Payroll Topics Relating to Sponsored Projects

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Presented by: Roger McBride
Roundtable: Julie Henton, Cindy Sicard, Shari Liming, Kristi Fronce
Presented to: College of Engineering Research Admin Personnel
PowerPoint developed by: Laura Hohenbary
Cost sharing:

The amount of salary & benefits, borne by K-State, used to match the sponsor’s contribution. This is committed at the proposal stage, as mandatory or voluntary. Whether mandatory or voluntary, if it is promised at the proposal stage, it becomes a binding obligation of the award.

Cost share is reported to SPA on a quarterly basis.

Uniform Guidance:
§ 200.306 Cost sharing or matching. (a) Under Federal research proposals, voluntary committed cost sharing is not expected. It cannot be used as a factor during the merit review of applications or proposals, but may be considered if it is both in accordance with Federal awarding agency regulations and specified in a notice of funding opportunity. . . . .
Effort Reporting:

Each employee with payroll charged directly to a sponsored account or cost shared to a sponsored account will need to certify an effort report each semester. The effort report shows all payroll accounts and the percentage of payroll charged or cost shared to each. The employee certifies that the percentage of payroll is a fair estimate of the effort on each of the sponsored accounts listed.
Effort Reporting:

Uniform Guidance:
§ 200.430 Compensation—personal services
(i) Standards for Documentation of Personnel Expenses
(1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:
(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
(ii) Be incorporated into the official records of the non-Federal entity;
(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for institutions of higher education (IHE), this per the IHE’s definition of institutional base salary (IBS));

... 

(viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that: ...
Add Pays:
Not allowed on sponsored accounts.

Uniform Guidance:
§ 200.430 Compensation—personal services.
(b) Reasonableness. Compensation for employees engaged in work on Federal awards will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the non-Federal entity. In cases where the kinds of employees required for Federal awards are not found in the other activities of the non-Federal entity, compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market in which the non-Federal entity competes for the kind of employees involved.
Summer GHI benefits for 9 month employees:

Scenario 1:

Todd, a nine month faculty member, has split payroll funding at the end of the spring semester (40% on a grant, 60% on a departmental account). Employer paid GHI benefits continue to charge during the summer months for all 9 month employees. Is this a problem? If so, what is the problem and how should it be handled.
Summer GHI benefits for 9 month employees:

Scenario 1 (continued):

Issues and Actions:

Not allowed on sponsored accounts. This was a prior year audit finding for K-State and the federal agency deemed these unallowable when charged during the summer months with no corresponding salary. These must be moved to non-sponsored accounts for the summer payroll periods.
Plan C (health savings account) distributions:

**Scenario 2:**

Elaine, a K-State employee, has chosen Plan C (health savings account) as her health insurance option. Amounts are deposited into Elaine’s US Bank HSA account to be used for allowable health care costs each January and July. If Elaine is paid, in part or in whole, by a grant during the January and July pay cycles when the Plan C payment is charged, what actions should be taken? What are the issues with these payments in relation to grants and allowability?
Plan C (health savings account) distributions:

Scenario 2 (continued):

Issues and Actions:

• Review grant accounts with Plan C disbursements. Is the grant and payroll funding expected to continue for the next 6 months? If yes, these are allowable. If no, adjustments to Plan C payments need to be made.

• Review at least every 90 days to make sure that no unexpected events have occurred that would change your answer to the above question.
Leave Payouts:

Scenario 3:

James, an employee, has been employed by K-State for 5 years. He has accumulated unused vacation leave of 170 hours to be paid out upon his upcoming termination date. What issues arise if he is partially or wholly grant funded? Are leave payouts allowable on sponsored accounts?
Leave Payouts:

Scenario 3 (continued):

Issues and Actions:

K-State uses cash basis accounting. Leave payouts are not allowed as a direct cost on sponsored accounts.

Uniform Guidance:
§ 200.431 Compensation—fringe benefits.
(b)(3)(i) When a non-Federal entity uses the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid for. Payments for unused leave when an employee retires or terminates employment are allowable as indirect costs in the year of payment.
Administrative Salaries:

Uniform Guidance:
§ 200.413 Direct costs.
(c) 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 conditions are met:

(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) Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and
(4) The costs are not also recovered as indirect costs.
100% funding under sponsored activities on effort report:

Scenario 4:

Gertrude, an associate professor, has been very successful at receiving grant funding. She now has four grants that contribute a portion of her salary. Her payroll funding is split:

- 30% of her salary is directly charged to Grant #1
- 20% of her salary is directly charged to Grant #2
- 25% of her salary is directly charged to Grant #3
- 25% of her salary is directly charged to Grant #4

Is this problematic? Why? What issues would this raise?
100% funding under sponsored activities on effort report:

Scenario 4 (continued):

Issues and Actions:

For faculty, this should rarely occur. They have other responsibilities that should be reflected with effort charged to non-sponsored activities. Faculty effort reports with 100% effort under sponsored activities could be audit red flags. Examples of non-sponsored activities of faculty include:

• Instruction
• Committee appointments
• Writing proposals for future grant funding
• Administrative tasks
• Etc.
Reduction of committed effort:

Scenario 5:

Joyce, a PI, has a two year grant. She has an unexpected illness and will not be able to commit the level of effort that she expected over the two year project. She has excellent research assistants who are stepping up and performing some of the duties that Joyce will be unable to do so that the Scope of Work is not affected. What issues are raised? What action, if any, should be taken?
Reduction of committed effort:

Scenario 5 (continued):

Issues and Actions:

Make sure to reduce payroll funding or cost share effort appropriately. Uniform Guidance allows for you to use budgeted effort initially but at some point you need to evaluate and make adjustments to reflect actual effort. Corrections should be made within 90 days for both payroll transfers and cost share corrections.

Uniform Guidance:
§ 200.308 Revision of budget and program plans.
(c) For non-construction Federal awards, recipients must request prior approvals from Federal awarding agencies for one or more of the following program or budget-related reasons:
(3) The disengagement from the project for more than three months, or a 25 percent reduction in time devoted to the project, by the approved project director or principal investigator.
PreAwards fringe benefit rates for budget purposes:

[http://www.k-state.edu/research/preaward/fringe.html](http://www.k-state.edu/research/preaward/fringe.html)

PreAwards calculates a fringe rate to be used for budget purposes that tends to be higher than most employees fringe rates. Actual fringes vary depending on which health insurance plan an employee chooses. PreAwards takes a conservative approach to calculate the highest possible rate. If actual rates are lower, the difference can be rebudgeted.
NSF two month salary rule (for senior personnel):


NIH salary cap:


NIH funded salary cannot be more than federal Executive Level II which is set at $181,500 for 12 month employees and $136,125 for 9 month employees as of 1/12/14. Employees can earn more than these amounts, but NIH funding for employees cannot exceed these amounts for a fiscal year.
Full text of Uniform Guidance:

K-State Sponsored Programs:
http://www.k-state.edu/finsvcs/sponsoredprograms/

K-State Human Resources:
http://www.k-state.edu/hr/