

# **CASE STUDY BACKGROUND INFORMATION**

## **Effort Tracking and Reporting ■ Institutional Base Salary**

University of Illinois at Urbana-Champaign

The following information is gathered and excerpted from various University of Illinois and Federal Government sources. It also includes certain relevant existing practices and system requirements. The information is intended as reference for the case discussion.

### **UNIVERSITY POLICIES AND PRACTICES**

- **Article IV of *The General Rules Concerning University Organization and Procedure* states (in part):**

#### **SECTION 1. TERMS OF EMPLOYMENT OF ACADEMIC AND ADMINISTRATIVE STAFF**

(a) The terms of employment of the academic and administrative staff, as defined in the University of Illinois Statutes shall be explicitly stated by the nominating officer, indicating that services are required for:

- (1) The academic year, which shall consist of two semesters.
- (2) Twelve months, including allowable vacation.
- (3) The summer session.
- (4) Other stated periods.

(b) The teaching staff shall be appointed with services required for either the academic year or for twelve months. Those who are appointed for the academic year shall be free for other employment, either in the University or elsewhere, during the summer months, except that they shall report for any departmental meetings before registration and render all services requested of them in connection with registration and the preparation of materials and reports for the academic year. No vacation benefits accrue on appointments with services required for the academic year.

(e) Members of the staff required to render services during the academic year may be employed in the summer session or to perform research or other services during a period not exceeding two months and receive for each month of such service additional compensation at the monthly rate of one-ninth of the full-time rate paid for services required during the preceding academic year. Such employment may be for longer

periods during the summer only upon the advance approval of the vice president/chancellor. Staff members required to render services for twelve months, with allowable vacation, shall not receive additional compensation for services rendered during the summer. For staff members rendering services partly on a twelve-month basis and partly on an academic-year basis, this regulation applies only to the twelve-month portion.

- **Article IX of the University *Statutes* states (in part):**

#### **SECTION 4. PRINCIPLES GOVERNING EMPLOYMENT OF ACADEMIC AND ADMINISTRATIVE STAFFS**

(e) The academic year shall consist of that period of the year so determined by the appropriate senate and approved by the appropriate vice president/chancellor, the president, and the Board of Trustees.

#### **SECTION 5. SERVICES RENDERED THE UNIVERSITY**

- a. No person employed on a full-time basis on the instructional or administrative staffs of the University shall be assigned any other university work which does not naturally come within the scope of that person's duties and for which additional compensation is to be paid without the prior approval of the vice president/chancellor.
  - c. Full-time employees shall not receive compensation for services with the University in excess of a normal schedule except for a reasonable amount of instruction in continuing education and public service programs or for the grading of special examinations (outside regular course work) stipulated by the University, all to be done at a time that does not conflict with other university duties. Exceptions may be made to this rule in special cases which are approved by the dean of the college of which the employee is a member provided that if such additional payments exceed a nominal amount the advance approval of the vice president/chancellor shall be secured. These exceptions shall be held to a minimum.
- **Faculty Appointments and Related Payment and Service Requirements:** An appointment for a full time faculty member appointed on an Academic Year Service basis is entered into the University's Banner system as a "9/12" appointment. The faculty member is expected to complete service during the nine-month academic year, which is currently defined as August 16 through May 15 and will be paid for that service in twelve equal payments, on the 16<sup>th</sup> of each month, beginning in September of the service year.

- **Faculty Summer Appointments and Related Campus Practice:** The University of Illinois at Urbana-Champaign follows the guidelines in the University's General Rules regarding providing faculty a monthly rate of one-ninth of the full-time rate paid for services required during the preceding academic year (the base rate) as summer salary. However, there is variation across colleges regarding the definition and calculation of "base salary."
- **Summer Appointments Exceeding Two Months:** For the Urbana-Champaign campus, any summer appointments in excess of two months require approval by the Department Head or Unit Executive Officer (delegated authority from the Chancellor)
- **Service in Excess Lump Sum Payments.** The Urbana-Champaign campus currently has a practice that allows "Service in Excess of 100%" appointments, if/when they are approved by the appropriate unit head(s). A lump sum is paid after required service is rendered in addition to compensation provided for other appointments. These appointments differ from appointments that are considered stipends for additional administrative services.
- **Stipends.** Administrative stipends are typically added for a faculty member who is asked to serve an additional administrative role, such as a unit executive leader or department head. These can be either for nine-month or twelve-month service periods. These roles are typically temporary, and while serving in these roles, the individual continues activities consistent with faculty status to the degree possible. It is a University of Illinois practice to acknowledge the supplemental title and duties as a zero percent time (overload) appointment carrying a modest administrative stipend. This practice was addressed in a 1993 Board of Trustees "Administrative Salary Policy" which described:
 

“...Individuals who are appointed department heads, deans, vice chancellors, etc., move in and out of such administrative roles during the course of an academic career. When such an individual accepts increased administrative responsibilities, increased salary may be provided to reflect, in part, the added responsibility. When such increments are provided, a written record should be made thereof in the initial letter of appointment. Upon leaving an administrative position and returning to the faculty or staff, an individual's salary should ordinarily be reduced to reflect, among other considerations, the change in responsibility, and in some instances, a shift to a nine-month academic year appointment.”
- **Sabbaticals.** The University Statutes specify that service credit towards a faculty sabbatical period is earned by completing full time service as a faculty member. Tenured faculty members holding full-time administrative positions do not accrue sabbatical service credit while holding the full time administrative appointments. If stipends for additional administrative roles were required to include a percent time, the faculty member's percent

time for the faculty appointment would be reduced, which would impact service credit for sabbatical leaves.

- **Activity Reporting System (ARS).** The purpose of the ARS is to comply with Federal and State mandates requiring the University to track and report what employees do for the compensation they received. Each Unit Head Authorizes ARS users each fall. These individuals are responsible for reviewing and updating activity entered into ARS for each unit employee. The final deadline for updates for each fiscal year is August 15. Reporting to state and federal governments is done on September 1.

- **Primary entities requiring reporting by the University include:**

- Federal Government – See “Federal Guidelines and Requirements” in this document. ARS data is used as support for costs charged to sponsored projects in the form of direct payroll costs, cost sharing effort, and F&A (Facilities and Administrative) rates.
- State of Illinois - The Illinois Board of Higher Education for cost studies (since 1965). The IBHE requires costs and FTE to be associated with the three functions of Instruction, Research, and Public Service. State personnel costs are divided among these three functions based on the activity reporting entered by each unit for the employees in that unit. (Other state expenditures are pro-rated based on direct salaries allocated to each function).

- **Data is fed into ARS from**

- The Payroll system (dollars and FTE by C-FOAP - -the accounting string to which the payment is charged).
- Course data (instructor, students enrolled, credit hours)
- Activity reported for each salary line. The ARS system may initially impute certain activities but all activities require unit review and update.

## **FEDERAL GUIDELINES AND REQUIREMENTS**

- **BASIC CONSIDERATIONS FOR SPONSORED AGREEMENTS**

OMB Circular A-21 (Codified at 2 CFR 220) – C. Basic considerations (excerpts):

“1. Composition of total costs. The cost of a sponsored agreement is comprised of the allowable direct costs incident to its performance, plus the allocable portion of the allowable F&A costs of the institution, less applicable credits as described in subsection 5.

2. Factors affecting allowability of costs. The tests of allowability of costs under these principles are: (a) they must be reasonable; (b) they must be allocable to sponsored agreements under the principles and methods provided herein; (c) they must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances; and (d) they must conform to any limitations or exclusions set forth in these principles or in the sponsored agreement as to types or amounts of cost items.

4. Allocable costs.

- A cost is allocable to a particular cost objective (i.e., a specific function, project, sponsored agreement, department, or the like) if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received or other equitable relationship. Subject to the foregoing, a cost is allocable to a sponsored agreement if (1) it is incurred solely to advance the work under the sponsored agreement; (2) it benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods, or (3) it is necessary to the overall operation of the institution and, in light of the principles provided in this Circular, is deemed to be assignable in part to sponsored projects. Where the purchase of equipment or other capital items is specifically authorized under a sponsored agreement, the amounts thus authorized for such purchases are assignable to the sponsored agreement regardless of the use that may subsequently be made of the equipment or other capital items involved.
- Any costs allocable to a particular sponsored agreement under the standards provided in this Circular may not be shifted to other sponsored agreements 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

other reasons of convenience.

- Any costs allocable to activities sponsored by industry, foreign governments or other sponsors may not be shifted to federally sponsored agreements.
- Allocation and documentation standard.

(1) Cost principles. The recipient institution is responsible for ensuring that costs charged to a sponsored agreement are allowable, allocable, and reasonable under these cost principles.”

- **COMPENSATION FOR PERSONAL SERVICES**

Section J, Selected Items of Cost, Section J.10. (excerpts with highlights added) states:

**10. Compensation for personal 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 f). 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.

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 (b), 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

- **EFFORT REPORTING/TRACKING**

Cost shared effort that is mandated by the sponsor or voluntarily and formally committed (that is, when the proposal or award quantifies effort that is required); it becomes a condition of the award and must be:

- Properly documented
- Captured in the Cost-Share application in Grants and Contracts, Post-Award
- Captured in Activity Reporting System
- Confirmed semi-annually

Following are excerpts from National Institutes of Health (NIH) documents regarding effort reporting (for discussion purposes, NIH is being used as an example of one agency's requirements).

- **NIH Grants Policy Statement: Administrative Requirements**

- [http://grants.nih.gov/grants/policy/nihgps\\_2011/nihgps\\_ch8.htm](http://grants.nih.gov/grants/policy/nihgps_2011/nihgps_ch8.htm)

**8.1.2.6 Change in Status, Including Absence of PD/PI and Other Senior/Key Personnel Named in the NoA (Notice of Award)**

The grantee is required to submit a prior approval request to the GMO if:

- The PD/PI or other Senior/Key Personnel specifically named in the NoA will withdraw from the project entirely, be absent from the project during any continuous period of 3 months or more, or reduce time devoted to the project by 25 percent or more from the level that was approved at the time of initial competing year award (for example, a proposed change from 40 percent effort to 30 percent or less effort or in calendar months a change from 4.8 to 3.6 calendar months). Once approval has been given for a significant change in the level of effort, then all subsequent reductions are measured against the approved, adjusted level.
- There is a change from a multiple PD/PI model to a single PD/PI model.
- There is a change from a single PD/PI model to a multiple PD/PI model.
- There is a change in the number or makeup of the PD/PIs on a multiple PD/PI award.

NIH must approve any alternate arrangement proposed by the grantee, including any replacement of the PD/PI or senior/key personnel named in the NoA, and the addition of any new PD/PIs.

The request for approval of any additional or substitute PD/PIs or Senior/Key Personnel named in the NoA, or change from a multiple PD/PI model to a single PD/PI model, must be accompanied by a strong scientific justification related to the scientific project, including any proposed changes in scope, the biographical sketch of any new individuals proposed and other sources of support, and any budget changes resulting from the proposed change. A new or revised Leadership Plan is required if the request is to change from a single PD/PI model to a multiple PD/PI model, or to change the number or makeup of the PD/PIs on a multiple PD/PI award. The Commons ID must be provided for any new PD/PIs.

If the arrangements proposed by the grantee, including the qualifications of any proposed replacement, are not acceptable to the NIH awarding IC, the grant may be suspended or terminated. If the grantee wishes to terminate the project because it cannot make suitable alternate arrangements, it must notify the GMO, in writing, of its wish to terminate, and NIH will forward closeout instructions.



The requirement to obtain NIH prior approval for a change in status pertains only to those personnel NIH designates in the NoA regardless of whether the applicant organization designates others as senior/key personnel for its own purposes.

- **NIH Grants Policy Statement, Part I**

[http://grants.nih.gov/grants/policy/nihgps\\_2011/nihgps\\_ch2.htm#policies\\_affecting\\_applicants](http://grants.nih.gov/grants/policy/nihgps_2011/nihgps_ch2.htm#policies_affecting_applicants)

- 2.5.1 Just-in-Time Procedures**

Applicants are responsible for promptly notifying NIH of any substantive changes to previously submitted Just-in-Time information up to the time of award. This includes items such as Other Support changes that could lead to budgetary overlap, scientific overlap, or commitment of effort greater than 12 person-months for the PD/PI(s) or any Senior/Key Personnel; or any changes in the use or approval of vertebrate animals or human subjects. Similar to the NIH public policy requirements, applicants are responsible for establishing and maintaining the necessary processes to monitor its compliance and informing NIH of any problems or concerns. Failure to address changes to Just-in-Time submissions prior to award does not diminish the applicant's responsibility to address changes post-award by submitting a prior approval request to NIH in accord with [Administrative Requirements—Changes in Project and Budget—NIH Standard Terms of Award](#).

- **NIH Grants Policy Statement Part II**

[http://grants.nih.gov/grants/policy/nihgps\\_2011/nihgps\\_ch7.htm#cost\\_considerations](http://grants.nih.gov/grants/policy/nihgps_2011/nihgps_ch7.htm#cost_considerations)

- 7.5 Cost Transfers, Overruns, and Accelerated and Delayed Expenditures**

The GMO monitors grantee expenditure rates under individual grants within each budget period and within the overall project period. The funding that NIH provides for each budget period is based on an assessment of the effort to be performed during that period and the grantee's associated budget, including the availability of unobligated balances. Although NIH allows grantees certain flexibilities with respect to rebudgeting (see [Administrative Requirements—Changes in Project and Budget](#)), NIH expects the rate and types of expenditures to be consistent with the approved project and budget and may question or restrict expenditures that appear inconsistent with these expectations.

- **All Personnel Report FAQ's**

[http://grants.nih.gov/grants/funding/all\\_personnel\\_report\\_faq.htm](http://grants.nih.gov/grants/funding/all_personnel_report_faq.htm)

**If Senior/Key Personnel are identified in the Notice of Award but have less than one person month of effort then should they be reported in the All Personnel Report?**

No. Only personnel who have one person month or more should be reported in the All Personnel Report. This does not diminish the significance of the Senior/Key Personnel identified in the NoA, but the level of effort must be at least one person month to be reported in the All Personnel Report. The level of effort of Senior/Key Personnel is still monitored by NIH through the SNAP question #2 (“Will there be, in the next budget period, a significant change in the level of effort for the PD/PI(s) or other Senior/Key Personnel designated on the Notice of Award from what was approved for this project?”). Remember that a reduction of effort by 25% or more by the PD/PI or other personnel specifically named in the NoA requires the prior approval of the Grants Management Officer.

- **VOLUNTARY COMMITTED, VOLUNTARY UNCOMMITTED, and IMPUTED EFFORT**

**Memoranda 01-06 -- Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs.** This clarification memo discusses mandatory and voluntary committed cost sharing that must be documented.

**“BACKGROUND**

Circular A-21, section C.4, "Allocable Costs," states that "a cost is allocable to a particular objective (i.e., a specific function, project, sponsored agreement, department, or the like) if the goods or services are chargeable or assignable to such cost objective in accordance with relative benefits received or other equitable relationship." Most faculty organized research effort is either charged directly to the sponsor, or is considered mandatory or voluntary committed cost sharing (i.e., cost sharing specifically pledged in the proposal's budget or award) on the part of the recipient. Both mandatory and voluntary committed cost sharings are consistent with the terms and conditions of a sponsored agreement and captured in the accounting system. Voluntary uncommitted cost sharing effort, on the other hand, is faculty-donated additional time above that agreed to as part of the award.

Mandatory and voluntary committed cost sharing must be properly documented for cost accounting purposes. In addition, current Circular A-21 provisions require that, for

research projects that are funded by both the Federal Government and a private third party (e.g., a corporation), the faculty should properly document through reporting its compensated effort, including mandatory and voluntary committed effort in order to allocate salaries and associated F&A costs.”

- Voluntary Committed Effort - At the University of Illinois at Urbana-Champaign, if the proposal and subsequent award outline a provision to provide a stated level of cost sharing (which could be other costs, but is usually effort), the term “voluntary” does not change the expectation. The University treats this as required cost sharing that must be tracked and documented. This shows as salary and effort in the Activity Reporting System and is treated accordingly in the University’s F&A calculation. (NSF prohibits voluntary committed effort.)
- Voluntary Uncommitted Effort – Faculty may expend some effort from other activities but it is not mandatory or formally committed to the sponsor. This has been termed “Voluntary Uncommitted Effort” and is not tracked, documented or reflected in F&A calculations.
- Imputed Effort – The clarifying memo outlines the expectation from A-21 that there will be some form of effort by faculty or senior researchers or a calculation of imputed effort where there is none. At the University of Illinois at Urbana-Champaign, we do an imputed cost sharing calculation to properly add this amount to the Organized Research base for F&A rate calculation purposes. It is not tracked and documented to sponsors as Mandatory or Committed cost sharing effort – and is not supposed to be. It is for F&A calculation purposes only.
- Sponsor mandatory cost share and voluntary cost share that is formally committed in the form of effort are fed to ARS at the same time the award is set up in Banner. Units must enter the source of effort that is to be used to fulfill that commitment from appropriate available appointment lines. This allows a capture of cost shared effort for both sponsor reporting and for F&A rate calculations.