

Payroll Expense Charged to Sponsored Projects

This policy has been affected by the federal Uniform Guidance (2 CFR 200) regulations and will be applied consistently to all University awards.

POLICY STATEMENT

Salaries and wages charged to grant funds must reflect the percentage of effort expended during the respective period. The Office of Management and Budget (“OMB”), as part of [2 CFR 200 Subpart E](#) defines principles to determine appropriate costs for research and development expenditures of grants and contracts with educational institutions. Individuals may not receive more than their regular annual salary by engaging in sponsored programs. 2 CFR 200.430 in part, reads as follows:

Academic Year

“(2) Salary Basis. Charges for work performed on Federal awards by faculty members during the academic year are allowable at the institutional base salary (IBS) rate. Except as noted in paragraph (b)(1)(ii) of this section, in no event will charges to Federal awards, irrespective of the basis of computation, exceed the proportionate share of the IBS for that period. This principle applies to all members of faculty at an institution. IBS is defined as the annual compensation paid by an IHE for an individual's appointment, whether that individual's time is spent on research, instruction, administration, or other activities. IBS excludes any income that an individual earns outside of duties performed for the IHE. Unless there is prior approval by the Federal awarding agency, charges of a faculty member's salary to a Federal award must not exceed the proportionate share of the IBS for the period during which the faculty member worked on the award.”

Non-Academic Year (i.e. Summer Salary)

“(5) Periods outside the academic year. (i) Except as specified for teaching activity in paragraph (b)(5)(ii) of this section, charges for work performed by faculty members on Federal awards during periods not included in the base salary period will be at a rate not in excess of IBS.”

Some sponsors impose salary caps that limit monthly salaries paid to individuals¹. Costs in excess of these caps must be supported by unrestricted or appropriate non-grant sources and cannot be used to meet mandatory or committed cost share requirements.

A faculty member with a 9-month contract may be paid a summer salary assuming the fund has a budget to accept such charges. Salary for the month of June should be based on the same monthly rate in effect during the academic year prior to the summer in which the salary is earned. Salary for July and August should be based on the academic salary that will be in place during the next academic year. Summer salary is charged to grants and contracts in direct relation to the effort actually expended on research during the summer period. Faculty members receiving full compensation for any summer month must be performing research during the entire month on a

¹ NIH restricts salaries charged to its grants, cooperative agreements, or contracts to Executive Level II of the Federal Executive Pay scale. While the University is not obligated to provide compensation above these caps during the summer months, any such compensation must be paid from University funds.

full-time basis. Certain sponsors may limit the number of months of salary which can be charged to an award².

When an individual receives an external Fellowship and elects to receive it through the University, a grant fund will be established and the individual will receive pay and benefits directly from the University. Benefits will be charged proportionately to the Fellowship fund unless the granting agency specifically disallows benefits. In this case the University will charge such benefits to non-grant funds.

The following forms are required to be completed when charging, transferring, and certifying payroll expenses:

1. **Charging:** Electronic Personnel Action Form (“PAF”) or Additional Pay for Services Form
 - a. A PAF must be completed to initiate an individual’s appointment to a fund.
 - b. Based on departmental procedures, approval must be obtained from the Employing Supervisor, the Academic Department Head, the Provost’s Office or Graduate School.
2. **Transferring:** Electronic Labor Distribution Change Form (“LDC”)
 - a. An LDC form must be completed in order to modify the distribution associated with an employee PAF, be it for past or future changes.
 - b. The effective dates on the form must be supplied in order to appropriately re-allocate labor charges.
 - c. Benefits are prorated in proportion to the salary charged and will automatically be adjusted when the labor redistribution is processed.
 - d. If the redistribution period includes a period that has already been certified via an effort report, a corrected and re-certified effort report must be attached along with a valid justification for the change.
 - e. Labor redistributions related to an earlier period must follow the policies set forth under [Cost Transfers](#).
 - f. A valid explanation must be included for all redistributions to support the change in funding.
3. **Certifying:** Effort Certification
 - a. Personnel charging salary to a sponsored activity fund must have their effort certified on a project. The effort report must reflect the percentage of the person’s time (within a 5% tolerance, per the University’s [Effort Certification Policy](#)) that was dedicated to a project.
 - b. Effort certifications are required twice a year for the following periods: January – June and July – December.

² The National Science Foundation (“NSF”) only allows the equivalent of two months’ salary to be charged to a grant in any given 12 month period. Per the NSF Proposal Guide, Chapter II, Section C (2)(g)(i)(a), compensation exceeding two months is allowed under certain situations. Any exceptions, if anticipated, must be disclosed and specifically approved by the NSF during the proposal and award process. The NSF does allow for re-budgeting of salary in excess of the two month salary rule, as long as it does not change the scope or objective of the project. Specific questions on award budgets should be addressed to your Post-Award Financial deployed support representative.

- c. The effort reports must be approved by the Principal Investigator (“PI”) of the sponsored activity fund and if possible, the employee (students exempted). If this is not practical the PI may designate a Laboratory or Project Manager/Director as an authorized approver to certify effort reports on the PI’s behalf as long as that person has knowledge of the work performed.
- d. If a person’s effort on a project has been cost-shared by another restricted fund, or by an unrestricted fund, this should be documented on the effort report to explain any difference between the percentage of effort certified and the percentage of labor charged to the project.
- e. Effort Reports are not required for persons being paid under participant support costs
- f. For further guidance on effort reports, see [Effort Certification Policy](#).