Managing Salaries and Wages on Sponsored Programs

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Salaries and wages represent the vast majority (>80%) of expenses against sponsored activities. That means that in most cases, there is only 20% of funding available to buy all the “stuff” needed for research after salaries are paid.
A Labor Schedule is a collection of charging instructions that specify how labor costs should be distributed for an employee and assignment.

Systems used to accomplish this will vary between institutions, but any system “should” allow the allocation of salaries across project accounts and show future commitments (encumbrances) through the end of the funding period.
Overview and Objectives

1. To understand how labor scheduling impacts financial management and reporting on sponsored research

2. To give LD Schedulers and other decision makers a set of guidelines and examples of best practices

3. To empower LD Schedulers to obtain the necessary information to make the right decisions when setting up labor schedules
Life Cycle of a Grant

- Proposal Development
- Proposal Submission
- Receipt of Funding
- Use of Funding
- Closeout Process
Labor Scheduling Impacts

Committed Effort

- Direct Charged
  - Paid for by the sponsor

- Cost Shared
  - Paid for by the institution

Payroll

Labor Distribution Schedule

Reports

- Salary
- Encumbrances/
  Forecasting
- Monthly
  Reconciliation
  Reports
- Reports to Sponsors
- Effort Reports
Labor Scheduling Process

1. Receive the Notice of Award and set up account
2. Determine WHO is to be scheduled, for HOW MUCH and for HOW LONG
3. Schedule Labor and Monitor schedules regularly
<table>
<thead>
<tr>
<th>Role</th>
<th>Responsibility</th>
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| The Principal Investigator         | • Ensures that labor costs are incurred for the intended purpose of the grant/contract, and in accordance with sponsor requirements and University policies and procedures.  
• Communicates with administrators to establish accurate and timely LD schedules for themselves and all supervised employees.  
• Provides notification of the need for any modification to the labor schedule  
• Complies with Sponsor requirements regarding any significant reductions (normally > 25%) in effort on sponsored activities  
• Informs other key personnel on the project, particularly those in other departments, of the receipt of the award. |
| Research Administrator/            | • Communicates with the Principal Investigator regarding the scheduling of salaries on sponsored projects.  
• Establishes proper/timely labor distribution schedules for persons supported from sponsored activities to ensure appropriate allocations of salary costs.  
• Adjusts labor schedules in a timely fashion in support of accuracy in salary allocations. |
| Fiscal Contact/                    |                                                                                                                                             |
| Labor Distribution Specialist      |                                                                                                                                             |
| Chair/Division Head                | • Maintains effective practices in proper and timely scheduling of LD                                                                   |
1) Upon receipt of a notice of award (NOA) and account creation, the PI communicates to the appropriate business unit employee the names and amount of effort of all personnel assigned to the project, making any adjustments necessary to accommodate their effort on other projects. The proposal budget is a good launching point for this discussion.

2) Determine the scheduled start dates for each employee to be scheduled. The scheduled start date can be the first day of the sponsored activity, but if the person will be starting on a sponsored activity after the project start date, the scheduled start date is when the person’s effort actually begins.
3. Determine the Schedule End Date
(Sounds easy, right?)

- Grant funds REQUIRE an end date in the labor schedule.
- Where possible, to minimize the number of entries that have to be made in Labor Distribution, an individual’s labor should be scheduled for the **longest period possible** that does not exceed the award/project end date.
- If it is known that the person’s effort on a project is limited to a predetermined period of time, the LS end date should be set to the date that the PI has determined that the person’s work on the project will end. (For example, a data analyst could be brought in for a period of three months to analyze data generated from experiments. That data analyst would be scheduled starting on the first day of work on the project and ending three months later.)
- Remember that in most cases use project start and end dates, not payroll start and end dates.
### GA Summary BBA Module

**Award Num Name**: GB10239 MD-BIOC Dutta Chromosome

**Award PI**: Dutta, Anindya

**Award Labor Encumbrance End Dt**: 01/31/2018

**Award Status**: Active

**Award Mgr**: Hoelscher, Taylor Evan

**Project Start Dt**: 02/01/2013

**Project Complete Dt**: 01/31/2018

**Award Labor Encumbrance End Dt**: 01/31/2018

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Click here to show/hide current selections: BIOC AcpPeriod: Jun-17, Award Status: (Active) | At Risk | On Hold, Project Status: (Open) | On Hold, Project Num: 142228, Award Own Org Name: MD-BIOC Chromosome/Mole Genetics
Scheduling Steps cont..........

4) The responsible business unit schedules the labor according to system procedures.

5) Any changes in effort requiring modification of Labor Distribution should be communicated in writing to the responsible administrator in the business unit by the PI. Changes may include, but are not limited to:
   - Reassignment of work/project changes
   - Changes in level of effort
   - Budget modification

6) In order to encourage proactive sharing of information, both the PI and the Labor Schedule Specialist should communicate initial effort distributions as well as any modification with the Effort Reporting Coordinator. Delayed adjustments to effort reporting can result in the need for extensive justification and additional documentation.
Labor Distribution Adjustments

Sometimes the distribution of payroll will need to be adjusted after it has been processed. Corrections to previously posted payroll should be made as soon as possible after the need for the adjustment is identified. Delays in submission of adjustments of over 90 days require OSP permission, and may result in disallowance of those charges on sponsored program accounts.

Examples of circumstances that require LD adjustment:

- Delays in funding resulted in charges being initially directed to a non-sponsored account
- The Principal Investigator discovers an error during a monthly account reconciliation review
- The Principal Investigator or other personnel on the project change their effort and there is a delay in the communication of this change, or it is communicated after the current period payroll cutoff dates.
- Another department notifies an employee’s home department that he/she should have been scheduled on their project(s).
- During the effort certification process, the certifier realizes that payroll does not accurately reflect effort.
- The amount of time someone has spent working on a project can’t be determined until after the effort has been devoted (example: Statistician)
LD Adjustment Steps ..........  

1) Determine the start and end dates of the adjustment. Be sure that they fall within the *active project dates*.  

2) Determine the percentage or dollar amount that needs to be adjusted.  

3) If another department provides a dollar amount instead of a percentage, verify that the amount you are given does not include fringes or F&A.  

4) Always adjust the salary using the dates of the actual period the work was performed, even if it means you are required to get retroactive approval. Do not load the LD into the most recent period(s). Otherwise, the effort report “Payroll” and “Calculated Effort” fields will not be correct for that effort reporting cycle.
5) Moving salary dollars from one grant to another grant requires extra attention. Keep in mind any sponsor thresholds for changes in effort of the PI or key personnel. Ensure that the changes will reflect the actual effort expended across *all* projects and that the receiving project has adequate funds. These types of moves require thorough justification and will be reviewed for allowability.

6) The LD adjustment batch comment should include the reason for the transfer – if you are transferring salary onto a sponsored project, include the technical benefit to the recipient grant and the person’s role on that project; if transferring salary off the project, include the reason for the transfer.
Some (actual) examples of good LD Distribution Adjustment Justifications

- “The PI, Dr ____, instructed that his LD be adjusted in order to accurately reflect his effort towards a new project.”
- “The graduate student changed labs, and PI, Dr. ___ instructed the LD be adjusted to reflect change in project.”
Some (actual) examples of NOT-so-good LD Distribution Adjustment Justifications

- “Charging LD to correct account.”
- “Labor schedule was not set up correctly. We are fixing this.”
- “PI told me to change the LD”

Allocation and role not addressed

- “The department is short-staffed and no one had time to schedule the labor”

While this may be true, it is not an acceptable justification.
Important things to consider

✓ Institutional Base Salary (IBS)
✓ Delays or Gaps in Research Funding
✓ Working with Salaries in Excess of NIH Salary Cap
INSTITUTIONAL BASE SALARY

The Uniform Administrative Requirements (Uniform Guidance) (2 CFR 200) allows salary, wages, and associated fringe benefit costs to be charged against sponsored programs only to the extent that such compensation conforms to established and consistently applied policies and is for work in direct performance of the sponsored program.

At UVA we define this as, “The annual compensation the University pays for an individual’s appointment, whether that individual’s time is spent on research, instruction, administration, or other activities.

Earnings outside the University (external consulting, overload compensation, bonuses) are exceptions.
**Delays or Gaps in Research Funding**

- **PREFERRED** The use of preliminary/at-risk accounts is encouraged for situations where official award confirmation is anticipated but not yet received and research effort (LD) is being expended.

- In instances where requesting a preliminary/at-risk account is not feasible (including circumstances when documentation is not available, etc.), departmental overhead or other non-grant funded sources should be used for initial labor distribution until NOAs are received. These labor distributions should be retroactively adjusted back onto the project when it becomes active. Salaries should never be scheduled to another sponsored activity as a temporary measure.
To calculate the maximum percentage of labor that should be entered into the Labor Distribution module:

\[
\text{Committed Effort Percentage} \times \text{Current NIH Salary Cap} \div \text{Institutional Base Salary}
\]

Note: The DHHS salary cap only applies to NIH or other federal awards that explicitly impose it. If the sponsor does not impose the cap it should not be applied unless permission has been obtained to cost share the salary.
MONTHLY MAINTENANCE OF LABOR SCHEDULES
Review of Labor Schedules by Assignment Organization

• Labor Schedules must be monitored regularly but no less than monthly to determine who has a schedule that is ending.

• There must be a clear responsibility for who is responsible for updating whose labor schedule – What about that Engineering student who is working in the School of Medicine? Which organization is responsible?

• What happens if a schedule ends and there is no schedule to replace it?
For anyone with a grant project ending in the current month, a determination will need to be made on how to extend the LD schedule. If the project in question is being continued or renewed, and the person’s effort on the project will continue, then schedule the person to the end of the new end date. If the project in question is ending, then a determination will need to be made as to where the person’s effort should be directed, and the new account added. This decision is made by Principal Investigators for themselves and for the people under their supervision.
SUMMARY

Labor Scheduling is one of the most critical aspects of managing grant dollars. It impacts everything from reporting to forecasting to effort reporting. Get the information you need to do it right. If you are having trouble getting correct information in a timely manner, tell someone. Keep on top of it, make changes as soon as you know about them and monitor regularly.

Run reports and review schedules at least monthly. Labor suspense accounts should always be -0-.

Horror Stories, anyone?