

<b>System-wide Policy:</b>	
<b>FI0207- Sponsored Projects - Salary Policy</b>	
<b>Version: 5</b>	<b>Effective Date: 04/16/2026</b>

## SECTION 1. Policy Statement

### I. General Information

- A. The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) (2 CFR § 200.430) allows compensation for personal services (i.e., salary, wages, and associated fringe benefit costs) to be charged against sponsored programs only to the extent that such compensation:
  - 1. conforms to established and consistently applied University policies; and
  - 2. is for work in direct performance of the sponsored program.
- B. For purposes of this policy, the University is the “institution” referenced in “Institutional Base Salary.”
- C. This policy establishes:
  - 1. A clear definition of Institutional Base Salary (IBS), which applies systemwide to all University Campuses;
  - 2. Requirements related to internal control activities required for the management and monitoring of compensation costs on federal sponsored programs.

### II. Institutional Base Salary

#### A. Generally

- 1. When the University will charge a salary or salaries to a sponsored project, the University must base its charges on the University’s Institutional Base Salary.
- 2. Institutional Base Salary is the annual compensation that the University pays an employee for their position at the University, whether the employee’s time is spent on teaching, research, service, or administrative duties.

#### B. Documentation

- 1. An employee’s Institutional Base Salary will be reflected in their official offer letter when the University hires the employee.
- 2. Institutional Base Salary includes any adjustment to the employee’s rate of pay due to annual increases, reclassification, promotion, etc.
- 3. When the University adjusts an employee’s salary due to annual increases, promotion, or other reasons, the employee’s supervisor must follow the University’s policies and procedures to ensure that the employee’s salary revision is documented appropriately.
- 4. The University’s accounting system is its system-of-record for human resources matters, including salary changes.

#### C. Institutional Base Salary: Inclusions and Exclusions

- 1. Institutional Base Salary includes: An employee’s base pay.
- 2. Institutional Base Salary excludes: all other types of income, whether provided by the University or derived from allowable outside activities (for example, bonuses, fringe benefits, one-time payments, longevity, etc.).

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3. The University must not change an employee's Institutional Base Salary due to the University receiving a sponsored award.

### III. Sponsored Projects Requirements

- A. Principal investigators must use Institutional Base Salary as the basis for compensation requests, when preparing and submitting sponsored-projects proposals, except when a sponsor imposes a salary cap.
- B. If a sponsor imposes a salary cap, the principal investigator must use the lower of the applicable Institutional Base Salary or the maximum amount allowed under any applicable salary cap.
- C. All compensation costs associated with activities performed for sponsored programs must be based on Institutional Base Salary, regardless of the source of funds (e.g., sponsor, University, or third party).
- D. Principal investigators are responsible for ensuring that all charges to federal awards for salaries and wages:
  1. Are accurate and reflect the work actually performed;
  2. Reasonably reflect the total activity for which an employee will be compensated by the University;
  3. Comply with all applicable: federal laws and regulations; state laws and regulations; and sponsor requirements.

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## SECTION 2. Reason for the Policy

The University maintains this policy to facilitate compliance with federally sponsored grants and contracts.

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## SECTION 3. Scope and Application

This policy applies to all employees.

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## SECTION 4. Procedures

The University has not issued system-wide procedures for this policy.

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## SECTION 5. Definitions

N/A

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## SECTION 6. Penalties/Disciplinary Action for Non-Compliance

Failure to comply with this policy might result in adverse human-resources consequences, and might also result in a disruption of federal funds.

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## SECTION 7. Responsible Official & Additional Contacts

Responsible Official and Contacts may have responsibilities that include monitoring compliance with the policy, accuracy of policy subject matter, organizing policy training, and updating the policy.

Subject Matter	Office Name	Telephone Number	Email/Web Address
Policy Clarification and Interpretation	Jennifer Easley	865-974-3590	jeasley6@tennessee.edu

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## SECTION 8. Policy History

Version 4 12/15/2021

Version 3 07/10/2018

Version 2 10/01/2017

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## SECTION 9. Related Policies/Guidance Documents

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- [FI0215 - Sponsored Projects - Effort Certification](#)
- [GE0002 - Conflicts of Interest & Commitment](#)
- [FI0220 - Sponsored Projects - Cost Transfers](#)