

Columbia University
Office of the Treasurer & Controller

POLICY STATEMENT NO. 92 - 4

**Charging Office Supplies and Other Administrative
Expenses (other than salaries) to Federal Awards**

DATE ISSUED: 4-20-94

REVISED:

1. Purpose of this Policy

On July 26, 1993, the (Federal) Office of Management and Budget issued regulations which limit those instances where administrative type costs may be charged as a direct cost to grants and contracts awarded by Federal agencies.

These limitations apply to both salary and non-salary costs. The University has issued a separate policy to deal with the treatment of clerical and administrative salaries. This policy is issued to implement the new Federal rules pertaining to non-salary costs, which take effect on July 1, 1994, and set forth guidance on when such expenses may, and may not, be directly charged to Federal awards.

2. Background

As a recipient of Federal awards, the University is obliged to comply with numerous rules and regulations promulgated by Federal agencies. Those agencies include the Office of Management and Budget (OMB), which sets forth broad policies governing grant and contract financial administration, as well as numerous individual agencies which award grants and contracts, such as the Public Health Service (PHS), and the National Science Foundation (NSF), which have their own agency-specific regulations for administering grants and contracts. Over the last two years, there has been a great deal of regulatory change aimed at limiting the costs which may be recovered either directly or indirectly through Federal grants and contracts. Recently, the OMB revised its Circular A-21, *Cost Principles for Educational Institutions*, which sets forth principles for determining direct and indirect costs applicable to federally sponsored grants and contracts. Among the changes to the Circular is the addition of new language prescribing the types of costs which should normally be treated as indirect costs, and therefore not customarily directly charged to Federal awards. The Circular specifically includes office supplies, postage and memberships as costs, which fall in this latter category.

3. Objective of the policy

In promulgating this policy, the University aims to insure that it complies with the new provisions of revised OMB Circular A-21 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

4. Effective Date

This policy will be effective for all grant and contract awards (including continuation awards) made to the University by Federal agencies commencing on or after July 1, 1994.

5. Applicability

This policy governs every instance where any expenditure, or portion thereof, for office supplies, postage, memberships or similar administrative-type cost, is to be charged to a Federal grant or contract, whether awarded directly to Columbia as a prime recipient, or indirectly through a sub-agreement from another institution. It does not limit the support of such costs from non-federal awards or other funding sources; consult the policies of those agencies for such guidance.

6. Federal Requirements

Section F.6.b. of OMB Circular A-21, captioned *Departmental administration expense* sets forth the new requirements. The section indicates that:

- "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 costs."
- "Items such as office supplies, postage, local telephone costs, and memberships shall normally be treated as indirect costs."

The University's telecommunications offices currently charge all telephone costs directly to all users. This approach conforms to the requirements set forth above, and accordingly, charges for local telephone, along with all other telecommunications costs, should continue to be directly charged to all users, including, where appropriate, Federal grants and contracts.

7. Policy

In accordance with the Federal regulations, routine charges for administrative-type costs such as office supplies, postage and memberships may not be charged directly to Federal grants and contracts. There are, however, two major exceptions to this policy:

- (a) the costs for office supplies, postage, memberships and similar costs relate specifically to the technical substance of the project.
- (b) the nature of the work performed under a particular project requires an unusually high level of such costs.

The principal investigator and the academic department are responsible for insuring that only those administrative costs which are allowable in accordance with this policy are charged to government grants and contracts.

8. Requirements for Charging These Costs Directly to Federal Grants and Contracts

The judgment as to whether a direct charge for these types of costs is appropriate for a particular award must be based on a facts and circumstances test, which

considers the needs of the science; accordingly, such judgment can only be made by the principal investigator.

In most cases, the principal investigator should be able to anticipate these expenditures, and accordingly, they should be explicitly budgeted. Agency approval will be assumed if the expenditures are budgeted and not specifically denied in the notice of grant award or in related correspondence from the agency to the University. Approval by the funding agency will be deemed to satisfy the Federal criteria for directly charging these costs to grants or contracts.

Where the need to incur such costs directly on Federal grants or contracts has not been anticipated, and therefore not included within the project budget, the principal investigator must obtain written approval from the funding agency before charging those costs to a federal grant or contract.

9. Exception to the Policy

This policy does not apply to Institutional National Research Service or any similar awards which provide a fixed allotment of funds for institutional discretionary spending to support research training and which do not require discrete budgeting of the institutional support expenses.

10. Questions about the Policy

Questions about the application of this policy should be addressed to the Associate Controller for Restricted Funds at extension 4-1050.