

 **HARVARD UNIVERSITY FINANCIAL POLICY**

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| Responsible Office:  | Office for Sponsored Programs |
| Effective Date: | December 26, 2014 |
| Revision Date: | July 2015 |

**Direct Charging of
Administrative and Clerical Salaries to Federal Awards**

Policy Statement

Harvard University requires that faculty and staff authorizing expenditures on federal grants, contracts, and cooperative agreements comply with the federal requirement that administrative or clerical salaries should only be directly charged to federal awards if they meet all criteria listed in the procedures section below. This policy provides guidance on administrative and clerical personnel that specifically support, and are integral to, achieving the scientific aims and objectives of the federally sponsored projects. [[1]](#footnote-1)

Reason for Policy

Harvard University must comply with the federal regulations in the Cost Accounting Standards (CAS) and the Office of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR 200, (Uniform Guidance). CAS 9905.502 requires that universities classify costs consistently as either *direct* costs of projects or *indirect* costs benefiting multiple activities and states “All costs incurred for the same purpose, in like circumstances, are either direct costs only or indirect costs only with respect to final cost objectives.” The Uniform Guidance part 200.413(c) states that “the salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs."

Given these federal regulations, Harvard normally treats administrative and clerical salaries as indirect costs. However, the Uniform Guidance does provide for criteria, that if met, can justify inclusion of administrative and clerical salaries as direct charges on federal awards. Therefore, administrative and clerical salaries should be included as direct charges on federal awards ONLY when they meet the Uniform Guidance criteria and definition of “unlike purpose or circumstance.”

Administrative costs charged improperly to federal awards result in unallowable costs, requiring reimbursement to the Government and, depending on severity, penalties for Harvard University, school or research personnel.

Who Must Comply

All Principal Investigators and administrators at Harvard University within all schools, units, divisions, University- wide initiatives, and centers, must comply with this policy.

Procedures

*See Appendix A for detailed procedures*

The Uniform Guidance allows fordirect charging of administrative and clerical salaries, “admin salaries,” only if all of the following conditions are met:

1. Administrative or clerical services are integral to a project or activity;
2. An individual or specific role can be specifically identified with the project or activity; and
3. Such costs are explicitly included in the budget and/or have the prior written approval of the Federal awarding agency.

All Harvard faculty and staff are responsible for the allocation of costs and for the review of sponsored financial reports throughout the lifecycle of the award in order to ensure that admin salaries are charged only to projects for which such salaries have been approved in accordance with this policy. All relevant documentation of approved admin salaries must be included in the Grants Management Application Suite (GMAS). The procedures for obtaining approval to charge admin salaries to a federal award are outlined in this section.

**Proposal Stage**

Prior to including admin salaries in a federal proposal’s budget, department administrators should determine if the following criteria, in addition to those listed above, are met:

1. The admin salaries meet the definition of unlike purpose and circumstance, and
2. The admin salaries are integral to the project and are required to meet scientific objectives.

The determination that admin salaries may be included in a federal proposal cannot be based solely on the discretion of an individual principal investigator or department. The central sponsored programs office and/or tub/school-level research administration office must review, verify, and approve to ensure that the request for admin salaries on a federal award meets the conditions of the Uniform Guidance and the additional two criteria noted above. The approval of admin salaries should be documented in GMAS.

**Award Stage**

At the time of account setup, the pre-award offices should review GMAS to determine if admin salaries were included in the budget at the proposal stage. If the inclusion of admin salaries is documented in the proposal, the pre-award office should:

* Check if the budgeted item was approved by the sponsor and if any additional comments were made about the admin salaries in the award documentation
* Update GMAS as necessary

**Award Management**

If, during the lifetime of the award, it is determined that the direct charging of admin salaries is appropriate and was not included in the original budget, the PI and the department will follow the same procedure outlined in the proposal stage. If the awarding agency approves the revised budget, then the admin salaries may be charged directly to the federal award. The approval should be updated in GMAS by the central office.

Responsibilities

The principal investigator (PI) and the academic department, institute or center are responsible for:

* Notifying school/tub level/pre award of the need to direct charge admin salaries
* Documenting the request for direct-charged admin salaries in the budget and budget justification with sufficient detail to describe the necessary benefit to the project
* Ensuring that only approved admin salaries are direct-charged to awards on which those particular admin salaries have been approved
* Identifying and removing any unapproved admin charges during routine reviews of financial activity on all federally sponsored awards for which they are responsible
* Working with school/tub-level research administration offices to respond to requests for review of admin salaries directly charged to federal awards

The school/tub-level research administration office and/or pre-award office are responsible for:

* Reviewing requests and proposals for direct charging of admin salaries to ensure they meet the criteria identified above
* Ensuring sponsor approval (approved budget or other written approval)
* Providing guidance to the PI and department staff about admin salaries on proposal budgets
* Reviewing on a quarterly basis, in conjunction with the Operations and Policy Committee (OPC), the direct-charged admin salaries on federal awards

The Operations and Policy Committee is responsible for:

* Providing quarterly data on the direct-charged admin salaries on federal awards to the school/tub-level research administration office and reviewing any potential issues
* Providing guidance and addressing University-wide issues and concerns related to admin salaries

Appendix A

[Guidelines for Direct Charging of Administrative Salaries to Federal Awards](file:///C%3A%5CUsers%5Cmwo004%5CDesktop%5CGuidelines%20for%20Direct%20Charging%20of%20Administrative%20Salaries%20to%20Federal%20Awa%20%20%20.docx)

Definitions

Administrative and Clerical Salaries/Personnel (administrative salaries) – provide non-technical supporting services that generally benefit departmental, institute, or center activities or objectives, including functions such as clerical support,financial management, procurement of materials and services, budget and planning, and personnel management

Central Office – the Harvard University Office for Sponsored Programs

Unlike Purpose and Circumstance – an activity or cost which is substantially greater in amount or different in purpose than the normal use

 Operations and Policy Committee (OPC) – a University-wide subcommittee of the Sponsored Administration Leadership Committee (SALC) that reviews and updates sponsored policies and procedures

Pre-award office-submitting offices – OSP (University Area) and SPA (HMS and HSPH)

School-level Research Administration Office – tub level office that is responsible for oversight and compliance of research-related activities

Technical-salaried Employees – employees performing scientific or technical work necessary to meet the goals of the project (for example, research assistants)

Related Resources

[Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](http://www.gpo.gov/fdsys/pkg/FR-2013-12-26/pdf/2013-30465.pdf)

[CAS 9905.502 Consistency in allocating costs incurred for the same purpose by educational](http://www.whitehouse.gov/omb/circulars_a021_2004#appa) [institutions](http://www.whitehouse.gov/omb/circulars_a021_2004#appa)

[Disclosure Statements for Harvard University, Harvard Medical School, and the Harvard School of Public Health](http://osp.finance.harvard.edu/disclosure-statements-and-audits)

Revision History

April 25, 2014 Changed itemized budget and justification requirement to a recommendation, added review responsibility to the Operations and Policy Committee, moved FAQs to the Guidelines for Direct Charging of Administrative Salaries to Federal Award (Appendix A).

July 1, 2014 Added federal requirements from Uniform Guidance 2CFR200 section 200.413. Added criteria that direct-charged admin salaries must meet the definition of unlike purpose and circumstance and must be required to meet scientific objectives

July 28, 2015 Revised the conditions of the procedures section for clarity based on school feedback.

1. Note that technical-salaried employees are excluded from this policy. [↑](#footnote-ref-1)