



# ON TRACK!

SPONSORED PROGRAMS ACCOUNTING- QUARTERLY: FEBRUARY 2009

**Mission of this newsletter:** *To keep campus aware of updates and changes in research policies and to share best practices*

## EXTRA SERVICE COMPENSATION

University policy number 376 allows for Extra Service Compensation to be paid to individuals under certain conditions. On sponsored projects Extra Service Compensation may be paid to non-exempt and exempt staff NOT serving as key personnel as long as it is a cost-effective means of achieving project objectives and conforms to established university policies. When Extra-Service Compensation payments are requested to be paid from sponsored project funding sources, up to three offices will be involved in the review and approval process: the Sponsored Programs Office, Sponsored Programs Accounting and the Provost Office.

The process for requesting Extra Service Compensation pay from sponsored projects is as follows:

1. The **Sponsored Programs Office (SPO)** will receive all Requests for Extra Service Compensation forms when individuals are to receive payments on a Sponsored Award.
2. When the Extra Compensation is coming from a federal award, **SPO** will verify :
  - a. The request does not exceed the normal rate of pay based on the faculty member's institutional base salary.
  - b. The work is for consulting across departmental lines or involves a separate or remote operation. (See COMP pg 2)

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#### How we can improve?

We want to know what you think would make this a better tool for you.

What topics would you like to see discussed in a future issue?

Email ideas to [Wendy.Keller@usu.edu](mailto:Wendy.Keller@usu.edu)

### UNALLOWABLE COSTS ON SPONSORED PROJECTS

A cost is allowable to an award if it directly relates to the project, if it is allocable and reasonable. Here is a sample list of expenses that are typically disallowed. However, there are ALWAYS exceptions. Refer to the terms and conditions of the specific award for allowed and disallowed expenses. You can also see Federal OMB Circular A-21 Section J at

[www.whitehouse.gov/omb/circulars/a021/a21\\_2004.html#j](http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html#j)

· **Administrative personnel expenses** - The salaries of administrative and clerical staff should normally be treated as F&A costs. Direct charging of these costs may be appropriate where a major project or activity explicitly budgets for administrative or clerical services and individuals involved can be specifically identified with the project or activity. "Major project" is defined as a project that requires an extensive (See COSTS pg 2)

(COMP from page 1)

- c. Work is in addition to the primary role assignments.
  - d. The request is specifically proposed and included in the approved budget and/or agreement with the sponsoring agency or otherwise approved in writing by an authorized representative.
3. **SPO** will approve or deny the request.
- a. If approved, the request will be forwarded to **Sponsored Program Accounting (SPA)** to be reviewed for time and effort issues.
  - b. If denied because the sponsor has not approved Extra Compensation in the budget, **SPO** will work with the sponsor for approval.
  - c. If denied for any other reason, **SPO** will send the form back to the Department with an explanation why the request is denied.
4. When the Extra Compensation is coming from a sponsored award, but not a federal source, **SPO** will forward the form to **SPA** to be reviewed for time and effort.
5. An employees Full-Time-Employment (FTE) needs to equal one before they are eligible for Extra Service Compensation. (See COMP page 3)

(COSTS from pg 1) amount of administrative or clerical support, which is significantly greater than the routine level of such services provided by academic departments. Federal OMB Circular A-21, Section F6b (2)

- **Alcoholic beverages** are NOT allowed on sponsored projects. Federal OMB Circular A-21, Section J3
- **Contributions/Donations** – If services or property are donated, the expense cannot be reimbursed as a direct or indirect cost on the sponsored project. However, the value of the services or property may be used to meet cost sharing requirements with approval from the sponsor. Federal OMB Circular A-21, Section J15
- **Entertainment costs**, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable. Federal OMB Circular A-21, Section J17
- **Fines and penalties** – Costs resulting from violations of, or failure of the institution to comply with, Federal, State, and local or foreign laws and regulations are unallowable, except when incurred as a result of compliance with specific provisions of the sponsored agreement, or instructions in writing from the authorized official of the sponsoring agency authorizing in advance

such payments. Federal OMB Circular A-21, Section J19

- **Items for personal use** – Costs of goods or services for personal use of the institution's employees are unallowable regardless of whether the cost is reported as taxable income to the employees. Federal OMB Circular A-21, Section J22
- **Pre-Award Costs** – Costs incurred prior to the effective date of the sponsored agreement are unallowable unless approved by the sponsoring agency. Federal OMB Circular A-21, Section J36
- **Proposal costs** – Proposal costs are the costs of preparing bids or proposals on potential federally and non-federally funded sponsored agreements or projects, including the development of data necessary to support the institution's bids or proposals. If the costs are associated with the original proposal, they are not allowed on the sponsored project. However, if the proposal costs are for subsequent years of the project, the costs are allowed. Federal OMB Circular A-21, Section J38
- **Student Activity Costs** – Costs incurred for intramural activities, student publications, student clubs, and other student activities, are unallowable, unless specifically provided for in the sponsored agreements. Federal OMB Circular A-21, Section J48

(COMP from page 2)

6. Once SPO has determined Extra Service Compensation is contractually allowed by the sponsoring agency, **SPA** will review time and effort issues.
  7. **SPA** will monitor requests for frequency of Extra Compensation.
    - a. To be in compliance with the Extra Service Compensation policy, ongoing extra service should be brought into the employee's regular role assignment and compensation. Ongoing extra service would be for a period of longer than one year.
  8. Requests will be monitored after-the-fact to make sure committed effort is in compliance with actual payments.
  9. Extra Compensation will be a separate section on the annual time and effort certification and will require a second signature on the certification report. The form will need a signature for the regular salary and a signature for the extra compensation salary.
  10. **SPA** or the Controller will approve or deny the request.
    - a. If the extra services is 20% or below and the request is approved, the form will be sent to Human Resources.
    - b. If the extra service compensation is above 20%, the form will be forwarded to the **Provost's Office** for review and approval.
  11. The **Provost's Office** will review and approve or disapprove all extra service compensation over 20%. If approved, the form will be sent to Human Resources for processing. If denied, the form will be returned to the Department. ◇
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