PAYROLL ALLOCATION CONFIRMATION

Effective: April 2023

Owner: Office of Sponsored Programs

Oversight Executive: Executive Director, Office of Sponsored Programs

Procedure Steps | Scope | Policy | Responsibility | Distribution

Scope

As a recipient of federally sponsored projects, the University is required under guidance provided in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2CFR200, aka Uniform Guidance, UG), subpart 430 (i) that salaries and wages charged to Federal awards are based on records that accurately reflect the work performed. To provide reasonable assurance of existence of a system of internal control, UVA payroll statements confirm work performed on sponsored and non-sponsored activities based on the current employment agreement (appointment letter), and, in doing so, verify the accuracy of payroll charges to the sponsored programs. All effort spent on individual sponsored programs that was either 1) directly charged to the award (Sponsor supported) or, 2) was committed in the proposal as cost share from another funding source must be documented and certified.

To confirm that the distribution of activities represents a reasonable estimate of the work performed during the period, the reports are to be signed/dated by the employee, principal investigator, or responsible official(s) having sufficient knowledge that the work was performed.

Definitions

Committed Effort
Effort committed in a sponsored program proposal. Commitments are made when a percentage of effort or a specified dollar amount of salary/wage are devoted in the proposal. Such effort must be accounted for according to the terms of that commitment.
These commitments can either be funded directly from the sponsored project or as “cost sharing” through other funding sources.

Institutional Effort
Effort expended on University-related activities (research, instruction, other sponsored activities and administrative activities) for which compensation is made. In the case of faculty with clinical appointments their total institutional effort includes both the portion of University related activities (described above) as well as their clinical work for which compensation is received from the University Physicians’ Group (UPG).

UVa Payroll Statements
University payroll allocation confirmation forms for the period confirms an individual payroll of faculty, graduate research assistant, Medical Center professional staff, University staff, and wage employees who work on sponsored awards.

Payroll Source and Amount List
A report detailing pay (subject to payroll reporting) by individual and by source for the payroll reporting period in process.

Cost Shared Effort
That portion of committed effort for which an individual is not compensated by a sponsoring agency but which the institution agrees to fund from other sources.

National Institutes of Health Salary Cap
A sponsor-imposed ceiling on salary charged directly to NIH sponsored awards. For example, if an employee earning $110k worked on an award full time (100%) having a salary cap (hypothetical) of $100k, only $100k or 90.9% of their salary could be direct charged to the award. The remaining 9.1% of the salary must be supported by the institution from non-sponsored program funding sources. Additionally, this ‘excess’ salary cannot be claimed or counted as cost share should there be such a commitment.

Referenced Policies

RES-009 Compliance with Sponsor Requirements
FIN-027 Payroll Allocation Confirmation

Responsibility

All employees involved in certifying payroll, should understand that severe penalties and cost disallowances could result from inaccurate, incomplete, or untimely payroll reporting.

The Office of Sponsored Programs (OSP) Director of Post Award is responsible for:

- Establishing procedures for reporting compensation which are consistent with the requirements of the UG
- Generating and distributing payroll statements and the corresponding payroll source and amount lists on a periodic basis
- Monitoring School/Departmental responsibilities related to payroll statements to help ensure University compliance, including the timely certification of the reports
- Providing assistance to School/Departmental administrators with the payroll reporting process
- Maintaining certified payroll statements for review purposes

Payroll Reporting Coordinators (PRCs) are responsible for:

- Distributing payroll statements in a timely manner to various groups within their cost centers
- Reviewing certified payroll statements to ensure proper completion and signature/date in accordance with University procedures
- Ensuring timely review, certification, and return of payroll statements
- Ensuring that cost shared effort on sponsored projects is properly reported on payroll statements
- Coordinating any payroll accounting adjustments that are necessary based upon noted discrepancies by those certifying their payroll statement
- Communicating payroll reporting responsibility changes to OSP Post Award Financial Compliance

Principal Investigators, those with sufficient knowledge of work performed, and Department Chairs are responsible for:
• Certification of all institutional effort (research, instruction, other sponsored activities, administration, clinical work) are consistent with the employment agreement for which compensation is made
• Noting any errors on the payroll statement and ensuring, in collaboration with their payroll costing specialist, payroll costing managers or payroll accounting adjustment specialists that payroll and payroll accounting adjustments are made when necessary in accordance with the University and Sponsor policies and procedure
• Ensuring that committed cost share obligations are met and properly reported on payroll statements

Procedure Steps

The following process is designed to account for compensation for University activities of faculty, professional staff, classified staff, graduate research assistants, and wage employees participating in sponsored programs in accordance with the UG.

PAYROLL ALLOCATION CONFIRMATION STATEMENTS REPORTING PERIODS AND DISTRIBUTION SCHEDULE

The University of Virginia’s Office of Sponsored Programs produces payroll statements based upon employee classifications as noted in the following schedule:

<table>
<thead>
<tr>
<th>Faculty – PAC Statement</th>
<th>Semi-Annually</th>
<th>Reports will be run twice a year, based on pay periods over two six-month periods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Faculty – Grant Statements</td>
<td>Semi-Annually</td>
<td>Reports will be run twice a year, based on pay periods over two six-month periods</td>
</tr>
</tbody>
</table>
PAYROLL STATEMENT DISTRIBUTION

To ensure timely certification of payroll statements, it is important to notify OSP Post Award Financial Compliance of any changes in the personnel responsible for managing this process at the schools and other units. Once the reports are distributed, it is the responsibility of the School/Departmental Payroll Reporting Coordinator (PRC) to review reports for accuracy and make any necessary payroll accounting adjustments before forwarding to the Certifier to complete certification of reports in accordance with University and Sponsor compliance requirements and return them before the deadline to OSP.

INSTITUTIONAL EFFORT

A faculty’s time can be spent on research, instruction, administration, or other activities, including proposal preparation, thus rarely they would devote 100% effort on sponsored projects. Salary support for teaching, administration, service, clinical activity, institutional governance and proposal preparation effort must come from non-sponsored funds, except for sponsored projects specifically awarded for those purposes.

Although all university activities must be included in a faculty member’s effort for reporting purposes, not all of a faculty member’s professional activities must necessarily be considered university activities. For example, external consulting for which the faculty member receives direct remuneration from the external entity, would normally be deemed as a non-university activity. Services on review panels or other advisory activities for federal sponsors that include an honorarium and/or travel reimbursement are also considered outside of total institutional effort.
THE PAYROLL ALLOCATION CONFIRMATION STATEMENTS

Payroll statements are grouped as follows:

Faculty - PAC Statements

Non-Faculty - Grant Statements.

SECTION I - SPONSORED PROGRAMS

Direct Salary Payments from Sponsored Awards

When payroll costing allocations have been established based on commitments of effort on sponsored awards, the after the fact salary charge in dollars and percentages appear in the statement, identifying the sponsored award number/grant number as well as the grant title. The payroll allocation percentage is used as the basis for the faculty to review and confirm the payroll allocations on the sponsored program. Faculty must certify that the portion of salary received from the sponsored project is commensurate with the effort spent on the project during the payroll reporting period.

Cost Share as Committed in Proposal

If cost shared effort has been committed in an awarded proposal, certification of this commitment must be recorded using a cost share grant. Allocation of payroll cost shared or used to cover sponsor mandated salary cap must be reviewed and certified in the PAC statements.

SECTION II - NON-SPONSORED ACTIVITIES

Salaries paid from non-sponsored funding sources. Payroll is printed on the payroll statement, as in the Sponsored Programs section above, the Certified Payroll percentage must be reasonably estimated and recorded for the period in the space provided. Certify all payroll in whole percentages.

Compensation for effort committed to teaching, service, administration and proposal preparation effort for new and competing renewals is recorded here as these activities must be paid from non-sponsored funds, except for sponsored projects specifically
awarded for those purposes.

Instructions for Medicare Cost Reporting Activities: Compensation for Clinical effort including direct patient care, instructor for resident/fellows/trainees or administration of residency/fellowship programs are now listed in the list of activities. Percentages of time corresponding to the hospital activities should be entered, totaling to the computed payroll percentage of that activity. Average number of hours worked by week must be entered in the notes section of the PAC statement.

TIMELY CERTIFICATION AND RETURN OF PAYROLL STATEMENTS

It is expected that Payroll Statements are properly completed, signed and dated within 45 days from distribution. Extenuating circumstances that prevent the timely certification should be brought to the attention of the OSP Post Award Financial Compliance. Beginning 46 days after distribution, automatic reminder email notifications will be sent out to the responsible School/Departmental contact.

After 45 days, payroll statements go into a past due status and school, or department contact and supervisor of the responsible report owner is notified. During the entire process, it is important for the Payroll Reporting Coordinator (PRC) to maintain an open line of communication with the OSP Post Award Financial Compliance group. Inadequate or incomplete responses may result in escalating the issues with payroll certification to the respective Designees or Deans or Department Chairs. Delinquent payroll statements can result in Post Award actions including: 1) moving all affected salary/wage charges that have not yet been properly certified to non-sponsored account, or 2) placing the respective grant in an “on hold” status, thus not allowing any charges on the sponsored project and systematically redirecting all salaries to default to department’s suspense account.

SUFFICIENT KNOWLEDGE - AUTHORIZED CERTIFICATION

Payroll Statements should be certified ONLY by responsible officials with sufficient knowledge of the work performed. This is usually the principal investigator in charge of overseeing the grant or collaborating faculty members who work on the grant. In the
event that the named investigator on the University-generated payroll statement is unable to certify the payroll statement, a proxy who is knowledgeable of the work performed on the grant will certify the report (e.g., the investigator’s Department Chair, a Co-investigator, Supervisor). In any audit situation it would be the responsibility of the person certifying the payroll statement to support that all certification requirements were met.

LEVEL OF PRECISION IN PAYROLL CERTIFICATION

The federal government understands that certification of payroll percentages is an estimate. The 2CFR 200 or Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (commonly known as the UG) states that “it is recognized that, in an academic setting, teaching, research, service, and administration are often inextricably intermingled. A precise assessment of factors that contribute to costs is not always feasible, nor is it expected. Reliance, therefore, is placed on estimates in which a degree of tolerance is appropriate.”

Therefore, if the printed Payroll percentage reasonably reflects ones payroll within a tolerable range (plus or minus 4%), then the amount may be confirmed as a reasonable estimate. If the difference between the estimate of payroll allocated and the Payroll percentage for a grant is greater than the tolerable range of 4%, then record the correct estimate.

For example, if the Payroll allocation for the project was 25% and the estimate of payroll devoted is in the range of 21% to 29%, THEN 25% Certified.

For example if the Payroll allocation for a project was 25% and the estimate of the payroll is outside the tolerance range, 20% in this case, then 20% must be Re-Certified.

CHANGE IN EFFORT DEVOTED FROM WHAT WAS PROPOSED

In making any post-award adjustments to committed effort, review sponsor regulations specifically on reductions in effort from what was proposed and approved. Substantial reductions (normally 25% or greater from proposed commitments) may indicate a possible change in the scope of work which will require sponsor approval. If devoted effort is reduced from what was proposed, then a payroll accounting adjustment must
be processed in order to bring payroll distributions in line with certified payroll. Payroll Accounting Adjustments (PAA) should be processed after monthly expenditure reviews allowing for future generation of more accurate payroll statements. If adjustments are not processed within (ninety) 90 days of the original date, a retroactive transfer request must be submitted to OSP Post Award for approval.

SALARY CAP - NATIONAL INSTITUTES OF HEALTH

Faculty members who received salary support under at least one NIH award and whose TOTAL University compensation (UVA base pay and UPG pay for Clinicians) exceeds the NIH salary cap limitation should pay special attention to the completion of their payroll statement.

The Department of Health and Human Services (DHHS) Appropriation Act for each fiscal year restricts the amount of direct salary an individual can receive from NIH awards to the rate for Executive Level II of the Federal Executive Pay scale. Please see the OSP website or check with OSP Post Award Financial Compliance personnel to verify the appropriate salary cap amount for the respective fiscal year or the time period in which you are certifying payroll. Visit the NIH website at [http://grants2.nih.gov/grants/policy/salcap_summary.htm](http://grants2.nih.gov/grants/policy/salcap_summary.htm) to receive historical and current salary caps.

Salary Cap Calculator-Insert Link

On the payroll statement, the value listed under Payroll percentage is that portion of TOTAL compensation that was paid by an award/grant. Therefore, for all NIH awards, an entry in the SOC column that is less than or equal to the value under the payroll percentage implies that the personnel has been paid at a rate that exceeds the salary cap limitation.

The following example and calculation tools help to clarify the scheduling of payroll dollars and/or and payroll allocation percentages to grants when the NIH cap is in play (For ease of explanation the salary and NIH cap dollars are not actual):

Dr. Smith commits 20% effort toward work on a particular NIH award. Dr. Smith’s annual compensation is $300,000, but the salary cap for the fiscal year at hand is
$200,000. Therefore, $40,000 is allowed as the maximum amount of direct salary to be paid from the NIH project. The payroll percentage reflected on the Payroll Statement will be 13%, even though Dr. Smith likely contributed 20% effort to that project. In this example, the correct percentage of Certified Payroll to enter on the payroll statement would be “20%”.

**MAXIMUM PAYROLL AMOUNT:** 20% x $200,000 = $40,000 (Effort Percentage x Salary Cap)

**CALCULATED PAYROLL PERCENTAGE** $40,000/$300,000 = 13% (Payroll amount/UVA only compensation base)

**CERTIFIED PAYROLL PERCENTAGE TO THE PAYROLL STATEMENT = 20%**

**NOTE:** Always certify the payroll percentage that was expended, comparing this percentage to what was committed in the proposal.

**K AWARDS - NATIONAL INSTITUTES OF HEALTH**

NIH “Career Development Awards” (commonly known as K Awards) normally require that recipients commit/devote a minimum percentage of effort toward the objectives of the award. This is often defined at 75% effort. This requires the recipient to devote a minimum level of effort in conducting health-related research. Mentored K award recipients in the last two (2) years of support may reduce effort allowing for concurrent salary support from both the K award and a competing NIH research grant if recognized as a Principal Investigator or as Subproject Director. Regarding salary payments, the University may supplement the NIH salary contribution up to a level that is consistent with the institution's salary scale; however, supplementation may not be from federal funds unless specifically authorized by the federal program from which such funds are derived.

For additional information on effort requirements and salary costs related to K awards, visit the NIH web site at: [http://grants.nih.gov/training/careerdevelopmentawards.htm](http://grants.nih.gov/training/careerdevelopmentawards.htm)

**COORDINATION OF PAYROLL STATEMENT CERTIFICATION AND PAYROLL ACCOUNTING ADJUSTMENTS**
The National Institutes of Health (NIH) require that “key personnel” on NIH awards commit “measurable effort” to any sponsored project on which they are named. In other words, it is not acceptable to list mentors and similar personnel on research proposals with 0% effort. Any persons listed as key personnel must have at least 1% of committed effort on the award in question, regardless of whether funds are being requested for those personnel. If salary for these types of personnel is not paid directly from the award, it should be cost shared support from other funding sources. See NOTE above under COST SHARE – COMMITMENTS OF EFFORT.

COORDINATION OF PAYROLL STATEMENT CERTIFICATION AND PAYROLL ACCOUNTING ADJUSTMENTS

Since payroll costs represent the vast majority of sponsored program costs, it is important to consistently monitor the costing allocation and charging of these costs. In order to prevent the need for payroll accounting adjustments, monthly account reviews should be performed in accordance with the UVA recon procedure. Additionally, a minimum of forty-five (45) days from the end of each payroll reporting period is provided for final review of salary/wage expenditures to better ensure the accuracy of printed payroll statement and avoid payroll accounting adjustments.

Old Procedure: 8-31

Previously Reviewed: May 2019