

# Major Projects and Charging Administrative Costs to Sponsored Projects

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## University Policies

Business Policy Manual: [BPM-201](#), Sponsored Programs, Expending Funds

Accounting Policy Manual: [APM-60.35](#), Establishing an Award

## Forms

[Major Project Direct Cost Determination Form](#)

## Overview

Based on guidance from [Office of Management and Budget \(OMB\) Circular A-21, "Cost Principles for Educational Institutions"](#) the University of Missouri-Columbia does not charge administrative and clerical salaries and other administrative costs such as phone, copying, postage, memberships, and office supplies as direct costs to a sponsored project supported with federal funds. These costs are typically considered indirect costs covered by the University's [Facilities and Administrative \(F&A\) rate agreement](#).

However, there are exceptions. When a federally sponsored activity is considered a "major project," administrative salaries may be allowed if certain conditions are met. Circular A-21 states:

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. "Major project" is defined as a project that requires an extensive amount of administrative or clerical support, which is significantly greater than the routine level of such services provided by academic departments.

It also is possible to directly charge costs like telephone or postage to a federal sponsor if:

- The principal investigator (PI) is able to show that these costs can be tracked, i.e., directly associated or identified with the PI's sponsored project, and
- The cost is necessary to carry out the project's technical objectives, and
- The administrative support provided is above and beyond the normal support provided by the PI's department.

## Defining a "Major Project" (Applicable to Federal Sponsors Only)

Circular A-21 allows administrative/clerical salaries to be charged directly to federal grants, contracts, and other agreements when the expense is in support of a "major project"—defined as one that requires extensive administrative or clerical support that is *significantly greater than the level of such services routinely provided by the department*.

Exhibit C of Circular A-21 provides the following examples of "major projects" where direct charging of administrative or clerical staff salaries and costs 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 of investigators from a number of institutions.
- Projects which 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 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 research vessels, 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 protocols; and multiple project-related investigator coordination and communications.

**Note:** The above examples are not exhaustive nor are they intended to imply that direct charging of administrative expenses would always be appropriate for the situations illustrated in the examples.

## Risk

Charging administrative and clerical salaries and other administrative costs as direct costs to a sponsored project supported with federal funds occurs infrequently and is only applicable when certain criteria are met. Failure to satisfy these criteria can result in administrative costs being disallowed by the funding agency and the department having to absorb these costs. Should these unallowable costs be identified as part of a federal audit, the consequences can be even more severe. Case in point:

Duke University was the subject of an audit of administrative costs charged to DHHS grants and contracts from 2002-2004. Based on a sample of just two agreements, the auditors extrapolated their findings to conclude that Duke had claimed approximately \$1.7M in unallowable administrative costs from 2003-2004. The audit concluded that Duke had failed to provide adequate controls and oversight to ensure compliance with federal requirements.

## Procedure

*Principal Investigator (PI)* - The PI completes a project-specific budget and budget narrative to propose a sponsored activity as a major project. See [Appendix I](#) below.

*PI/Department* – The PI/Department completes the [Major Project Direct Cost Determination Form](#) to accompany the project-specific budget and budget narrative, obtains required signatures, and submits to OSPA.

*OSPA Senior Grants and Contracts Administrator (SGCA)* – The SGCA reviews the form and related documentation to ensure completion and accuracy and forwards for review and approval by OSPA Management.

*OSPA Management* – OSPA Management reviews the form and related documentation to ensure that the PI has made a credible case for the designation of “major project” and makes recommendations or final determinations as to “major project” status and allowable direct charging.

*SGCA* – Upon comment or approval, the SGCA communicates the determination and works with the PI/Department to make adjustments, if needed.

*OSPA Post-award Team* – Upon award and throughout the life of the project, the OSPA Post-award Team references the Major Project Direct Cost Determination Form and budget narrative and works with the PI/Department to ensure charges are allowable and allocable.

## Responsibilities

Below is an outline of responsibilities as they relate to this procedure.

*Principal Investigator:*

- Completes the project-specific budget, budget narrative, and Major Project Direct Cost Determination Form.
- Bears responsibility for all programmatic and financial aspects of an award.

*Department Head (Chair/Director/Dean or designee):*

- Reviews and approves the project-specific budget, budget narrative, and Major Project Direct Cost Determination Form.
- Bears responsibility for appropriate and adequate cost allocation methods related to an award.

*OSPA:*

- Reviews the project-specific budget, budget narrative, and Major Project Direct Cost Determination Form.
- Makes project-specific determination regarding “major project” status and allowable direct charges.
- Monitors allowability and allocability of charges throughout the life of the project.

## Need Help?

If you have questions or comments related to this procedure or the required form, contact OSPA at [muresearchospa@missouri.edu](mailto:muresearchospa@missouri.edu) or (573)-882-7560.

## Related Topics

[Electronic Effort Verification Report](#)

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## Appendix I

Administrative costs charged to federally sponsored projects must always be in compliance with Circular A-21, and it is the University's responsibility to ensure compliance with A-21 requirements. The following provides guidance on how to propose a sponsored activity as a major project and when and how to charge administrative costs to a federal sponsor. Additional guidance also is provided on charging administrative costs to non-federal sponsors.

### I. Making the Case for a Major Project

If a PI believes that a sponsored activity rises to the level of a major project, the PI must submit a [Major Project Direct Cost Determination Form](#) to OSPA and provide a compelling justification for major project status in the proposal's budget narrative. OSPA will review this justification to ensure the PI has made a credible case for this designation before submitting the proposal.

The following **sample language** is suggested as an **introductory statement** to the budget justification:

The PI has determined that this is a major project, as defined by OMB Circular A-21, and it meets A-21 requirements for direct charging of administrative expenses. All effort and expenses charged to this project will be for services specific to the project, and not for general support of the academic activities of the faculty or Department. In addition, effort charged to this project can be specifically identified to the project.

**The PI must then add to this statement a specific explanation** as to why this specific project deserves major project status. The following elements are some common major project indicators. The PI should be able to relate his or her project to one or more of these elements:

- **Number/Volume:** Will this project involve a large number of subjects or project deliverables? Will it be necessary to use large data sets or analyze a considerable number of samples, or inventory/display a significant number of artifacts?
- **Complexity:** Will the level, degree, or intricacy of the proposed work require greater oversight or management? Will multiple investigator partnerships or subagreements be required? Will the research design be difficult to implement due to project logistics? Are the research questions interrelated and dependent upon the timing and execution of other project functions?
- **Location:** Is the project spread across multiple sites requiring a high degree of coordination to succeed? Is the project located all or in part outside the U.S. requiring the need to deal with communication across international time zones, travel to remote locations on land or at sea, or payments in international currency?
- **Duration:** Will the implementation of the project require long term monitoring and/or analysis, the tracking of subjects or research data over time, or meeting sustainability objectives?
- **Compliance Issues:** Will it be necessary to implement and comply with a large number of human and animal subject protocols?

**Important! The explanation provided must be unique to each major project. It should not be a duplicate explanation used by the PI for other proposals. Even proposals for a competitive**

extension of the same project should relate the justification to proposed project activities and not rely on explanations used in the past.

## II. Making the Case for Charging Technical/Administrative Salaries to a Major Project

After providing evidence that the sponsored project activity is indeed a major project (see [Section I](#) above), the PI may propose to charge a federal sponsor for administrative/clerical salaries related to the major project by including the salaries in the project budget. **The salaries must be clearly labeled as administrative or clerical salaries in the budget, and the PI must justify these salary costs in the budget justification.**

Eligible administrative/clerical personnel fall into two categories:

**Option 1: A person with an administrative title who normally carries out only administrative/clerical tasks takes on technical or programmatic responsibilities for a specific major project.** Such costs are allowable as long as the administrator's programmatic/technical responsibilities differ significantly from their routine administrative or clerical duties and this technical/programmatic effort can be directly associated with the project, i.e., tracked via effort reporting.

<b>Technical/Programmatic</b>	<b>Administrative/Clerical</b>
Writes/edits reports for content	Duplicates and submits reports
Collects and analyzes data	Displays data visually
Trains project participants	Records attendance of project participants

If the PI determines that the tasks to be carried out by the administrator will be technical/programmatic, the PI should describe in the budget justification how the administrator's activities relate to the programmatic objectives of the project, the percentage of time spent on these technical/programmatic tasks, and how this effort will be distinguished from and tracked via effort reporting in relationship to the administrator's other routine administrative activities.

**Note:** When individuals with administrative titles are carrying out programmatic/technical tasks on a federal grant or contract, the budget justification should indicate the percentage of time the administrator will be spending on these technical/programmatic activities and clearly state that this effort will be tracked and reported according to current University policies and procedures.

**Option 2: A person with an administrative title takes on administrative tasks for a specific major project that are above and beyond what would routinely be provided by the department.** The satisfaction of this criterion hinges on how clearly and explicitly the PI can explain in the budget justification the non-routine nature of the administrative tasks associated with the specific project. For example, making travel arrangements for project personnel is a routine administrative task. However, if there are a large number of project personnel based in many different geographical locations around the world, and it is critical that the schedules of these personnel be coordinated so that project

personnel can meet at specific times and locations, the task of making travel arrangements becomes more complex.

Such duties would be considered above and beyond routine administrative support. In the budget justification the PI should indicate the percentage of time spent on these non-routine administrative tasks and how this effort will be tracked via effort reporting in relationship to the administrator's routine departmental activities.

If an administrator will be assuming both technical/programmatic responsibilities as well as non-routine administrative duties relative to a specific major project, both types of duties should be described in the budget justification.

### **III. Making the Case for Charging Non-Salary Administrative Costs to a Major Project**

Administrative costs such as phone, copying, and office supplies are not normally charged as a direct cost to a sponsored project supported with federal funds. There is, however, an exception to this policy. When the costs for office supplies, postage, memberships, and similar administrative costs meet the following criteria, the cost is allowable:

- The PI is able to show that these costs can be tracked, i.e., recorded so that they are directly associated or identified with the PI's sponsored project, and
- The cost is necessary to carry out the project's technical objectives, and
- The administrative support provided is above and beyond the normal support provided by the PI's department.

For example, although postage is normally treated as an indirect cost, a particular program may have a special need for an extraordinary amount of postage because of the mailing of hundreds of survey questionnaires. In this case, it would be appropriate to charge that program directly for the postage related to the questionnaires, since the postage for the questionnaires would constitute "unlike circumstances" compared to routine postage requirements.

The judgment as to whether a direct charge for these types of costs is appropriate should be based on the needs of the project; accordingly, such a judgment should be made by the PI. However, this is only the first step.

The PI must also support his or her decision in the budget justification. It is not enough to state that the project is a "major project." The PI will need to indicate the item and the cost and provide a clear justification that describes how the administrative cost is critical to the success of the technical aspects of the project and how the cost exceeds routine administrative services provided by the department.

**Note:** NIH modular budgets do not allow detailed budget information on the types of charges that go into each module. In such cases, if the PI would like to classify the project as a "major project" and/or anticipates administrative costs to the NIH, OSPA will require the PI to provide a detailed budget and a justification for these charges to keep with the file.

#### IV. Charging Administrative Costs to Non-Federal Sponsors

Circular A-21 requirements do not apply to non-federal sponsors. However, all charges to sponsored projects must be allowable and allocable no matter what type of sponsor is involved. Therefore, in the case of a non-federal sponsor, administrative costs may be charged only if:

- The sponsor does not prohibit such costs, and
- Such costs are not charged in place of allowable F&A costs, and
- It is possible to track these costs as belonging to a specific project. For example, if postage costs are to be charged to a specific project, there must be a way to document that the postage paid for by the non-federal sponsor is only being used to pay for the non-federal sponsor's project.

In preparing a proposal that includes administrative costs, always follow the guidelines of the sponsor:

**A. If the sponsor does not require a budget or a budget justification**, the PI is not required to provide these items to the sponsor. However, the PI/Department must provide an internal budget to OSPA for review to ensure that F&A costs have been accounted for and handled appropriately.

**B. When budget information is required by the sponsor**, the PI/Department should follow these procedures:

1. Administrative and clerical salaries charged to a non-federally sponsored project must be labeled as administrative/clerical in the project budget. These costs also must be supported by a justification specific to the current project in the budget justification section.

**Reminder: Justifications copied from other projects, including previous sponsored projects carried out by the PI, are not acceptable. Every sponsored project is unique and every segment of a sponsored project should show progress in achieving the project's objectives.**

2. Other types of administrative costs (office supplies, postage, memberships, and similar costs relate specifically to the technical substance of the project) must be clearly listed in the project budget. The budget justification should indicate how these costs related to the programmatic, technical, or administrative needs of the project. The PI also must indicate how he or she will assure that costs associated with these items will be tracked and remain project specific.

#### V. Sponsor Approval of Administrative Costs

At the time of the award, OSPA will confirm that the administrative/technical costs in support of a major project have been approved by the sponsor. If the sponsor fails to specifically approve



these costs in the award notice, **OSPA will consider the charges to be approved by the sponsor only if the charges were clearly labeled as administrative/technical costs in the project budget and if a clear and specific justification for these charges meeting the criteria above was provided in the budget justification.**

#### **VI. Subrecipients as a Major Project and Charging Administrative Costs**

When MU submits a proposal that includes a subaward to a third party to perform a portion of the scope of work, the MU PI must submit the subrecipient's scope of work and budget to OSPA for review/approval prior to submission of the proposal.

If the source of the funds for the subaward will be a federal sponsor and the subrecipient claims the status of a major project, the subrecipient must justify this special status to MU in the budget justification as outlined above. Similarly, if the subrecipient wishes to use its major project designation to charge administrative salaries or other administrative costs to the project, the subrecipient must provide a budget justification to MU for these costs.

If the proposal is being submitted to a non-federal sponsor, the subrecipient will not need to provide a justification for major project status. However, the subrecipient is required to provide a budget justification supporting any administrative salaries and/or other administrative support costs requested.

The authorized representative of the subrecipient must approve these proposed arrangements at the proposal stage by:

- Providing an approval email directly from the authorized representative to OSPA, or
- Providing an original or faxed approval letter to OSPA

#### **VII. After an Award is Made: Major Project Status and Re-budgeting to Pay for Administrative Costs**

After an award has been made, if the PI/Department determines that a project should be designated as a "major project" and/or that the sponsor should pay for administrative salaries or other administrative costs not identified in the proposal, the PI/Department should contact OSPA to determine if sponsor approval is required. **The PI/Department may not reallocate project funds to pay for administrative salaries or other administrative costs without first determining if funding agency approval is required and obtaining this approval if it is necessary.** If an award is made under Federal Demonstration Partnership (FDP) Research Terms and Conditions (RTC) and prior sponsor approval is not required, OSPA will require the PI to provide a detailed budget and a justification for these charges to keep with the file. PIs/Departments that fail to obtain sponsor approval or provide OSPA with an adequate justification for such costs will be responsible for paying for any unallowable costs identified by the funding agency or external auditors.