CONSISTENT TREATMENT OF SPONSORED PROGRAMS COSTS

1.0 Purpose

To ensure the consistent treatment of costs associated with sponsored projects as required by Office of Management and Budget (OMB) Circular A-21, “Cost Principles for Educational Institutions”. This policy applies to both federal and non-federal awards received. However, costs that are normally classified as Facilities and Administrative (F&A) (indirect) costs, such as administrative and clerical salaries, may be charged directly to nonfederal awards if permitted by the sponsor's policies or otherwise approved by the sponsor.

2.0 Scope

Applies to all University of Virginia faculty and staff involved with sponsored programs.

3.0 Policy

Costs incurred for the same purpose, in like circumstances, are treated uniformly either as direct costs or as F&A costs unless a unique or ‘unlike circumstance’ exists or the non-federal sponsor will allow the cost to be treated as a direct charge.

**Normal F & A (Indirect) Costs:**

These costs are normally treated as F&A costs and these costs may only be charged as direct costs to federal awards if ‘unlike circumstances’ are present and have been adequately documented, justified and approved by the University and Sponsor if anticipated in the original proposal budget.

1. Administrative and Clerical Salaries and Related Fringe Benefits:
Section F.6.b of Circular A-21 states the following regarding the charging of administrative/clerical salaries: “The salaries of administrative and clerical staff should normally be treated as F&A 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.”

This provision is intended to establish the principle that administrative and clerical staff salaries should normally be treated as F&A costs, but that direct charging of these costs may be appropriate where the nature of the work performed under a specific project/program requires a unique or an extensive amount of administrative or clerical support which is significantly greater than the routine level of such services provided by academic departments. The costs would need to meet the definition of direct costs above.

The following examples, taken from OMB Circular A-21, Exhibit C, are not exhaustive nor are they intended to imply that direct charging of administrative or clerical salaries would always be appropriate for the situations illustrated. Where direct charges for administrative and clerical salaries are made, care must be exercised to assure that costs incurred for the same purpose in like circumstances are consistently treated as direct cost for all activities. This should be accomplished through a ‘Direct Charge Equivalent’ or other mechanism that assigns costs directly to the appropriate activities.

The following examples illustrate circumstances where direct charging of administrative or clerical staff salaries may be appropriate:

- 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 from a number of institutions.

- Projects which involve extensive data accumulation, analysis and entry, surveying, tabulations, 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 whose 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 and radio astronomy projects, and other research field sites that are remote from campus.
• 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.

• Other Costs Classified as Routine Facilities and Administrative (F & A) Costs:

• Office Supplies (paper, pencils, pens, accent markers, notebooks, binders, file folders, trash cans, etc.) normally cannot be considered an allowable direct cost on a federally sponsored awards. Exceptions may be dictated by the unique nature and/or demands of the project/program.
• Postage is normally an F&A cost of sponsored activities. However, some programs may require an extensive purpose for postage, e.g., the mailing of a large number of survey questionnaires, which may justify direct charging of the postage related to the unique technical need.
• Local telephone monthly rental costs are not normally allowable as direct charges. An example of allowable monthly rental cost might be a project/program funded for telephone surveys as a major component of the sponsored activity. Data is collected in this manner and is later used in the technical outcomes of the award.
• Memberships/subscriptions are not normally allowable as direct charges unless the sponsor specifically requires a membership/subscription in the technical performance of the project or requires the membership prior to receiving the award. In these cases, it is desirable to obtain the membership/subscription in the name of institution or department instead of in an individual’s name.

Overall, costs described in Sections 1 and 2 above, may be directly charged only where they meet each of the following requirements:

• The project/program has a unique or extensive need based on an ‘unlike circumstance’ for the item or service that is beyond the level of routine services normally provided,
• The cost can be specifically identified to the work conducted under the project/program and is appropriately documented,
• For clerical and administrative salaries, the costs fall within the special circumstances described in the above Circular A-21 interpretation,
• For clerical and administrative salaries, the individuals have responsibilities specifically related to the work required by the project/program and the effort devoted to the project is documented through the University’s effort reporting system,
• The costs are specified in the proposed budget of the sponsored award, and the ‘unlike circumstances’ requiring direct charging are justified in the proposal. For clerical and administrative salaries, the title(s), percent of effort, and salary amount(s) for the clerical/administrative positions(s) should also be included in the proposal,
• The sponsoring agency accepts the cost as part of the project’s direct cost budget (i.e., does not specifically disapprove the cost in the award or other notification to the University).

In summary, if the costs described above meet the conditions of a) and b), as well as c) and d) for administrative and clerical salaries, but were not included in the approved budget of the sponsored agreement, the costs may be charged directly to the award only where the University has re-budgeting authority under federal regulations or the terms of the
sponsored award, AND the charge is documented, justified and approved by the respective Chair and the Office of
Sponsored Programs or their appointed representative.

An explanation as to why these costs were not included in the initial application to the sponsor or in the contract proposal
will be required in addition to written justification regarding the unique or extensive nature of the project/program as it
would have been presented to the sponsoring agency.

Please note that these guidelines do not allow for the routine charging of any of these costs to federal awards as in support
of general department functions.

NOTE: Costs that would normally be considered as F&A costs, such as administrative and clerical salaries, may be
charged directly to non-federal awards if permitted by the sponsor’s policies or otherwise approved by the sponsor. (This
is an alternative costing practice regarding non-federal awards only).

4.0 Definitions [Top]

Federal Award: Includes awards received directly from federal agencies as well as federally funded sub-awards received
by the University from other organizations.

Direct Costs: Costs which can be identified specifically with a particular sponsored program or project, an instructional
activity, or any other institutional activity that can be directly assigned to such activities relatively easily with a high
degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct
or F & A (indirect) costs. Where an institution treats a particular type of cost as a direct cost of sponsored agreements, all
costs incurred for the same purpose in like circumstances shall be treated as direct costs of all activities of the institution.
Direct Costs to federal awards must also meet the allowability criteria established in Circular A-21, Section C. 2-4.

Facilities and Administrative (F & A) Costs (Indirect Costs): F & A costs are those that are incurred for common or
joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an
instructional activity, or any other institutional activity. The University’s F&A costs are consistent with the definitions of
specific F&A cost categories in Circular A-21, Section F.

Facilities Costs: These costs include the operation, maintenance and use of buildings and equipment and library costs.

Administrative Costs: These costs include general administration and general expenses, departmental administration,
sponsored projects administration, student administration and services, and all other types of expenditures not listed
specifically under one of the subcategories of facilities.

Consistent Treatment of Costs: Costs incurred for the same purpose, in like circumstances, are treated uniformly either
as direct costs or as F&A costs. Consistent treatment of costs is a basic cost accounting principle and is specifically
required by OMB Circular A-21 to assure that the same types of costs are not charged to federally sponsored awards both
as direct costs and again as F&A costs recovered through a negotiated rate. This concept is further reinforced and
Consistency in this context means that costs incurred for the same purpose, in like circumstances, must be treated uniformly either as direct costs or as F&A costs. Thus, since certain costs, such as administrative and clerical staff salaries, office supplies, postage, local telephone costs, and memberships/subscriptions are normally treated as F&A costs, the same types of costs normally cannot be charged directly to federally sponsored awards, unless the circumstances related to a particular program are clearly different from the normal operations of the institution. For example, although postage is normally treated as an F&A cost, a specific program’s technical goals may require a unique or an extensive need for postage as related to mailings of numerous survey questionnaires. In this case and once documented and justified, it may be appropriate to direct charge that project/program for the postage costs associated with the survey, since this would constitute ‘unlike circumstances’ compared to routine postage requirements.

The University also follows the guidelines in section F.6.b. of Circular A-21 which specify the normal treatment of certain costs commonly incurred by academic departments and organized research units.

5.0 References [Top]

Procedure 8-14, “Budgeting Direct Costs of Sponsored Programs”

See also the Office of Sponsored Programs Cost Accounting Standards Guidelines

6.0 Approvals and Revisions [Top]

Previous version in effect from 9/20/96 to 1/28/04 available in policy archive.

Previous version in effect from 1/28/04 to 10/31/05 available in policy archive.

(Note: policies VIII.A.6 and VIII.A.8 were merged into VIII.A.6, terminating policy VIII.A.8.)