salaries might be considered integral and allocable to the project. Even for these very reasonable
examples, the costs associated with the salary must be included in the approved budget or have prior written approval from the awarding agency:

a. 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.

b. 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).

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

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

e. 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.

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

The examples above should be helpful in determining some of the costs that might necessitate administrative and clerical salaries as direct costs.

7. If I am submitting a modular grant application and wish to request administrative and clerical salaries, what should I do?

Although Modular Grant Application guidelines do not require a detailed categorical budget, NIH requires that a modular budget must still include a Personnel Justification within the Budget Justification section. If the PI/department seeks to direct charge administrative and clerical salaries, the personnel justification should explicitly include:

- The name(s) of such personnel (or indicate that a position is “to be appointed”);
- The number of person months devoted to the project (at minimum, equivalent to 20% time or roughly eight hours per week); and
- The individual’s role/responsibilities on the project and why the services provided are integral to the project or activity.

It must be clear to NIH that the individual will be performing administrative/clerical duties. The personnel justification should include a statement such as, “In accordance with 2 CFR 200.413 and 45 CFR 75.413, we are including [list name, position title] for [list person months] as a directly-charged administrative cost.”

8. The Uniform Guidance states that direct charging of administrative and clerical salaries may be appropriate only if all four conditions are met. The fourth condition is, “The costs are not also recovered as indirect costs.” Who is responsible for making sure that this condition is met?
The Office of Research and Sponsored Programs is responsible for preparation of the University’s Facilities & Administrative cost rate proposal. As such, RSP is responsible for ensuring that any direct charged administrative and clerical salaries are also not recovered as indirect costs. RSP follows the federally-mandated formula that excludes these salaries from being recovered as indirect costs.

9. Is it possible to charge 100% of my administrative and clerical staff person’s salary to a single sponsored project?

While it is possible to charge 100% of an administrative or clerical staff person’s salary to a single sponsored project, the practice is not encouraged. Similar to 100% research faculty, charging 100% of an administrative/clerical staff person’s salary to a single sponsored project raises the question of whether or not the individual is involved in activities (e.g., university governance, committee work, or proposal development) that should be funded by sources other than the sponsored project.

10. Can I share the total cost of admin/clerical salaries across multiple sponsored funding sources?

Splitting the administrative/clerical salary charges across more than one sponsored project may cast doubt upon whether the salary would be more appropriately categorized as an F&A expense.

11. My administrative/clerical staff person spends less than 20% of their time performing critical activities that support my project. Why can’t I charge a portion of their salary to my award?

An assignment taking less than 20% time would not strongly support that an individual is integral and specifically identifiable with a project or activity.

12. Will effort need to be certified for administrative or clerical staff?

Yes. Any salaries charged to sponsored projects must be certified to ensure that they are reasonable in relation to the work performed.

13. I am temporarily direct charging the salary of an administrative/clerical staff person to a Federal project. This individual is normally paid on 101 funds. What will happen with the 101 funds for the period of time they are being paid on the Federal project?

Contact your Dean or Director’s office for guidance.

Post-Award

14. What if I decide after the project has started that I want to pay an administrative/clerical staff person on my award? (see #15 for NIH-specific information)

a. If a need for administrative or clerical support arises after the project has been funded, rebudgeting for those costs will require prior approval of the awarding agency before an appointment to the grant is made. The request should include:

   - An explanation as to why the salaries are integral or fundamental to the project or activity;
   - Identification of the proposed amount of time (a minimum of 20% time or roughly eight hours per week) that the individual will spend on the project; and
   - An explicit request to charge administrative/clerical costs (shown in bold in the example).
Here is an example of a request that might be approved by the funding agency:

A need has been identified for administrative and clerical support for this project. The survey responses have been much greater in number than anticipated, and the need to accumulate, analyze, and tabulate data has increased commensurate with our responses. We would like to allocate time for a staff person within our department to support these activities. **We are requesting agency approval for a [list % time appointment] [list position title] as a directly-charged administrative cost in accordance with 2 CFR 200.413.**

The request should be routed to the Dean’s or Director’s office, who will review and forward to RSP. RSP will submit the request to the Grants Official at the Federal awarding agency.

b. If the PI/department is seeking additional funds – beyond the awarded amount – from the agency for administrative and clerical salaries, then a supplemental request should be routed in WISPER.

In either case, an approval from the agency must be received in order to charge the administrative and clerical salaries directly to the project.

**15. What if I decide after the project has started that I want to pay an administrative/clerical staff person on my NIH-sponsored award?**

NIH has waived the requirement to obtain prior approval to rebudget for administrative and clerical salaries, unless additional funds are being requested or the incurrence of such costs constitutes a change in scope. While NIH has waived the requirement to approve administrative and clerical salaries, the institution has assumed the responsibility to approve such costs. There are three possible scenarios:

1) **Additional funds are being requested to pay for administrative/clerical salaries:** A supplemental request should be routed in WISPER. The request should include the same information as described in FAQ #7. An approval from the agency must be received in order to charge the administrative and clerical salaries directly to the project.

2) **Incurrence of administrative/clerical salary costs constitutes a change in scope, but no additional funds are being requested:** A prior approval request should be submitted to NIH. The request should include the same information as described in FAQ #7, as well as address how the scope of the project is changing and why it is changing. An approval from the agency must be received in order to charge the administrative and clerical salaries directly to the project.

3) **Funds are available to rebudget to pay for administrative/clerical salaries, and incurrence of such costs does not constitute a change in scope:** You should submit your request to the Dean’s or Director’s office for review prior to making any expenditures in this category. The request should include the same information as described in FAQ #7. If the Dean’s or Director’s office approves your request, they will send a copy of the approval to the RSP accountant.

**16. What should I do if I receive a cost transfer where the PI/department is trying to direct charge administrative and clerical salaries?**

If you receive a cost transfer where a PI/department is trying to direct charge administrative and clerical salaries, it should be verified that the direct charging of such salaries has been approved by the Federal
awarding agency or the Dean’s or Director’s office. The transfer should not proceed until prior written approval from the Federal awarding agency or the Dean’s or Director’s office has been confirmed.