

# **COLUMBIA UNIVERSITY POLICY ON CHARGING AND DOCUMENTATION OF PERSONNEL COSTS CHARGED TO SPONSORED PROJECTS**

**Effective Date: December 1, 2006**

**Revised: August 1, 2016**

## **Executive Summary**

Federal regulations require charges to Federal awards for salaries and wages to be reasonable in relation to the work performed. Such charges must be documented in records that meet the standards of documentation set forth in the regulations, and must reflect a system of internal controls that ensure the charges are accurate, allowable, and properly allocated. Accordingly, it is University policy that:

Compensation must be reasonable and conform to the University's written policies, consistently applied.

Compensation charges to sponsored projects may be made initially based upon the planned or estimated workload, provided that such estimates reasonably approximate the activity expected to be performed. The actual effort of each individual working on sponsored projects must be monitored, with charges modified as necessary based on variances between the estimated and actual effort.

Significant changes in effort during the year, defined as material changes with a duration of greater than two months, should be reflected in the individual's payroll distribution at the time the change occurs. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term.

The required annual effort report is an after-the-fact review to assure that the final salary amounts charged to each sponsored project reasonably reflect the effort expended. The effort report must be signed by either the individual him/herself, or by a responsible official who has a reasonable basis, i.e., a suitable means of verification, for review of the activities of the individual(s). Comprehensive guidance on the annual certification process, including a description of best practices and institutional requirements for the certifier, can be found at [www.effortreporting.columbia.edu](http://www.effortreporting.columbia.edu).

All necessary adjustments to compensation charged to sponsored projects must be made such that the final amount charged to the sponsored project reasonably reflects the effort expended and thus is accurate, allowable, and properly allocated.

The Effort Certification and Reporting Tool ("ECRT") is used for monitoring effort throughout the year, and for documenting the annual effort review. Officers of the University who commit effort on sponsored projects, other than post docs and certain other roles, are required to review and sign their own effort reports. In addition, Principal Investigators are required to review and sign the effort reports of other individuals working on the Principal Investigator's projects.

Special compensation issues, including summer salary, extra service pay, and other issues, are addressed at the end of the Policy.

**Reason(s) for this Policy**

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”), 2 CFR § 200.430, provides the framework for documentation that is required to support charges of compensation for personal services to sponsored projects.

**Primary Guidance to Which This Policy Responds**

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR §200.430.

**Responsible University Office and Officer**

Office of the Controller

**Revision History**

This Policy was first issued Dec. 1, 2006, under the title, Columbia University Policy on Effort Reporting.

**Who Is Governed by This Policy**

Individuals who devote effort to one or more sponsored projects (whether funded by government agencies or other sponsors), administrative staff responsible for processing charges to sponsored projects, and others who may be responsible for certifying the effort of others.

**Who Should Know This Policy**

- All persons governed by this Policy [see above]
- Departmental Administrators and other departmental staff
- Deans, Departmental Chairs, and Directors of Institutes and Centers
- Office of Research Administration staff
- Office of the Controller staff
- Employees who initiate, review and/or approve payroll transactions on behalf of the University

**Exclusions and Special Situations**

None

**Policy Text**

Government agencies, private foundations and industry and other sponsors provide significant funding to enable Columbia University to conduct research and public service projects. A primary use of such funds is to support the salaries of individuals engaged in those activities. This Policy provides the principal means for assuring that the salaries and wages charged to or committed to those projects are reasonable and consistent with the portion of Total University Effort, as defined below, devoted to the projects.

### **1) Institutional Base Salary**

Salary charges are proposed in funding applications and made based upon the individual's institutional base salary (IBS) rate. IBS is the annual compensation paid by the University for an employee's appointment, whether that individual's time is spent on research, teaching, patient care or other activities. IBS does not include bonuses, one-time payments or incentive pay. Also excluded from IBS is salary paid directly by another organization, including but not limited to the Howard Hughes Medical Institute and the New York State Psychiatric Institute, and income that an individual is permitted to earn outside of University responsibilities, such as consulting compensation.<sup>1</sup>

Institutional Base Salary:

- may not be increased as a result of replacing University salary funds with sponsored project funds;
- is established by the University in an annual letter regardless of the source of funds;
- includes regular salary and salary paid for an additional academic administrative appointment, such as chair or director; and
- excludes bonuses, incidental pay, nonguaranteed clinical compensation, and extra service pay.

### **2) Effort**

Effort is the proportion of time spent on any activity, expressed as a percentage of the total professional activity for which an individual is employed by Columbia University and receives IBS ("Total University Effort"). (Some sponsors, such as NSF and NIH, require that effort be expressed in person-months in grant proposals, but the concept is the same – i.e., three person-months for an individual with a 12-month appointment represents 25% effort.) Total University Effort is defined in terms of actual effort. It is not defined on the basis of a standard number of hours in a week, month, or year. For example, if an investigator works 80 hours in a week in fulfilling his or her base salary obligations, then 40 hours represents 50% effort. The Total University Effort can be neither more nor less than 100%.

### **3) Charging Compensation to Sponsored Projects**

Compensation charged to sponsored projects:

- Must be reasonable for the services rendered and must follow an appointment made in accordance with Columbia policies, including, e.g., those policies set forth in the *Faculty Handbook*.

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<sup>1</sup> In the College of Physicians and Surgeons and the College of Dental Medicine, an individual's IBS may consist of a base amount set annually and a supplement that is normally guaranteed for at least one year. These salary components are known as the "X" and "Y" components respectively; thus, in these units, IBS is the sum of the X and Y salary components.

- Must be based upon the IBS rate, which is computed based upon the number of months for which the individual is appointed. For example, an individual on a nine-month academic calendar who devotes one month of effort to a sponsored project during the Academic Year may charge one-ninth of his or her IBS to the sponsored project.
- Must not exceed the proportionate share of IBS for the period during which the individual worked on the award.
- Must be documented and confirmed in accordance with the requirements below.

Compensation charges to sponsored projects may be made initially based upon the planned or estimated workload, provided that such estimates reasonably approximate the activity expected to be performed. The actual effort of each individual working on sponsored projects must be monitored, with charges modified as necessary based on variances between the estimated and actual effort.

Significant changes in effort during the year, defined as material changes with a duration of greater than two months, should be reflected in the individual's payroll distribution at the time the change occurs. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term.

During the regular academic terms, officers of instruction and some officers of research typically engage in non-sponsored University activities, such as writing competitive funding proposals, teaching, service on committees, advising students and other non-sponsored activities. These activities must be funded by the relevant school or department, and may not be charged to sponsored projects.

Individuals on an academic-year appointment may charge academic-year salary to sponsored project(s), provided that they devote no less than the commensurate effort to the project(s). The rate of pay must be the IBS rate.

#### **4) Effort Reporting**

Effort reporting is a means of verifying after-the-fact that the salary charged to the project is reasonable in relation to the effort expended on the project. The process of completing the effort report also affords an opportunity to consider whether the effort expended in support of a project is consistent with the effort required by the sponsor or committed by the Principal Investigator.

The annual effort report summarizes the proportion of work time devoted to sponsored projects, teaching, clinical practice, and other activities, expressed as a percentage of Total University Effort.

It is important to understand the distinction between payroll distributions and effort distributions. Payroll distributions reflect the allocation of an individual's salary, while effort distributions reflect the allocation of an individual's effort to individual projects independent of salary.

Columbia's effort reporting process relies on payroll distributions to provide information regarding the projects to which an individual's salary was provisionally charged during the

previous fiscal year. As previously indicated, University policy requires that such provisional charges must be monitored on a regular basis, with adjustments processed on a timely basis to reflect significant variations in effort. It is important, therefore, that material changes in effort are routinely communicated and recorded on the University's financial records during the course of the fiscal year, and are generally not first reflected at the time the effort report is prepared.

Nevertheless, the provisional salary allocation information as reflected on the effort report may not in all cases be consistent with the percentage of effort expended on various activities. For example, a recent change in effort may not as yet have been communicated and/or reflected in the accounting system at the time that report is generated. It is the responsibility of individuals completing the annual effort report to report *actual* effort percentages, whether or not those percentages agree with the salary allocation percentages pre-printed on the report, and to ensure that any necessary corrections are recorded in the University's accounting system. When such corrections result in the need to reduce the charge to a sponsored project, they are mandatory, and therefore always permissible. Corrections which have the effect of increasing the charge to a sponsored project are subject to review by the Office of the Controller.

Under certain circumstances, the percentage of total effort devoted to a sponsored project may exceed the percentage of salary provisionally charged to the project. This may occur, for example, where there is a commitment of cost sharing, whether mandated by the sponsor or voluntarily committed by the Principal Investigator; please refer to the University Policy on Cost Sharing for guidance. It may also occur where there are limitations on the rate of salary that may be charged to a project, as in the case of the National Institutes of Health (NIH) salary cap. See section 6(c) below for additional discussion of the NIH salary cap.

Those who complete effort reports should be aware of these conditions, and ensure that the certification reflects actual effort expended on commitments, whether or not the percentage of effort corresponds with the provisional allocation of salary.

The completed effort report should reflect all activities, including any administrative or other responsibilities of the individual, conducted under the terms of an individual's employment by Columbia and for which he/she receives IBS. It is important that, to the extent an individual has devoted time to non-sponsored activities, including teaching, committee work, the preparation of competitive grant and contract proposals and other such activities, the effort report reflects an appropriate distribution of non-sponsored salary to those non-sponsored activities.

It is important to recognize that in allocating salaries to sponsored programs and other activities, precision is not expected. Federal regulations provide that "it is recognized 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."

## **5) Important Requirements for the Effort Reviewer**

The annual effort report must be signed by either the individual him/herself, or by a responsible official who has a reasonable basis to review the activities of the individual(s). A "reasonable basis" means that the person certifying has a suitable means of verification of the effort being certified, such as direct supervisory responsibility, discussion with the employee whose effort is being certified, email correspondence, review of calendars, travel records and teaching schedules, review of progress reports,

time cards and logbooks, and/or contemporaneous notes from meetings and/or discussions. Comprehensive guidance on the effort certification process, including a description of best practices and institutional requirements for the certifier, can be found at [www.effortreporting.columbia.edu](http://www.effortreporting.columbia.edu).

## **6) Special Compensation Issues**

### **a) Extra Service Pay**

Extra Service Pay (ESP) normally represents compensation for any services above and beyond an employee's University appointment and associated IBS. ESP is not limited to those individuals devoting effort to Federal awards and is provided without regard for the source of funds. Extra Service Pay must be:

- Appropriately documented, including an explanation of how the ESP compensates activity above and beyond the activity contemplated in the individual's appointment letter.
- Processed in the University's payroll system;
- Approved by the Office of Sponsored Projects Administration (SPA), if it is charged to a sponsored project;
- Included in the University's effort reporting system, if it is charged to a sponsored project.

An individual's total salary, including ESP, must fall within the salary structure and pay ranges established and documented by the University or applicable academic unit.

In any funding application that requests ESP, the budget justification must state explicitly that the salary listed for the relevant individual represents Extra Service Pay above the individual's IBS. In addition, prior approval for such Extra Service Pay must be explicitly sought and obtained from the funding agency in accordance with agency requirements.

ESP resulting from intra-University consulting is rare, as such consulting is assumed to be undertaken as a University obligation requiring no compensation in addition to IBS. However, in unusual cases, ESP resulting from intra-University consulting may be charged to a sponsored project provided that:

- the work performed is across campuses or involves a separate or remote operation;
- the work performed by the individual is in addition to his or her regular departmental load and is temporary, and not recurring;
- the arrangement has been approved by: (a) the chair of the individual's department; (b) Sponsored Projects Administration, in consultation with Sponsored Projects Finance as applicable; (c) the appropriate dean or executive vice president; and (d) the Provost or, in the Medical Center, the Executive Vice President for Health and Biomedical Sciences.
- All ESP requirements are met; and
- All other applicable regulatory requirements are met.

**b) Compensation for Work Performed During Periods Outside the Academic Year**

Charges for work performed on sponsored projects during periods not included in the IBS period, typically during the summer (“Sponsored Summer Salary”), will be at a rate not in excess of IBS. Sponsored Summer Salary is paid as additional compensation in accordance with the University’s policies on additional compensation in the *Faculty Handbook*. Each month of Sponsored Summer Salary represents one month of full-time effort. Individuals who receive Sponsored Summer Salary must expend the associated effort during the summer or other non-IBS period. Effort expended during the academic year or IBS period does not satisfy a commitment related to the receipt of Sponsored Summer Salary.

The maximum amount of Sponsored Summer Salary permissible is three-ninths<sup>2</sup> of the individual’s regular academic year. In other words, in any year, an individual may receive no more than three months of Sponsored Summer Salary. However, individuals may not receive Sponsored Summer Salary to fund activities other than Sponsored Projects. That means that to the extent that an individual is engaged in non-sponsored University activities, including proposal writing, (s)he may not be compensated for that work from sponsored projects. Individuals providing less than 12 months of service who receive sponsored academic-year salary may also receive nonsponsored summer salary, with the expectation that they will perform non-sponsored University activities during that time.

The rate of pay for Sponsored Summer Salary must not be in excess of the IBS rate. Because Columbia’s fiscal year begins on July 1, the Summer Salary rate is typically<sup>3</sup> as follows:

June: 1/9 of current regular academic year salary.

July/August: 1/9 of succeeding year’s academic salary for each month worked.

Sponsored Summer Salary does not accrue any vacation time. Accordingly, Sponsored Summer Salary may only be charged to a sponsored project to the extent of time actually devoted to the sponsored project.

**c) National Institutes of Health (NIH) Salary Cap**

Every year beginning in 1990, Congress has legislatively mandated a provision limiting the direct salary that an individual may receive under an NIH grant. This provision limits the rate of pay for compensation that is charged to NIH funded projects; during the academic year, the difference between the NIH cap and IBS must be funded by the relevant academic unit. Consult the Sponsored Projects Administration website for the currently applicable NIH salary cap.

NIH’s maximum salary rate limitation applies to summer salary just as it does to academic year salary. This means that monthly Sponsored Summer Salary may not be charged to sponsored projects at a rate that would exceed one-twelfth of the NIH maximum; any difference between this amount and summer salary paid must be funded by the relevant academic unit. Individuals with salary above the NIH cap may be paid Sponsored Summer Salary at the NIH cap rate. However,

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<sup>2</sup> For Business School faculty, with 8-month appointments, the maximum additional compensation allowable is 4 months, for the off-term.

<sup>3</sup> Special considerations for individuals with salaries above the NIH salary cap are discussed in section 6(c).

one consistent rate of pay must be used for all activity during the summer, regardless of the sponsor.

**d) National Science Foundation (NSF) Salary Limits for Senior Personnel**

As a general policy, NSF limits the salary compensation requested in the proposal budget for senior personnel, including principal investigators, to no more than two months of IBS in any one year, from all NSF-funded projects. If anticipated, compensation for such personnel in excess of 2 months must be specifically disclosed and well-justified in the proposal budget justification. Upon approval of the proposal budget, the additional effort is deemed approved by NSF and is no longer subject to the two-month limitation.

Under normal rebudgeting authority, the University's Office of Sponsored Projects Administration may internally approve an increase or decrease in person months devoted to the project after an award is made, even if doing so results in salary support for senior personnel exceeding the two month salary policy. No prior approval from NSF is necessary as long as that change would not cause the objectives or scope of the project to change. NSF prior approval is necessary if the objectives or scope of the project change.

**Responsibilities**

*Controller's Office*

- Develops and monitors all policies, procedures and training materials concerning compensation as it pertains to sponsored projects, in collaboration with the Office of Research Compliance and Training
- Conducts training sessions
- Monitors Columbia's compliance with federal guidance surrounding salary compensation
- Maintains and supports ECRT system
- Supports audit and other inquiries regarding the University's effort reporting process.

*Office of Research Compliance and Training*

- Works with the Controller's Office to develop and monitor all policies, procedures and training materials concerning compensation as it pertains to sponsored projects
- Conducts training sessions

*Principal Investigators*

- Monitor their own effort and that of others working on their sponsored projects
- Notify Departmental, institute, center and/or other administrators of significant changes in effort throughout the year.
- Review appropriate documentation to insure that charges to Sponsored Projects are consistent with the effort devoted to those projects.
- Report effort for themselves and staff in ECRT on an annual basis

*Department Chairs, Directors of Institutes and Centers, and/or Administrators*

- Coordinate the monitoring of all effort reporting forms for individuals within their department, institute or center.
- Ensure necessary adjustments to salary allocations are properly documented and completed in a



timely manner.

- Assist in ensuring that effort reports are completed in a timely manner.
- Ensure that the University's accounting records are consistent with certified effort by completing cost transfers and documenting cost sharing.

**Contacts**

[effort-reporting@columbia.edu](mailto:effort-reporting@columbia.edu)

**Cross References to Related Policies**

Columbia University Policy on Cost Sharing  
Columbia University Policy on Cost Transfers

**Web Address**

**Appendix**

None

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