

BLOUSTEIN SCHOOL POLICY

Policy Name: Unallowable Costs on Federal and State of New Jersey Grants and Contracts

Date: July 1, 2008

The following is the policy with regard to unallowable costs on Federal and State of New Jersey grants and contracts, and the procedure to be followed to request funds from the Office of the Dean to pay for these costs.

- Background
 - In July 1993, the Office of Management and Budget (OMB) revised Circular A-21, Cost Principles for Educational Institutions, which is applicable to Federal grants and contracts.
 - Under this rule, the following expenses, generally, will not be allowable as direct costs: administrative and clerical salary, telephone, postage, office supplies and memberships.
 - The State of New Jersey applies Federal rules and regulations to its grants and contracts. Therefore Rutgers adheres to the provisions of A-21 for all awards from the state of New Jersey.
- Policy
 - Generally speaking, administrative and clerical salaries should not be charged directly to Federal and State of New Jersey grants and contracts. Exception: Direct charging is permissible if the salaries of the employee are specifically budgeted and the level of effort is equal to at least fifteen percent of the employee's total effort.
 - The only telephone expenses which can be directly charged to grants and contracts are long distance costs which would need to be itemized and include an explanation of the business purpose and reason for charging each grant or contract.
 - Similarly, the costs for postage, office supplies, and memberships will be allowed only if the costs are explicitly budgeted, the charges can be identified with the project or activity, and the sponsor has included them in the final award or given specific written approval of their inclusion in the budget. Note: It is important to understand that budgeting for office supplies, and calling them "project" supplies in the budget doesn't make them permissible. Copy paper, toner cartridges for printers, and stationery items by their very nature can not be specifically identified to a grant, and therefore are not permissible charges to Federal and State of New Jersey grants and contracts.
 - Internal charge-backs for room rental and equipment rental may not be charged.
 - These restrictions would not apply to units that are fully-funded by a grant/contract that is intended to fund the entire operation of the unit.



Units can request reimbursement for these unallowable expenses from earned F&A return and/or salary savings. Requests should be submitted in writing, addressed to Linda Guardabascio. These requests should be submitted quarterly, within thirty days of the close of the quarter, and should include appropriate backup (list of expenses and voucher numbers) to support the amount of the reimbursement requested.

For more detailed information on unallowable costs, see Attachment A, which is from the website of the Division of Grant and Contract Accounting (DGCA).

Unallowable Costs on Federal Programs:

In July 1993, the Office of Management and Budget (OMB) revised Circular A-21, Cost Principles for Educational Institutions, which is applicable to Federal grants and contracts. Under the new rule, the following expenses, generally, will not be allowable as direct costs: administrative and clerical salary, telephone, postage, office supplies and memberships.

The changes in the Circular will effectively decrease the cost of grants and contracts to the Federal government. This will force colleges and universities to absorb more expenses because these previously allowable direct costs must be recovered as indirect costs. For Rutgers, the indirect cost rate has already been capped, making the costs unrecoverable. The impact is significant. Last year alone, Rutgers administrative and clerical salaries charged to grants and contracts exceeded \$2.5 million.

The State of New Jersey applies Federal rules and regulations to its grants and contracts. Therefore these awards will be subject to the provisions of A-21. In addition, many non-Federal awards flow down from Federal sponsors. OMB Circular A-110 requires prime recipients of Federal awards to enforce Federal rules and regulations on their sub-recipients. As a result, indirect Federal awards are also subject to the provisions of A-21. Awards which are subject to the provisions of A-21 will be referred to as "applicable grants and contracts" in the following discussion.

Effective July 1, 1994, proposals for applicable grants and contracts as well as continuations or renewals, requiring sponsor budget approval, must conform to the revised A-21 provisions. By July 1, 1995 expenditures on applicable grants and contracts must conform to the revised A-21 provisions. Please read the discussion that follows for possible exceptions.

A. ADMINISTRATIVE AND CLERICAL STAFF: "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." The following examples have been provided by OMB to illustrate circumstances in which the direct charging of administrative or clerical staff 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 record studies.

Projects that require making travel and meeting arrangements for large numbers of participants, such as conferences and seminars.

A project, 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 seagoing research vessels, radio astronomy projects, and other research field sites that are remote from the campus.

Individual projects requiring project-specific database management; individualized graphics or manuscript preparation; human or animal protocol, IRB preparations and/or other project-specific regulatory protocols; and multiple project-related investigator coordination and communications.

NOTE: Unofficially OMB indicated that direct charging of clerical/ administrative salaries would be

permissible when the level of effort is equal to at least fifteen percent of the employee's total effort. Effort below this level is viewed by OMB as normal departmental support which is an indirect cost.

B. TELEPHONE, POSTAGE, OFFICE SUPPLIES AND MEMBERSHIPS: Only costs specifically identifiable to a particular project may be directly charged to that project. The only telephone expenses which can be directly charged to grants and contracts are long distance costs which are itemized and include an explanation of the business purpose and reason for charging each grant or contract. Basic monthly phone charges cannot be charged to grants or contracts unless they meet the above criteria in "A".

Similarly, the costs for postage, office supplies and memberships must be specifically identified to the project and the rationale for charging each project must be provided.

C. PROCEDURE: For project directors who need to charge the costs in "A" or "B" to grants and contracts, make sure to detail the specific costs in the proposal budget at the time of application continuation or renewal, and document the connection between those costs and project purpose. These costs must be specifically included in the final award to be chargeable. They cannot be included by rebudgeting under the Institutional Prior Approval System (IPAS) after the award is in progress, but specific prior written approval may be obtained from the sponsor. NIH and NSF are an exception to the policy, however, appropriate justification must be submitted with the request to rebudget. This request is subject to disallowance by the assigned DGCA accountant. [Click here for further information and full procedure regarding OMB Circular A-21 Section F.6.B. Expenses.](#)

D. SUMMARY: This policy will be effective immediately for awards that are based on proposals submitted after July 1, 1994. Expenditures on applicable grants and contracts will be subject to this regulation by July 1, 1995, if not effected earlier. Administrative and clerical staff, telephone, postage, office supply and membership charges will be allowed if: the costs are explicitly budgeted; the charges can be identified with the project or activity; and the sponsor has included them in the final award or given specific written approval. Specific sponsor approval is not needed for administrative and clerical staff working on a major project or activity or qualifying as one of the five exemptions in "A" above.

Expenditures not meeting these criteria may not be charged to Federal, State and indirect Federal awards.
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