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

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

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

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

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apportioning salaries, it is recognized	apportioning salaries, it is recognized that,	
that, in an academic setting, teaching,	in an academic setting, teaching, research,	Re-locate to proposed section called
research, service, and administration are	service, and administration are often	Compensation for personal services,
often inextricably intermingled. A precise	inextricably intermingled. A precise	General, paragraph 10.b.3
assessment of factors that contribute to	assessment of factors that contribute to	
costs is not always feasible, nor is it	costs is not <del>always</del> feasible, nor is it	
expected. Reliance, therefore, is placed	expected. Reliance, therefore, is placed on	
on estimates in which a degree of	estimates in which a degree of tolerance is	
tolerance is appropriate.	appropriate.	
(d) There is no single best method for	(d) There is no single best method for	
documenting the distribution of charges	documenting the distribution of charges	Re-write and re-locate proposed
for personal services. Methods for	for personal services. <del>Methods for</del>	section called Compensation for
apportioning salaries and wages,	apportioning salaries and wages,	personal services, General,
however, must meet the criteria	however, must meet the criteria specified	paragraph 10.b.2
specified in subsection b.(2).	in subsection b.(2).	
Examples of acceptable methods are	Examples of acceptable methods are	
contained in subsection c. Other	contained in subsection c. Other methods	
methods that meet the criteria specified	that meet the criteria specified in	
in subsection b.(2) also shall be deemed	subsection b.(2) also shall be deemed	
acceptable, if a mutually satisfactory	acceptable, if a mutually satisfactory	

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alternative agreement is reached.	alternative agreement is reached.	
(2) Criteria for Acceptable Methods.	(2) Criteria for Acceptable Methods.	
(a) The payroll distribution system will	(a) The payroll distribution system will	
(i) be incorporated into the official	(i) be incorporated into the official	
records of the institution;	records of the institution;	
(ii) reasonably reflect the activity for	(ii) reasonably reflect the activity for	APP
which the employee is compensated	which the employee is compensated by	
by the institution; and	the institution; and	Relocated this section to proposed
(iii) encompass both sponsored and	(iii) encompass both sponsored and all	section called Payroll Distribution
all other activities on an integrated	other activities on an integrated basis,	System, Criteria for Acceptable Methods, paragraph 10.c.2
basis, but may include the use of	but may include the use of subsidiary	rictious, paragraph 10.c.2
subsidiary records. (Compensation for	records. (Compensation for incidental	
incidental work described in	work described in subsection a need	
subsection a need not be included.)	not be included.)	
(b) The method must recognize the	> (b) The method must recognize the	
principle of after the fact confirmation or	principle of after the fact confirmation	Re-write and relocated this section
determination so that costs distributed	or determination so that costs	to proposed section called Salary
represent actual costs, unless a mutually	distributed represent actual costs,	Apportionment Documentation,
satisfactory alternative agreement is	unless a mutually satisfactory	General . Principles, paragraph
reached.	<del>alternative agreement is</del> reached	<u>10.d.1</u>
		principle of after the fact
	Direct cost activities and F&A cost	confirmation or determination

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

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

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

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

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## **EXISTING A-21, J.10**

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&A costs under the simplified method for small institutions.)

- (c) The system will reflect activity applicable to each sponsored agreement and to each category 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 as discussed in subsection b.(2)(c).
- (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

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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&A costs under the simplified method for small institutions.)

- (c) The system will reflect activity applicable to each sponsored agreement and to each category 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 as discussed in subsection b.(2)(c).
- (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

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- 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.
- 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.
- 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.

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

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

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

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

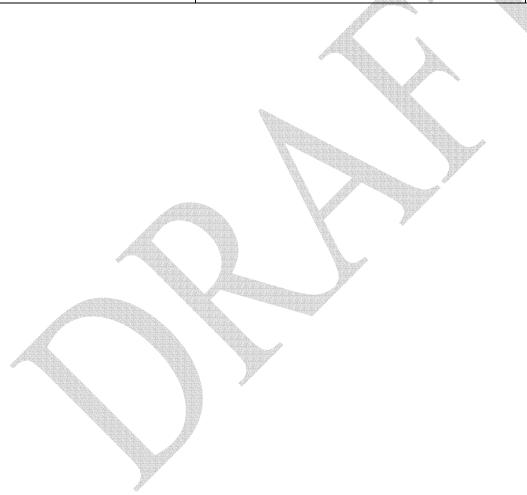
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significant differences occur.	significant differences occur.	
(c) Institutional records will reasonably	(c) Institutional records will reasonably reflect	
reflect only the activity for which employees	only the activity for which employees are	
are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

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

EXISTING A-21, J.10	FDP PROPOSED CHANGES	JUSTIFICATION FOR CHANGE
d. Salary rates for faculty members.	e. <del>d.</del> Salary rates for faculty members	
u. Salary rates for faculty members.	e. u. Salary rates for faculty members	. No Changes to this section.

EXISTING A-21, J.10	FDP PROPOSED CHANGES	JUSTIFICATION FOR CHANGE
e. Noninstitutional professional activities.	f. e. Noninstitutional professional activities.	No Changes to this section.
f. Fringe benefits.	g. <del>f.</del> Fringe benefits.	No Changes to this section.



## 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