



UNIVERSITY  
of ALASKA  
*Many Traditions One Alaska*

## Accounting and Administrative Manual

### Section 100: Accounting and Finance

#### Compensation- Personal Services

No.: D-04

Date: 12/26/14

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#### Purpose and Scope:

This procedure establishes the University's policy for documentation of personnel expenses for employees whose salaries are paid under sponsored agreements. The general principals of time and effort still apply, University of Alaska (UA) has practices for certifying time and effort to follow Federal statutes, regulations and the terms and conditions of the awards.

Personnel costs typically represent the single largest expense charged to federally sponsored awards. Accordingly, the government requires that institutions receiving Federal funds for sponsored agreements maintain accounting records and internal controls that comply with the requirements set forth in 2 CFR §200.430. 2 CFR §200 is the authoritative source regarding allowable and allocable costs for Federal grants and other "assistance" agreements for awards received after December 26, 2014.

#### General:

Institutions such as UA must maintain high standards for internal controls over salaries and wages on sponsored awards and processes to review after-the-fact compensation charges on Federal awards. UA utilizes effort reporting as its after-the fact documentation of salaries and wages. Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. UA documents effort for both exempt and non-exempt employees. Non-exempt employees report effort via completion, approval, and certification of their bi-weekly timesheets. Reporting for exempt employees is done three times annually via a certification process. Federal regulations and the university's procedures recognize that there must be standards for the documentation of personnel expenses and processes to review after-the-fact compensation on Federal awards. The allocation of faculty compensation, including amounts for periods of time off under collective bargaining agreements and leave benefit costs, to various activities and funding sources is consistent with accounting standards adopted by the university as well as negotiated agreements with the Office of Naval Research. Although different methodologies are used to allocate various components of the compensation package to activities and funding sources, these methodologies will result in reasonable allocation of costs and will be applied consistently, regardless of funding source.

Independent evaluations of the effort certification process are periodically conducted by internal audit as part of their audit plan that is approved annually by the Board of Regents.

#### Requirements:



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2 CFR §200.430 sets forth criteria for standards of documentation for personnel. The records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable and properly allocated.

The University uses a tri-semester-based (three times per year) certification period to accomplish its documentation of personnel charges. Certifications require verification and signature. This verification should be signed by an employee that has first-hand knowledge of the research activities.

#### Tolerance Threshold:

2 CFR §200.430 states; "It is recognized that teaching, research, service, and administration are often inextricably intermingled in an academic setting. When recording salaries and wages charged to Federal awards for institutions of higher education (IHE), a precise assessment of factors that contribute to costs is therefore not always feasible, nor is it expected." University of Alaska seeks to certify effort within +/-5% accuracy. For example, if an employee's effort contributed to a project is 30%, then certification may be within +/-5%

#### Implications:

Upon review of the labor distribution, a redistribution may be necessary to transfer labor charges from one account string (fund/org/acct/program code) to another. If an employee receives an Effort Certification Statement indicating that 30% of his/her effort will be charged to a sponsored project, he/she can certify that percentage if between 27% and 33% of his/her time was spent on that project. However, if upon subsequent review of the labor distribution, a redistribution is deemed necessary because the actual effort is less than 27% or more than 33%, the employee should correct the percentage of effort from the 30% reported on the Effort Certification Statement.



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#### Responsibilities:

Effort certification reports are sent out three times per year, after each semester has ended and the payroll has closed. Principal Investigators (PI), faculty and staff are responsible for changing their timecards to reflect the work they are actually doing on a bi-weekly basis through UAOnline on their timesheet. They are required to review, adjust if necessary, and certify their own timecards.

It is the responsibility of the PI, faculty and staff to review their Effort Certification Statement and certify it in a timely manner. PIs, faculty and staff are also required to certify effort reports of their research staff working on their sponsored projects (graduate students, post doctoral fellows, and other similar persons). Effort Certification Statements must be certified by an employee having first hand knowledge of work performed or by using a suitable means of verification of the work performed. In the event that the PI, faculty or staff is unable to certify the effort report, a designee having firsthand knowledge or by using a suitable means of verification of the work performed may certify the report (e.g., the immediate supervisor, the Department Chair, Dean/Director a Co-PI).

- PIs, faculty and staff are required to include overloads or non-service payroll (see definition below) in the effort reports.
- Federally funded programs should have some level of committed PI effort, at least 1%, paid or unpaid by the sponsor. The report must accurately reflect the time PIs and all exempt employees spent working on the sponsored projects.
- PI effort is not required on sponsored projects for equipment and instrumentation, doctoral dissertations and student augmentation and limited purpose grants such as travel grants.
- Prior agency approval is required to reduce PI or key personnel effort by 25%, or be absent for more than three months.

#### Definitions:

Committed Cost Sharing - Mandatory or voluntary cost sharing that is pledged in the proposal budget, budget justification, or stated in award documents.



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**Cost Sharing** - The terms "cost sharing," "matching," and "in-kind" refer to that portion of the total project costs not borne by the sponsor.

**Effort** - Work or the proportion of time spent on all compensated university activities, including restricted and matching fund sources and expressed as a percentage of total time. Total effort for an employee must equal 100%. The appointment serves as the basis for an individual's total effort. In other words, for a 50% appointment, 100% effort is the 50% appointment. Likewise, for a 75% appointment, 100% effort is the 75% appointment.

**Firsthand knowledge** – Direct evidence of work performed. One may have this knowledge of work performance by either performing the work or through supervising the individual performing the work.

**Institutional Base Salary (IBS)** – Annual compensation paid by the university for an employee's appointment, whether that individual's time is spent on research, instruction, administration, service or clinical activity. Institutional base salary excludes overloads and any income that an individual is permitted to earn outside of duties for the university.

**Labor Redistribution** - An adjusting or correcting internal accounting transaction to transfer salary and fringe benefit charges from past pay periods from one account string (fund/org/acct/program code) to another.

**Mandatory Cost Sharing** - Cost sharing that is required by the sponsor as a condition for proposal submission.

**Non-Service Payroll** - All non-activity based payroll items which appear in gross earnings for eligible employees and are not to be included when certifying effort. Non-service payroll includes employee benefit accounts, , bonus payments , and vacation pay-outs.

**Overload Payments** - Compensation for additional and separate instructional or other work assignments during the base academic year appointment. Overloads may not be charged to a sponsored agreement. While an overload is not considered part of the base salary and should not be considered part of the effort certification process, overloads should be reviewed to determine if there are unallowable charges on a sponsored project.

**Principal Investigator** - A Principal Investigator (PI) is the head of a research project. Generally, university policy requires that a research project proposal may be submitted only by academic appointees (singly or jointly) who will personally participate in the project in a significant manner and also serve as the Principal Investigator. By exception, the university may approve the submission of a contract and grant proposal by other



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appointees when it is in the best interest of the university to do so. Certain Federal agencies now permit co-PIs at the same university.

**Sponsored Projects** - An externally-funded activity that is governed by specific terms and conditions. Sponsored projects must be separately budgeted and accounted for, subject to terms of the sponsoring organization. Sponsored projects may include grants, contracts, and cooperative agreements for research, training, and other public service activities.

**Suitable means of verification** – The process through which one receives assurance that work was performed so as to provide a certification of effort on an effort report. This process must take into consideration other university records and provide for the documented review of such records in support of work performed. Examples of these records may include the following: calendars, teaching schedules, logbooks, or sponsor budgets. Other means of verification may also suffice, including e-mails attesting to effort devoted based upon firsthand knowledge. Oral verification from the PI, faculty or staff to an administrator will not suffice as a suitable means of verification.

**Uncommitted Cost Sharing** - Voluntary cost sharing funds not pledged in the proposal and subsequently not stated on award documents. This type of cost sharing is above that agreed to as part of the award. This is commonly referred to as voluntary uncommitted cost sharing and does not have to be documented or reported.

**Voluntary Cost Sharing** - Cost sharing funds are *not required* by the sponsor as a condition for proposal submission (i.e., Principal Investigator-driven). (Universities may have their own policy as to whether voluntary cost sharing is permitted or not.)

**Work Study** - A Financial Aid program in which the state or Federal government pays a percentage of a student's wages.