Best Practices: Establishing professional duties
Faculty and staff of UT Southwestern are appointed by the University to perform a unified set of duties encompassing all forms of academic work, with one or more departments or centers designated as the faculty or staff member’s appointment home. Specific duties are delineated at the time of initial appointment and modified as necessary by the department chair(s) and the faculty or staff member over the course of the appointment. Faculty generally have responsibilities for such activities as non-sponsored research, instruction, administration, service or clinical activity that would preclude their devoting 100% compensation to sponsored activities.

Proposal preparation for new and competing renewals would also preclude faculty from devoting 100% compensation to research. Salary support for teaching, administration, service, clinical activity, institutional governance and proposal preparation compensation must come from non-sponsored funds, except for normal scholarly activity during unpaid summer months (for those with nine month appointments) and sponsored projects specifically awarded for those purposes. Unless otherwise indicated in the letter of appointment, the University does not specify the number of hours per week a faculty or staff member must work. There is an expectation that members of the faculty will work the hours necessary to carry out the professional responsibilities of the position.

Best Practices: Establishing a distribution of compensation
Faculty and staff conduct research, instruction, extension, and service and seek extramural support from federal and other sources; some extramural awards include salary support for the work expended on projects. To determine the appropriate amount of salary support, the faculty or staff member must:

- Calculate the amount of compensation that reasonably reflects the work expended on a project relative to total appointment and compensation and express this amount of compensation for that activity.
- Assign an amount of compensation associated with this activity.

The expectation of UT Southwestern is for faculty and staff to calculate their sponsored project compensation in relationship to the overall compensation in support of the appointment, including responsibilities for teaching, research, extension, and service, and to align this activity with their total compensation received from the University. This process meets regulations that require equating compensation with the activity being performed.

For each funded project, faculty or staff calculates their projected compensation amount on the project in relationship to their total UT Southwestern compensation. This amount should be in accordance to their institutional base salary (IBS), and thereby determine the amount of salary support requested in a grant proposal.

Faculty and staff should apportion their sponsored project compensation based on the composite of all activities they perform as part of their University appointment. This will be different for each person. Service may include outreach, administration, public speaking, and other activities on behalf of the University. Each faculty or staff member must, however, have a coherent accounting of compensation charges on sponsored projects. Faculty and staff do so by calculating how they devote their time to each of their major activities, averaging over some period of time, and allowing for fluctuations in duties, e.g. one-month assignments for teaching. Such calculations must be internally consistent so that, if asked, a
faculty or staff member can explain to an inquirer that in a typical payroll confirmation period, they estimate the approximate amount of time they spend in research, in teaching, etc. and how the sum of these equals 100% of their total compensation.

**Best Practices: External consulting**

UT Southwestern faculty and staff engage in consulting for entities outside the University. Compensation on such consulting is in addition to their University responsibilities and therefore should NOT be considered in calculating total UG payroll confirmation. Generally, the chair (or center director) and the faculty or staff member determine what teaching, research, and other duties need to be performed to fulfill the employment commitment to the University, and the faculty or staff member may consult as long as these commitments are met. There are also federal, state, and University requirements regarding the disclosure of outside activities. In some instances, the faculty or staff member and the chair may reduce the appointment to accommodate consulting, in which case the compensation calculation continues to be based on total UT Southwestern compensation with respect to the new appointment percentage.

**Best Practices: Clinical activities and the distribution of compensation**

UT Southwestern clinical activity (i.e. clinical incentive pay) is excluded from sponsored project compensation calculations due to the appointment practices and compensation structure for clinical faculty in the School of Medicine. This decision allows UT Southwestern payroll compensation and UT Southwestern institutional base salary to be aligned. It is acknowledged compensation can overlap between the clinical and the academic realms; however, the language of Circular A-21 (J.10.b) and the Uniform Guidance 2 CFR 200 clearly anticipates this circumstance in its statement that compensation calculations can be imprecise and a degree of tolerance in calculations is acceptable. This guidance document on determining and confirming compensation provides a coherent framework to prepare proposals for extramural funding and for confirming compensation thereafter.

**Best Practices: Proposing levels of compensation**

Levels of compensation proposed in any sponsored project application should be consistent with the level of work performed and/or the level of work each individual is expected to expend on the project during the relevant project period(s). The amount of salary support requested should normally be determined by calculating the proposed activity against the individual’s institutional base salary. Salary support requested should consider reasonable compensation for the proposed activities with respect to IBS and the individual’s full appointment. This process meets regulations that require calculating the proposed activity against the individual’s total activities in support of the institutional base salary.

For proposal purposes, proposed level of compensation must be expressed in accordance with sponsor requirements. Some sponsors require that level of compensation be proposed in terms of person months not salary amount (for example, three person months of a 12-month appointment). In any case, the requested salary support should normally be determined by multiplying the proposed level of compensation by the individual’s institutional base salary. For example, if the proposed level of compensation is three months in a 12-month appointment and the individual’s institutional base salary is $100,000, normally the requested salary support would be $25,000 per year. In some cases, the amount of requested salary support may be less than this amount. In no event should the requested salary support exceed the amount determined by multiplying the proposed level of compensation by institutional base salary (using the allocable portion of IBS).
Best Practices: NIH salary limitations

The NIH and some other sponsors place limits on the amount of faculty salary that can be recovered from their sponsored projects. For faculty whose salary exceeds the applicable NIH (or other sponsor) salary limitation, the request and recovery of salary must adhere to the NIH (or other sponsor) salary limitation. Actual salary should be indicated in the budget justification, consistent with federal requirements and to allow for increased funding in the event that the limitation is raised. Salary in excess of the NIH/other sponsor cap must be provided by the institution from some source other than a federal sponsored project.

Best Practices: NIH Career (K-Series) Award salary limitations

For some types of awards, there is a limit on the amount of salary that may be charged to the sponsor. Some K awards fall into this category. If an investigator's IBS is greater than the salary limitation, the institution must contribute the difference between the amount that can be charged to the project and the actual salary that the investigator receives for the commensurate level of compensation on the K award. For example: Investigator's IBS: $125,000, required level of compensation: 75% Commensurate salary: 75% x $125,000 = 93,750 K award limitation: $75,000 Supplementation required: $18,750.

Best Practices: Expending research and charging salary to sponsored projects

Salary should be charged to a sponsored project by determining the amount of the faculty or staff member’s activities devoted to the project and charging no more than that commensurate amount of the individual's IBS to the sponsored project. Charging less than the amount worked is allowable and the difference should be documented as cost sharing if it was promised to the sponsor in the budget.

Sponsors expect that UT Southwestern will charge salary to their project for an individual's compensation at the same rate at which UT Southwestern charges salary for the individual's other activities. Here, the rate of compensation refers to payment for a unit of time (project activities/total activities supported by IBS = Project compensation/IBS). Sponsors are not to be charged a higher rate per unit of compensation than the institution pays an employee for compensation directed towards other University activity.

Salary distribution consistent with the projected compensation should begin on sponsored projects accounts concurrently with actual project compensation. It is each faculty member’s responsibility to be aware of his/her level of compensation and to communicate any significant changes in level of compensation to his/her respective business office to ensure that salary distributions are reviewed and updated, if appropriate, on a timely basis.

Best Practices: Activities that can and cannot be allocated to federal sponsored projects

Activities that CAN be allocated to a sponsored project include:

- Directing or participating in any aspect of the research related to the specific project
- Providing research patient care
- Writing a progress report for the project, sometimes called a continuation proposal
- Holding a meeting with lab staff to discuss the specific research project
- Activities contributing and intimately related to work under the agreement, including:
  - Participating in appropriate seminars
  - Consulting with colleagues about specific aspects of the project Delivering special lectures about specific aspects of the ongoing activity
Guidelines for Proposing, Managing and Confirming Payroll Associated with Sponsored Projects

- Writing reports and articles
- Developing and maintaining protocols (human, animal, etc.)
- Managing substances/chemicals
- Managing and securing project-specific data
- Coordinating research subjects
- Attending a scientific conference held by an outside professional society to present research results
- Reading scientific journals to keep up to date with the latest developments in one's field
- Mentoring graduate students on the specific research project
- Making an invention disclosure, and some other activities related to pursuing intellectual property

Activities that CANNOT be allocated to sponsored projects include:

- Proposal-writing, except for non-competing continuations (progress reports); this includes:
  - Developing necessary data to support the proposal
  - Writing, editing, and submitting the proposal
- Administration, including service as a department chair or dean
- Instruction, office hours, counseling for students, and mentoring graduate students on something other than a specific research project
- Clinical activity, except patient care for an IRB-approved sponsored research activity
- Service on an IRB, IACUC, selection committee, or other similar group
- Course or curriculum development not specific to the faculty member's research project
- Writing textbook chapters
- Fundraising
- Lobbying
- Work that falls outside of the definition of total UT Southwestern compensation, such as:
  - Service as the primary editor of a journal
  - Peer review of manuscripts, regardless of whether compensation is received
  - Advisory activities for sponsors, including service on an NIH study section or NSF review panel, regardless of whether compensation is received Consistent with the spirit of Bayh-Dole, reasonable levels of activity related to pursuing intellectual property can be charged directly to the appropriate sponsored project. This activity may include: making an invention disclosure, meeting to discuss an invention disclosure, meeting with a patent attorney about a university invention, reviewing internal action on a patent application and/or reviewing a draft patent application.

As with any compensation charged to sponsored agreements, compensation associated with the pursuit of intellectual property must be directly related to the sponsored project that is being charged. Where more than one award or activity contributed to the development of the intellectual property, the compensation distribution should be based on proportionate support provided under the awards or other equitable relationship. The compensation must also occur within the award period for it to be eligible for direct charging.

There is no federal guideline or directive regarding a "typical" percent of compensation for writing a grant proposal. This percent will vary greatly among principal investigators and should be based on each PI's individual situation.
Best Practices: Variations in compensation within a sponsored project budget period

Fulfillment of compensation for a sponsored project is measured over an entire budget period, typically one year. During the course of that period, an individual's level of compensation may vary. This variation is acceptable, as long as the individual fulfills the overall compensation for the entire budget period. However, the individual is obligated to charge salary to the project and to confirm his or her compensation, in a manner that is consistent with actual work.

Best Practices: Requesting approval to change the level of compensation

A 25% (or greater) reduction in the level of compensation constitutes a significant change in work activity. In accord with OMB Circular A-110 and the Uniform Guidance 2 CFR 200, any significant change in work activity for the principal investigator/project director or key personnel who are listed on the Notice of Grant Award (NOGA) must be approved prior to the change and in writing by the sponsor's Grants Officer. The compensation estimate at the time the award is issued is considered the threshold against which the magnitude of a potential change is measured, unless the sponsor is otherwise notified and approves the changes.

If an award document does not contain specific language about compensation, then the level of compensation in the grant proposal constitutes the benchmark against which the magnitude of a potential change is measured. For key personnel, an increase in compensation greater than 25% should be reviewed to assess whether the scope of work for that project has changed and to assess possible impacts on the individual's ability to meet promised outcomes to other sponsored projects.

Best Practices: Rebudgeting versus changing the level of compensation

There is some flexibility in the requirement to seek prior sponsor approval for budget changes in some circumstances. For example, a PI can generally reduce the salary charges for one project staff member and increase them for another. This rebudgeting authority does not confer the right to make significant changes in work activity without prior approval from the sponsor. Once UT Southwestern and the sponsor execute an award agreement, key personnel as stated in the proposal must provide the level of compensation to which they have been proposed. For an investigator or key person:

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<th>If you want to...</th>
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<td>Reduce the salary charges</td>
<td>Document the compensation for which the sponsor will provide salary support</td>
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<tr>
<td>Reduce salary charges by more than 25% of the original compensation level</td>
<td>Document the compensation for which the sponsor will provide salary support and obtain sponsor written approval</td>
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<td>Adjustment of compensation levels when sponsor issues an awarded budget less than proposed</td>
<td>Unless otherwise notified, sponsors expect PIs (and other key personnel) to provide the level of compensation outlined in the proposal, even when the amount funded is less than requested. At the time of award, if the awarded budget is reduced from the proposed budget, a PI must confirm how the project will be conducted and how funding will be allocated among budget categories, including confirmation of compensation and associated salary support</td>
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A budget reduction of 25% or more from what was proposed generally indicates a project scope reduction, and a corresponding reduction in compensation is appropriate. The PI is responsible for determining whether:

- Compensation will be reduced proportionately, and a corresponding request for approval will be sent to the sponsor. Generally, compensation should be reduced proportionately when the awarded budget reflects a reduction of 25% or more from the proposed budget; or
- The original compensation and salary support will be retained, and other budget categories can be reduced or eliminated so that voluntary cost sharing, beyond that which may have already been approved, does not occur; or
- Neither the compensation nor other budget categories can be reduced or eliminated. In these instances, the resulting voluntary cost sharing must be explicitly approved in accordance with the University’s policies on cost sharing. Failing to reduce compensation when funding is reduced could result in a perception by sponsors that the University’s budgets may be regularly overstated. It is the practice of the National Science Foundation (NSF) to require to request a scope reduction when budgets are reduced by 10% or more. Therefore, evaluations by the PI of the impact on compensation should be performed on NSF awards that are reduced by 10% or more.

**Best Practices: Initiation of new activities that change ongoing compensation**

From time to time it may become necessary to make adjustments to an individual's projected salary allocations or level of compensation. For example, if a principal investigator who is devoting 20% of his or her total compensation to a sponsored project and 80% to other duties becomes involved in another grant at a 10% level of compensation, some adjustments will be necessary to ensure that the PI's total compensation does not exceed 100%. In addition, a PI must be careful to manage the budget amounts promised to the funding agencies. This might involve reducing compensation on the existing grant (subject to sponsor approval, if necessary), or spending less time on non-sponsored research activities, or both. It may be necessary to change the salary allocations as well.

**Best Practices: Payroll Confirmation**

Regardless of the number of hours worked, payroll charges to grants must be based on total compensation not hours. Other methodologies include basing payroll charges on grants:

- On a commensurate share of the total appointment
- On an allocable portion of total compensation
- On project activities in relation to the total appointment.

Use of the UT Southwestern institutional base salary is necessary in proposing compensation, charging salary, and confirming payroll. The total UT Southwestern IBS must be distributed across all of a faculty member’s university research, instruction, administration, service and/or clinical activities. The federal government requires that activities be closely associated with an individual’s University professional duties. Some of those activities are: proposal writing, instruction, university related administrative duties, and service on committees. Federal requirements prohibit the University from characterizing those activities as "unfunded" or "volunteer" activities, or "weekend work," for which no salary is paid.


Timely, recurring payroll reconciliations form the foundation for UT Southwestern’s proposed methodology for compliance with 2 CFR 200.430 *Compensation* (Uniform Guidance).
Best Practices: Monitoring and Reconciliation

As part of the monthly monitoring and quarterly reconciliation process, the department administrator will be asked to continue and confirm with PI’s on ‘after-the-fact review’ of interim charges made to Federal awards based on budget estimates as required by 2 CFR 200.430(i)(1)(viii)(C).

An existing set of procedures, tools and checklist for reconciling payroll expense, in accordance to UTS 142.1 (Monthly Monitoring of Expenditures), has been published by Office of Accounting and is found online. Further, this document is to be used in conjunction with the UTS 142.1 guide. This document will serve as a “best practice guide” for compliance with Uniform Guidance has been collaboratively developed by Provost Office, Sponsored Programs Administration, Office of Internal Audit, Office of Compliance and Office of Accounting. This will cover monthly monitoring by department administrators, as well as Quarterly Check in/reconciliations by Sponsored Programs Administration. This is an integrated solution whereby department administrators will have the ability to reconcile payroll online (salary cost transfer tool), creating an electronic record of task completion.

This “best practice guide” is comprehensive and its use results in confirmation and adjustments, as needed, of personnel costs. In parallel, central offices will work with department administrators to identify opportunities to streamline and automate the payroll reconciliation process to promote University-wide compliance and enhance recordkeeping. This exception-based approach will be used to ensure compliance with 2 CFR 200.430 and to identify opportunities for additional training and support. Review of randomly selected awards are also important, to provide oversight, as well as looking for activities that might be missed. Also, meeting in person with as many as possible is the goal of the quarterly check in, since there are so many financial changes that can happen at the department level, which central offices will not see for an extended period of time.

Best Practices: Annual Award Management and/or Final Award Closeout

As part of the annual award management and/or final award closeout process, the PI will be asked to continue and confirm the ‘after-the-fact review’ of interim charges made to Federal awards based on budget estimates as required by 2 CFR 200.430(i)(1)(viii)(C).

Based on completion of payroll reconciliations as evidenced via the electronic record, sponsored project Principal Investigators (PIs) will continue to receive an automatic system-generated email. This system-generated prompt to PIs will be sent according to the anniversary date of the sponsored project to coincide with the annual preparation of the PI’s technical progress report, invention statement, and financial report. The emails sent are:

- 90/60/30 days before the award end date;
- 25/50/75 days after the award end date;

The purpose of the email is to:

- Prompt PI to complete their annual technical progress report and financial report.
- Prompt PI to complete their final technical progress report, invention statement and financial report.
- Remind the PI of the ‘after-the-fact review’ requirement.
- Confirm that all payroll reconciliations for their project account(s) have been completed.
- Provide PI with a link to their project data, including an overview (and drill-down detail) of their account (payroll and non-payroll transactions). This information is currently available in the PI All Funds report.
Confirmation of the ‘after-the-fact review’ will be based on a ‘positive confirmation’ model, which will be noted in verbiage as part of the eGrants PI Assurances signoff before submission of annual, or final closeout documents to sponsors.

The reviewer (PI) will be required to notify only if they find a discrepancy between the posted payroll expenses and the employees’ work on the sponsored project. The PI will continue to be held accountable to identify any discrepancies between posted non-payroll expenses and those expenditures authorized and allowable as charges to the sponsored project. This approach is designed for use where an institution’s internal controls are already considered to be quite strong, so that the confirmation process meets the requirement for ‘after-the-fact review’.

Compliance Oversight
The Sponsored Programs Research Financial Compliance team will work with Office of Internal Audit and Research Compliance Committee to focus on assessing the context for risk, rather than on individual risks. This involves defining the structure and the strategic/operational objectives at risk. The team will then ask which of these priorities (objectives) are most important, which guides risk assessment scoping. For important objectives there will be a review of the layers of control from the top down (ex: what oversight has been put in place by management to achieve these objectives; how are the people, process and technology aligned to achieve these objectives). Once those are defined the team can start evaluating individual risks, already having most of the context for defining Risk Probability and Impact.