



VICE PRESIDENT FOR RESEARCH

THE UNIVERSITY OF TEXAS AT AUSTIN

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MEMORANDUM

TO: Deans, Department Chairs, Directors and Principal Investigators
FROM: Juan M. Sanchez *JM Sanchez*
DATE: May 14, 2004
RE: Allowable Direct Charges to Federal Contracts and Grants

The attached documents provide general guidelines and clarification of University policies regarding allowable direct charges in proposals submitted to Federal agencies. In particular, the guidelines address the proper justification of charges to contracts and grants of **salaries of administrative and clerical personnel and of other non-salary costs that are generally unallowable as direct charges.**

Effective immediately, Principal Investigators that include salaries of administrative and clerical personnel and/or other generally unallowable clerical costs in proposals to Federal agencies are required to include in their proposal submission a properly completed "**Justification & Certification of Direct Charges of Administrative & Clerical Salaries & Other Generally Unallowable Costs**" form (see Attachment B), together with the slightly revised Proposal Review Form (PRF). Copies of the "Justification & Certification" form and of the revised Proposal Review Form can be found at http://www.utexas.edu/research/osp/allow_unallow.html.

An important element of Federal regulations is that salaries of administrative and clerical staff and most clerical costs are **normally** considered to be indirect costs to be reimbursed by the Federal Government through the Facilities & Administration (F&A) negotiated rate. Thus, those charges should normally be paid with **institutional funds allocated to Departments and Organized Research Units for such purpose.** There are, however, a number of exceptions in which administrative salaries and other clerical costs might be allowed as direct charges. In deciding if such charges can be included in a proposal, it is helpful to keep in mind that any direct charge to a contract or grant must be *specifically identified with the project or activity* and, if the charges are to be allocated between multiple projects, proper documentation and procedures must be established to ensure that *the charges can be allocated to each project or activity with relative ease.*

Increased scrutiny by funding agency officials and federal auditors makes it imperative that the University keep proper justification of these potentially unallowable charges *above and beyond* listing such charges in the proposal budget. There are several reasons for the additional level of justification:

- i) Lack of proper justification might result in disallowance of the charge by the agency;
- ii) A properly justified charge will allow the University to negotiate with the agency should a program officer arbitrarily decide not to fund the cost; and
- iii) In the absence of proper justification, Auditors could disallow charges after the fact even if they have been approved by the agency.

Should you have any questions regarding the new justification procedure, please feel free to contact:
OSP: Barbara Rodela 471-2331 brodela@mail.utexas.edu
Rochelle Athey 471-6448 atheyrr@mail.utexas.edu
Contracts & Grants at 232-4877 (Help Desk)

JMS:sp

Attachments

THE UNIVERSITY OF TEXAS AT AUSTIN
Office of the Vice President for Research

Direct Charges of Administrative & Clerical Costs

Policy

Principal Investigators that include *salaries of administrative and clerical personnel* as direct charges in proposals that are federally funded, including Federal pass-throughs, must complete the “**Justification & Certification of Direct Charges of Administrative & Clerical Salaries & Other Generally Unallowable Costs**” Form (Attachment B) and include it, together with the Proposal Review Form (PRF), with their proposal submission to the Office of Sponsored Projects (OSP).

Background

Charges to contracts and grants of *salaries of administrative and clerical staff* are normally treated as indirect costs. All direct charges of salaries of administrative and clerical staff must be *specifically identified with the project or activity* and, if the charges are allocated between multiple projects, proper documentation and procedures must be established to ensure that *the costs can be allocated to each project with relative ease*.

Special Considerations

Direct charges of salaries of administrative and clerical staff to a research grant or contract **MAY** be appropriate in instances where the project is complex enough to require an extensive amount of administrative or clerical support that is significantly greater than the routine level of such services provided by academic departments and Organized Research Units. Examples include:

- Creation and/or operation of large, complex programs and other grants and contracts that entail assembling and managing teams of investigators from a number of institutions, such as NIH centers and program projects and NSF environmental or engineering research centers.
- Extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, searching literature, and reporting, such as epidemiological studies and clinical trials.
- Projects that require making travel and meeting arrangements for large numbers of participants, such as for conferences and seminars.
- Projects in which the principal focus is on the preparation of manuals and large reports, books, and monographs, not including routine progress reports required by most sponsors.
- Off-campus projects that are geographically inaccessible to the routine administrative services provided by university departments, such as research conducted on seagoing research vessels.
- Individual projects requiring project-specific administrative tasks such as database management and multiple project-related investigator coordination and communications.

Principal Investigator Responsibilities

When salaries of administrative and clerical personnel are determined by the PI to be an appropriate charge to the project or activity, the PI should:

- 1) Review the agency guidelines to determine whether administrative and clerical personnel costs are permitted. If the RFP/guidelines indicate that such costs are allowed by the agency, a copy and/or reference to the documentation should be provided to OSP.
- 2) Explicitly itemize and justify costs in the research proposal budget and budget justification.
- 3) Indicate on the Proposal Review Form (PRF) that such charges are included in the budget.
- 4) Submit the “Justification & Certification of Direct Charges of Administrative & Clerical Salaries & Other Generally Unallowable Costs” Form (Attachment B) to OSP with the PRF and the proposal.
- 5) Submit proposals to OSP at least 4 working days before the agency deadline to allow for adequate budget review. Untimely submissions to OSP will be transmitted to the Sponsor but **acceptance of the award by The University of Texas at Austin will be subject** to proper budget justification and certification by the PI at the time of the award. Unallowable charges will require budget reprogramming by the sponsoring agency and/or identification by the PI of a proper institutional account to cover the charges.
- 6) Post award requests for budget transfers involving administrative and clerical charges must include a certification that the re-budgeted amounts are consistent with The University of Texas at Austin direct charge procedures for administrative and clerical costs. The request for re-budget must be originated

on a VT3 document. Questions concerning how to process a VT3 should be directed to Contracts and Grants at 232-4877 (Help Desk).

For those charges that are generally not allowable or that are questionable, it is helpful if the PI contacts the Program Officer prior to submitting the proposal and obtains written approval.

OSP Responsibilities

- 1) OSP **will not** submit proposals that include generally unallowable administrative and clerical personnel charges without proper justification and certification by the PI. These charges will be identified in the budget by OSP and the proposal will be returned to the PI for revision or proper justification. Note that this may delay the submission approval process.
- 2) OSP will process proposals received at least 4 working days prior to the agency deadline. If proposals are submitted to OSP within the last 3 days of the agency deadline and they contain inadequately justified direct charges of administrative and clerical costs in the budget, the proposal will be submitted but **acceptance of the award by The University of Texas at Austin will be subject** to proper justification and certification by the PI at the time of the award, budget reprogramming by the sponsoring agency, or identification by the PI of a proper institutional account to cover the charges.

Contracts and Grants Responsibilities

- 1) The Office of Accounting (Contracts and Grants) **will not process requests to re-budget project accounts** to include salaries of administrative and clerical personnel without certification that the amounts are consistent with The University of Texas at Austin direct charge procedures for administrative and clerical costs. Final approval of VT3 re-budget documents will result in e-mail notification to the PI of the completion of a re-budget action on his/her account.
- 2) The Office of Accounting (Contracts and Grants) and OSP will conduct a semiannual audit of active Federal awards that include salaries of administrative and clerical personnel. In the event that unallowable charges are identified (i.e. charges that cannot be properly justified and certified by the PI), such charges will be removed from the account and, in consultation with the Dean of the College or School, transferred to a proper institutional account.

Deans' and Vice Presidents' Responsibilities

- 1) The University of Texas at Austin provides funding to Colleges and Schools to cover the full cost of research administration conducted in academic Departments and Organized Research Units. Thus, it is the responsibilities of the Deans and Vice Presidents to ensure that adequate institutional funds are provided to Departments and Organized Research Units to cover the salaries of administrative and clerical personnel that are **required for the proper execution of the individual projects, and are not allowed as direct charges under OMB Circular A-21.**
- 2) In the event that a proposal, award or active project is determined to require unallowable charges for salaries of administrative and clerical personnel, the cognizant Dean or Vice President should, in the case of a proposal or new award, provide a proper institutional account to cover such charges or, in the case of an active award, to retroactively transfer the charges.
- 3) Deans and Vice Presidents should proactively communicate this policy to all Principal Investigators.

THE UNIVERSITY OF TEXAS AT AUSTIN
Office of the Vice President for Research

Direct Charges of Generally Unallowable Non-Salary Costs

Policy

Principal Investigators that include *generally unallowable* expenses of non-salary items as direct charges in proposals that are federally funded, including Federal pass-throughs, must complete the “***Justification & Certification of Direct Charges of Administrative & Clerical Salaries & Other Generally Unallowable Costs***” Form (Attachment B) and include it, together with the Proposal Review Form (PRF), with their proposal submission to the Office of Sponsored Projects.

Background

There are certain costs that **cannot** be included as direct charges in contracts and grants, such as general office supplies, local telephone costs, and dues and memberships. A common characteristic of these charges is that they are not solely attributable to a specific project. The following costs generally are **NOT** allowed as direct charges on most research grants and contracts:

- Data Communication: backbone/wireless services, port fees, wide area network usage fees related to administrative activities
- Services: legal or financial services, insurance, general recruitment advertising, repairs and maintenance of facilities and general purpose equipment, administrative computing
- Supplies: general office supplies, parts and supplies associated with repair and maintenance of general purpose equipment and facilities, paper, forms, general purpose books and reference materials
- Travel: that which is related to administrative activities
- Entertainment costs: includes the cost of amusements, social activities, and related incidental costs
- Other Operations: postage; express delivery; basic telephone services, including installation, repair, and line charges; general purpose capital and non-capital equipment; utilities; dues/memberships in business, professional, or technical organizations; subscriptions

Further clarification and examples of costs that are **NOT** allowed in Federal contracts and grants and that should not be included as direct charges in proposals submitted to OSP are listed in Attachment A. (Also, see URL for helpful guidance that, although specific to PHS awards, is also applicable to any Federal award: <http://grants2.nih.gov/grants/policy/gps/7costs.htm>.)

Special Considerations

Charging the costs of certain non-salary unallowable items to a research grant **MAY** be appropriate if certain criteria are met. For example, the budgeted items:

- Are necessary to meet the requirements of the grant-supported project or activity;
- Will be used solely for the benefit of the project or contract; and/or
- Have been approved in writing by the sponsor.

Principal Investigator Responsibilities

When generally unallowable direct charges are determined by the PI to be appropriate to the project or activity, the PI should:

- 1) Explicitly itemize and justify these costs in the research proposal budget and budget justification.
- 2) Indicate on the Proposal Review Form (PRF) that such charges are included in the budget.
- 3) Submit a completed “Justification & Certification of Direct Charges of Administrative & Clerical Salaries & Other Generally Unallowable Costs” Form (Attachment B) to OSP with the PRF and the proposal.
- 4) Submit proposals to OSP at least 4 working days before the agency deadline to allow for adequate budget review. Untimely submissions to OSP will be transmitted to the Sponsor but **acceptance of the award by The University of Texas at Austin will be subject** to proper budget justification and certification by the PI at the time of the award. Unallowable charges will require budget reprogramming by the sponsoring agency and/or identification by the PI of a proper institutional

account to cover the charges.

- 5) Post award requests for budget transfers involving non-salary charges must include a certification that the re-budgeted amounts are consistent with The University of Texas at Austin direct charge procedures for administrative and clerical costs. The request for re-budget must be originated on a VT3 document. Questions concerning how to process a VT3 should be directed to Contracts and Grants at 232-4877 (Help Desk).

For those charges that generally are not allowable or that are questionable, it is helpful if the PI contacts the Program Officer prior to submitting the proposal and obtains written approval.

OSP Responsibilities

- 1) OSP staff **will not submit proposals** that include *generally unallowable* non-salary items without proper justification and certification by the PI. Unallowable charges will be identified in the budget by OSP and the proposal will be returned to the PI for revision or justification. Note that this may delay the submission approval process.
- 2) OSP will process proposals received at least 4 working days prior to the agency deadline. If proposals are submitted to OSP within the last 3 days of the agency deadline and they contain inadequately justified unallowable charges in the budget, the proposal will be submitted, but **acceptance of the award by The University of Texas at Austin will be subject** to proper justification and certification by the PI at the time of the award, budget reprogramming by the sponsoring agency, or identification by the PI of a proper institutional account to cover the charges.

Contracts and Grants Responsibilities

- 1) The Office of Accounting (Contracts & Grants) **will not process requests to re-budget project accounts** without certification that the amounts are consistent with The University of Texas at Austin direct charge procedures for administrative and clerical costs. Final approval of VT3 re-budget documents will result in e-mail notification to the PI of the completion of a re-budget action on his/her account.
- 2) The Office of Accounting (Contracts and Grants) and OSP will conduct a semiannual audit of active Federal awards that include non-salaries administrative charges. In the event that unallowable charges are identified (i.e. charges that cannot be properly justified and certified by the PI), such charges will be removed from the account and, in consultation with the Dean of the College or School, transferred to a proper institutional account.

Deans' and Vice Presidents' Responsibilities

- 4) The University of Texas at Austin provides funding to Colleges and Schools to cover the full cost of research administration conducted in academic Departments and Organized Research Units. Thus, it is the responsibilities of the Deans and Vice Presidents to ensure that adequate institutional funds are provided to Departments and Organized Research Units to cover administrative costs that are **required for the proper execution of the individual projects, and are not allowed as direct charges under OMB Circular A-21**.
- 5) In the event that a proposal, award or active project is determined to include unallowable charges for administrative costs, the cognizant Dean or Vice President should, in the case of a proposal or new award, provide a proper institutional account to cover such charges or, in the case of an active award, retroactively transfer the charges.
- 6) Deans and Vice Presidents should proactively communicate this policy to all Principal Investigators.

<p style="text-align: center;">NORMALLY DIRECT (generally allowable as direct charges with justification)</p>	<p style="text-align: center;">NORMALLY INDIRECT (generally not allowable as direct charges)</p>
<p><u>Data Communication</u> Wide area network (WAN) usage necessary to meet the goals of the project [must be specifically budgeted, justified, and approved (or not specifically disapproved) by the sponsor].</p>	<p><u>Data Communication</u> Backbone/wireless services, port fees. Wide area network (WAN) usage, related to administrative activities.</p>
<p><u>Salaries and Wages/Employee Benefits</u> Faculty, technicians, research associates and assistants, including graduate research assistants and other students performing scientific or technical work, post-doctoral associates, and other technical and programmatic personnel necessary to meet the goals of the project.</p>	<p><u>Salaries and Wages/Employee Benefits</u> Administrative and clerical positions, such as administrative assistants, accountants, office personnel, including student workers, purchasing agents and buyers; administrative activities of directors and assistant and associate directors, executive assistants, and other administrators.</p>
<p><u>Services</u> Consultant's fees, printing, reprints and page charges, photography and photocopy charges. Repairs and maintenance (related to scientific and technical equipment).</p>	<p><u>Services</u> Legal and financial services, insurance, general recruitment advertising. Repairs and maintenance (facilities and general purpose equipment). Administrative computing.</p>
<p><u>Supplies</u> Laboratory and scientific supplies, chemicals, glassware, field supplies, compressed gases and liquids, radioactive material, software, and animals.</p>	<p><u>Supplies</u> Office Supplies, custodial supplies, parts and supplies associated with repair and maintenance of general purpose equipment and facilities, paper, forms, general purpose books and reference materials.</p>
<p><u>Travel</u> That which is required to carry out the objective of the sponsored project.</p>	<p><u>Travel</u> That which is related to administrative activities.</p>
<p><u>Other Operations</u> Telephone (including FAX) toll charges. Laboratory, scientific and field non-capital equipment. Lease/rental of vehicles and other equipment. Lease/rental of off-campus facilities. Participant expenses and student/trainee non-compensatory support (training grants), subject pay, sub-agreements. Consortia fees. Technical and scientific capital equipment.</p>	<p><u>Other Operations</u> Postage (including express delivery, etc). Telephone-basic services, installation, repair, and line charges (including ATS, WATS, and FAX). General purpose capital and non-capital equipment. Utilities. Dues/memberships (other than those specifically required) in business, professional, and technical organizations; subscriptions.</p>

***NOTE:** This table indicates when a particular cost will be normally charged directly, or as indirect costs to sponsored projects under "like" circumstances. This listing of cost types is not intended to be all-inclusive but provides examples of those most commonly associated with sponsored projects. (This table adapted with permission from Cornell University website: <http://www.univco.cornell.edu/policy/COST.html#12>)

ATTACHMENT B

**THE UNIVERSITY OF TEXAS AT AUSTIN
 Certification & Justification of Direct Charges of Administrative
 & Clerical Salaries & Other Generally Unallowable Costs**

OSP # _____

Principal Investigator: _____ Sponsor: _____

Proposal Title: _____

Complete this form *only* if you responded “YES” to questions on the Proposal Review Form (PRF) indicating that you have *administrative or clerical salary costs* or other potentially *unallowable non-salary costs*

	Yes	No
1) Charges are <i>specifically identified with and for the sole benefit of the project or activity</i> .	<input type="checkbox"/>	<input type="checkbox"/>
2) Charges are allocated between multiple projects (<i>If YES, attach description of procedures to ensure that the costs can be allocated to each project with relative ease</i>).	<input type="checkbox"/>	<input type="checkbox"/>
3) Budgeted items have been approved in writing by the sponsor (attach approval).	<input type="checkbox"/>	<input type="checkbox"/>
4) Items are identified in the budget and specifically itemized and justified in the proposal	<input type="checkbox"/>	<input type="checkbox"/>
5) Charges include routine support of the department/school/college	<input type="checkbox"/>	<input type="checkbox"/>

6) If your proposal includes direct charges for *salaries of administrative and clerical staff*, provide additional justification for these charges by checking the boxes below that apply to your project?

<input type="checkbox"/> Creation and/or operation of large, complex programs and other grants and contracts that entail assembling and managing teams of investigators from a number of institutions, such as NIH centers and program projects and NSF environmental or engineering research centers. <input type="checkbox"/> Extensive data accumulation, analysis and entry, surveying, tabulation, cataloging, searching literature, and reporting, such as epidemiological studies and clinical trials. <input type="checkbox"/> Project requires making travel and meeting arrangements for large numbers of participants, such as for conferences and seminars. <input type="checkbox"/> Projects requires the preparation of manuals and large reports, books, and monographs, not including routine progress reports required by most sponsors. <input type="checkbox"/> Off-campus project that is geographically inaccessible to the routine administrative services provided by university departments, such as research conducted on seagoing research vessels. <input type="checkbox"/> Individual project requiring project-specific database management and multiple project-related investigator coordination and communications. <input type="checkbox"/> Other: (specify)

- I **certify** that the charges identified in the budget are allowable under the terms of The University of Texas at Austin Direct Charge Procedures.
- I **am not able to certify** that the charges identified in the budget are allowable under the terms of The University of Texas at Austin Direct Charge Procedures.

PI Signature: _____ Date: _____