

EXISTING A-21, J.10	FDP PROPOSED CHANGES	JUSTIFICATION FOR CHANGE
<p><u>Outline of J.10: Compensation for personal services</u></p> <p>a. General</p> <p>b. Payroll Distribution System              General Principles              Criteria for Acceptable Methods</p> <p>c. Examples of Acceptable Methods for Payroll Distribution              Planned Confirmation              After the Fact Activity Records              Multiple Confirmation Records</p> <p>d. Salary rates for faculty members</p> <p>e. Noninstitutional professional activities</p> <p>f. Fringe Benefits</p>	<p><u>Outline of J.10: Compensation for personal services</u></p> <p>a. Introduction</p> <p>b. General</p> <p>c. Payroll Distribution System              General Principles              Criteria for Acceptable Methods</p> <p>d. Salary Apportionment Documentation              General Principles              Criteria for Acceptable Methods</p> <p>e. Salary rates for faculty members</p> <p>f. Noninstitutional professional activities</p> <p>g. Fringe Benefits</p>	<p>[no proposed changes]</p> <p>[no proposed changes]</p> <p>[no proposed changes]</p>
<p>10. <i>Compensation for personal services.</i></p>	<p>10. <i>Compensation for personal services.</i></p>	
<p>a. <b>General.</b> Compensation for personal services covers all amounts paid currently or accrued by the institution for services of employees rendered during the period of performance under sponsored agreements. Such amounts include salaries, wages, and</p>	<p>a. <del>General.</del> <b>Introduction.</b> Compensation for personal services covers all amounts paid currently or accrued by the institution for services of employees rendered during the period of performance under sponsored agreements. Such amounts include salaries,</p>	<p><i>No substantive changes to this paragraph</i></p>

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<p>fringe benefits (see subsection f). These costs are allowable to the extent that the total compensation to individual employees conforms to the established policies of the institution, consistently applied, and provided that the charges for work performed directly on sponsored agreements and for other work allocable as F&amp;A costs are determined and supported as provided below. Charges to sponsored agreements may include reasonable amounts for activities contributing and intimately related to work under the agreements, such as delivering special lectures about specific aspects of the ongoing activity, writing reports and articles, participating in appropriate seminars, consulting with colleagues and graduate students, and attending meetings and conferences. Incidental work (that in excess of normal for the individual), for which supplemental compensation is paid by an institution under institutional policy, need not be included in the payroll distribution systems described below, provided such work and compensation are separately identified and</p>	<p>wages, and fringe benefits (see subsection g). These costs are allowable to the extent that the total compensation to individual employees conforms to the established policies of the institution, consistently applied, and provided that the charges for work performed directly on sponsored agreements and for other work allocable as F&amp;A costs are determined and supported as provided below. Charges to sponsored agreements may include reasonable amounts for activities contributing and intimately related to work under the agreements, such as delivering special lectures about specific aspects of the ongoing activity, writing reports and articles, participating in appropriate seminars, consulting with colleagues and graduate students, and attending meetings and conferences. Incidental work (that in excess of normal for the individual), for which supplemental compensation is paid by an institution under institutional policy, need not be included in the payroll distribution systems described below, provided such work and compensation are separately identified and documented in the financial management</p>	

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documented in the financial management system of the institution.	system of the institution.	
<b>b. Payroll distribution.</b>	b. Payroll distribution.	
<b>(1) General Principles.</b>	<del>(1) General Principles.</del>	
<p>(a) The distribution of salaries and wages, whether treated as direct or F&amp;A costs, will be based on payrolls documented in accordance with the generally accepted practices of colleges and universities.</p> <p>Institutions may include in a residual category all activities that are not directly charged to sponsored agreements, and that need not be distributed to more than one activity for purposes of identifying F&amp;A costs and the functions to which they are allocable. The components of the residual category are not required to be separately documented.</p>	<p>(a) The distribution of salaries and wages, whether treated as direct or F&amp;A costs, will be based on payrolls documented in accordance with the generally accepted practices of colleges and universities.</p> <p>Institutions may include in a residual category all activities that are not directly charged to sponsored agreements, <del>and that need not be distributed to more than one activity for purposes of identifying F&amp;A costs and the functions to which they are allocable.</del> The components of the residual category are not required to be separately documented.</p> <p>➤</p>	<p><u><i>Relocated sentence to proposed section called Payroll Distribution System, General Principles, paragraph 10.c.1</i></u></p> <p><u><i>Re-write sentence and re-locate to proposed section called Salary Apportionment Documentation, General Principles, paragraph 10.d.1</i></u></p> <p><i>Concept of a residual category is kept in re-write</i></p>

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<p>(b) The apportionment of employees' salaries and wages which are chargeable to more than one sponsored agreement or other cost objective will be accomplished by methods which will-</p> <p>(1) be in accordance with Sections A.2 and C;</p> <p>(2) produce an equitable distribution of charges for employee's activities; and</p> <p>(3) distinguish the employees' direct activities from their F&amp;A activities.</p>	<p><del>(b) The apportionment of employees' salaries and wages which are chargeable to more than one sponsored agreement or other cost objective will be accomplished by methods which will-</del></p> <p><del>(1) be in accordance with Sections A.2 and C;</del></p> <p><del>(2) produce an equitable distribution of charges for employee's activities; and</del></p> <p><del>(3) distinguish the employees' direct activities from their F&amp;A activities.</del></p>	<p><i><u>Re-locate to proposed section called Compensation for personal services, General, paragraph 10.b.2</u></i></p>
<p>(c) In the use of any methods for</p>	<p>(c) In the use of any methods for</p>	

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<p>apportioning salaries, 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.</p>	<p>apportioning salaries, 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.</p>	<p><u><a href="#">Re-locate to proposed section called Compensation for personal services, General, paragraph 10.b.3</a></u></p>
<p>(d) There is no single best method for documenting the distribution of charges for personal services. Methods for apportioning salaries and wages, however, must meet the criteria specified in subsection b.(2).</p> <p>Examples of acceptable methods are contained in subsection c. Other methods that meet the criteria specified in subsection b.(2) also shall be deemed acceptable, if a mutually satisfactory</p>	<p>(d) There is no single best method for documenting the distribution of charges for personal services. <del>Methods for apportioning salaries and wages, however, must meet the criteria specified in subsection b.(2).</del></p> <p><del>Examples of acceptable methods are contained in subsection c. Other methods that meet the criteria specified in subsection b.(2) also shall be deemed acceptable, if a mutually satisfactory</del></p>	<p><u><a href="#">Re-write and re-locate proposed section called Compensation for personal services, General, paragraph 10.b.2</a></u></p>

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alternative agreement is reached.	<del>alternative agreement is reached.</del>	
(2) Criteria for Acceptable Methods.	<del>(2) Criteria for Acceptable Methods.</del>	
<p>(a) The payroll distribution system will</p> <ul style="list-style-type: none"> <li>(i) be incorporated into the official records of the institution;</li> <li>(ii) reasonably reflect the activity for which the employee is compensated by the institution; and</li> <li>(iii) encompass both sponsored and all other activities on an integrated basis, but may include the use of subsidiary records. (Compensation for incidental work described in subsection a need not be included.)</li> </ul>	<p>(a) The payroll distribution system will</p> <ul style="list-style-type: none"> <li>(i) be incorporated into the official records of the institution;</li> <li>(ii) reasonably reflect the activity for which the employee is compensated by the institution; and</li> <li>(iii) encompass both sponsored and all other activities on an integrated basis, but may include the use of subsidiary records. (Compensation for incidental work described in subsection a need not be included.)</li> </ul>	<p><i><u>Relocated this section to proposed section called Payroll Distribution System, Criteria for Acceptable Methods, paragraph 10.c.2</u></i></p>
<p>(b) The method must recognize the principle of after the fact confirmation or determination so that costs distributed represent actual costs, unless a mutually satisfactory alternative agreement is reached.</p>	<ul style="list-style-type: none"> <li>➤ <del>(b) The method must recognize the principle of after the fact confirmation or determination so that costs distributed represent actual costs, unless a mutually satisfactory alternative agreement is reached</del></li> <li>➤ <del>Direct cost activities and F&amp;A cost</del></li> </ul>	<p><i><u>Re-write and relocated this section to proposed section called Salary Apportionment Documentation, General . Principles, paragraph 10.d.1</u></i></p> <ul style="list-style-type: none"> <li>➤ <i><u>principle of after the fact confirmation or determination</u></i></li> </ul>

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<p>Direct cost activities and F&amp;A cost activities may be confirmed by responsible persons with suitable means of verification that the work was performed. Confirmation by the employee is not a requirement for either direct or F&amp;A cost activities if other responsible persons make appropriate confirmations.</p>	<p><del>activities may be confirmed by responsible persons with suitable means of verification that the work was performed. Confirmation by the employee is not a requirement for either direct or F&amp;A cost activities if other responsible persons make appropriate confirmations</del></p>	<p><i>retained in re-write Proposal requires, at a minimum, annual verification (more often is at institution's discretion).</i></p> <p><i>. <u>Re-write and relocated this section to proposed section called Salary Apportionment Documentation, Criteria for Acceptable Methods, paragraph 10.d.2</u></i></p> <p><i>principle of confirmation by a responsible persons with suitable means of verification that the work was performed retained in re-write</i></p>
<p>(c) The payroll distribution system will allow confirmation of activity allocable to each sponsored agreement and each of the categories of activity needed to identify F&amp;A costs and the functions to which they are allocable.</p>	<p><del>(c) The payroll distribution system will allow confirmation of activity allocable to each sponsored agreement and each of the categories of activity needed to identify F&amp;A costs and the functions to which they are allocable.</del></p> <p>The activities chargeable to F&amp;A cost categories or the major functions of the institution for employees whose salaries</p>	<p><i><u>Re-write and relocated this section to proposed section called Salary Apportionment Documentation, General Principles, paragraph 10.d.1 and Criteria for Acceptable Methods, paragraph 10.d.2</u></i></p> <p><i>principle of after the fact confirmation or determination retained in re-write</i></p>

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<p>The activities chargeable to F&amp;A cost categories or the major functions of the institution for employees whose salaries must be apportioned (see subsection b.(1)b)), if not initially identified as separate categories, may be subsequently distributed by any reasonable method mutually agreed to, including, but not limited to, suitably conducted surveys, statistical sampling procedures, or the application of negotiated fixed rates.</p>	<p>must be apportioned (see subsection <del>b.(1)b)</del>), if not initially identified as separate categories, may be subsequently distributed by any reasonable method mutually agreed to, including, but not limited to, suitably conducted surveys, statistical sampling procedures, or the application of negotiated fixed rates.</p>	<p><a href="#"><u>Relocated sentence to proposed section called Payroll Distribution System, Criteria for Acceptable Methods, paragraph 10.c.2</u></a></p>
<p>(d) Practices vary among institutions and within institutions as to the activity constituting a full workload.</p> <p>Therefore, the payroll distribution system may reflect categories of activities expressed as a percentage distribution of total activities.</p>	<p>(d) Practices vary among institutions and within institutions as to the activity constituting a full workload.</p> <p>Therefore, the payroll distribution system may reflect categories of activities expressed as a percentage distribution of total activities.</p>	<p><a href="#"><u>Re-locate proposed section called Compensation for personal services, General, paragraph 10.b.4</u></a></p> <p><a href="#"><u>Rewrite and re-locate proposed section called Compensation for personal services, General, paragraph 10.b.5</u></a></p>

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<p>(e) Direct and F&amp;A charges may be made initially to sponsored agreements on the basis of estimates made before services are performed. When such estimates are used, significant changes in the corresponding work activity must be identified and entered into the payroll distribution system. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term, such as an academic period.</p>	<p>(e) Direct and F&amp;A charges may be made initially to sponsored agreements on the basis of estimates made before services are performed. When such estimates are used, significant changes in the corresponding work activity must be identified and entered into the payroll distribution system. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term, such as an academic period.</p>	<p><a href="#"><u>Relocated sentence to proposed section called Payroll Distribution System, Criteria for Acceptable Methods, paragraph 10.c.3</u></a></p>
<p>(f) The system will provide for independent internal evaluations to ensure the system's effectiveness and compliance with the above standards.</p>	<p>(f) The system will provide for independent internal evaluations to ensure the system's effectiveness and compliance with the above standards.</p>	<p><a href="#"><u>Minimal re-write and re-locate proposed section called Compensation for personal services, General, paragraph 10.b.1</u></a></p>
<p>(g) For systems which meet these standards, the institution will not be required to provide additional support or documentation for the effort actually performed.</p>	<p>(g) For systems which meet <del>these</del> standards the requirements in section J.10, the institution will not be required to provide additional support or documentation for the effort actually performed.</p>	<p><a href="#"><u>Minimal re-write and re-locate proposed section called Compensation for personal services, General, paragraph 10.b.6</u></a></p>

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<p>c. Examples of Acceptable Methods for Payroll Distribution:</p>	<p><del>c. Examples of Acceptable Methods for Payroll Distribution:</del></p>	
<p>(1) Plan Confirmation: Under this method, the distribution of salaries and wages of professorial and professional staff applicable to sponsored agreements is based on budgeted, planned, or assigned work activity, updated to reflect any significant changes in work distribution. A plan confirmation system used for salaries and wages charged directly or indirectly to sponsored agreements will meet the following standards:</p> <p>(a) A system of budgeted, planned, or assigned work activity will be incorporated into the official records of the institution and encompass both sponsored and all other activities on an integrated basis. The system may include the use of subsidiary records.</p> <p>(b) The system will reasonably reflect only the activity for which the employee is compensated by the institution (compensation for incidental work described in subsection a need not be included).</p>	<p><del>(1) Plan Confirmation: Under this method, the distribution of salaries and wages of professorial and professional staff applicable to sponsored agreements is based on budgeted, planned, or assigned work activity, updated to reflect any significant changes in work distribution. A plan confirmation system used for salaries and wages charged directly or indirectly to sponsored agreements will meet the following standards:</del></p> <p><del>(a) A system of budgeted, planned, or assigned work activity will be incorporated into the official records of the institution and encompass both sponsored and all other activities on an integrated basis. The system may include the use of subsidiary records.</del></p> <p><del>(b) The system will reasonably reflect only the activity for which the employee is compensated by the institution (compensation for incidental work described in subsection a need not be included). Practices vary among institutions and within institutions as to the</del></p>	<p><i>These examples will be moved to an Appendix for the following reasons:</i></p> <p><i>1) Items within the examples that address the time of certification and applicability to employee types have been moved to the "General" section (10.b) of the proposed revision.</i></p> <p><i>2) PAYCERT contends that the examples are outdated and too prescriptive. The proposed revision contains an expanded section of General principles which provide grantee institutions with the flexibility to design payroll certification processes that; leverages current system technology, corresponds to their internal accounting control structure and matches up to their compliance environment.</i></p>

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<p>Practices vary among institutions and within institutions as to the activity constituting a full workload. Hence, the system will reflect categories of activities expressed as a percentage distribution of total activities. (See Section H for treatment of F&amp;A costs under the simplified method for small institutions.)</p> <p>(c) The system will reflect activity applicable to each sponsored agreement and to each category needed to identify F&amp;A costs and the functions to which they are allocable. The system may treat F&amp;A cost activities initially within a residual category and subsequently determine them by alternate methods as discussed in subsection b.(2)(c).</p> <p>(d) The system will provide for modification of an individual's salary or salary distribution commensurate with a significant change in the employee's work activity. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the</p>	<p><del>activity constituting a full workload. Hence, the system will reflect categories of activities expressed as a percentage distribution of total activities. (See Section H for treatment of F&amp;A costs under the simplified method for small institutions.)</del></p> <p><del>(c) The system will reflect activity applicable to each sponsored agreement and to each category needed to identify F&amp;A costs and the functions to which they are allocable. The system may treat F&amp;A cost activities initially within a residual category and subsequently determine them by alternate methods as discussed in subsection b.(2)(c).</del></p> <p><del>(d) The system will provide for modification of an individual's salary or salary distribution commensurate with a significant change in the employee's work activity. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term, such as an academic period. Whenever it is apparent that a significant change in work activity that is</del></p>	<p><i>3) The audit community (federal and independent) has interpreted the examples as the exact methods for certifying salaries because they are contained within the text of the circular. Grantee institutions have been required to dedicate significant resources to resolving issues generated by narrow interpretations of the auditors.</i></p> <p><i>4) Moving the examples to an Appendix will provide the opportunity to create/describe other payroll certification methodologies. The Appendix can be modified on a more frequent/scheduled basis than changing the actual text of section J.10.</i></p> <p><i>5) Other sections of the Circular do not contain detailed examples. Moving this data to an Appendix will provide consistency in format and tone throughout the document.</i></p>

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<p>longer term, such as an academic period. Whenever it is apparent that a significant change in work activity that is directly or indirectly charged to sponsored agreements will occur or has occurred, the change will be documented over the signature of a responsible official and entered into the system.</p> <p>(e) At least annually a statement will be signed by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed, stating that salaries and wages charged to sponsored agreements as direct charges, and to residual, F&amp;A cost or other categories are reasonable in relation to work performed.</p> <p>(f) The system will provide for independent internal evaluation to ensure the system's integrity and compliance with the above standards.</p> <p>(g) In the use of this method, an institution shall not be required to provide additional</p>	<p><del>directly or indirectly charged to sponsored agreements will occur or has occurred, the change will be documented over the signature of a responsible official and entered into the system.</del></p> <p><del>(e) At least annually a statement will be signed by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed, stating that salaries and wages charged to sponsored agreements as direct charges, and to residual, F&amp;A cost or other categories are reasonable in relation to work performed.</del></p> <p><del>(f) The system will provide for independent internal evaluation to ensure the system's integrity and compliance with the above standards.</del></p> <p><del>(g) In the use of this method, an institution shall not be required to provide additional support or documentation for the effort actually performed.</del></p>	

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<p>support or documentation for the effort actually performed.</p>		
<p>(2) After the fact Activity Records: Under this system the distribution of salaries and wages by the institution will be supported by activity reports as prescribed below.</p> <p>(a) Activity reports will reflect the distribution of activity expended by employees covered by the system (compensation for incidental work as described in subsection a need not be included).</p> <p>(b) These reports will reflect an after the fact reporting of the percentage distribution of activity of employees. Charges may be made initially on the basis of estimates made before the services are performed, provided that such charges are promptly adjusted if significant differences are indicated by activity records.</p> <p>(c) Reports will reasonably reflect the activities for which employees are compensated by the institution. To confirm that the distribution of activity represents a</p>	<p><del>(2) After the fact Activity Records: Under this system the distribution of salaries and wages by the institution will be supported by activity reports as prescribed below.</del></p> <p><del>(a) Activity reports will reflect the distribution of activity expended by employees covered by the system (compensation for incidental work as described in subsection a need not be included).</del></p> <p><del>(b) These reports will reflect an after the fact reporting of the percentage distribution of activity of employees. Charges may be made initially on the basis of estimates made before the services are performed, provided that such charges are promptly adjusted if significant differences are indicated by activity records.</del></p> <p><del>(c) Reports will reasonably reflect the activities for which employees are compensated by the institution. To confirm that the distribution of activity represents a reasonable estimate of the work performed by</del></p>	

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<p>reasonable estimate of the work performed by the employee during the period, the reports will be signed by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed.</p> <p>(d) The system will reflect activity applicable to each sponsored agreement and to each category needed to identify F&amp;A costs and the functions to which they are allocable. The system may treat F&amp;A cost activities initially within a residual category and subsequently determine them by alternate methods as discussed in subsection b.(2)(c).</p> <p>(e) For professorial and professional staff, the reports will be prepared each academic term, but no less frequently than every six months. For other employees, unless alternate arrangements are agreed to, the reports will be prepared no less frequently than monthly and will coincide with one or more pay periods.</p> <p>(f) Where the institution uses time cards or</p>	<p><del>the employee during the period, the reports will be signed by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed.</del></p> <p><del>(d) The system will reflect activity applicable to each sponsored agreement and to each category needed to identify F&amp;A costs and the functions to which they are allocable. The system may treat F&amp;A cost activities initially within a residual category and subsequently determine them by alternate methods as discussed in subsection b.(2)(c).</del></p> <p><del>(e) For professorial and professional staff, the reports will be prepared each academic term, but no less frequently than every six months. For other employees, unless alternate arrangements are agreed to, the reports will be prepared no less frequently than monthly and will coincide with one or more pay periods.</del></p> <p><del>(f) Where the institution uses time cards or</del></p>	

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<p>other forms of after the fact payroll documents as original documentation for payroll and payroll charges, such documents shall qualify as records for this purpose, provided that they meet the requirements in subsections (a) through (e).</p>	<p>other forms of after the fact payroll documents as original documentation for payroll and payroll charges, such documents shall qualify as records for this purpose, provided that they meet the requirements in subsections (a) through (e)</p>	<p><del>);</del> <u><i>Re-write and relocated this section to proposed section called Salary Apportionment Documentation, Criteria for Acceptable Methods, paragraph 10.d.2</i></u></p>
<p>(3) Multiple Confirmation Records: Under this system, the distribution of salaries and wages of professorial and professional staff will be supported by records which certify separately for direct and F&amp;A cost activities as prescribed below.</p> <p>(a) For employees covered by the system, there will be direct cost records to reflect the distribution of that activity expended which is to be allocable as direct cost to each sponsored agreement. There will also be F&amp;A cost records to reflect the distribution of that activity to F&amp;A costs. These records may be kept jointly or separately (but are to be certified separately, see below).</p> <p>(b) Salary and wage charges may be made initially on the basis of estimates made before the services are performed, provided that such charges are promptly adjusted if</p>	<p><del>(3) Multiple Confirmation Records: Under this system, the distribution of salaries and wages of professorial and professional staff will be supported by records which certify separately for direct and F&amp;A cost activities as prescribed below.</del></p> <p><del>(a) For employees covered by the system, there will be direct cost records to reflect the distribution of that activity expended which is to be allocable as direct cost to each sponsored agreement. There will also be F&amp;A cost records to reflect the distribution of that activity to F&amp;A costs. These records may be kept jointly or separately (but are to be certified separately, see below).</del></p> <p><del>(b) Salary and wage charges may be made initially on the basis of estimates made before the services are performed, provided that such charges are promptly adjusted if</del></p>	

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<p>significant differences occur.</p> <p>(c) Institutional records will reasonably reflect only the activity for which employees are compensated by the institution (compensation for incidental work as described in subsection a need not be included).</p> <p>(d) The system will reflect activity applicable to each sponsored agreement and to each category needed to identify F&amp;A costs and the functions to which they are allocable.</p> <p>(e) To confirm that distribution of activity represents a reasonable estimate of the work performed by the employee during the period, the record for each employee will include:</p> <p>(1) the signature of the employee or of a person having direct knowledge of the work, confirming that the record of activities allocable as direct costs of each sponsored agreement is appropriate; and,</p>	<p><del>significant differences occur.</del></p> <p><del>(c) Institutional records will reasonably reflect only the activity for which employees are compensated by the institution (compensation for incidental work as described in subsection a need not be included).</del></p> <p><del>(d) The system will reflect activity applicable to each sponsored agreement and to each category needed to identify F&amp;A costs and the functions to which they are allocable.</del></p> <p><del>(e) To confirm that distribution of activity represents a reasonable estimate of the work performed by the employee during the period, the record for each employee will include:</del></p> <p><del>(1) the signature of the employee or of a person having direct knowledge of the work, confirming that the record of activities allocable as direct costs of each sponsored agreement is appropriate; and,</del></p> <p><del>(2) the record of F&amp;A costs will include the signature of responsible person(s)</del></p>	

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<p>(2) the record of F&amp;A costs will include the signature of responsible person(s) who use suitable means of verification that the work was performed and is consistent with the overall distribution of the employee's compensated activities. These signatures may all be on the same document.</p> <p>(f) The reports will be prepared each academic term, but no less frequently than every six months.</p> <p>(g) Where the institution uses time cards or other forms of after the fact payroll documents as original documentation for payroll and payroll charges, such documents shall qualify as records for this purposes, provided they meet the requirements in subsections (a) through (f).</p>	<p><del>who use suitable means of verification that the work was performed and is consistent with the overall distribution of the employee's compensated activities. These signatures may all be on the same document.</del></p> <p><del>(f) The reports will be prepared each academic term, but no less frequently than every six months.</del></p> <p><del>(g) Where the institution uses time cards or other forms of after the fact payroll documents as original documentation for payroll and payroll charges, such documents shall qualify as records for this purposes, provided they meet the requirements in subsections (a) through (f)</del></p>	<p><del>)-</del> <u><i>Re-write and relocated this section to proposed section called Salary Apportionment Documentation, Criteria for Acceptable Methods, paragraph 10.d.2</i></u></p>

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d. Salary rates for faculty members.	e. <del>d.</del> Salary rates for faculty members	. <b>No Changes to this section.</b>

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e. Noninstitutional professional activities.	f. <del>e.</del> Noninstitutional professional activities.	<b>No Changes to this section.</b>
f. Fringe benefits.	g. <del>f.</del> Fringe benefits.	<b>No Changes to this section.</b>

DRAFT

**Proposed Plain Language Rewrite of J.10.a, b, c**

**10. Compensation for personal services.**

**a. Introduction** Compensation for personal services covers all amounts paid currently or accrued by the institution for services of employees rendered during the period of performance under sponsored agreements. Such amounts include salaries, wages, and fringe benefits (see subsection g). These costs are allowable to the extent that the total compensation to individual employees conforms to the established policies of the institution, consistently applied, and provided that the charges for work performed directly on sponsored agreements and for other work allocable as F&A costs are determined and supported as provided below. Charges to sponsored agreements may include reasonable amounts for activities contributing and intimately related to work under the agreements, such as delivering special lectures about specific aspects of the ongoing activity, writing reports and articles, participating in appropriate seminars, consulting with colleagues and graduate students, and attending meetings and conferences. Incidental work (that in excess of normal for the individual), for which supplemental compensation is paid by an institution under institutional policy, need not be included in the payroll distribution systems described below, provided such work and compensation are separately identified and documented in the financial management system of the institution.

**b. General**

1. Institutional systems will provide for independent internal evaluations to ensure the system's effectiveness and compliance with the requirements of J.10.
2. Recognizing there is no single best method, the apportionment of employees' salaries and wages chargeable to more than one sponsored agreement or other cost objective will be accomplished by methods that produce an equitable distribution of charges for employee's activities.
3. In the use of any methods for apportioning salaries, it is recognized that, in an academic setting, teaching, research, service, and administration are often inextricably intermingled. A precise distribution of activities and costs is not feasible, nor is it expected. Reliance, therefore, is placed on estimates in which a degree of tolerance is appropriate.
4. Practices vary among institutions and within institutions as to the activity constituting a full workload.
5. Compensation for personal services may be expressed as a percentage of total activity or total salary, as defined by the institution.

6. For systems which meet the requirements in J.10, the institution will not be required to provide additional support or documentation for the effort actually performed.

**c. Payroll Distribution System.**

**1. General Principles:**

The distribution of salaries and wages, whether treated as direct or F&A costs, will be based on payroll documentation in accordance with the generally accepted practices of colleges and universities.

**2. Criteria for Acceptable Methods.**

(a) The payroll distribution system will:

- (i) be incorporated into the official records of the institution;
- (ii) reasonably reflect the activity for which the employee is compensated by the institution; and
- (iii) encompass both sponsored and all other activities on an integrated basis, but may include the use of subsidiary records. (Compensation for incidental work described in subsection a need not be included.)

(b) The activities chargeable to F&A cost categories or the major functions of the institution for employees whose salaries must be apportioned (see subsection 10d, Salary Apportionment Documentation), if not initially identified as separate categories, may be subsequently distributed by any reasonable method mutually agreed to, including, but not limited to, suitably conducted surveys, statistical sampling procedures, or the application of negotiated fixed rates.

(c) Direct and F&A charges may be made initially to sponsored agreements on the basis of estimates made before services are performed. When such estimates are used, significant changes in the corresponding work activity must be identified and entered into the payroll distribution system. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term, such as an academic period.

**d. Salary Apportionment Documentation.**

**1. General Principles**

(a) There will be a documentation process that will provide for after the fact verification of the distribution of actual payroll costs for sponsored projects. The verification will occur at least annually.

(b) Institutions may include in a residual category all activities that are not directly charged to sponsored agreements. The components of the residual category are not required to be separately documented.

**2. Criteria for Acceptable Methods**

(a) At a minimum, the verification process will allow confirmation of activity allocable to each sponsored agreement. It may also include verification of the categories of activity needed to identify F&A costs and the functions to which they are allocable. The system may treat F&A cost activities initially within a residual category and subsequently determine them by alternate methods.

(b) To confirm that the distribution of activity represents a reasonable estimate of the work performed by the employee during the period, the reports will be signed (electronic signature / approval is acceptable) by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed.

(c) Where the institution uses time cards or other forms of after the fact payroll documents as original documentation for payroll and payroll charges, such documents shall qualify as records for this purpose.

**e. Salary rates for faculty members.** *No proposed changes to this section*

**f. Noninstitutional professional activities.** *No proposed changes to this section*

**g. Fringe benefits.** *No proposed changes to this section*