Direct Charging of Administrative and Clerical Costs

Procedure #: 600.01
Written By: Financial Services
Edited By: The Office of Research and Grants

1.0 Introduction

The federal government issued a revision to OMB A-21 (A-21) in July 1993 to clarify that costs charged as indirect costs, or included in the indirect cost study as an overhead item, can NOT be charged to a grant as a direct cost. Additionally, the May 8, 1996 revision to A-21 incorporated the cost accounting standards into the cost principles for educational institutions. These cost standards were then applicable to grants and cooperative agreements, as well as contracts. CAS 9905.502 covers this item in detail.

2.0 General Definition of Responsibility

The Principal Investigator of each grant is responsible for ensuring that the costs charged to the grant are appropriate. The Grants Accountant is responsible for general advisement to the Principal Investigators.

3.0 Background

A. The federal government requires that costs charged to grants through the indirect cost study should not be charged as direct costs to any grant. CAS 502 states that "the purpose of this standard is to require that each type of cost is allocated only once and on only one basis to any sponsored agreement...Adherence to these cost accounting concepts is necessary to guard against the overcharging of some cost objectives and to prevent double counting. Double counting occurs most commonly when cost items are allocated directly to a cost objective without eliminating like cost items from indirect cost pools which are allocated to that cost objective." A fundamental requirement of these standards is "All costs incurred for the same purpose, in like circumstances, are either direct costs only or indirect costs only...No final cost objective shall have allocated to it as a direct cost any cost, if other costs incurred for the same purpose, in like circumstances, have been included in any indirect cost pool to be allocated to that or any other final cost objective".
B. The Citadel does the short form version of the indirect cost study. In the short form, 20% of the salaries and expenses of deans and department heads are included in the overhead pool. Because of this treatment, supplies, telephone costs, copy costs, etc. are in the indirect cost rate and should not be charged as part of the direct costs of the grant.

4.0 Policy

A. Costs normally treated as indirect costs will not be charged to grants.

B. Section F6b. of A-21 (last sentence) states, "Items such as office supplies, postage, local telephone costs, and membership shall normally be treated as indirect costs". These type costs need to be eliminated from the budget proposal process. Exception: If an administrative cost can be specifically identified to a sponsored project, it may be charged.

   Examples are:

   • Long distance telephone costs and federal express service directly related to the grant activity.

   • Administrative salaries are allowable if the salary has been explicitly budgeted and the special circumstances requiring direct charging of the services are justified in the grant proposal. Therefore, a grant operating in a remote site from the department might require an administrative person, rather than the departmental administrative person to handle administrative aspects of the grant.