A Guide to Major Projects and Charging Administrative Costs to Sponsored Programs

Purpose The purpose of this document is to provide guidance and procedures for the determination of whether sponsored program projects meet the requirements of the Office of Management and Budget (OMB) Circular A-21, “Cost Principles for Educational Institutions” as Major Projects or major activities. This document also provides procedures for principal investigators to make an initial determination whether it is appropriate to charge administrative costs as direct costs to a sponsored program.

I. Policy

In general, administrative expenses such as clerical salaries, office supplies, postage, local and monthly telephone connection costs, photocopy costs, computer network charges, and cell phones are NOT allowed to be charged as direct expenses and must be paid with other funds, such as F&A, multiple sponsor, or other funds.

A. However, in EXCEPTIONAL CIRCUMSTANCES an administrative cost may be allowable as a direct cost on a grant or contract if:

- The award can be declared a “Major Project” according to OMB Circular A-21 Exhibit C and the administrative cost in question directly relates to the exceptional factors that make the award a Major Project. The definition of a Major Project and exceptional administrative costs associated with a Major Project are contained in the Procedures section of this policy; or

- The cost is directly attributable, easily allocable, and directly related to the specific goal and work of the project or activity being proposed (not general administrative support such as HR, budgeting, procurement work, pre-award work, etc.).

B. Even if the EXCEPTIONAL CIRCUMSTANCES test is met, the four basic concepts of A-21 must also be met - - allowable, allocable, reasonable, consistent treatment (described below).

Exceptional Circumstances are rare and are only applicable if the costs meet all of the criteria outlined above and below. Failure to satisfy these criteria will likely result in administrative costs being disallowed by the funding agency upon post-audit at the end of a grant period and the University department, center, college or institute having to reimburse the sponsor for these costs. If these costs are disallowed as part of a Federal audit, the consequences can be even more severe and if violations are determined to be willfully undertaken, severe penalties or even criminal charges may accompany the disallowance.

C. The Office for Sponsored Programs will make the final and binding determination whether a project meets the criteria of a Major Project at the time of proposal submission.

II. Background

OMB Circular A-21 is a federally issued policy regarding the charging of costs to grants. Principal Investigators are responsible for adhering to the principals of A-21 with the guidance and advice of UAlbany Research Foundation offices. There are four basic concepts of applying the principles of A-21:

1. Allowable – The cost to be charged to a grant, contract or cooperative agreement must:
a. Not be specifically designated as unallowable under Section J of OMB Circular A-21 (www.whitehouse.gov/omb/circulars_a021_2004);

b. Adhere to sponsor-specific policies and the terms of the grant, contract or cooperative agreement; and

c. Adhere to University and Research Foundation policies.

2. Allocable – You must be able to allocate the cost to a specific grant, contract or cooperative agreement with a high degree of accuracy and without undue effort or cost. A cost is allocable to a particular award if the goods or services to be obtained can be charged or assigned to the project based on the degree to which they benefit the project. If the cost is beneficial to the project, it may be allocated to a sponsored award if (1) it is incurred solely to advance the work under the sponsored award; (2) it benefits both the sponsored award and the other work of the institution, in proportions that can be approximated through the use of the methods described below, or (3) it is necessary to the overall operation of the institution, and consistent with the principles in OMB Circular A-21, it is determined to be assignable in part to sponsored projects.

a. There must be an allocation methodology that is workload based.

b. Allowable allocation methodologies include effort, space, head count, FTEs, number of experiments, usage records, time spent in lab and linear footage of bench space. The allocation method must be in accordance with the degree that the cost is beneficial to the specific project being charged.

c. Prohibited allocation methods include evenly spreading costs across grants, placing all costs on one grant when multiple grants benefit, or basing the cost distribution on project budget size or available funding.

3. Reasonable – The cost in question must be:

a. Recognized as necessary for the operation of the institution or performance of the grant or contract; and

b. Consistent with the requirements imposed by arms-length contracting, federal or state laws and regulations and ethical business practices; and

c. Related to an action and/or in an amount deemed to be within the norms of typical business conduct (the “prudent person” test); and

d. The incurrence of the cost must be consistent with established institutional policies and practices applicable to the work of the University at Albany generally, including sponsored agreements.

4. Consistent Treatment - Costs incurred for the same purpose in like circumstances must be treated in the same manner, for each sponsor type (e.g. federal, state, industry, etc.) across the reporting entity.
In order for costs that are typically “indirect costs” to be charged as direct costs:

1. The costs and the explanation as to why these costs can be directly charged due to Exceptional Circumstances must be explicitly detailed in the initial project budget, as contained in the proposal;

2. For personal service costs, the salaries must be clearly labeled as administrative or clerical salaries in the proposal budget, and the PI must justify these salary costs in the budget justification. The detail provided in the justification should include the position and title of the job and the name of the staff person whose salary is included in the budget when available, along with a description of the duties this individual will be performing specific to this project. The budget justification should state the percentage of time this individual will spend working on this project in order for the statement of work and project objectives to be accomplished. In general, ALL administrative costs to be claimed as direct costs under the designation of a Major Project must have been included in the original project budget submitted to the sponsor;

3. The costs and explanation must not be specifically disapproved by the sponsor.
   a. The fact that a charge is not specifically disapproved as part of the initial grant or contract approval process does not preclude the sponsor from disapproving the cost at a later date when more information about the cost is available.
   b. The more detailed information provided in the initial proposal budget, the less chance the cost will be disallowed at a later date.

4. The expenditures must be incurred and executed in accordance with the detail provided in the proposal budget.

   PIs, centers and departments are responsible for ensuring that costs assigned to the project are appropriate. Sponsored programs offices are available for consultation on the appropriate charging of costs.

Examples of when administrative costs could typically be captured as direct costs:

A. A dedicated bank of phones needs to be installed for a project which includes a phone survey component;

B. An administrative support position on a grant which requires multiple conferences or meetings and therefore an extraordinary amount of administrative work beyond what could be expected to be provided by existing departmental resources to address logistics and scheduling arrangements;

C. Computer networking costs on a project that requires multiple, dedicated PCs. In this example, the PCs cannot not be used for any administrative work and generally must be physically located in a dedicated project area;

D. Copy or print costs where a highly unusual number of publications are required as part of the work.
Charging typical administrative personal service costs as direct costs:

A. Must meet all of the criteria outlined above.

B. Position titles should be viewed as being on a continuum from technical to administrative and the more administrative the position title, the more detailed the justification contained in the proposal needs to be and the higher the risk of being disallowed.

C. As the project budget is developed, Research Foundation position descriptions should be used to determine that the most appropriate and least administrative position title is used. For positions containing any administrative duties that a PI is requesting to be charged as a direct cost, a job and duties description must be prepared and submitted to the Sponsored Funds Personnel Office for use in selecting the appropriate and most descriptive title for the position. This information will be conveyed to the appropriate OSP Research Administrator.

D. The Office for Sponsored Programs (OSP) will make the official determination as to whether an award is considered a Major Project under the definitions of OMB Circular A-21.

The Office for Sponsored Programs may reject a request to include any cost as a direct cost in a grant application if in its professional opinion the cost does not meet the criteria necessary to be paid as a direct cost under the guidelines of OMB Circular A-21.

E. Once an administrative cost has been approved to be charged as a direct cost, be extremely consistent throughout the project with regard to job descriptions, positions postings, performance programs, reporting, time sheets, etc. These items must be consistent with those contained in project budget descriptions in the proposal and the principles of charging administrative costs as direct costs only in exceptional circumstances.

PROCEDURES

I. Major Projects

A. Defining a “Major Project” (applicable to Federal Sponsors Only)

OMB Circular A-21 defines “Major Project” as a project or activity that requires an extensive amount of administrative or clerical support, which is significantly greater than the normal level of such services expected by the sponsor to be routinely provided by academic departments. The extent to which these projects are administratively intensive is not necessarily reflective of the amount of funding or size of the award. Some very large projects are not major, while some small, complex ones are considered Major Projects. The absence of routine departmental support is not in itself a valid reason to classify a project as a Major Project or activity.

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.

These examples are not exhaustive, but are meant to illustrate the kinds of situations in which the nature of the research or the performance of the statement of work and the successful completion of the project objectives requires a higher-than-normal level of administrative effort/expense. Only the administrative expenses that relate directly to the administrative activities that make the project “major” may be direct charged.

B. Making the Case for a Major Project

If a PI believes that a sponsored activity meets the criteria of a Major Project, the PI must indicate this by completing an Institutional document uploaded into Coeus and provide a compelling justification for Major Project status in the proposal's budget narrative. OSP 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 certain applicable 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 in part or all outside the U.S. requiring the need to deal with
communication across international time zones, travel to remote locations on land or at sea, 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.

The Office of Sponsored Programs (OSP) will make the final determination as to whether a project qualifies as a Major Project or not as OSP is in a unique position to determine if the administrative needs of the project are extraordinary or significantly greater than is normally expected to be provided by the academic Department in comparison with other projects on campus and against A-21 rules.

## C. 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 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.

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<thead>
<tr>
<th>Technical/Programmatic</th>
<th>Administrative/Clerical</th>
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<tr>
<td>Writes/edits reports for content</td>
<td>Duplicates and submits reports</td>
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<tr>
<td>Collects and analyzes data</td>
<td>Displays data visually</td>
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<tr>
<td>Trains project participants</td>
<td>Records attendance of project participants</td>
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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 by the university’s effort reporting system.

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.

Note: When individuals with administrative titles are providing administrative services above and beyond their normal departmental duties on a federal grant or contract, the budget justification should indicate the percentage of time the administrator will be spending on these non-routine administrative tasks and clearly state that this effort will be tracked in the university’s effort reporting system.

**Please note:** 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.

**II. Making the Case for Charging Technical/Administrative Salaries to Non-Major Projects**

Under OMB A-21 (Section F.6.b.(2)), the salaries of administrative and clerical staff may be allowed as direct charges where a direct project activity explicitly budgets and allows for administrative or clerical services and individuals involved can be specifically identified with the activity. **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.** In most cases, federal auditors have disallowed these charges on post-award audit, so only under very unusual circumstances will these charges be allowed on grant or contract applications. An example of this circumstance may be where a secretarial or clerical title is necessary to complete work required to be done after normal work hours for project related reasons (handling highly classified information, etc.).

**III. Making the Case for Charging Non-Salary Administrative Costs to Major and Non-Major Projects**

Administrative costs such as local telephone charges, 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 that applies to both Major Projects and non-major projects. 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, and
- It can be readily proven that the items or services are dedicated SOLELY to the work of the project and not used for any other purpose.

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. However, these extraordinary postage costs MUST be invoiced and paid separately from normal administrative postage costs. The intermingling of these two costs will make it impossible to distinguish one from the other upon audit and the truly extraordinary and direct postage costs will then likely be disallowed by the auditor as a direct cost.

The charging of office supplies and desktop and laptop computers as direct costs will generally be considered not allowable as direct costs on an award UNLESS they can be fully justified and tracked (allocability) to meet the project goals. Justification for purchases of computers must include a description of how the computer is solely related and specifically identifiable to the project and is not used for general administrative or educational purposes. Likewise, the charging of general office supplies will not be considered as direct costs unless adequate justification including details for amounts of project specific and allocable tracking is provided.

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. Final approval of these budget requests will be made by OSP.

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, OSP will require the PI to follow Steps II & III above and provide a detailed budget and a justification for these charges to be uploaded into Coeus.

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

Circular A-21 requirements do not generally 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:

- There are no federal flow-through funds in the non-federal sponsor award
- The sponsor specifically approves 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.

For non-Federally funded awards, 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 Excel budget and budget justification in Coeus 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 an “original” 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. This is because 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, computers, postage, memberships, and similar costs related specifically to the technical substance of the project) must be clearly listed in the project budget. The budget justification should indicate how these costs relate solely 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, OSP will attempt to 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, **OSP 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. Subrecipient as a Major Project and Charging Administrative Costs

If a proposal includes a subcontract to a third party, the UAlbany PI must submit to OSP the proposed subrecipient’s scope of work, budget and budget justification, along with a copy of its most recent F&A rate agreement. A letter signed by an authorized signatory of the subrecipient indicating the willingness of the subrecipient to participate in the project, if it is funded, and any other materials required by the funding agency should also be obtained.). These materials will reviewed by the appropriate OSP Research Administrator as part of the overall review of the proposal.

If the subrecipient’s budget includes administrative salaries or other administrative costs, the subrecipient’s authorized signatory must provide a statement to OSP, presenting its case for its determination that this project meets the criteria of the designation of a Major Project as described above in Section I.A. 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 UAlbany for these costs as outlined above under Sections I.B. and I.C. All costs included in the budget must be directly attributable, easily allocable, and directly related to the specific goal and work of the project or activity being proposed. The allocation method must be in accordance with the degree that the cost benefits the specific project being charged.
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 OSP to find out 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 then obtaining this approval if it is necessary.** If an award is made under FDP/RTC and prior sponsor approval is not required, OSP will require the PI to provide a detailed budget and a justification for these charges to be kept with the file. PIs/Departments that fail to obtain sponsor approval or provide OSP with an adequate justification for such costs will be responsible for moving these costs to a non-sponsored source of funds such as a PI, departmental, school or college multiple sponsor account.

VIII. Tips and Advice

A. Begin by running each questionable cost through the tests and principles outlined above. Do not prepare and submit the project budget and then try and apply these principles after the fact - - this is when an impasse may occur with campus RF administrative offices.

B. If the benefit is spread over multiple projects and it is difficult to identify a direct benefit to each activity or project, the cost must be considered an indirect cost (for example: computers used for multiple purposes, wall clocks, and office refrigerators).

C. Allocation of costs should be made at the time of purchase.

D. Computer equipment, supplies, office supplies, etc. dedicated to labs or programs can be charged as direct costs only when they can be CLEARLY shown to be dedicated SOLELY to the direct work of the project.

E. If a person works on five or more projects, it will be difficult to accurately document the relative benefit to any specific project. In addition, it is extremely difficult to prove that any administrative position can be one hundred percent charged to sponsored awards and that the position does not complete any indirect administrative work.

Reminder: **IF THERE IS INADEQUATE TIME FOR THE SPONSORED PROGRAMS OFFICES TO REVIEW AND APPROVE ADMINISTRATIVE CHARGES ON APPLICATIONS PRIOR TO SUBMISSION, EXPENDITURES MAY BE DELAYED OR DISALLOWED AT AWARD TIME.**

IX. Resources


OMB Circular A-21, Exhibit C: [http://www.whitehouse.gov/omb/circulars_a021_2004/#exc](http://www.whitehouse.gov/omb/circulars_a021_2004/#exc)

Federal Demonstration Partnership: [http://sites.nationalacademies.org/PGA/fdp/index.htm](http://sites.nationalacademies.org/PGA/fdp/index.htm)


**Non-personnel OMB A-21 Exceptions – Direct Charging to Federal Projects**

**Guidance Document on Computer Purchases Costing Less than $5,000 as Direct Charges on Federally Sponsored Research Projects**
Charging Administrative and Technical Expenses

When normally administrative costs are planned and used for a project's technical scope of work, the project does not need to be major for those costs to be charged direct, but they must be budgeted and approved by the sponsor, specifically identified to the project, and supported by a budget justification in the proposal.

Updated January 17, 2012