

5. Administrative Charging

Administrative Expenses

Charging Administrative/Clerical Expenses

OMB Circular A-21 requires administrative and clerical expenses normally be treated as F&A costs, not as direct costs, except when the expenses are used to support a major project or activity. MIT requires that four criteria be met to direct charge administrative expenses to a sponsored project. (See Figure 5.1) The expense must be:

- Incurred for the performance of a major project or activity,
- Specifically identified in the proposal budget and justified as directly benefiting the project,
- Explicitly Budgeted and approved by the sponsor, and
- Supported by a written budget justification.

This is one of the few MIT policies that apply to federal awards only, unless a non-federal sponsor incorporates the rules of OMB A-21 into its award terms and conditions.

OMB A-21 provides examples of “major projects” where direct charging of administrative or clerical salaries may be appropriate:

- Large, complex programs such as a general clinical research center, program projects, environmental research centers that entail assembling, managing and coordinating teams of investigators from a number of institutions, or large numbers of child cost objects to manage, and many sub-allocations can make the project major. This is one of the few kinds of projects where it may be appropriate to charge all of the administrative costs directly to the project due to the complexity of the project.
- Projects that involve extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, searching literature, and reporting. When data entry relates to the project and is a significant part of the scope of work, it is a major activity. The data entry activity may seem administrative, but in this case, it is a technical part of the project. The cost associated with this activity can

be charged directly to the project, as long as the other criteria are met.

- Projects that involve extensive travel and meeting arrangements for large numbers of participants. In the case of a travel grant where the purpose of the award is to set up a meeting to discuss the technical aspects of a project, all of the administration associated with that project can be charged directly to the project, as long as the other criteria have been met.
- If only a portion of the project involves extensive travel and/or meeting arrangements, then only the administrative expenses associated with making the travel and meeting arrangements constitute a “major activity.” Only the administrative expenses associated with the “major activity” can be charged directly to the project.
- If the principal focus of a project is the preparation of a large report, manual, or website (excluding routine progress and technical reports), it may be appropriate to charge administrative costs directly to the project.
- Projects that are geographically inaccessible. If a project conducted in the Antarctic requires administrative work, it is reasonable to have an administrator or a copy machine there to perform administrative tasks. In that case, it would be appropriate to charge those costs directly, as long as the other criteria are met.
- Coordination of project-specific database management, individualized graphics or manuscript preparation, multiple project-related investigator coordination, or a large number of human subject or animal protocols to track.

The following is an excerpt from OMB A-21, Exhibit C:

“These examples 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 in the examples.”

Many of these administrative activities seem routine and similar to general administrative support costs that are included in the F&A rate. However, because of the nature of the project and the fact that these administrative activities contribute directly to the technical scope of the project, it may be appropriate to direct charge the administrative costs, as long as the other criteria are met (i.e.,

the costs are included in the proposal budget, are properly justified, etc.). The purpose and circumstances described here are different than routine administrative and clerical costs, which should be treated as indirect costs.

Questions regarding appropriateness of administrative charges to WBS elements should be addressed to your OSP representative.

 **Key References** - See website links in Appendix and on the OSP home page

► Direct Charging of Administrative and Clerical Costs


Consistency

Costs which are incurred for the same purpose and in like circumstances must be treated consistently as either direct or F&A, and applied on a consistent basis throughout the Institute. Consistency can be achieved simply by following MIT's policies.

On projects where administrative costs can legitimately be charged directly, those expenses should be proposed (with justification) and, if awarded, charged as appropriate. The administrative costs charged directly to the project must be consistent with the proposed budget and reflect actual work performed on the project.

If the sponsor disapproves of what has been proposed as an administrative direct charge, then that expense cannot subsequently be made to that project, not even under Expanded Authorities.

This principle—of treating costs incurred for the same purpose and in like circumstances consistently—is a fundamental concept of the Cost Accounting Standards described in greater detail in Cost Principles: Preparing the Proposal Budget.

 **Key References** - See website links in Appendix and on the OSP home page

► OMB Circular A-21

Administrative Expense Criteria

As indicated in the previous section, four criteria must be met to direct charge administrative expenses to a sponsored project. These criteria are described below in greater detail:

■ Incurred for the performance of a major project or activity

The administrative expense is for the performance of one or more of the activities or projects listed in the A-21 examples of a major project. In order for the administrative activity(ies) to qualify for direct charging to federal sponsored projects, they must be significantly greater than the routine level of such services provided by academic units.

■ Specifically identified and directly benefiting the project

The administrative expense can be identified specifically with a particular sponsored project or activity, or can be directly assigned to the project or activity relatively easily with a high degree of accuracy, and provide direct benefit to the project.

■ Budgeted and approved by the sponsor

The administrative expenses are explicitly listed in the approved proposal budget and are not specifically disapproved in the award notice. NIH modular grants or similar grant instruments do not require line-item budgets. NIH modular grants are by definition small projects, therefore administrative and clerical costs should not be directly charged to theses awards. Units with approved allocation rates are an exception to this rule.

■ Supported by a budget justification

Explicit budget justifications for the administrative and clerical charges are included in the proposal. MIT does require an overall justification in the budget narrative that identifies the project as major and describes those aspects of the project that make it major.

If the administrative expense **does not** meet the criteria for direct charging as described above, the expense should not be proposed or charged as a direct cost to the project.

Allocation Accounts

MIT is unique in its concept of “allocation accounts” and has the approval of our cognizant federal agency, the Office of Naval Research (ONR) to use these accounts under certain circumstances in certain laboratories (but never in academic departments). The basic principle is that the expenses of an approved allocation unit’s central administrative group are distributed to all accounts within the laboratory using rates pre-approved by MIT’s cognizant agency and Federal auditors (ONR-DCAA).

The expenses which may be charged through the allocation process include salaries and wages (exclusive of employee benefits and vacation accrual) of the employees administering the laboratory (such as administrative, fiscal, and facilities officers) and materials and services necessary to support the central administration of the laboratory. There are three types of allocation rates:

- To allocate salaries and wages.
- To allocate materials and services.
- To allocate utilities (Haystack Observatory only).

Travel (except within the administrative group), equipment, meetings/lunches, and any unallowable costs may not be charged to the allocation account.

A complete list of laboratories and centers approved for allocation accounts and their allocation rates is available on the OSP web page (see Current Allocation Rates).

A complete description of the process for developing allocation account rates and receiving approval of those rates is available at General Rules of Laboratory Allocations.



Key References - See website links in Appendix and on the OSP home page

- ▶ Current Allocation Rates
- ▶ General Rules of Laboratory Allocations

Figure 5.1: Charging Administrative and Clerical Expenses on Federally Funded Projects

The flowchart below will help you determine whether you can charge administrative expenses on federally funded projects.

