



Handbook of Operating Procedures

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UNIVERSITY PAYROLL DISTRIBUTION CONFIRMATION FOR GRANTS, CONTRACTS AND OTHER AGREEMENTS

A. Purpose

The purpose of this policy is to establish responsibilities and processes for complying with the requirements for effort reporting and related compensation costs on sponsored projects in accordance with the Office of Management and Budget (OMB) Circular A-21 “Principles for determining Costs Applicable to Grants, Contracts, and Other Agreements with Educational Institutions.”

The responsibilities and processes outlined in this policy relate to the management of Effort Commitments at the project proposal and project award stages, and to Effort Certification after the Effort has been expended.

B. Persons Affected

This policy applies to all faculty and staff of The University of Texas-Pan American, whose compensation is charged in whole to or in part to an externally sponsored project of any type (including non-federal sponsors) and/or who provide Cost-Shared Effort to an externally sponsored project.

This policy also applies to administrators responsible for approving Effort Commitments (e.g. chairs, deans, or directors).

C. Policy

The policy of the University is:

1. Realistic Effort Commitments for Primary Individuals are to be reflected on project proposals. They are to be reviewed and approved by the appropriate administrator responsible for the commitment (e.g. chair, dean, or director) prior to submission of the proposal to the Office of Research and Sponsored Projects and subsequently to the sponsoring agency. These commitments are to be reviewed and approved again by the same parties at the same time awards involving these individuals are accepted by the University.
2. University Primary Individuals must commit effort commensurate with responsibility either as committed effort or committed cost share on each sponsored project in which they are involved. Exceptions to this required minimum Effort may be taken for equipment and instrumentation grants, doctoral dissertation grants, and augmentation grants.



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3. Commitments of the maximum of 100% Effort on sponsored project(s) are allowed only for those individuals whose institutional Effort relates exclusively to sponsored projects. These occasions are rare, especially for Primary Individuals, due to the likelihood of their performing other activities whose costs are not allowable costs under OMB Circular A-21 for their sponsored projects. Therefore, nearly all Primary Individuals, as well as, many support staff on sponsored projects, will ultimately certify levels of project-related Effort at something less than 100%.

Examples of activities which are not generally allowable costs for sponsored projects include ongoing University service activities, such as serving on University, college, or departmental committees, and helping to put on University conferences not directly related to sponsored projects.

4. An individual's base salary is not to be increased as a result of replacing University salary funds with grant funds.

The components of pay not included in an individual's Institutional Base Salary may be charged to a sponsored project for reimbursement from the sponsor or as Cost Sharing, in accordance with [Handbook of Operating Procedures \(HOP\) Section 4.10.6](#), if agreed to in writing by the sponsor.

5. Confirmation of payroll distribution will be completed via an approved electronic certification system that meets the requirements of the UT System by the principal investigator, responsible official or employee, using suitable means of verification during defined certification periods each year.

D. Definitions

1. *Sponsored Project.* A project funded by an award from a grant, contract, or agreement under which the University agrees to perform a certain scope of work, according to specified terms and conditions, for a specific budget and period.
2. *Allowable Direct Costs.* Goods, services and compensation costs that are directly related to a sponsored agreement, as opposed to the "indirect" institutional overhead costs of providing facilities and administration.

In order to be allowable as direct cost on federal sponsored projects under OMB Circular A-21 Section C, costs must meet the following requirements:



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- a. *Reasonable.* A cost may be considered reasonable if the goods or services acquired and the amounts paid for them are consistent with the action that an ordinarily prudent person would have taken under the circumstances.

Major considerations involved in the determination of reasonableness are (a) Is the cost generally recognized as being of a type necessary for performance of the project? (b) Have requirements imposed by such factors as arm's length bargaining, federal, state, The University of Texas System and university policies, and sponsored agreement terms conditions been met? (c) Have the individuals involved acted with ordinary prudence in the circumstances? (d) Were established institutional policies followed?

- b. *Allocable.* If goods, services, or compensation costs are incurred solely to advance the work under a sponsored project, the costs are allocable to that project.

If goods, services, or compensation costs benefit two or more projects or activities in proportions that are practical to determine, the costs should be allocated to the projects or activities based on the proportional benefit.

If goods, services, or compensation costs benefit two or more projects or activities but the proportional benefit is not practical to determine, the cost should be allocated to the projects or activities on any reasonable basis.

Any costs allocated to a sponsored project as described above may not be shifted to other sponsored projects in order to meet deficiencies caused by overruns or other fund considerations, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for any other reasons of convenience.

- c. The cost must be given consistent treatment through the application of generally accepted accounting principles which are appropriate to the circumstances.
- d. The cost must conform to any limitations or exclusions set forth on OMB A-21 or in the sponsored project agreement.
3. *Committed Effort or Effort Commitment.* The amount of Effort proposed in a grant or other project application that is accepted by the sponsor. Committed effort may be reimbursable by the sponsor or Cost Sharing.
4. *Effort.* The amount of time spent on any activity expressed as a percentage of Total Institutional Activities for which an individual is compensated by the University. An



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individual's total Effort must equal 100%. For example, if an individual averages 60 hours per week during the reporting period and spends an average of 15 hours on a Sponsored Program that represents 25% Effort and the other 45 hours, allocated to other institutional activities, represents 75% Effort.

It is extremely important to understand that Effort as understood by this policy and by OMB Circular A-21 is defined as a percent of an individual's Total Institutional Activities. It is not defined as a percent of a 40 hour workweek or any other standard workweek, nor is it defined by the percent FTE of an academic or staff appointment. Effort does not necessarily take place only in the research facility/lab or only on University premises. For example, it can occur at home, at a conference, or in off-site research or project related activities.

Total Institutional Activities will be delineated on the Effort Certification form into two categories: Sponsored Programs and non-sponsored programs. The line items within each category would be the accounts that are paying for a portion of the salary or for which there is Committed Effort with no salary paid.

5. *Effort Certification.* A means of confirming the amount of actual Effort that has been performed on different activities, including sponsored projects. It is important to note payroll distributions and Effort Certifications are not the same thing. Payroll distributions describe the allocation of an individual's salary; whereas, Effort Certification describes the allocation of an Individual's Effort.

OMB Circular A-21 Section J10 establishes Effort Certification as a requirement for compensation costs to be allowable costs on a sponsored project. Thus it is a requirement for these project costs to be reimbursed to the University, or to count towards the University's fulfillment of a cost sharing commitment.

The definition of the term "allowable direct costs" as used in OMB Circular A-21 shown above includes definitions of the terms "reasonable" and "allocable."

OMB Circular A-21 Section J10b(1)(c) states 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."

Criminal charges may be brought against individuals who certify a falsified report.



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6. *Primary Individual.* An individual with paid, Cost Sharing, and/or Committed Effort on a sponsored project, and who is listed as principal investigator, project director, co-investigator, or co-project director on a sponsored proposal; or has comparable responsibilities on a sponsored project
7. *Cost Sharing.* The mandatory or voluntary commitment of University resources contained in the proposal or award. The concept of matching is synonymous with Cost Sharing.
8. *Institutional Base Salary (IBS).* The total guaranteed annual compensation an individual receives from the University, whether the individual's time is spent on research, teaching or other activities. The IBS shall be used to compute salaries charged as reimbursable costs or Cost Sharing on sponsored projects unless sponsored policies further limit salary charges. IBS includes compensation for instruction, public service, research, and/or other activities. IBS excludes: fringe benefit payments; reimbursed expenses; temporary, supplemental compensation for incidental work; income earned outside of duties to the University; and any portion of compensation deemed to be at-risk.

Salaries for nine-month appointment periods shall be annualized to twelve months to determine Institutional Base Salary.

E. Responsibilities

1. Primary Individuals on sponsored projects are responsible for:
 - a. Identifying all intended Effort on a project when submitting a proposal.
 - b. Reviewing proposed commitments with the appropriate administrator responsible for the commitment (e.g. chair, dean, or director), and obtaining his or her approval prior to submitting a proposal to the Office of Research and Sponsored Projects; and again prior to the University's acceptance of an award.
 - c. Coordinating the review of Effort statements and initiating adjustments as necessary.
 - d. Certifying their own Effort each certification period and confirming the certification of supporting staff on sponsored projects.



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2. Administrators responsible for monitoring Effort commitments (e.g. chairs, deans, or directors) are responsible for:
 - a. Ensuring that individuals do not become over-committed with more obligations than they can undertake successfully, and
 - b. Ensuring departmental and college needs are met, considering the different commitments undertaken by members.
3. Support staff on sponsored projects are responsible for:
 - a. Reviewing their Effort Commitment and raising questions to the Primary Individual on their sponsored projects, department managers, or the Office of Research and Sponsored Projects about possible errors they perceive or anticipate.
4. The Office of Research and Sponsored Projects is responsible for:
 - a. Ensuring Effort Commitments have been reviewed and approved at the project proposal stage and upon consideration of a project award.

F. Procedures

1. The University of Texas-Pan American uses an electronic after-the-fact confirmation process for Effort Certification. While effort certification cards are available year-round, there are certification periods during the year where cards are available for certification.
 - a. Review: Thirty days before the Certification period opens, PIs are encouraged to review all of their effort reports. All Effort adjustments for the period must be identified and initiated at this time in accordance with [HOP 4.10.7 Cost Transfer Policy](#).
 - b. Certification: Once the certification period opens, PIs have 30 days to confirm/modify and certify their Effort and that of any support staff. Detailed instruction on certifying effort are available at http://portal.utpa.edu/utpa_main/daa_home/research_home/te_home
2. Failure to certify during the certification period is failure to comply with U. T. Pan American, U. T. System, and federal policy. This can result in having all sponsored projects frozen until the certification is complete.



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G. Review

The Divisional Head for this policy is the Provost/Vice President for Academic Affairs and this policy shall be reviewed every five years or sooner if necessary by the following Stakeholders:

1. Vice Provost for Research and Sponsored Programs – Senior Reviewer
2. Academic Affairs Executive Team
3. Faculty Senate Chair
4. Staff Senate Chair
5. Student Government Association President
6. Sponsored Projects
7. Supervisor Grants and Contracts
8. Comptroller
9. Executive Director CoServe
10. Director GearUp Project
11. Director CASP