MEMORANDUM

TO: CHANCELLORS, VICE PRESIDENTS, DEANS, DEPARTMENT CHAIRS, DIRECTORS
FROM: ARDIS M. SAVORY
SPONSORED PROGRAMS AND RESEARCH
RE: IMPORTANT CHANGES RELATED TO FEDERALLY FUNDED GRANTS AND CONTRACTS
DATE: FEBRUARY 25, 1994

Recent changes in federal regulations will have a significant impact on the use of federal funds for certain types of sponsored program expenditures. The revision of OMB Circular A-21, Cost Principles for Educational Institutions, has placed restrictions on the payment of secretarial and administrative personnel on contracts, grants and cooperative agreements, and the allowability of charges for office supplies, postage, memberships and local telephone costs (generally defined as all expenses other than long distance calls). Most federal agencies have indicated they will apply these regulations in the review of grant and contract applications beginning January 1, 1994. The new wording in the Circular states:

"The salaries of administrative and clerical staff should normally be treated as indirect costs. 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. Items such as office supplies, postage, local telephone costs and memberships shall normally be treated as indirect costs."

Repeated efforts have been made by the higher education community to secure guidance and clarification from DHHS and OMB. To date, no published directive has been issued. However, a draft governmental interpretation of the A-21 revisions makes it clear that charges for clerical and administrative support on federally sponsored programs will no longer be allowable unless clearly budgeted and justified with a high degree of accuracy and specificity to the project. Accordingly, members of the Faculty Research Advisory Committee and representatives from SPAR and Contract and Grant Accounting prepared the attached Guidelines for determining allowability of administrative or clerical salaries in grant or contract proposals to the federal government and for office supplies, postage, local telephone costs and memberships.
MEMO/CHANCELLORS, ETC.  
2/25/94

Implementation Dates: March 1, 1994 (proposals and resultant awards)  
July 1, 1995 (active awards)

Please disseminate this information to faculty and staff as appropriate.  
Specific questions relating to these guidelines may be addressed to me (777-2983), Tommy Coggins or Kay McCoy (777-7095).

AMS/sw

Attachment
University of South Carolina

A. GUIDELINES FOR DETERMINING ALLOWABILITY OF ADMINISTRATIVE OR CLERICAL SALARIES IN GRANT AND CONTRACT PROPOSALS

Requirements for All Proposals

1. The administrative/clerical costs must be budgeted in the proposal and ultimately included in any resulting award.

2. The services need to be identified specifically to a project with a high degree of accuracy (normally, a charge of less than 10% effort of an individual to a project would not be allowable).

3. It must be clear that the nature of the work performed on the project requires an extensive amount of administrative or clerical support which is significantly greater than the ordinary level of services provided by central academic departments. Routine account monitoring, meeting arrangements or typing of normal correspondence or project reports generally would not be considered an extensive administrative need.

Additional Factors Desirable

1. Administrative costs necessary or unique to the project such as awards requiring extensive telephone surveys, data accumulation and entry, surveying, tabulation, cataloging or reporting

2. Administrative costs for interdisciplinary programs, projects, or centers which entail assembling and managing teams of investigators

3. Projects that require making travel and meeting arrangements for large numbers of participants

4. Projects which require production of manuals or large reports (excluding routine progress and technical reports)

5. Remote locations which would not be served easily by routine departmental administrative services
B. GUIDELINES FOR DETERMINING ALLOWABILITY OF OFFICE SUPPLIES, POSTAGE, LOCAL TELEPHONE COSTS AND MEMBERSHIPS

1. **Office Supplies**: Unallowable as a direct cost on federal funds unless it can be shown that such supplies are purchased for the sole direct technical benefit to the project. Examples of project-specific supplies might include computer paper, research notebooks, letterhead paper and envelopes if needed for survey projects, etc. Generally, pencils, paper clips and memo-pads are unallowable. There are numerous possible exceptions, so reasonable judgement and a logical justification are important.

2. **Postage**: Postage for routine correspondence should not be charged as a direct cost. However, shipment of research materials, large-volume survey mailings or deliverables under a federal agreement may be allowable if reasonable care is taken to assure that such costs are for the sole direct benefit of the project.

3. **Local Telephone Costs**: Long-distance charges are allowable under federal funds. Generally, telephone equipment installation charges and fax lines are unallowable. Exceptions will need clear justification of how such charges relate directly and solely to the project.

4. **Memberships**: Generally individual memberships are unallowable. Exceptions must be well justified and requested as part of the project budget and approved by the federal agency.