

William Paterson University

Effort Reporting Policy and Procedures for Federal- or State-Funded Sponsored Projects

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1. Background and Regulatory Requirements

Effort Reporting is required by federal regulations [2 CFR Part 220](#) Appendix A.J.10, Compensation for personnel services (aka [OMB Circular A-21, J.10](#)) to insure that recipient institutions compensate project staff for work completed on funded projects consistently and appropriately.

a. General:

“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 J.10.f of this Appendix). 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 [Facilities & Administrative or Indirect 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.”

Effort Reporting

William Paterson University uses a **plan-confirmation system** insures that the distribution of salaries and wages of professorial and professional staff applicable to sponsored agreements is based on budgeted, planned or assigned work activity, updated to reflect any significant changes in the distribution of work. This process requires (a) that each covered employee to complete a log showing the percentage distribution of all their activities, (b) that each log is certified by a supervisor reasonable knowledgeable of the employee’s activities, and (c) is compared against and certified that it reflects the approved budget, planned or assigned work activity. Every Federal Agency’s internal grant management regulations are aligned the requirements of [2 CFR Part 220](#) Appendix A.J.10 (aka [OMB Circular A-21, J.10](#)) to insure that recipient organizations can comply without having several different systems.

The processes required for each class of employee is described below.

Covered Employees

Full Time Faculty and Professional Staff: 2 CFR 220 Appendix A.J.10.d.1 specifically defines who, how and when a professor or professional staff is affected. In each case where 2 CFR 220 refers to “faculty members” it also includes professional staff and assumes full-time employment status for both.

“d. Salary rates for faculty members.

(1) Salary rates for academic year.

Charges for work performed on sponsored agreements by faculty members during the academic year will be based on the individual faculty member’s regular compensation for the continuous period which, under the policy of the institution concerned, constitutes the basis of his salary.

Charges for work performed on sponsored agreements during all or any portion of such period are allowable at the base salary rate.

In no event will charges to sponsored agreements, irrespective of the basis of computation, exceed the proportionate share of the base salary for that period. This principle applies to all members of the faculty at an institution. Since intra-university consulting is assumed to be undertaken as a university obligation requiring no compensation in addition to full-time base salary, the principle also applies to faculty members who function as consultants or otherwise contribute to a sponsored agreement conducted by another faculty member of the same institution.

However, in unusual cases where consultation is across departmental lines or involves a separate or remote operation, and the work performed by the consultant is in addition to his regular departmental load, any charges for such work representing extra compensation above the base salary are allowable provided that such consulting arrangements are specifically provided for in the agreement or approved in writing by the sponsoring agency.

(2) Periods outside the academic year.

(a) Except as otherwise specified for teaching activity in subsection J.10.d.(2)(b) of this Appendix, charges for work performed by faculty members on sponsored agreements during the summer months or other period not included in the base salary period will be determined for each faculty member at a rate not in excess of the base salary divided by the period to which the base salary relates, and will be limited to charges made in accordance with other parts of this section. The base salary period used in computing charges for work performed during the summer months will be the number of months covered by the faculty member's official academic year appointment.

(b) Charges for teaching activities performed by faculty members on sponsored agreements during the summer months or other periods not included in the base salary period will be based on the normal policy of the institution governing compensation to faculty members for teaching assignments during such periods."

The percentage is based on the actual amount of time an individual employee works. Example: The University's standard work week is 35 hours, so that if someone is budgeted to work 50% on the project, then to achieve 50% effort on the project, he/she would have had to have worked at least 17.5 hours on the project. If the employee worked 50 hours that week, but only spent 17.5 hours on the project, then their level of effort for that week is only 35%.

If a professor or professional staff assigned to a sponsored project is expected to work 100% of their time on the project, then no activity except work on this project is allowed because (a) all effort is to be directed toward this project, and (b) additional activity that they may be paid for (i.e.: an adjunct assignment) increases their hours but not change the percentage of effort that they are providing to the University.

Excess compensation, that is additional salary and wages paid to an employee who is affiliated with a sponsored project, can only be paid in certain circumstances. Ideally, these situations should be identified during the development of a proposal. If they are identified after the award has been received or the project has been started, then a specific request to the funding agency would be required.

Part-time faculty, administrative or research support staff, and undergraduate or graduate student assistants: These University employees not covered by the previous section. These positions must be paid in accordance with the approved proposal and any modifications that may have been implemented, their compensation must conform to Federal, State and University policy governing the employment and compensation of each of the types of employee and the sources of the funding for each individual position, and union agreements as applicable. To pay one of these individuals overtime for their work on a funded project, overtime would have to be approved by the funding agency. Special rules apply for undergraduate students who are also work in a Federal Work Study-funded position, for Graduate Assistants, and may be related to other forms of financial-aid and tuition assistance.

2. Summary of process and requirements.

2 CFR Part 220 requires that the actual effort performed by an employee be compared to the estimated effort that was included in the award and any subsequent modifications. This requires that each employee who is compensated by a Federal award complete a log that tracks the percentage of effort applied to any and all sources of their compensation, that this log be certified by a knowledgeable supervisor, and that the log be compared periodically against the approved allocation. To enable this, employees will complete a Time & Effort Log, Supervisors will sign the Log, Project Directors will submit the Log with a Supervisor Certification to the Office of Sponsored Programs, a database will be maintained based on certified Time & Effort Logs, a report will be provided for the Project Director to compare against the award and subsequent modifications and then certify whether or not the amount of effort is appropriate for the project.

Any significant discrepancies from the planned effort percentage must be reported to the OSP and a plan developed to enable the employee to adjust their time to meet their time requirement. If this cannot be accomplished, then the funding agency must be notified and a budget adjustment must be submitted for approval.

Time & Effort Logs must be:

- Completed on a bi-weekly basis and signed by the employee.
- Reviewed and signed by an immediate supervisor, the project director, or other responsible official who has knowledge of the actual work performed within a reasonable period.
- Submitted to the project director to file with other project records.

Project Director/Supervisor Certifications must be:

- Completed, signed and submitted to the Office of Sponsored Programs by the 15th of the month following the end of the Fall, Spring or Summer I/II Semesters with a complete copy of the Time & Effort Logs.
- Depending on the award and reporting dates of a project, Certifications may be required at other times during the year.

Time & Effort Reports must be:

- Reviewed, signed and returned to the OSP within 30 days of their receipt.
- Maintained with other records related to the project.

3. Step-by-step description of hiring, payroll and time & effort reporting for direct and matching effort for all types of employees.

For all employees, the University's policies and processes for creating a position, hiring a new employee, or re-assigning a current employee to a new function, department or funding source must be followed. Every project director, department chair or director, dean or associate vice president, or vice president associated with a project is expected to comply with the policies and processes established by Human Resources, Payroll and Benefits, Employment Equity and Diversity, their administrative units, and other William Paterson University units as related to the hiring and assignment of employees.

For employees who will be compensated from multiple sources, the Human Resources Action Form (HRAF) should indicate all the sources of their compensation and the percentage of effort that will be paid from each source. For example, if the employee will be paid 50% from a sponsored project and 50% from their department, the HRAF would indicate the project name, FOP and 50% for the funded project AND the department name, FOP and 50% for the department. Multiple sources would be handled in the same way. No employee's cumulative percentage of effort may exceed 100%.

The following sections below refer variously to "Project Directors" and "Supervisors" while the forms consistently use only "Supervisor." A Project Director may or may not be the regular supervisor for everyone working on a sponsored project and cannot be their own supervisor, so it is each employee's supervisor that certifies their effort log. (Examples: A sponsored project's full time staff person's regular supervisor is the project director, a faculty person's regular supervisor is their department chair, a project director's regular supervisor may be a Dean, and a Dean's regular supervisor is the Provost's Office). The Project Director, on the other hand, does prepare and sign the *Supervisor Certification of Employee Time & Effort Memorandum* for everyone except him/herself as this form is to certify the cumulative accuracy of previously certified logs. It is the Project Director's supervisor who signs this form for the Project Director. The Project Director may send all of the *Supervisor Certification* memos to the Office of Sponsored Programs even though he/she may not be the signatory on the memo.

A. As a Direct Grant Expense by Any Employee Compensated by a Sponsored Project (including Regular Full-Time and Part-Time employees who are employed prior to the start of a project, Regular Full-Time, Part-Time and Temporary employees who are hired to work exclusively on the project, and Regular Full-Time, Part-Time and Temporary employees who are hired to share their time between the project and other activities).

1. Each employee completes and submits bi-weekly timesheets that are certified by an appropriate supervisor and submitted to Payroll as required and directed.
2. Each employee completes, signs and submits a bi-weekly "Time and Effort Log" and submits it to their supervisor documenting ALL OF their activity and the related percentage of effort for each source of compensation. The supervisor signs the log to certify that it is accurate and sends the Log to the Project Director. The Project Director maintains a file for each employee.
3. The Project Director or other Supervisors related to the sponsored project prepare and sign a "Supervisor Confirmation of Time and Effort on Sponsored Projects" memorandum for each employee for each project at the end of the Fall, Spring and Summer I and II Semesters and submits it by the 15 day of January, June and September to the Office of Sponsored Programs for inclusion in the University's official file on the project. All of the Time and Effort Logs related to each Supervisor Certification are attached to the Certification. Certifications may be required at different times based on the period of an award.
4. Go to [Effort Database and Confirmation](#)

B. Matching or Cost-Share Expense by Any employee identified in 3.A.

1. Each employee completes and submits bi-weekly timesheets that are certified by an appropriate supervisor and submitted to Payroll as required and directed.
2. Each employee completes, signs and submits a bi-weekly "Time and Effort Log" and submits it to their supervisor documenting ALL OF their activity and the related percentage of effort for each, clearly identifying what time and activities are related to which sponsored program. The supervisor signs the log to certify that it is accurate and sends the Log to the Project Director. The Project Director maintains a file for each employee.
3. The Project Director or other Supervisors related to the sponsored project prepare and sign a "Supervisor Confirmation of Time and Effort on Sponsored Project" memorandum for each employee for each project at the end of the Fall, Spring and Summer I and II Semesters and submits it by the 15 day of January, June and September to the Office of Sponsored Programs for inclusion in the University's official file on the project. All of the Time and Effort Logs related to each Supervisor Certification are attached to the Certification. Certifications may be required at different times based on the period of an award.
4. Go to Effort Database and Confirmation

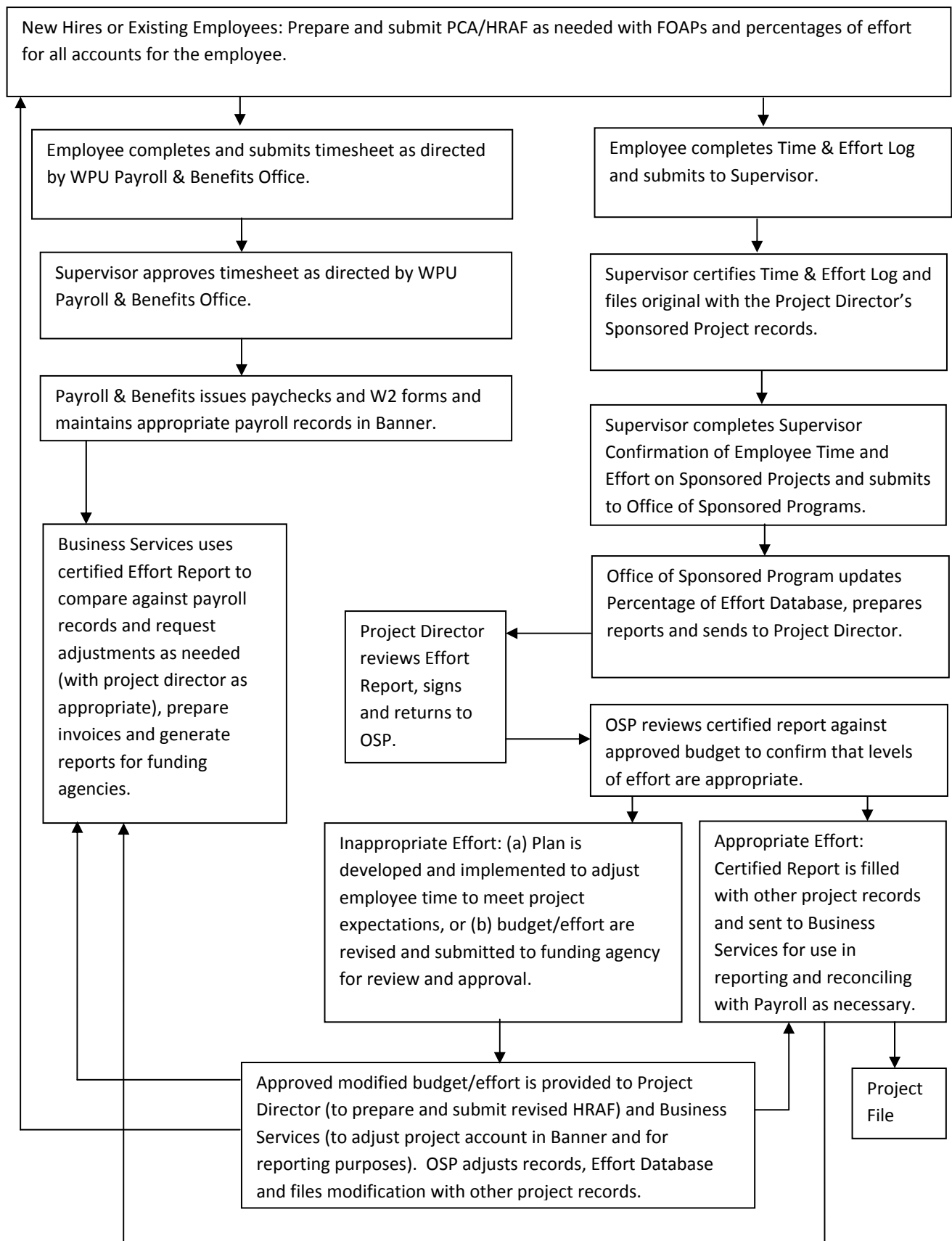
C. Effort Database and Confirmation

1. The Office of Sponsored Program receives the Certifications, Additional Compensation memorandum, and Time and Effort Logs and enters the information into the Effort Database.
2. The Office of Sponsored Program generates a report for each sponsored project for both direct and matching effort provided to a sponsored project and sends it to the Project Director.
3. The Project Director compares the report against the approved award and any subsequent modifications. This must be completed within 30 days of receipt.
 - a. If the percentage of effort is appropriate, the Project Director certifies the accuracy of the report and returns it to the Office of Sponsored Programs.
 - b. If the percentage of effort is not appropriate for the entire project, but may be for the period covered in the report, the Project Director certifies the accuracy of the report and that the percentage of effort will be correct for the entire project period because of activity in other periods, and returns it to the Office of Sponsored Programs.
 - c. If the percentage of effort is not appropriate for this period or the entire project, The Project Director meets with the employee to develop a plan to rectify the situation.
 - (1) If a plan can be agreed to, both the employee and Project Director the plan and submit that with the Report to the Office of Sponsored Programs.
 - (2) If a plan cannot be agreed to, the Project Director contacts that Office of Sponsored Programs. If an alternative cannot be developed to rectify the imbalance, the Project Director and the Office of Sponsored Programs prepare and submit a modification to the funding agency.
4. A copy of the fully certified and compliant effort reports are forwarded to the Grant Accountant in the Office of Business for use in preparing and submitting reports to funding agencies.
5. The original report is filled in the Office of Sponsored Programs.

D. Excess Compensation

1. In those unusual circumstances where an employee may receive excess or additional compensation related to a sponsored project, the employee who performs the work and the Project Director or another Supervisor prepare a "Time & Effort Additional Compensation" memorandum for the employee to sign and forward to the Dean or Assistant Vice President for the College or Unit. Documentation that the task or activity was undertaken and completed must be maintained by the Project Director with a copy of the "Time & Effort Additional Compensation" memorandum. If the compensation is not related to an externally funded sponsored project, the Dean will maintain the documentation.
2. The Dean or Assistant Vice President reviews the memorandum, signs and forwards it to the Associate Provost. The Associate Provost processes the request and forwards it to Payroll.

4. Effort Reporting Flowchart



Appendix B: Time & Effort Supervisor Certification Form USE CURRENT VERSIONS ON OSP WEBPAGE

William Paterson University

Supervisor Certification of Employee Time and Effort on Sponsored Projects

Date:

From:
(Name, Title)

To: Office of Sponsored Programs

RE: Certification of Time and Effort

Employee:

Dates Covered:

Project Title:

Project FOP:

Funding Agency:

I certify that the above named employee has worked as planned to support this project. I have their Time and Effort Logs and will make them available for inspection or reporting as needed for the duration of the project and as required after the end of the project.

Signature

Date

Instructions:

1. Project Director or Supervisor completes one Supervisor Certification memo for each employee for each project. If employee worked on more than one project at a time, a separate certification must be provided for each project.
2. Attach the original Time and Effort Logs related to the Supervisor Certification. If multiple projects are involved, the Logs may be photocopies on all but the first project.
3. The Supervisor Certification memo is sent to the Office of Sponsored Programs 3 times each year: In January for the Fall Semester, in June for the Spring Semester, and in September for the Summer I and II Semester. Other dates may be required based on award period.
4. Project Director keeps a copy of the Supervisor Certification and Time and Effort Logs in project files.

Appendix C: Additional Compensation Memorandum USE CURRENT VERSIONS ON OSP WEBPAGE

William Paterson University

Additional Compensation Memorandum

Date: _____
From: _____
To: _____

RE: Compensation to be paid to:

Recipient's 855-number: _____

Provide a description, the date(s) and other details as needed of the activities for which employee will be compensated.

PROJECT TITLE: _____

FUND: _____ ORGANIZATION: _____ PROGRAM: _____

AMOUNT TO BE PAID: _____

1. Employee Certification: I certify that this is a true and accurate record of my time and activities.

Printed Name	Signature	Date
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2. Supervisor or Project Director Certification and Approval for Payment

I certify that the time and effort required to complete these activities by the person named above were undertaken and completed separately and apart from their regular duties as an employee of William Paterson University as well as separately from any other funded project. Documentation of this activity is on file and available for inspection. **I approve payment as indicated.**

Name, Title	Signature	Date
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3. Dean/AVP: I approve payment as indicated.

Name, Title	Signature	Date
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4. Provost's Office: I approve payment as indicated.

Name, Title	Signature	Date
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Instructions: (1) The employee who performs the work prepares this memorandum, signs and forwards to supervisor. (2) The Supervisor or Project Director reviews, signs and forwards to the Dean for the College or AVP for the unit. (3) The Dean or AVP reviews, signs and forwards it to the Associate Provost. (4) The Associate Provost reviews, signs and forwards it to Payroll.

Documentation: Appropriate records documenting that the task or activity was undertaken and completed must be maintained by the Supervisor or Project Director.

Appendix D: [2 CFR Part 220](#) Appendix A.J.10: Compensation for Personnel Services

a. General.

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 J.10.f of this Appendix). 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. Payroll distribution.

(1) General Principles.

(a) The distribution of salaries and wages, whether treated as direct or F&A costs, will be based on payrolls documented in accordance with the generally accepted practices of colleges and universities. Institutions may include in a residual category all activities that are not directly charged to sponsored agreements, and that need not be distributed to more than one activity for purposes of identifying F&A costs and the functions to which they are allocable. The components of the residual category are not required to be separately documented.

(b) The apportionment of employees' salaries and wages which are chargeable to more than one sponsored agreement or other cost objective will be accomplished by methods which will—

(1) Be in accordance with Sections A.2 and C of this Appendix;

(2) Produce an equitable distribution of charges for employee's activities; and

(3) Distinguish the employees' direct activities from their F&A activities.

(c) 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 assessment of factors that contribute to costs is not always feasible, nor is it expected. Reliance, therefore, is placed on estimates in which a degree of tolerance is appropriate.

(d) There is no single best method for documenting the distribution of charges for personal services. Methods for apportioning salaries and wages, however, must meet the criteria specified in subsection J.10.b.(2) of this Appendix. Examples of acceptable methods are contained in subsection c. Other methods that meet the criteria specified in subsection J.10.b.(2) of this Appendix also shall be deemed acceptable, if a mutually satisfactory alternative agreement is reached.

(2) Criteria for Acceptable Methods.

(a) The payroll distribution system will be incorporated into the official records of the institution; reasonably reflect the activity for which the employee is compensated by the institution; and 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 method must recognize the principle of after-the-fact confirmation or determination so that costs distributed represent actual costs, unless a mutually satisfactory alternative agreement is reached. Direct cost activities and F&A cost activities may be confirmed by responsible persons with suitable means of verification that the work was performed. Confirmation by the employee is not a requirement for either direct or F&A cost activities if other responsible persons make appropriate confirmations.

(c) The payroll distribution system will allow confirmation of activity allocable to each sponsored agreement and each of the categories of activity needed to identify F&A costs and the functions to which they are allocable. The activities chargeable to F&A cost categories or the major functions of the institution for employees whose salaries must be apportioned (see subsection J.10.b.(1)(b) of this Appendix), 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.

(d) Practices vary among institutions and within institutions as to the activity constituting a full workload. Therefore, the payroll distribution system may reflect categories of activities expressed as a percentage distribution of total activities.

(e) 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.

(f) The system will provide for independent internal evaluations to ensure the system's effectiveness and compliance with the above standards.

(g) For systems which meet these standards, the institution will not be required to provide additional support or documentation for the effort actually performed.

c. Examples of Acceptable Methods for Payroll Distribution:

(1) Plan-Confirmation:

Under this method, the distribution of salaries and wages of professorial and professional staff applicable to sponsored agreements is based on budgeted, planned, or assigned work activity, updated to reflect any significant changes in work distribution. A plan-confirmation system used for salaries and wages charged directly or indirectly to sponsored agreements will meet the following standards:

(a) A system of budgeted, planned, or assigned work activity will be incorporated into the official records of the institution and encompass both sponsored and all other activities on an integrated basis. The system may include the use of subsidiary records.

(b) The system will reasonably reflect only the activity for which the employee is compensated by the institution (compensation for incidental work described in subsection a need not be included). 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 of this Appendix 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 J.10.c.(2)(c) of this Appendix.

(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 directly or indirectly charged to sponsored agreements will occur or has occurred, the change will be documented over the signature of a responsible official and entered into the system.

(e) At least annually a statement will be signed by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed, stating that salaries and wages charged to sponsored agreements as direct charges, and to residual, F&A cost or other categories are reasonable in relation to work performed.

(f) The system will provide for independent internal evaluation to ensure the system's integrity and compliance with the above standards.

(g) In the use of this method, an institution shall not be required to provide additional support or documentation for the effort actually performed.

(2) After-the-fact Activity Records:

Under this system the distribution of salaries and wages by the institution will be supported by activity reports as prescribed below.

(a) Activity reports will reflect the distribution of activity expended by employees covered by the system (compensation for incidental work as described in subsection a need not be included).

(b) These reports will reflect an after-the-fact reporting of the percentage distribution of activity of employees. Charges may be made initially on the basis of estimates made before the services are performed, provided that such charges are promptly adjusted if significant differences are indicated by activity records.

(c) Reports will reasonably reflect the activities for which employees are compensated by the institution. 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 by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed.

(d) 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 J.10.b.(2)(c) of this Appendix.

(e) For professorial and professional staff, the reports will be prepared each academic term, but no less frequently than every six months. For other employees, unless alternate arrangements are agreed to, the reports will be prepared no less frequently than monthly and will coincide with one or more pay periods.

(f) 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, provided that they meet the requirements in subsections J.10.c.(2)(a) through (e) of this Appendix.

(3) Multiple Confirmation Records

Under this system, the distribution of salaries and wages of professorial and professional staff will be supported by records which certify separately for direct and F&A cost activities as prescribed below.

(a) For employees covered by the system, there will be direct cost records to reflect the distribution of that activity expended which is to be allocable as direct cost to each sponsored agreement. There will also be F&A cost records to reflect the distribution of that activity to F&A costs. These records may be kept jointly or separately (but are to be certified separately, see below).

(b) Salary and wage charges may be made initially on the basis of estimates made before the services are performed, provided that such charges are promptly adjusted if significant differences occur.

(c) Institutional records will reasonably reflect only the activity for which employees are compensated by the institution (compensation for incidental work as described in subsection a need not be included).

(d) 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.

(e) To confirm that distribution of activity represents a reasonable estimate of the work performed by the employee during the period, the record for each employee will include:

(1) The signature of the employee or of a person having direct knowledge of the work, confirming that the record of activities allocable as direct costs of each sponsored agreement is appropriate; and,

(2) The record of F&A costs will include the signature of responsible person(s) who use suitable means of verification that the work was performed and is consistent with the overall distribution of the employee's compensated activities. These signatures may all be on the same document.

(f) The reports will be prepared each academic term, but no less frequently than every six months.

(g) 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, provided they meet the requirements in subsections J.10.c.(3)(a) through (f) of this Appendix.

d. Salary rates for faculty members.

(1) Salary rates for academic year.

Charges for work performed on sponsored agreements by faculty members during the academic year will be based on the individual faculty member's regular compensation for the continuous period which, under the policy of the institution concerned, constitutes the basis of his salary. Charges for work performed on sponsored agreements during all or any portion of such period are allowable at the base salary rate. In no event will charges to sponsored agreements, irrespective of the basis of computation, exceed the proportionate share of the base salary for that period. This principle applies to all members of the faculty at an institution. Since intra-university consulting is assumed to be undertaken as a university obligation requiring no compensation in addition to full-time base salary, the principle also applies to faculty members who function as consultants or otherwise contribute to a sponsored agreement conducted by another faculty member of the same institution. However, in unusual cases where consultation is across departmental lines or involves a separate or remote operation, and the work performed by the consultant is in addition to his regular departmental load, any charges for such work representing extra compensation above the base salary are allowable provided that such consulting arrangements are specifically provided for in the agreement or approved in writing by the sponsoring agency.

(2) Periods outside the academic year.

(a) Except as otherwise specified for teaching activity in subsection J.10.d.(2)(b) of this Appendix, charges for work performed by faculty members on sponsored agreements during the summer months or other period not included in the base salary period will be determined for each faculty member at a rate not in excess of the base salary divided by the period to which the base salary relates, and will be limited to charges made in accordance with other parts of this section. The base salary period used in computing charges for work performed during the summer months will be the number of months covered by the faculty member's official academic year appointment.

(b) Charges for teaching activities performed by faculty members on sponsored agreements during the summer months or other periods not included in the base salary period will be based on the normal policy of the institution governing compensation to faculty members for teaching assignments during such periods.

(3) Part-time faculty. Charges for work performed on sponsored agreements by faculty members having only part-time appointments will be determined at a rate not in excess of that regularly paid for the part-time assignments. For example, an institution pays \$5000 to a faculty member for half-time teaching during the academic year. He devoted one-half of his remaining time to a sponsored agreement. Thus, his additional compensation, chargeable by the institution to the agreement, would be one-half of \$5000, or \$2500.

e. Noninstitutional professional activities.

Unless an arrangement is specifically authorized by a Federal sponsoring agency, an institution must follow its institution-wide policies and practices concerning the permissible extent of professional services that can be provided outside the institution for noninstitutional compensation. Where such institution-wide policies do not exist or do not adequately define the permissible extent of consulting or other noninstitutional activities undertaken for extra outside pay, the Federal Government may require that the effort of professional staff working on sponsored agreements be allocated between institutional activities, and noninstitutional professional activities. If the sponsoring agency considers the extent of noninstitutional professional effort excessive, appropriate arrangements governing compensation will be negotiated on a case-by-case basis.

f. Fringe benefits.

(1) Fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, sick leave, military leave, and the like, are allowable, provided such costs are distributed to all institutional activities in proportion to the relative amount of time or effort actually devoted by the employees. See subsection J.11.f.(4) of this Appendix for treatment of sabbatical leave.

(2) Fringe benefits in the form of employer contributions or expenses for social security, employee insurance, workmen's compensation insurance, tuition or remission of tuition for individual employees are allowable, provided such benefits are granted in accordance with established educational institutional policies, and are distributed to all institutional activities on an equitable basis. Tuition benefits for family members other than the employee are unallowable for fiscal years beginning after September 30, 1998. See Section J.45.b, Scholarships and student aid costs, of this Appendix for treatment of tuition remission provided to students.

(3) Rules for pension plan costs are as follows:

(a) Costs of the institution's pension plan which are incurred in accordance with the established policies of the institution are allowable, provided such policies meet the test of reasonableness, the methods of cost allocation are equitable for all activities, the amount of pension cost assigned to each fiscal year is determined in accordance with subsection (b), and the cost assigned to a given fiscal year is paid or funded for all plan participants within six months after the end of that year. However, increases to normal and past service pension costs caused by a delay in funding the actuarial liability beyond 30 days after each quarter of the year to which such costs are assignable are unallowable.

(b) The amount of pension cost assigned to each fiscal year shall be determined in accordance with generally accepted accounting principles. Institutions may elect to follow the "Cost Accounting Standard for Composition and Measurement of Pension Cost" (48 Part 9904-412).

(c) Premiums paid for pension plan termination insurance pursuant to the Employee Retirement Income Security Act (ERISA) of 1974 (Pub. L. 93-406) are allowable. Late payment charges on such premiums are unallowable. Excise taxes on accumulated funding deficiencies and prohibited transactions of pension plan fiduciaries imposed under ERISA are also unallowable.

(4) Rules for sabbatical leave are as follows:

(a) Costs of leave of absence by employees for performance of graduate work or sabbatical study, travel, or research are allowable provided the institution has a uniform policy on sabbatical leave for persons

engaged in instruction and persons engaged in research. Such costs will be allocated on an equitable basis among all related activities of the institution.

(b) Where sabbatical leave is included in fringe benefits for which a cost is determined for assessment as a direct charge, the aggregate amount of such assessments applicable to all work of the institution during the base period must be reasonable in relation to the institution's actual experience under its sabbatical leave policy.

(5) Fringe benefits may be assigned to cost objectives by identifying specific benefits to specific individual employees or by allocating on the basis of institution-wide salaries and wages of the employees receiving the benefits. When the allocation method is used, separate allocations must be made to selective groupings of employees, unless the institution demonstrates that costs in relationship to salaries and wages do not differ significantly for different groups of employees. Fringe benefits shall be treated in the same manner as the salaries and wages of the employees receiving the benefits. The benefits related to salaries and wages treated as direct costs shall also be treated as direct costs; the benefits related to salaries and wages treated as F&A costs shall be treated as F&A costs.

g. Institution-furnished automobiles.

That portion of the cost of institution-furnished automobiles that relates to personal use by employees (including transportation to and from work) is unallowable regardless of whether the cost is reported as taxable income to the employees.

h. Severance pay.

(1) Severance pay is compensation in addition to regular salary and wages which is paid by an institution to employees whose services are being terminated. Costs of severance pay are allowable only to the extent that such payments are required by law, by employer-employee agreement, by established policy that constitutes in effect an implied agreement on the institution's part, or by circumstances of the particular employment.

(2) Severance payments that are due to normal recurring turnover and which otherwise meet the conditions of subsection J.10.h.(1) of this Appendix may be allowed provided the actual costs of such severance payments are regarded as expenses applicable to the current fiscal year and are equitably distributed among the institution's activities during that period.

(3) Severance payments that are due to abnormal or mass terminations are of such conjectural nature that allowability must be determined on a case-by-case basis. However, the Federal Government recognizes its obligation to participate, to the extent of its fair share, in any specific payment.

(4) Costs incurred in excess of the institution's normal severance pay policy applicable to all persons employed by the institution upon termination of employment are unallowable.