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Memo

Operating Guidance

No. 94-5,
Supplement 1
November 3, 1994

VICE CHANCELLORS—RESEARCH
VICE CHANCELLORS—BUSINESS AND FINANCE ADMINISTRATION
FEDERAL SYSTEMS COMMITTEE
CONTRACT AND GRANT OFFICERS
ACCOUNTING OFFICERS
EXTRAMURAL FUNDS MANAGERS
INTERNAL AUDITORS

Subject: Supplemental Operating Guidance on departmental direct charging of designated categories of expense to federal awards

Background

Contract and Grant *Memo* No. 94-5 provided operating guidance for Campuses to comply with Office of Management and Budget (OMB) Circular A-21, Section F.6.b., concerning the costing treatment of certain categories of expense incurred by academic departments and organized research units. Since the issuance of that *Memo*, two federal interpretations of Section F.6.b. have been issued. The first was a memorandum from OMB to federal agencies dated June 2, 1994, subsequently amended and reissued July 13, 1994. Both versions of the OMB document were distributed to Campuses via the Federal Systems Committee. The second federal interpretation appeared in the National Institutes of Health (NIH) *Guide* on September 23, 1994, a copy of which is attached.

OMB Interpretation of F.6.b.

Contract and Grant *Memo* No. 94-5 took into account the major features of the June 2 OMB memorandum. The revision of July 13 added the following example of circumstances where direct charging the salaries of administrative or clerical staff 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.

NIH Interpretation of F.6.b.

The first half of the NIH notice reiterates the July 13 OMB memorandum; the latter half gives specific NIH implementation. Highlights of the NIH implementation are as follows:

- * NIH is implementing F.6.b. for competing grants & cooperative agreements effective with budget period start dates on or after October 1, 1994.
- * F.6.b. implementation will not affect committed levels for noncompeting awards.
- * Prior approval from the NIH awarding office is not required to rebudget funds to directly charge administrative and clerical salaries when the circumstances of the project are consistent with the NIH/OMB criteria and examples.
- * F.6.b. implementation will not affect the peer review of grant applications.

Impact on University Guidance

The guidance previously given in Contract and Grant *Memo* No. 94-5 is consistent with the OMB and NIH interpretations of F.6.b., with the following clarifications:

Major Project or Activity: The OMB memorandum may be regarded as an authoritative interpretation of Section F.6.b. applicable to all federal agencies. Campuses may make use of OMB-provided examples, including the one cited above, to satisfy the "major project or activity" criterion for directly charging administrative or clerical salaries.

Rebudgeting (NIH grants and cooperative agreements only): The University guidance generally requires express agency approval for rebudgeting of funds to directly charge administrative or clerical salaries, office supplies, postage, local telephone costs and memberships. Rebudgeting on NIH grants and cooperative agreements constitutes an exception to this general rule, since prior NIH approval for rebudgeting is not required when the circumstances of the project are consistent with the NIH/OMB criteria and examples for direct charging of clerical and administrative salaries.

Refer: Jorge Ohy
(510) 987-9842
jorge.ohy@ucop.edu

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Organization Index: F-005, U-115



David F. Mears
Director
Research Administration Office

Attachment

**TREATMENT OF ADMINISTRATIVE AND CLERICAL SALARIES UNDER NIH
GRANTS AND COOPERATIVE AGREEMENTS AWARDED TO
EDUCATIONAL INSTITUTIONS**

NIH GUIDE, Volume 23, Number 34, September 23, 1994

P.T. 34; K.W. 1014006

National Institutes of Health

In July 1993, OMB Circular A-21, "Cost Principles for Educational institutions," Section F.6.b., was revised to define the criteria for charging salaries of administrative and clerical staff to Federally sponsored grants and cooperative agreements. This revision clarified the principle that the salaries of administrative and clerical staff should usually be treated as indirect costs, but that 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 that is significantly greater than the routine level of such services provided by academic departments. The charging of these costs directly would need to meet the general criteria for direct charging in Section D.1. - i.e., "be identified specifically with a particular sponsored project ... relatively easily with a high degree of accuracy," and the special circumstances requiring direct charging of these services would need to be justified to the satisfaction of the awarding agency in the grant or cooperative agreement application.

Some examples of circumstances where direct charging the salaries of administrative or clerical staff may be appropriate are as follows:

- Large, complex programs, such as General Clinical Research Centers, primate canters, 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.
- Projects that 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.
- Projects that require making travel and meeting arrangements for large numbers of participants, such as conferences and seminars,
- Projects where the principal focus is the preparation and production of manuals and large reports, books and monographs (excluding routine progress and technical reports).
- Projects that are geographically inaccessible to-normal departmental administrative services, such as seagoing research vessels, radio astronomy projects, and other research field sites that are remote from the campus.

○ Individual projects requiring significant amounts of 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.

These examples are not exhaustive nor are they intended to imply that charging of administrative or clerical salaries would always be appropriate for the situations illustrated in the examples above. Where direct charges for administrative and clerical salaries are made (as with other administrative type costs, e.g., telephones, postage, books and journals), care must be exercised to assure that costs incurred for the same purpose in like circumstances are consistently treated as direct costs for art activities. This should be accomplished through a "Direct Charge Equivalent" or other mechanism that assigns the costs directly to the appropriate activities.

NIH Implementation

For those institutions subject to OMB Circular A-21, the NIH will implement the revision effective with budget period start dates on or after October 1, 1994, for competing grants and cooperative agreements. For noncompeting grants and cooperative agreements, the NIH will not make any adjustments to the committed level, nor will future year commitments be adjusted. Nonetheless, the principles of A-21 address the appropriate allocation of these costs with implementation based on the negotiated indirect cost rate agreement in effect for each institution. Thus, grantee institutions that have negotiated indirect rates based on the revised principles contained in Section F.6.b may not directly charge administrative or clerical salaries when inconsistent with the Circular, even though these costs may not have been deleted from the noncompeting award.

This revision also affects any postaward rebudgeting of funds for the purpose of charging administrative or clerical salaries. Where grant or cooperative agreement applications do not anticipate the need to directly charge administrative and clerical salaries, institutions may rebudget funds, without awarding office prior approval, to cover these costs when consistent with the criteria and examples described above. For example, administrative or clerical salaries not identified in the application could be charged to the Training Related Expenses associated with institutional National Research Service Awards (T32) when the activity involves a large amount of tracking and completion of forms directly related to the purpose of the grant.

The implementation of this revision will not have any impact on the peer review of grant applications. Reviewers will continue to base any recommended budget reduction on whether the cost requested is warranted or justified for the project. Reviewers should not recommend deletion of requested administrative and clerical staff salary support based solely on the provisions contained in Circular A-21. The awarding unit staff will determine, in accordance with A-21, whether or not the costs are allocable as a direct cost under the particular project.

INQUIRIES

Questions should be addressed to the awarding agency's Grants Management Officer when it is unclear whether or not administrative or clerical staff salaries may be charged directly.