

**Federal Demonstration Project
Initiative to Reduce Administrative Burdens (IRAB)
Payroll Certification Subcommittee (PAYCERT)**

**Streamlining of the Payroll Certification Requirements Workshop
April 4, 2005**

Purpose and Outcomes

- To identify and agree on revisions to the General Principles and the Criteria for Acceptable Methods in Circular A-21, Section J.10
- To agree on the best way to handle the Examples of Acceptable Methods for Payroll Distribution

Overarching Message

- The purpose of the plain language re-write is to improve accountability and facilitate compliance while reducing administrative burden.

Participants

- **Institutions:**
 - Rich Andrews, University of California, Irvine
 - Gilda Barabino, Northeastern University (faculty)
 - Tony Decrappeo, Council on Government Relations
 - Joe Gindhart, Washington University
 - Jennifer Hubert, Northwestern University
 - Maureen Joyce, Northeastern University
 - Lynn Kingsley, Johns Hopkins University
 - Beth Mora, Harvard University
 - Wynn Ann Schumi, University of Minnesota
 - Jeff Silber, Cornell University
 - Nancy Wray, Dartmouth University
 - Jane Youngers, Univ. of Texas Health Sciences Center at San Antonio

- **Federal:**
 - Joe Ellis, NIH – Office for Policy on Extramural Research
 - Carol Orlando, National Science Foundation
 - Debbie Rafi, Office of Naval Research
 - Gil Tran, Office of Management and Budget
 - Lisa Walsh, DHHS – Office of Audit Resolution and Cost Policy

- **Facilitator:**
 - Cindy Zook

Summary of Changes to Section J.10

- Clarified and streamlined the language – plain language re-write.
- Verification of salary distribution will occur at least annually (all employee types)
- Electronic signature / approval is acceptable.
- Compensation for personal services may be expressed as a percentage of total activity or total salary, as defined by the institution.
- A residual category may be used for all activities that are not directly charged to sponsored projects.
- Removed “Examples of Acceptable Methods for Payroll Distribution” section (J.10.c.)

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*