

System-wide Policy:	
FI0207- Sponsored Projects - Salary Policy	
Version: 4	Effective Date: 12/15/2021

FI0207- Sponsored Projects – Salary Policy

Topics:

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Objective:

The purpose of this policy is to provide policies and procedures for charging salary to sponsored projects. This policy will address federal, federal flow-through and non-federal projects.

Policy:

Reasonableness of Compensation Charged to Sponsored Projects: Salary charged to sponsored projects must be consistent with compensation paid for similar work in other activities of the University. In cases where the types of employees required are not present at the University, salary should be comparable to that paid for similar work in the labor market. Individuals working on sponsored projects should not receive higher rates of pay than other University employees who are performing the same work in similar circumstances, taking into account years of service, special expertise, extraordinary merit, or other factors. Salary increases (e.g., cost of living raises, equity adjustments, merit bonuses, promotions, etc.) for individuals whose positions are funded by a sponsored project must also be consistent with University policy.

[Charging Salaries to Sponsored Project WBS Elements](#)

1. Through its payroll system, the university maintains an appointment and position cost distribution system to properly document charges to sponsored project WBS elements for personal services of professorial and professional staff. The following guidelines apply to the allocation of salaries to sponsored project WBS elements through this

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system. For additional information, refer to [FI0215 - Sponsored Projects - Effort Certification](#).

- a. **Percentage of Salary.** The planned percentage of salary allocated to the sponsored project account must reflect the planned percentage of effort to be devoted to the project.
- b. **Allocation of Salaries through the University's Accounting System (IRIS).** The appropriate salary allocations must be made through IRIS for faculty, staff and students who perform services under sponsored project and whose position cost distribution can be determined in advance. The department head and principal investigator are responsible for continuously reviewing such salary allocations and for initiating a revised PERSONNEL CHANGE INFORMATION FORM (PCF) whenever the percentage of effort assigned to a sponsored project varies as much as five percentage points of total effort from the current allocation. This is accomplished by indicating the proper salary distribution on the PCF.
- c. **After-the-fact Certification of Effort.** This type of certification is required of all salaried personnel whenever a portion of their effort is devoted to a sponsored project. Certification is accomplished through the IRIS electronic effort certification system. The planned position cost distribution from the PCF is shown on the effort certification form and may be confirmed or changed by the employee, as appropriate, to accurately reflect the employee's actual expenditure of effort for the period. Any change to the position cost distribution on the effort certification form will result in an automated retroactive payroll adjustment to accurately reflect the confirmed distribution. Several exception codes are available to explain a distribution change so that no retroactive payroll adjustment is made. This may be appropriate, for example, to document effort devoted to a project that fulfills the university's cost sharing commitment where the actual salary charge should remain on another university cost object.
- d. **Institutional Base Salary.** Institutional Base Salary (IBS) is the annual compensation paid by the university to an employee for all work which benefits the university. The university defines IBS as wage types:

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- (1) regular pay – wage type 1REG,
- (2) regular pay from an agency - 1RGA,
- (3) administrative pay – wage type 1ADA,
- (4) agency pay – wage type 2AGY,
- (5) professorships – wage types 1PRP, 1PRT, and 1ALU
- (6) stipends – wage type 1STP,
- (6) fellowships – wage type 1FEL,
- (7) foreign pay – wage type 1FPY.

IBS excludes outside consulting or medical practice income earned outside the university.

IBS excludes sabbatical pay. Sabbatical pay is normally not paid on federal grants or contracts.

IBS excludes additional pay – wage type 2ADLand 2SUM including summer research pay for nine-month faculty. Additional pay must be requested by a person who can attest to the work being performed and approved by the department head before processing. Effort certification is required, in accordance to [FI0215 - Sponsored Projects - Effort Certification](#), after the work is performed.

Wage types that are excluded from IBS for effort certification purposes include:

- Longevity – wage type 2LGV
- Bonus – wage type 2BON

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[Charging Salaries on an After-Performance Basis](#)

2. When faculty, staff and students perform services under sponsored projects occasionally (and under conditions that do not require using the planned position cost distribution system as described above such as for longevity or nine over twelve month adjustment), the transfer of such salary charges to sponsored projects may be accomplished after the fact with the SALARY TRANSFER transaction ZPSTV000 using the following guidelines.
 - a. **Internal Records.** Department heads and principal investigators have the responsibility for (1) maintaining records on time and effort devoted by faculty and staff to sponsored projects and (2) initiating a Salary Transfer for appropriate salary allocation to be posted monthly in the correct fiscal year. Salary Transfer transactions must be received by the Payroll Office by the 15th of the following month.
 - b. **Information Required.** At a minimum, Salary Transfers should contain the following information:
 - *Names and Titles.* The names and titles of the faculty, staff or students whose salaries are being transferred.
 - *Time Period.* The time period when services were performed.
 - *Type of Pay.* The type of payment to be transferred.
 - *Amounts of Transfer.* The amounts to be debited and credited to each cost center or WBS element.
 - *Calculation of Amounts Transferred.* The percentage of effort or the quantity of time (days or hours) devoted to work on the sponsored project should be used to explain the amounts to be transferred. If time is expressed in days or hours, the Salary Transfer Voucher must identify the time by dates or state that detailed time records are maintained in departmental files and will be available for audit purposes. The unit salary rate on which the transfers are based (monthly, academic term, or effective daily or hourly rate) should be determined in accordance with the guidelines below.

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c. **Effective Daily or Hourly Salary Rate.** If possible, sponsored projects should have professional salaries distributed through the planned position cost payroll distribution system on a percentage-of-effort basis. However, properly computed daily or hourly rates may be used: (1) when short periods of service are required, (2) when sponsors specifically required this method, or (3) to calculate compensation for appropriately approved extra services on sponsored projects. The following guidelines apply for all campuses and institutes unless an alternate calculation procedure has been approved by the chief financial officer (or designee).

- *Faculty and graduate students on Academic Year Appointments.* The academic year is defined as 39 calendar weeks ending on the date of commencement for spring semester. When salary allocations are made on a daily-rate basis for faculty on an academic year appointment, the rate is the current academic year salary divided by 168 days or for a total of 1344 hours. Allowance is made here for official university holidays as well as an allowance for days of administrative closing. When an hourly rate computation is necessary, eight hours are considered a duty day. Similarly, for such work performed in these categories during summer semester, the semester is defined as 56 duty days, and the applicable daily rate is also the current academic year salary divided by 168.
- *Faculty, Professional Staff and graduate students on Twelve-month Appointments.* To convert the salary of a faculty or professional staff member appointed on a twelve-month service basis to an effective daily rate, divide the current annual salary rate by 224 duty days or for a total of 1792 hours. This figure reflects an allowance made for annual leave, official holidays, and days of administrative closing. To compute an hourly rate, eight hours are considered a duty day.
- *Salaried Non-exempt Staff Appointments.* To convert the salary for non-exempt staff to an effective daily rate, 260 work days reduced by 8 holidays, 5 administrative closing days, and the individual employee's annual leave accrual rate determine the effective number of duty days. This number is then divided into the base annual salary to obtain the

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appropriate daily rate. To compute an hourly rate, a duty day consists of eight hours.

- *Adjunct Appointments, Consultants, Visiting Scholars, Other Special Appointments, etc.* The rate of pay for positions without a defined IBS (Adjunct Appointments, Consultants, Visiting Scholars, etc.) should be determined by the Principal Investigator based on tasks assigned which should align with industry standards or comparable internal positions.

Faculty Salaries Chargeable to Federal and Federal Flow-through Sponsored Projects

3. Generally, faculty salaries charged to the sponsored project result in release time for the faculty, and the released salary dollars are used to hire replacement services or support other departmental operations. Faculty, as defined in this policy, includes twelve-month and nine-month appointments, regular, temporary, full-time, or part-time faculty.
 - a. Extra-service pay (i.e., additional pay) is compensation paid by the university beyond the established monthly base salary of the faculty member. Extra-service pay is for university activity that is not part of the individual's job responsibilities and is not otherwise defined under the individual's appointment and/or his or her 100 percent effort distribution. For part-time employees, this policy applies after the employee reaches 100 percent of his or her annualized compensation. It is the joint responsibility of the individual and his or her immediate supervisor to ensure that the individual is fulfilling primary job responsibilities, and the activities leading to extra-service pay shall in no way detract from the performance of his or her assigned responsibilities and 100 percent effort distribution. The ADDITIONAL PAYMENT IRIS Transaction ZPADDPAY000 should be used for processing extra-service pay.
 - b. Extra services payments for nine-month faculty are limited to 33 1/3rd percent of the individual's institutional base salary for the period of August 1st through July 31st annually. This extra service pay is generally restricted to work performed from the end of the spring academic term to the beginning of the fall term. Extra service payments beyond 33 1/3 percent must be reviewed and

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approved in advance by the CBO or designee. In such limited cases, services are expected to represent < 5 percent of effort during the period of performance.

- c. During the academic year, faculty with 9- or 12-month appointments, professional staff and graduate students can receive supplemental / extra-service pay as consultants for federal and federal flow-through projects in other departments/ units under the following guidelines:
 - 1. Consulting must be allowed by and is subject to any conditions of the sponsoring agency.
 - 2. Consulting must be across departmental lines.
 - 3. The supplemental pay cannot exceed the faculty member's rate of pay calculated on institutional base salary.
 - 4. Supplemental pay cannot be allowed if the faculty member is listed in the proposal and/or budget as a project investigator or senior/key personnel.
 - 5. Supplemental pay must either be specifically provided for in the federal award budget or receive prior written approval by the federal awarding agency.
 - 6. The approver must certify that services rendered, if any, were beyond the scope of the employee's normal duties and were performed either outside of the employee's normal working hours or while the employee was on annual leave during normal working hours.

Related extra pay requests must include workflow notes that contain responses to 3(c)(1-6) above.

For example, a contract to conduct a social science survey requires three hours of statistician work to fulfill the report requirements. A faculty member in the Statistics department may receive extra-service pay from the grant or contract assuming the above mentioned requirements are met and the consulting time does not interfere with the statistician's primary job responsibilities.

Questions related to faculty salaries chargeable to federal or federal flow-through projects should be directed to the campus or institute research office.

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For awards that do not involve federal or federal flow-through funding, supplemental/extra-service pay is allowable if it meets other applicable university/campus policies.

All employees are required to disclose outside interests in accordance with the [HR0580 - Code of Conduct](#), [FI0125 - Conflict of Interests \[Replaced by GE0002\]](#) and any applicable campus procedures. Compensated outside activity guidelines and limitations specific to faculty are further addressed in the applicable campus Faculty Handbook

Payments to Hourly Clerical and Supporting Personnel

4. These biweekly employees are paid after the fact on reported hours worked. Their time is charged to the individual cost object as reported; therefore, no effort reporting is required for them. If there are monthly paid nonexempt staff paid on sponsored projects, effort reporting is required.

Clerical and administrative personnel salary charged to sponsored projects is not intended to be additional pay or overtime pay. The amount or percent effort identified in the proposal and worked during the period of performance will be paid directly from the sponsored project as part of the employee's base pay at no more than their regularly hourly rate.

Overtime pay is normally not allowed on federal grants and contracts.

PROCEDURES:

Knoxville:	http://budget.utk.edu/fiscal-policy/
Health Science Center:	https://uthsc.policymedical.net/policymed/home/index?ID=de47aa28-16aa-408b-9c96-cb04f232964f&

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Institute of Agriculture:	https://ag.tennessee.edu/Pages/UTIApolicies.aspx
Martin:	http://www.utm.edu/departments/finadmin/procedures.php
Chattanooga:	http://www.utc.edu/business-financial-affairs/fiscalpolicies.php