PAYROLL DISTRIBUTION CONFIRMATION POLICY

September 19, 2016

SCOPE

This policy sets forth the California Institute of Technology (Caltech) requirements for documenting payroll charges to sponsored awards through the Payroll Distribution Confirmation process. The policy applies to all faculty who are working on sponsored projects, whether or not they are charging a portion of their salary to the project. In addition, the policy applies to all other individuals who receive a portion of their salary from federally sponsored projects. The policy has been revised to insure Caltech's compliance with the Standards for Documentation of Personnel Expenses in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) which are set forth in 2 CFR, Part 200.430. The policy continues to be compliant with OMB Circular A-21, Principles for Determining Costs Applicable to Grants, Contracts, and Other Agreements with Educational Institutions.

DEFINITIONS

As used in this policy and procedure:

Award Manager

Award Manager is a term in the Oracle financial system that is used to identify the individual who is responsible for a grant or contract. In nearly every instance the term Award Manager coincides with the term Principal Investigator.

Certifier

The person who confirms/approves the Payroll Distribution Report for an individual or a group of individuals is known as the "Certifier." The certifier is generally the Principal Investigator. The certifier attests to the following statement: "As award manager or cognizant signatory, I confirm that I have suitable means of verification that work was performed, and that the salaries and wages charged directly to the sponsored agreements indicated on the attached report are reasonable in relation to the work performed."

Cognizant Individual

Cognizant Individual is another term for the person who is designated either as a Certifier or as a Designee.

Designee

A designee is the person who, on extremely rare occasions, is identified by the Award Manager or

Principal Investigator as a person who can act as a Certifier as defined above. In order to serve as a Designee, the individual must have suitable means of verifying that the work was performed and that the payroll charges were reasonable, allowable, and allocable to the sponsored awards. The Designee should be someone who has frequent contact with the individual(s) for whom they are serving as designee and may not be a subordinate of the individual.

Institutional Base Salary

Institutional Base Salary (IBS) is the annual compensation paid by Caltech for individuals holding faculty appointments, whether that individual's time is spent on research, teaching, or other activities. IBS excludes any income that an individual is permitted to earn outside of their Caltech responsibilities (e.g., consulting payments). See Caltech Institutional Base Salary for Faculty Members Working on Sponsored Projects Policy for additional information.

Payroll Coordinator

Payroll Coordinator is a term used in the Oracle financial system to identify the person who is authorized to create, modify, and monitor labor distributions for Caltech faculty and staff. The Payroll Coordinator is the individual who receives the initial round of Payroll Distribution Certifications and reviews them to identify errors that require correction before the Certifier initiates the final certification for the specific sponsored project or individuals.

Payroll Distribution Confirmation

The Payroll Distribution Confirmation (PDC) is the formal process for verification of the reasonableness of the distribution of payroll charges to sponsored awards.

Project Manager

Project Manager is a designation in the Oracle financial system that is assigned to the person who is responsible for a project within an award. Where an award has only one project, the Project Manager is the same person who is designated as the Award Manager. Where an award has multiple projects each of which is headed by a different individual, those individuals are designated as Project Managers. In addition, there is a single individual who is designated as the Award Manager, responsible for the overall grant or contract.

Reporting Period

The Payroll Distribution Certification process is run twice during each fiscal year. The first reporting period covers expenditures occurring between October 1 and March 31 of a fiscal year. The second reporting period covers expenditures occurring between April 1 and September 30 of the same fiscal year.

POLICY

Caltech has adopted the Payroll Distribution Confirmation system as its method for documenting compliance with the requirements of OMB Circular A-21 and the Uniform Guidance concerning salaries and wages charged to sponsored projects. This requires that a responsible person with suitable means of verification of work performed reviews and confirms the reasonableness of payroll charges to Federal awards. Principal Investigators who serve either as Award Managers or

Project Managers have been determined to have the suitable means of verification of work performed on their projects and are able to review and certify the charges for reasonableness using the Payroll Distribution Confirmation system.

Payroll Distribution Confirmations are generated for all Caltech employees who receive all or a portion of their salary on sponsored projects.

ROLES AND RESPONSIBLITIES

Principal Investigator/Award Manager/Designee

- Ensure that all direct salaries and wages charged on sponsored projects for which they are responsible are reasonable for the work performed.

- Notifies Payroll Coordinator of inconsistencies between salary charges and work performed to ensure correction of allocation of salary prior to PDC certification.

- Provide PDC certifications in a timely manner as required by this policy.

Project Manager

- Ensure that all direct salaries and wages charged on sponsored projects for which they are responsible are reasonable for the work performed.

Division Administration

- Ensure that all Divisional personnel engaged in the financial administration of federally funded sponsored projects are familiar with Caltech's Payroll Distribution Confirmation Policy and Procedure.

- Review PDCs online during the review period and process labor distribution adjustments, as necessary, to reflect payroll charges accurately.

- Assign a Payroll Coordinator for each Principal Investigator.

Payroll Coordinator

- Review PDCs for Principal Investigators for whom they serve as Payroll Coordinator during the review period.

- Make necessary payroll adjustments in a timely manner, in accordance with Caltech's Cost Transfer Policy and Procedure, based upon input from Principal Investigator or other faculty member.

Post Award Administration Office

- Manage the Payroll Distribution Confirmation system.

- Monitor PDCs during the review and certifications period and communicate as needed with Division Administration to prevent late PDCs.

- Review and authorize high risk labor cost transfers.

- Provide support to Payroll Coordinators in managing the PDC process.

Audit Services and Institute Compliance

- Independently evaluate the PDC process to ensure the system's effectiveness and compliance with the overall requirements of OMB's Uniform Guidance, 2 CFR, Part 200 § 200.430, Compensation – personal services.

RELATED REFERENCES

Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR, Part 200 § 200.430, Compensation – personal services

Office of Management and Budget's Cost Principles for Educational Institutions, commonly referred to as OMB Circular A-21

Caltech's Policy on Commitment of Effort in Federally Sponsored Awards

Caltech's Cost Transfer Policy and Procedure

Caltech's Institutional Base Salary Policy

POLICY ISSUED BY

This policy and procedure is issued by the Office of Financial Services and the Office of Research Administration.

EFFECTIVE DATES AND UPDATES

Action	Effective Date	Description of Action
Original Policy and Procedure	10/01/2002	Issued by the Office of Financial Services
Revised Policy and Procedure	04/01/2007	Revised by the Office of Financial Services
Revised Policy and Procedure	12/26/2014 Issued 09/19/2016	Revised for consistency with Uniform Guidance and to put the document into new policy format. Reviewed and revised by Post Award Administration. Reviewed by the Office of Sponsored Research, Office of Research Administration, and the Office of Financial Services. Approved by the Provost's Office.