



PAYROLL DISTRIBUTION CONFIRMATION

Issuing Authority: Office of Financial Services
Effective Date: October 2002 (Revised April 2007)

Policy:

It is the policy of the California Institute of Technology (Caltech) that payroll charges to sponsored awards must be reasonable for the work performed. A responsible person with suitable means of verification of work performed must confirm the reasonableness of such charges. This policy has been established to ensure compliance with Office of Management and Budget (OMB) Circular A-21.

Definitions:

Payroll distribution confirmation is the formal verification of the reasonableness of the distribution of payroll charges to sponsored awards. There are two types of Payroll Distribution Reports used in this process: 1) Faculty Payroll Distribution Reports and 2) Award Manager Payroll Distribution Reports.

- **Faculty Payroll Distribution Report (FPDR)**

Faculty who have payroll charges to sponsored awards receive their own Payroll Distribution Report/FPDR. These reports list 100% of the faculty member's payroll distribution charges (in %) for the reporting period. Even if a faculty member charges to an award for which he or she is not the award manager, that charge will be listed on the individual faculty members report and not on the Award Manager Payroll Distribution Report. (See Attachment A)

- **Award Manager Payroll Distribution Report (AMPDR)**

Each award manager receives a Payroll Distribution Report/AMPDR, which lists the payroll distribution for non-faculty individuals who had payroll charges to the Award Manager's award during the reporting period. 100% of each individual's charges (in %) are listed on the AMPDR, though by signing the report, the award manager only certifies to the charges made to his or her award(s). (See Attachment B)

If a non-faculty individual has charges that affect multiple award managers, then that individual would be listed on each AMPDR. Each award manager would certify the charges made to his or her award(s) only.

In general, an award manager is the lead PI responsible for a grant or contract.

Each faculty and award manager is associated with a Payroll Certification Contact Person (Contact Person). The Contact Person is responsible for distributing and collecting certified reports to and from faculty and/or award managers.

Procedures:

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Report Distribution:

Payroll Distribution Reports will be generated from the Labor Distribution Module (LDM) for each six-month period ending March 31 and September 30. In the absence of any extenuating business reasons, reports will be distributed to the Contact Person within 120 business days from the end of the reporting period (allowing for a 90 day cost transfer period).

All reports should be returned to Project Accounting within 30 business days of distribution. Reminders will be sent out from the date of distribution as follows:

After 30 business days - To the Contact Person
After 60 business days - To the Division Administrator.
After 75 business days - To the Division Chair
After 90 business days – To the Provost

If for some reason a report cannot be returned within this time period, the extenuating circumstances for the delay and the anticipated submission date should be provided to Project Accounting. However, note that even if the PI is on extended travel status for business purposes, the expectation is that reports will be emailed or faxed to the PI for review and approval.

FPDR Confirmation:

The information on a FPDR represents all payroll charges, in percentages, for a faculty member for a six-month period. The faculty member should review the information and confirm that it represents a reasonable distribution of payroll charges for the work performed on each sponsored award.

If a faculty member is unable to certify his or her FPDR, a cognizant individual may sign the report. A cognizant individual is an individual with suitable means of verification that work was performed and that the payroll charges are reasonable for the work performed. For clarification, that verification could include an email from the PI to the cognizant individual that the work was performed and the charges were reasonable.

If the distribution appears inconsistent with the work performed, Project Accounting should be notified immediately. Project Accounting will work with the Faculty or administrator to determine the appropriate course of action. In certain circumstances a Cost Transfer and Justification Form may be required. Cost Transfers are subject to the review and approval of Project Accounting.

AMPDR Confirmation:

The information on an AMPDR is by award manager and includes all individuals that have any payroll charges to that award manager's

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awards. 100% of each individual's time will be shown whether or not all the time was charged to that award manager. The award manager should review the information and confirm the report represents a reasonable distribution of payroll charges for the work performed on his or her sponsored awards.

If an award manager is unable to certify his or her FPDR, a cognizant individual may sign the report. A cognizant individual is an individual with suitable means of verification that work was performed and that the payroll charges are reasonable for the work performed. That verification could include an email from the award manager to the cognizant individual that the work was performed and the charges were reasonable.

If there is disagreement that the distribution is reasonable, Project Accounting should be notified immediately. If necessary, a Cost Transfer and Justification Form should be prepared and submitted with a copy of the AMPDR (indicating the corrected percentages) to Project Accounting for review and approval.

Special Considerations

The individual signing the AMPDCR confirmation should have suitable means of verification that work was performed and that the payroll charges were reasonable for the work performed. Generally the signatory would be someone that has reasonably frequent contact with the individuals for whom they are signing and acts in a supervisory capacity to those individuals. On larger research projects or on projects that involve remote locations it may be appropriate for the award manager to request a roll up certification from project supervisors. In essence the award manager should require a process that results in him or her being comfortable that they have suitable means of verification for everyone that is charging to their award and is included on their AMPDC report. The exact method of roll up certification used is at the discretion of the award manager. It is the responsibility of the award manager to maintain any support documentation that demonstrates how he or she became comfortable with the sign off. If requested, Project Accounting can provide input and suggestions on roll up certification processes.

Note that the requirement to obtain roll up certifications may be an extenuating circumstance for why an AMPDC report cannot be submitted within the 30 business day time frame. In such cases, as long as the contact person has informed Project Accounting (prior to the deadline) of the inability to meet the deadline because of the need to obtain roll up certifications and a reasonable alternative submission date has been agreed upon, the report will not be considered late.

Roles and Responsibilities:

It is the responsibility of the:

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Principal Investigator to:

- Ensure compliance with the Payroll Distribution Confirmation policy.
- Ensure personnel under the PI's direction, engaged in the financial administration of federally funded sponsored projects are familiar with Caltech's Payroll Distribution policy.
- Provide confirmations as per this policy.

Division/Center to:

- Ensure that all division personnel engaged in the financial administration of federally funded sponsored projects are familiar with Caltech's Payroll Distribution policy.
- Coordinate distribution and collection of the Payroll distribution confirmation forms received from Office of Financial Services.
- Identify Payroll Certification Contact Persons for each award manager and faculty.
- Identify Faculty that should receive their own Payroll Distribution Report.

Project Accounting to:

- Distribute Payroll Distribution Reports to each Contact Person.
- Monitor and maintain the signed Payroll Distribution Reports.
- Review and approve Cost transfers (subject to the policy on cost transfers to federally funded awards)

Human Resources to:

- Maintain the Labor Distribution Module
- Respond to LDM inquires

Internal Audit to:

- Independently evaluate the PDC process to ensure the system's effectiveness and compliance with the overall requirements of OMB Circular A-21 J.10 (Compensation for personal services.)

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Assistance and Support:

The Office of Financial Services is available to respond to procedural / process inquiries regarding Payroll Distribution Reports.

Human Resources is available to address questions regarding labor distribution inquiries.