



Policy Number: 6.024
Originating Office: Human Resources
Responsible Executive: VP of Finance & Administration
Date Issued: 3/23/2026
Date Last Revised:

Charging Administrative Salaries to Grants/Contracts

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I. REASON FOR THIS POLICY

This policy outlines the procedures for implementing the Federal regulations and provides guidance for determining when administrative and clerical salaries may or may not be directly charged to Federal awards. The goal of this policy is to ensure consistent and compliant cost accounting throughout the University of South Dakota (USD), and to clearly distinguish between allowable direct costs and indirect costs on sponsored projects.

The principles of the Uniform Guidance (2 C.F.R. Part 200 Subpart E) give guidance for the costs that are to be treated as indirect and, therefore, are not consistently charged directly to Federal awards. Under this guidance, the salaries of administrative and clerical staff are generally considered indirect costs. The University of South Dakota (USD) applies these same cost principles to both Federal and non-Federal sponsored funding.

II. STATEMENT OF POLICY

Administrative and Clerical Salaries

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 2 CFR 200.413 conditions and University of South Dakota (USD) requirements are met.

2 CFR 200.413 Conditions

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. The costs are also not recovered as indirect costs.

USD Requirements

1. All administrative support costs are explicitly included in the proposal budget.
2. The justification and appropriate approval signatures allowing administrative support effort and costs in the project budget are received by the Office of Research and Sponsored Programs (ORSP) at least two weeks before the application submission date (see procedure below).
3. ORSP provides approval of the request.
4. The request for administrative effort costs is clearly explained in the proposal budget justification that will be sent to the Federal or Non-Federal awarding agency.
5. The awarding agency's approval of the proposed budget has been obtained.

Institutional Responsibility and Consistent Treatment of Costs

The Office of Research and Sponsored Programs is responsible for preparing the University's Facilities & Administrative cost rate proposal. As such, ORSP is responsible for ensuring that any directly charged administrative and clerical salaries are also not recovered as indirect costs. ORSP recognizes the federally accepted indirect rate calculation methodology that includes these salaries in the calculation of USD's indirect rates approved by the institution's cognizant federal agency (HHS NIH).

Consistent treatment of costs is required on Federal and Non-Federal awards. An expense cannot be charged directly to an award as a direct cost if a similar cost, incurred for the same purpose under similar circumstances, is included as an indirect cost on other awards.

Although there are differences among the various academic units, within each department there exists a core of administrative personnel who support departmental missions by providing general support services. This core of support services comprises what the Code of Federal Regulations defines as departmental administration and is

recovered in part through the reimbursement of indirect costs. Accordingly, academic units may not directly charge Federal grants or contracts for any portion of the salary of individuals engaged in providing this type of baseline departmental service.

Award funds may not be used to supplant current funding of existing activities. Supplanting occurs when a state or unit of local government reduces state or local funds for an activity, specifically because federal funds are available (or expected to be available) to fund that same activity. Never use federal funds to pay for existing employees, unless the existing position is “back-filled” with a new hire. Never use federal funds to pay for items or costs that the grantee is already obligated to pay with state, local, or tribal funds.

Applicability

This policy governs instances where any portion of the salary of an administrative or clerical employee is to be charged to a Federal or Non-Federal grant or contract, whether awarded to the University of South Dakota as a prime recipient or through a sub-agreement from another institution.

Similarly, academic units may not assess a fee or other similar means of assessing charges to Federal grants and contracts as a means of recovering the cost of administrative effort.

III. DEFINITIONS

Allocable – a cost incurred specifically for the program, or several activities, that can be distributed in reasonable proportion to benefits received.

Allowable – costs directly related to the performance of a sponsored award and permitted under its terms and the Uniform Guidance.

Direct Cost – a cost where a specific grant or contract gains explicit benefit for a programmatic purpose.

Indirect Costs / Facilities & Administrative (F&A) – costs incurred for common or joint objectives not readily identifiable with a specific sponsored award.

Integral administrative services –Administrative services are considered integral when the duties are essential to the project, relate specifically to the technical substance of the work, and go beyond routine departmental administrative support.

Principal Investigator (PI) – the individual responsible for development, conduct, and fiscal management of a sponsored award.

Reasonable Costs – costs that do not exceed what a prudent person would incur under the circumstances.

Supplant- replacing funding of a recipient's existing program with funds from a federal award.

Supplement- occurs when federal funds are used to enhance existing state or local funds for program activities.

IV. PROCEDURES

Requesting Approval to Direct Charge Administrative Salaries

If the Principal Investigator (PI) believes administrative salaries meet the exception under 2 CFR 200.413, the following documentation is required to request departmental and university approval to include administrative salaries as direct costs.

Note: Requests for administrative effort under 20 percent will require additional scrutiny by the Office of Research and Sponsored Programs (ORSP).

Justification Submitted to ORSP

The justification submitted to ORSP must include documentation of Dean and Human Resources (HR) approval, including:

- a. How the duties are integral to the project
- b. Why routine departmental operations cannot support the work
- c. How the effort aligns with the project objectives
- d. Confirmation from the Dean or Chair that there is an integral project need for administrative or clerical support
- e. Determination by the Dean or Chair and the HR partner of the staffing approach (existing employee, additional duty pay, or new or reclassified position)

Additional Required Justification Elements

The justification must also include:

- a. Name (to be hired may only be used for new positions)
- b. Employee's current full-time equivalent (FTE) and any changes to the position to accommodate the new effort or assigned tasks
- c. Percent effort required for the project
- d. Individual role on the project, including specific tasks with approximate percent effort allocation
- e. Salary and fringe budget, including timing and plan for payroll distribution (in-load, overload, dates, etc.)

Budget Justification Statement

If approved by ORSP, the PI may submit a budget justification at the time of proposal submission using the following statement:

We are requesting agency approval for a [list percent time appointment] [list position title] as a directly charged administrative cost in accordance with 2 CFR 200.413.

No charges may be incurred until written sponsor approval is received.

V. RELATED DOCUMENTS, FORMS AND TOOLS

[Uniform Guidance, Code of Federal Regulations, Title 2, Subtitle A, Chapter II, Part 200](#)

[University of South Dakota Policies – Policy 2.019 Statement of Auditing Standards](#)

[University of South Dakota Policies – Policy 2.035 Position Control](#)

[USD Policy 6.015 – Allowable and Unallowable Costs on Sponsored Awards \(PDF\)](#)

[USD Policy 6.016 – Time and Effort Certification \(PDF\)](#)