

June 8, 2005

Guidance for UMCES Principal Investigators on OMB Circular A-21: Administrative Direct Costs

Several years ago there were changes made in the Office of Management and Budget (OMB) Circular A-21, Cost Principles for Educational Institutions, which required changes to some of the ways we budget for and expend administrative support costs directly related to funded projects. These costs, which include administrative and clerical salaries and other costs such as office supplies, postage, local telephone costs, etc., are normally not allowable as direct costs. The guidelines of OMB A-21 Section F.6.b specify these costs should normally be treated as F&A (indirect) costs. When administrative and clerical costs are directly charged to the sponsored agreements, it must be because the nature of activity performed is different (thus creating an "unlike circumstance") than the usual activities performed by administrative personnel.

This document is intended to provide information that will assist UMCES Principal Investigators in determining when budgeting for these costs would be allowable.

Proposals

- Administrative costs expected to be supported by your sponsor must be explicitly budgeted for and justified within the proposal.
- The justification must accompany the budget to be endorsed by the UMCES. The special circumstances need to be justified to the satisfaction of the OMB Circular A-21.
- Budgeted and justified salaries for clerical and administrative support must represent a significant level of effort, not less than 10% effort (at least one half day a week).
- Principal Investigators will need to review the budgets of UMCES subcontractors paid under federal grants or contracts in which we are the prime contractor, since subcontractors are subject to the same OMB Circular A-21 rules.

Existing Projects

- Direct costing of administrative support costs not originally anticipated in the approved budget may be charged to accounts only if justification is on

- file and costs are specifically authorized by the sponsor. In most cases this will require a letter of request, countersigned by ORAA, to the sponsor's contract/grants office.
- Revised or continuation budgets must include the same information and justifications required for new proposals.

Examples of circumstances and justifications

Although the salaries of administrative and clerical staff are normally treated as indirect cost, the direct charging of these costs may be appropriate where the nature of the work performed under a particular project requires an extensive amount of administrative or clerical support which is significantly greater than the routine level of such services provided by the UMCES unit. The costs need to be: (1) Identified specifically with a particular sponsored project relatively easily with a high degree of accuracy, (2) for at least one half day per week (10%) of a secretarial, clerical or administrative staff person to support the project and, (3) identified as a special circumstances requiring direct charging of the services.

The following examples are illustrative justification statements of circumstances where direct charging the salaries of administrative or clerical staff may be appropriate for your proposal budget:

- This proposal is to establish/continue an environmental research center and, as such, requires administrative support above that normally provided. (Any center established by the Federal Government through a center grant should qualify.)
- This project involves the assembling and managing teams of investigators and therefore requires administrative support above that normally provided.
- This project involves extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, searching literature, and/or reporting (chose any and all that apply) and therefore requires administrative support above that normally provided.
- This project is for (or has a component for) a conference and/or workshop which requires making travel and meeting arrangements for large numbers of participants and therefore, requires administrative support above that normally provided.
- This project's principal focus is the preparation and production of manuals, large reports, (excluding routine progress and technical reports) books

and/or monographs (chose any and all that apply) and therefore requires administrative support above that normally required.

- This project will be conducted at a site that is geographically inaccessible to normal departmental administrative services (such as seagoing research vessels, remote research field sites, overseas) and it requires additional administrative support above that normally required. (Note: just being off-site would not justify the support, but special communication or other needs could warrant the budget item).

These examples are not exhaustive (could have a special need not mentioned above) nor are they intended to imply that direct charging of administrative or clerical salaries would always be appropriate for the situations illustrated in the examples.

Caution/Tip: Federal regulators have stated that sponsor approval of budgeted items does NOT deem these items allowable unless there is ALSO the appropriate justification for the direct charging of these administrative support costs.

Principal Investigators and their Labs are responsible for assuring that costs assigned to federal projects are appropriate. Restricted cost categories and other inappropriate charges can be readily detected in audits, resulting in disallowances which must be reimbursed to the federal government.

Any questions regarding these issues should be directed to Center Administration, 410-228-9250 - Tammy Ross(x613)/ Comptroller, Erica Kropp(x610)/ORAA or Phyllis Rhoades(x611)/ORAA.

Link to OMB A-21: http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html