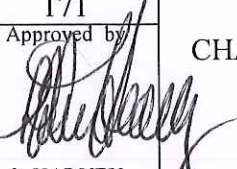


FINANCIAL MEMORANDUM

Memorandum No. 171	<p align="center">ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI CHARGING ADMINISTRATIVE AND CLERICAL SALARIES TO FEDERAL GRANTS AND CONTRACTS</p>	Page 1 of 6
Approved by  S. HARVEY		Date Issued/Amended 3/24/94, 6/23/11, 10/19/15
		Replaces: 6/23/11 10/19/15

Recent changes to Federal regulations contained in 2 CFR Chapter I, Chapter II, Part 200, et al. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Final Rule, a.k.a. Uniform Guidance (UG) governing charges to grants and contracts, which became effective for all awards made on or after December 26, 2014, revises the criteria for the reimbursement of administrative and clerical salaries as direct charges on grants and contracts. The regulations provide that such salaries are generally Facilities and Administrative Costs (F&A) and therefore should not be charged to individual grants and contracts. Direct charging of these costs may be appropriate only if all of the following conditions are met:

- (1) Administrative or clerical salaries are integral to a project or activity;
- (2) Individuals involved can be specifically identified with the project or activity;
- (3) Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency;* and
- (4) The costs are not also recovered as indirect costs.

Since earlier changes to the Federal regulations already limit the School's recovery of administrative costs through the F&A cost rate (26% ceiling on administrative cost recovery), the potential effect of this change might be an increase in reimbursement, to the extent that salaries of such individuals can be funded by Federal grants and contracts, that are in compliance with the above mentioned conditions.

In the past, the determination of whether to charge administrative or clerical staff to a given Federal grant or contract was based upon criteria treating the project as a major project, where direct charging of administrative or clerical salaries may be appropriate. In accordance with the regulatory changes for all Federal projects with budget periods commencing on or after December 26, 2014, such salaries may only be charged when conditions (1) – (4) are met, as stated above.

Accordingly, it is vital that principal investigators fully justify in grant and contract applications those situations where administrative and clerical support is necessary to the project, whether because of the nature of the work performed under a particular project requires an extensive amount of administrative or clerical support, or the tasks to be performed under a particular project relate specifically to the technical substance of the project.

Principal Investigators must be prepared to comply with conditions (1) – (4) above, in order to be able to direct charge these costs and eliminate the future disallowance of these costs upon audit review.

*Unless the funding agency has specifically waived the requirement for prior approval.

1. PURPOSE OF POLICY

On, December 26, 2013 the United States Office of Management and Budget has compiled a number of federal circulars on grants management policies and guidelines into one government-wide document, the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). These new regulations became effective on December 26, 2014. This financial policy memorandum addresses: Criteria for Charging Administrative and Clerical Salaries to Federal Grants and Contracts. Specific regulations are contained in the Uniform Guidance Paragraph 200.413 Direct costs, subparagraph (c) and in Appendix III to Part 200 – Indirect (F&A) Costs Identification and Assignment and Rate Determination for Institutions of Higher Education (IHEs), Section B.6. Departmental Administration Expenses.

2. OBJECTIVE OF THE POLICY

In promulgating this policy, the School aims to ensure that it complies with the new provisions of the Uniform Guidance governing the allowability of administrative expenses as direct charges:

- by communicating the new Federal rules
- by providing guidance to faculty and staff in the application of these rules
- by setting forth levels of responsibility for ensuring compliance with these rules

3. EFFECTIVE DATE

This policy will be effective for all grants and contract awards (including continuation awards) and funding increments, provided to the School by Federal agencies commencing on or after December 26, 2014.

4. APPLICABILITY

This policy governs every instance where any portion of the salary of an administrative or clerical employee is charged to a Federal grant or contract, whether awarded directly to Icahn School of Medicine at Mount Sinai as a prime recipient, or indirectly through a sub-agreement from another institution. It does not limit the support of such salaries from non-Federal awards or other funding sources; consult the policies of those agencies for such guidance.

5. FEDERAL REQUIREMENTS

Uniform Guidance, Paragraph 200.413 Direct costs, subparagraph (c), states in part that:

“The salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs. Direct charging of these costs may be appropriate only if all of the following conditions are met:

- (1) Administrative or clerical services are integral to a project or activity;
- (2) Individuals involved can be specifically identified with the project or activity;
- (3) Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and
- (4) The costs are not also recovered as indirect costs.

Appendix III to Part 200 – Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs), Section B.6. Departmental Administration Expenses, subsection b. (1) and (2) set forth additional requirements. These sections state in part that:

- “... special care should be exercised to ensure that costs incurred for the same in like circumstance are treated consistently as either direct or indirect (F&A) costs.”
- “... special care should be exercised to ensure that costs incurred for the same purpose in like circumstances are treated consistently as either direct or indirect (F&A) costs.
- Items such as office supplies, postage, local telephone costs, and memberships must normally be treated as indirect (F&A) costs.”

6. POLICY

Through issuance of this policy, the School advises all faculty and staff involved in the application for, or administration of Federal grants and contracts, that the above principles must be adhered to. Further, following the guidance presented below, where any portion of an administrative or clerical salary is directly charged to a Federal project, the responsibility for documenting the appropriateness of that judgment and for compliance with the Federal requirements, whether at the time of the transaction or subsequently upon audit or other request, rests with both the Principal Investigator and the academic department.

7. ADMINISTRATIVE AND CLERICAL SALARIES WHICH MAY NOT BE CHARGED DIRECTLY TO FEDERAL GRANTS AND CONTRACTS

In conducting academic activities, whether they are related to research, teaching or other institutional objectives, academic units clearly require administrative support to compliment the technical and professional personnel who carry out those activities. Although there are differences among the various departmental units, there exists within each department a core of administrative personnel who support the various departmental academic missions by providing a broad range of general support services, including secretarial and clerical support, procurement of materials and services, and accounting and bookkeeping. This core of general support services at the academic department level which supports a broad range of activities, including Federally sponsored research, comprises what the Uniform Guidance in Appendix III to Part 200 – Indirect (F&A) Costs Identification and Assignment and Rate Determination for Institutions of Higher Education (IHEs), Section B.6 Departmental Administration Expenses, defines as “departmental administration,” and is recovered in part by the institution through the reimbursement of F&A costs. Accordingly, academic units may not directly charge Federal grants or contracts for any portion of the salary of individuals who are engaged in providing this type of baseline departmental service. Similarly, academic units may not assess a “tax” or other similar means of assessing charges to Federal grants and contracts as a means of recovering the cost of administrative effort.

8. ADMINISTRATIVE AND CLERICAL SALARIES WHICH MAY BE CHARGED DIRECTLY TO FEDERAL GRANTS AND CONTRACTS

Although the salaries of administrative and clerical staff should normally be treated as F&A costs, direct charging of these costs may be appropriate as a direct charge to a Federal award if ALL of the following are met:

1. Activity must be integral to the project or activity;
2. Individuals involved must be specifically identified with the project or activity;
3. Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency;*
4. The costs are not also recovered as indirect costs.

The budget justification should explain how anticipated direct charging of clerical/administrative employees is integral to the project.

Note that costs incurred for the same purpose in like circumstances must be treated consistently as a direct cost on similar activities. In other words, the salaries of administrative and clerical staff proposed must still meet the definition of a direct cost defined in the Uniform Guidance. Cost identification must be direct and specific. Cost allocations of administrative and clerical staff of a general or arbitrary nature are not allowable and should never be proposed to an awarding agency. This would include, but not limited to expenses such as the salaries of secretarial and clerical staff, the salaries of administrative officers and assistants, travel, office supplies, stockrooms, etc.

Examples of responsibilities integral to a project may include the following:

- Managing numerous clinical sites (it might be helpful to detail the general location of the sites and if any are international)
- Collection of IRB approval documentation for our site as well as all sites involved
- Monitoring of site progress and preparing documentation for the PI to authorize payments
- Consolidation/aggregation of results for preparation and submission of progress reports
- Coordination of conference calls, taking of call/meeting minutes
- Performing database administration activities on large amounts of data required on a project
- Conducting project-related surveys and other significant data gathering related activities
- Significant project dedicated case file management and administration

Examples of responsibilities typically identified as indirect cost:

- Pre-award project proposal preparation activity
- Accounting for and monitoring of project expenditures
- Preparation of personnel reports required for interim reporting
- Purchasing activities
- Information technology hardware and software support
- General management support

Although the Uniform Guidance does not specifically identify types of awards/responsibilities that might include the need for direct charging of clerical/administrative salaries, the types of responsibilities previously included may still be relevant.

Prior guidance, which may still be relevant, allows administrative/ clerical salaries to be charged directly to Federal grants, contracts, and other agreements when the expense is in support of a "major project"- defined as one that requires extensive administrative or clerical support that is **significantly greater than the level of such services routinely provided** by the department.

The following examples of “major projects” where direct charging of administrative or clerical staff salaries and costs may be appropriate, include the following:.

- Large complex programs such as Clinical and Translational Science Awards, 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.

Note: The above examples are not exhaustive nor are they intended to imply that direct charging of administrative expenses would always be appropriate for the situations illustrated in the examples. In addition, as stated in Section 8 above, the charges must be in compliance with the four conditions specified, in order to be charged directly.

*Unless the funding agency has specifically waived the requirement for prior approval.

9. CHARGING ADMINISTRATIVE AND CLERICAL SALARIES TO ACTIVITIES OTHER THAN FEDERAL GRANTS AND CONTRACTS

In addition to their work on federally sponsored projects, administrative and clerical personnel may be assigned duties related to (i) non-federally sponsored projects and (ii) other School functions that go beyond normal levels of clerical and administrative support. Uniform guidance requires that the School treat such atypical activities in a manner that is consistent with the accounting for charges to sponsored projects. Consequently, departments should segregate salary charges for effort devoted to non-sponsored activities that are not similar to directly charged activities should be considered as an indirect cost.

10. QUESTIONS ABOUT THE POLICY

Questions about the application of this policy should be addressed to the Director of Sponsored Projects Accounting within the School Finance Division.