

## Direct Charging of Administrative Costs

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### POLICY STATEMENT

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Administrative costs such as salaries and associated benefits expense of administrative and clerical staff, office supplies, computing devices used for administrative functions, postage, local telephone costs (including monthly service charges) and membership dues are generally treated as indirect costs. However, in certain cases, costs normally treated as indirect may be charged directly to a sponsored program.

Direct charging of administrative costs to sponsored programs is determined by the Office of Management and Budget (“OMB”). [2 CFR 200](#), Direct and Indirect (F&A) Costs (sections [200.412](#) through [200.414](#)), cover this topic. The Department of Energy (“DOE”), National Institutes of Health (“NIH”), and the National Science Foundation (“NSF”) also refer to 2 CFR 200 as the authoritative source on cost accounting for grants and provide requirements for direct charging of administrative costs similar to those outlined below.

In instances where sponsored projects require personnel expenses normally identified as administrative costs, such costs may be charged to sponsored agreements as direct costs only when ALL of the following conditions are met (per 2 CFR 200.413(c)):

1. Administrative or clerical services are integral to a project or activity<sup>1</sup>;
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<sup>2</sup>; and
4. The costs are not also recovered as indirect costs.

Since these items are explicitly identified in the proposal, the assumption is the sponsoring agency approves this treatment of administrative and clerical salaries or other costs if they accept the proposal and subsequently fund the project. The principal investigator (“PI”) must notify the college/unit’s Pre-Award contact of any changes made to the proposed budget in pre-award negotiation with the sponsor in which the University did not participate. In addition, if the proposal and award document has not specifically identified these costs, the University is not allowed to re-

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<sup>1</sup> Integral means the services are essential, vital or fundamental to the project or activity.

<sup>2</sup> A budget justification may be an appropriate means to explicitly document the need to direct charge administrative costs to a project.

budget approved funding to these categories unless specific written approval has been received from the sponsoring agency or delegated under expanded authorities for rebudgeting.

Treatment of administrative costs as direct costs must be uniform across projects. Administrative costs may be budgeted as direct costs only if this type of cost is consistently treated as a direct cost in like circumstances for all other projects and cost objectives.

Examples of circumstances where administrative or clerical costs may be considered essential include:

1. Large, complex programs such as 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.
2. Projects which involve extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, searching literature, and reporting.
3. Projects that require making travel and meeting arrangements for large numbers of participants, such as conferences and seminars.
4. Projects whose principal focus is the preparation and production of manuals and large reports, books and monographs (excluding routine progress and technical reports).
5. Projects geographically inaccessible to normal departmental administrative services.
6. Individual projects requiring project-specific database management; individualized graphics or manuscript preparation; human or animal protocols; and multiple project-related investigator coordination and communications.

These examples are not exhaustive, nor are they intended to imply that direct charging of administrative or clerical costs would be appropriate under similar circumstances.