

BLOUSTEIN SCHOOL POLICY

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

Date: July 1, 2008
Updated August 5, 2015

The following is the policy with regard to unallowable costs on Federal and State of New Jersey grants and contracts.

- Background
 - In May 2004, 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 (a) explicitly budgeted and justified in the proposal, (b) if these salaries can be identified specifically with the particular project relatively easily with a high degree of accuracy, and (c) the level of effort is significantly greater than the routine level of services generally provided by academic departments. In the past, the Division of Grant and Contract Accounting (DGCA) has defined 'significantly greater' to mean 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.
- 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.

For further discussion of administrative and clerical costs, and their treatment on grants and contracts, please visit DGCA’s website

<http://postaward.rutgers.edu/policies-resources/administrative-and-clerical-costs>