

Grant and Contract Accounting Procedure

Salary and Compensation Expenses on Sponsored Programs

1. Overview

As the recipient of sponsored funds, the University is responsible for ensuring that all salary expenses charged to sponsored awards comply with University and sponsor guidelines. This is especially important for Federally funded sponsored awards, which are subject to specific requirements related to salary expenses as set forth in Uniform Guidance. In all scenarios, Rutgers will only charge salary expenses to sponsored awards that align with actual expended effort.

Grant and Contract Accounting (GCA) supports the University by providing guidance on which salary expenses may be charged to sponsored awards. GCA is supported in its efforts by Payroll Services, which establishes and implements University-wide procedures for issuing salary payments to employees, and individual colleges and schools, which manage employee offer letters and compensation.

Additionally, Principal Investigators (PIs), department personnel and Research and Sponsored Programs (RSP) support compliant salary charging by ensuring that salaries are accurately budgeted at the time of proposal submission. To supplement this, PIs and department personnel request salary distribution changes to ensure that salaries are charged appropriately to sponsored awards, perform an after-the-fact review of all salary expenses to ensure they are allowable, and submit salary and wage reallocation journals (SWRJs) to remove unallowable expenses.

2. Purpose

Provide guidance on the types of salary expenses that may be charged to sponsored awards.

3. Who Must Comply

Department Personnel
Grant & Contract Accounting
Principal Investigators
Research and Sponsored Programs

4. Definitions

Bonuses, At-Risk Payments and Administrative Stipends: Payments above and beyond the institutional base salary as documented in the offer letter.

Effort: The percentage of time an employee devotes to sponsored and non-sponsored activities at the University. The portion of time spent towards an individual activity is expressed as a percentage of the individual's total effort (not to exceed 100% for all University activities).

Fringe Rate: A calculation that allows employers to quantify the total benefits received by employees above and beyond their direct salary (wages). To calculate this rate, an employer divides the total benefits by the salary. Typically, employers perform this calculation by group types of employees to find the average benefits and average salary, which results in an average fringe rate. That fringe rate is then applied consistently to all employees included in the selected group.

Institutional Base Salary (IBS): The annual salary an employee receives for the work performed in their role as documented in the offer letter and defined in the position description.

Negotiated Indirect Cost Rate Agreement (NICRA): A formal agreement between the University and the federal government that documents both the indirect cost rate and the fringe rate that the University may charge to Federally funded sponsored awards.

Summer Salary: A form of supplemental pay above and beyond a faculty member's academic year salary that may be charged to a sponsored award. This supplemental pay compensates a faculty member for effort expended on a sponsored award outside of their 8-, 9- or 10-month academic year appointment. The monthly amount charged to the sponsored award may never exceed the faculty member's monthly academic year rate.

5. Procedure

To ensure that all salary expenses charged to sponsored awards align with University and sponsor policies, GCA is issuing the following guidance to the research community. Salary expenses charged to sponsored awards should not shift the burden of salary costs to the sponsor in excess of effort expended. As a result, Rutgers will only charge salary expenses to sponsored awards that align with actual expended effort.

When creating a sponsored budget at the time of proposal submission or performing an after-the-fact review, PIs and department personnel should ensure that salary expenses align with the sponsor regulations, terms and conditions of the award and all University requirements issued by payroll, human resources, RBHS Faculty Affairs and the Office of Academic Labor Relations. For further information on the earning codes associated with various salary types, please contact the payroll office.

Note: In extraordinary circumstances, which adversely affect the University's ability to conduct sponsored activities, as determined by the University President or Board of Governors, University staff and faculty may temporarily continue to charge salary and compensation expenses to sponsored awards to the extent such expenses align with institutional and sponsor guidelines.

The following limitations apply:

- **Institutional Base Salary:** Salary expenses should be charged as a percentage of the staff or faculty members institutional base salary (IBS). The earning codes associated with IBS are set by payroll and align with the duties outlined in the offer letter and position description.
- **Summer Salary:** In some areas of the University, faculty institutional base salary is tied to an academic year appointment instead of a calendar year appointment. As such, their IBS is tied to an 8-, 9- or 10-month appointment. Faculty with academic year appointments may elect to apply effort to a sponsored award during the two, three or four summer months that are not covered by their IBS. The resulting salary charges – also known as “summer salary” – must align with all sponsor requirements. While summer salary represents supplemental pay for faculty, it must never exceed the maximum monthly IBS pay rate. To determine the maximum monthly IBS pay rate, the faculty member should divide their total IBS by the number of months in their appointment.
- **At-Risk Payments:** Payments above and beyond the institutional base salary.
- **Paid Leave:** Direct salary expenses associated with paid leave should never be charged to a sponsored award, with the exception of sabbatical leaves as noted below. Per the University's negotiated indirect cost rate agreement (NICRA), Rutgers indirectly charges sponsored awards for these types of expenses via the application of fringe expenses that follow direct salary charges.

- **Sabbatical Leave:** Faculty are eligible for sabbatical leave per RBHS Faculty Affairs and the Office of Academic Labor Relations. As such, faculty may elect to take a sabbatical leave with an associated reduction in salary. In these cases, faculty may choose to supplement their salary during this period by expending effort on a sponsored award and receiving payment accordingly. In no circumstances may a faculty member receive payments above and beyond their standard IBS.
- **Severance Pay:** Severance pay should never be charged to a sponsored award. These expenses are charged to a central University account.
- **Intra-Institution Consulting:** Faculty and staff are not eligible for additional compensation for consulting work performed for other Rutgers units that is charged to sponsored awards. These types of expenses expose the University to significant audit, reputational and compliance risk. Instead, this effort should be captured via a salary distribution change tied to the employee's IBS.
- **Fringe Expenses:** Fringe expenses charged to sponsored awards must align with the rates as documented in the University's NICRA, as well as the employee's actual effort and associated salary expenses. Unless otherwise specifically prohibited by sponsor requirements, the University applies these fringe rates to all sponsored awards.

In addition, all University faculty and employees should consider the following when managing salary expenses related to sponsored awards:

- **Emeritus Faculty:** In the scenario that an Emeritus faculty member elects to commit effort to a sponsored award, the University must issue an offer letter to establish an employee relationship. Salary can then be charged per the details in that offer letter.
- **Staff:** As documented in Uniform Guidance, University employees may not charge effort to sponsored awards for activities that qualify as administrative or clerical. These activities are captured in the University's Indirect Cost Rate as documented in the Rutgers or RBHS NICRA. The University will only allow administrative and clerical effort and the associated salary to post to a sponsored award if the University has written sponsor approval, typically in the terms and conditions of the award document.
- **Postdoctoral Associates:** Salaries and stipends that are issued by payroll for these "employee-like" individuals may be charged to sponsored awards based on actual effort expended.
- **Graduate Students and Teaching Assistants:** Salaries and stipends issued by payroll for these "employee-like" individuals may be charged to sponsored awards based on actual effort expended. Please note that stipends issued by procurement are not considered a salary expense. Procurement typically issues stipends for students on Institutional Training Grants, such as T32s, as these students are not "employee-like." Rather, 100% of their effort is dedicated to learning and research.

6. Responsibilities

Department Hiring Manager	<ul style="list-style-type: none"> • Issue employee (staff and faculty) offer letters that align with University policies
Department Personnel	<ul style="list-style-type: none"> • Support the PI in the compliant development of a sponsored award budget • Support the PI in a compliant, after-the-fact review of sponsored award salary expenses

	<ul style="list-style-type: none"> • Support the PI in submitting salary distribution requests • Support the PI in submitting SWRJ requests
Grant and Contract Accounting Accountant	<ul style="list-style-type: none"> • Provide guidance to the University community on the compliant management of salary expenses on sponsored awards
Payroll	<ul style="list-style-type: none"> • Develop and implement standardized payroll systems • Provide guidance on the various University earning codes
Principal Investigators	<ul style="list-style-type: none"> • Develop a compliant sponsored award budget • Perform an after-the-fact review of sponsored award salary expenses to ensure they are compliant • Submit salary distribution requests that align with actual effort • Submit and/or approve SWRJ requests that align with actual effort
Research and Sponsored Programs	<ul style="list-style-type: none"> • Support the PI in the compliant development of a sponsored award budget

7. Resources

Related Procedures
 Uniform Guidance – 2 CFR 200.413 Direct Costs
 Rutgers University NICRA
 RBHS NICRA
 Office of Academic Labor Relations Sabbatical Policy
 RBHS Faculty Affairs Sabbatical Policy

Approval Authority:	Lamar K. Oglesby	Effective Date:	5/15/2020
Responsible Office:	Grant & Contract Accounting	Review Date:	5/15/2020