

Guidelines for Sponsored Project Labor Distributions

Companion to Research Office Policy 16-004

These guidelines provide additional detail regarding responsibilities and processes for labor distributions that impact sponsored project and cost share funds. Definitions are re-stated from the policy for ease of use.

Definitions

- **Allocable Cost** – A cost assigned to a sponsored award or other cost objective where the goods or services involved are assignable to that sponsored award or cost objective in accordance with relative benefit received.
- **Allowable Cost** – A reasonable, necessary cost that is allocable to the sponsored award and which conforms to any limitations or exclusions set forth in federal regulations or the sponsored award agreement.
- **Committed Effort** – The amount of time an individual has proposed to the sponsor that they will work on a sponsored project over a specified period of time, often expressed in terms of months or percentage of overall effort. Commitments are solidified upon OSU acceptance of an award and sponsor approval may be required to change the level of committed effort.
- **Direct Costs** - Those costs that can be identified specifically with a particular project, or other activity, or can be assigned to such activities relatively easily with a high degree of accuracy.
- **Key Personnel** – Principal Investigators, Project Directors, Co-Investigators, and other individuals who contribute to the scientific development or execution of a project in a substantive, measurable way, whether or not they request salary or compensation. NOTE: The definition of Key Personnel can be sponsor and award specific.
- **Labor Distribution (LD)** – The allocation of payroll costs among various funding sources for an employee's position for a specified period of time. Note: This policy pertains to LDs which allocate payroll costs to or from sponsored project funds.
- **Personnel Activity Report (PAR)** – Form which summarizes an employee's total effort on sponsored awards for the reporting period. OSU issues PARs quarterly for certification by an individual having first-hand knowledge of the employee's efforts. This is typically the principal investigator for the sponsored project to which the employee effort has been charged or the employee's direct supervisor.

- **Prior Year Labor Distribution** – A reallocation of payroll costs incurred for effort contributed in a previous fiscal year (July 1-June 30).
- **Subsequent Correction LD** – The redistribution of payroll costs that have already been redistributed at least once after their initial posting. Note that the redistribution of zero sequence payroll in the month of its initial posting does not count as a first correction.
- **Unallowable Costs** – Those costs that cannot be charged to a sponsored award due to sponsor and/or OSU policies, regulations, and restrictions. These regulations vary by sponsor, award, and situation. Therefore, whether a cost is considered allowable or unallowable on a sponsored award may only be determined through close review of the award documentation, sponsor regulations and guidelines, and OSU policies and procedures.

General Guidelines

It is expected that payroll costs on sponsored projects are allowable and correctly allocated to the benefiting project(s) upon initial posting. However, in certain circumstances it is permissible to transfer costs to or from a sponsored project with appropriate justification and documentation. In these circumstances, corrections should be made within 90 days following the end of the month in which the original charge was posted and within the same OSU fiscal year.

An OSRAA Labor Distribution Form must be completed for all LDs that include sponsored project funds, whether they represent a cost transfer or are for future periods. The form can be found on the OSRAA forms page. In general, all forms must be approved and signed by the PI(s) of any sponsored projects listed on the form and Financial Strategic Services (FSS)* authorized personnel. In no case should the form preparer serve as the approver/signer. As outlined in other sections of this document, some situations may necessitate additional or fewer approvals.

LDs should only be completed to ensure that the final amount of personnel expense charged to a sponsored project is accurate, allowable, and properly allocated, meaning the final allocation must accurately reflect the employee's effort for a given period. LDs may not be completed for other reasons of convenience or to avoid restrictions imposed by applicable regulations. The justification provided on the LD form must provide clear explanation supporting the reason the LD is needed. In the case of a cost transfer, the justification should also include an explanation of why the payroll costs were initially charged incorrectly.

When LDs are updated, special consideration should be given to key personnel committed effort and whether the update is due to a change in the scope of work on any of the included sponsored projects. This is reflected on the OSRAA Labor Distribution Form and additional information about these considerations are included in the form instructions.

The next section provides guidance on situations that are carefully examined on sponsored projects, including when extra justification, documentation, and approvals are required.

High-Risk LDs

Note: a single LD might include two or more of the situations described in this section. The guidance for each applicable situation will apply cumulatively to the LD.

*Some units may be authorized to approve their own LDs in lieu of FSS, e.g., RO C&I, OSU Cascades. Contact OSRAA for more information.

LDs Greater than 90 Days

When LDs are submitted for payroll costs that initially posted 90 days or more prior to the submission date, extra justification is required on the LD form. In addition to the standard justification requirements, an explanation describing why the correction was not identified and completed timely must be included and PIs should be counseled on the importance of timely review of effort. The FSS* approver is responsible for ensuring that the justification is sufficient to support allowability.

Prior Year LDs

Prior Year LDs must be evaluated in terms of their impact on OSU financial statements. Those which meet the following criteria must receive additional approval from Financial Accounting & Reporting (FAR):

- Redistribution of payroll costs crosses program code level 1, AND
- Total financial statement impact of \$10k or greater in reference to total payroll costs being moved across program levels.

These criteria should be evaluated on a per-situation rather than per-LD basis. E.g., if you identify a need to move an entire research group's payroll costs across program level 1 and cumulatively the impact is greater than \$10k, but not per individual LD, FAR approval is required on each of the LDs.

Regardless of financial statement impact, all prior year LDs should include an explanation of why the correction was not completed prior to year-end close of the correct fiscal year.

LDs Impacting PARs

Once OSRAA has generated PARs for the quarter, any LDs impacting that quarter or prior quarters require extra examination regarding their potential impact on previously issued PAR forms.

When an LD is submitted that necessitates the correction of a PAR that has already been certified, extra justification is required on the LD form explaining why the PAR was certified and how/why it has now been determined that the PAR allocation was incorrect. The PI must receive counsel on the importance of careful review of PAR forms prior to certification and this should be confirmed in the justification section. The FSS* approver is responsible for ensuring that the justification is sufficient to support allowability.

Subsequent Correction LDs

Subsequent corrections are sometimes needed to ensure that the final amount of personnel expense charged to a sponsored project is accurate, allowable, and properly allocated. In these cases, OSRAA approval is required on the LD form.

Subsequent correction LDs that are generally allowable:

- Correction of a transposition or entry error
- Updating to a new index that represents the same project/effort.
- An employee supported by multiple PIs where the PIs provide correction to their portion of the employee's effort at different times.

Subsequent correction LDs that require additional examination and strong justification

- A second or subsequent reallocation of effort

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In any case, the justification on the LD form should explain the reason for the subsequent correction and demonstrate allowability.

Other Considerations

Activity Code Changes

If an LD is being processed to change, add, or delete an activity code only, the above, high-risk situations & required approvals do not apply. Only the PI and FSS* need to approve the LD form.

Account Code Changes

If an LD is being processed to change an account code only, the above, high-risk situations & required approvals do not apply. Only FSS* needs to approve the LD form.

No Sponsored Award Index

If a sponsored award does not have an index established in OSU's financial system, personnel charges must be posted to a departmental, gift or pending index while awaiting set up of the project index. Existing sponsored awards may not be used as holding accounts for expenses which will subsequently be transferred elsewhere, including to competing or non-competing continuations of the same project for which the notice of award or new index number has not yet been received.

Pending index accounts are strongly recommended if a delay in award funding or execution is anticipated. The timely set up of a pending index reduces the need to process labor distributions and other cost transfers.

Responsibilities

A comprehensive list of OSU roles and responsibilities pertaining to sponsored awards is available on the OSRAA website.

Principal Investigators (PIs)

- Regularly review expenses, including payroll costs, posted to their sponsored awards to ensure accurate allocation of personnel time spent on projects.
- Provide timely notification to appropriate administrative personnel to initiate LDs for personnel paid from sponsored awards.
- Authorize (sign) LDs for personnel paid from their sponsored awards, validating that distributions are an accurate reflection of personnel effort.
- Provide timely notification to appropriate administrative personnel regarding any changes to project scope of work or anticipated changes to committed effort for key personnel.

Financial Strategic Services (FSS*)

- Provide reports and other information as needed to help PIs understand what is being charged to their sponsored projects.
- Prepare LDs in accordance with these guidelines and LD form instructions.
- Authorize (sign) LD forms, ensuring that:
 1. Justification is clear, appropriate to the situation, and demonstrates allowability.
 2. Proper approvals are obtained based on the situation.
- Enter LDs and file forms according to established documentation standards.

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- If applicable, revise PAR forms and file according to established documentation standards.
- Monitor LD transactions to promote a robust system of internal control.

OSRAA

- Establish & maintain policies, guidelines, and supporting documents for use by campus stakeholders to ensure compliance with applicable regulations.
- Authorize (sign) subsequent correction LDs, ensuring that:
 1. Justification is clear, appropriate to the situation, and demonstrates allowability.
 2. Proper approvals are obtained, including sponsor prior approvals when required, for project scope or significant key personnel effort change.
- Provide timely communications to campus stakeholders with information pertaining to LD issues to promote a robust system of internal control.

Escalation Process

If questions arise on how a particular LD situation should be handled, escalate as follows:

1. Unit FSS Financial Services Manager (FSM) or Financial Strategic Partner (FSP)
2. FSS Associate Director of Research Administration & Accounting
3. OSRAA Grant and Contract Administrator (GCA) Team

Other Resources

Labor Distribution Form and Instructions on OSRAA [Forms](#) page

Labor Distribution [Frequently Asked Questions](#) (OSRAA FAQs)

Labor Distribution Approval [Decision Tree](#)

Related Research Office policy documents on OSRAA [Policies](#) page:

Sponsored Project Labor Distribution Policy 16-004

Sponsored Project Labor Distribution Guidelines

Effort Reporting Policy 16-003

Effort Reporting Guidelines

Cost Transfer Policy 19-002

Cost Transfer Guidelines

Roles & Responsibilities Policy 16-001

Federal Uniform Guidance:

[OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Section §200.430 Compensation – Personal Services](#)

[OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Section §200.302 Financial management](#)

History

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Contacts

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