



Guidelines for Labor Distributions

Responsible Executive: VP for Research
Responsible Office: Office for Sponsored Research and Award Administration
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These guidelines are a companion to RO policy 16-004 “Labor Distributions”, and provide additional detail on responsibilities and processes. Definitions are re-stated from the policy for ease of use.

Labor distributions represent an allocation of payroll costs. When labor distributions change, they can represent an after the fact transfer of payroll costs and become a salary expense transfer on sponsored projects. Generally, once salary expenses have been certified through effort certification, changes must be carefully reviewed to understand why the original salary expense was certified and now is being changed. These transactions must be justified, timely and well-documented to demonstrate allowability and allocability to a sponsored award.

Retroactive salary adjustments should not be a routine activity, and a salary cost transfer after effort certification will likely require effort be re-certified. Care must also be given when a PI’s or other Key Personnel’s effort is reduced by 25% or more on a sponsored agreement and/or signifies a change to the project scope of work; these actions require sponsor prior approval on Federally funded projects.

Definitions

- **Allocable Cost** –A cost assigned to a sponsored award or other cost objective where the goods or services involved are chargeable or assignable to that sponsored award or cost objective in accordance with relative benefits received.
- **Allowable Cost** – A reasonable cost that is allocable to the sponsored award. The cost must conform to any limitations or exclusions set forth in federal regulations or the sponsored award agreement.
- **Committed Effort** – Amount or percentage of time an individual has communicated to the sponsor that they will work on a specific sponsored project over a specified period of time. Commitments are made in the project proposal to the sponsor 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 internally or externally funded activity, or can be assigned to such activities relatively easily with a high degree of accuracy.
- **DocuSign** – Electronic signature system used to route OSRAA Labor Distribution forms for institutional approval. Users may sign documents on any web browser or mobile application.

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- **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 salaries or compensation. **NOTE:** The definition of Key Personnel can be agency and award specific.
- **Labor Distribution (LD)** - An allocation of payroll costs to or from a sponsored award. Labor Distributions may be for future distributions or after-the-fact cost transfers taking place after the expense was initially charged to another sponsored award or non-sponsored index.
- **PAR Form** – Personnel Activity Report form which summarizes an individual’s total effort for the reporting period. OSU issues PAR forms quarterly for certification by an individual having first-hand knowledge of the employee’s efforts. The certifier is typically the principal investigator for the grant or contract on which the employee is working or the employee’s direct supervisor
- **Prior Year Labor Distribution** – An action to revise the index from which labor was paid in a previous fiscal year (July 1-June 30). Prior year labor distributions affecting sponsored awards require OSRAA approval and additional justification for the delayed correction of the payroll charges.
- **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 and the same sponsor may have different restrictions for different awards, depending on the source of the funding, the type of award (e.g. grant, cooperative agreement or contract), or the purpose of the award (e.g. research, equipment, conference, training). Therefore, whether a cost is considered allowable or unallowable for a sponsored award may only be determined through close review of the award documentation, sponsor regulations and guidelines, and OSU policies and procedures.

Guidelines

It is expected that payroll costs for sponsored awards are allowable and correctly allocated to the benefitting project from the outset, however, in certain circumstances it is permissible to transfer costs to or from a sponsored project.

Labor distributions that may be allowable:

- Correction of error (i.e. transpositions and typographical errors)
- Removal of Unallowable Cost (i.e. payroll costs for effort after the end date of the award or costs that are not allowable as a direct cost under the award terms and conditions)
- Closely related work (i.e. NIH has certain types of awards that support effort for more than one project)

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Labor Distributions that are not allowable:

- Transferring labor costs more than one time- once a transfer is made, the new source of funding is considered correct
- Labor costs allocable to a particular sponsored award may not be transferred to other sponsored awards
- To avoid restrictions imposed by law or the sponsored award
- Other reasons of convenience

See OSRAA [Labor Distribution FAQs](#) for additional information.

If a sponsored award does not have an index established in OSU's financial system, labor charges must be posted to a departmental, gift or pending index while awaiting set up of the project index. Under no circumstances should sponsored awards 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 will likely eliminate the need to process labor distributions and other cost transfers.

If payroll correction is for a prior quarter, and the Personnel Activity Report (PAR) form has already been signed and filed in Nolij, it will be necessary to correct the PAR form and obtain certification from the PI or individual having direct knowledge of the employee's efforts. Note, however, that once certification of effort has been completed, only in certain circumstances will subsequent salary adjustments be permitted. If a PAR was previously signed, the PI must provide an explanation as to why the effort was certified prior to reallocating salary.

If it is determined that a redistribution of salary is appropriate, the corrected PAR form should then be filed in Nolij with the OSRAA Labor Distribution Form. The department is required to retain backup documentation for review.

Timeliness of Transfers

Transfers of costs to or from sponsored awards must be made within 90 days following the end of the month in which the original charge was posted. Project expenses must be regularly monitored so discrepancies are identified in a timely manner. Labor distributions for previous salary charges should be initiated as soon as possible once an error with the original payroll posting has been identified.

An [OSRAA Labor Distribution Form](#) must be completed for **ALL** distributions of payroll costs for sponsored awards.

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Labor Distribution forms that may be processed by the Business Center and directly filed in the Payroll role in Nolij, without OSRAA approval:

- Future and current distributions that do not signify a change to the project scope of work
- Future and current distributions that do not revise key personnel effort by 25% or more for a project budget period
- A redistribution of labor that is prior to 90 days following the end of the month in which the salary was posted and does not affect a prior fiscal year

Labor Distribution forms must be routed to OSRAA for approval in the following instances:

- A redistribution is for a prior fiscal year
- A redistribution of labor is more than 90 days following the end of the month in which the salary was posted
- Any change in effort, including future distribution, that affects the project scope of work
- Any change in effort that will revise key personnel effort by 25% or more for a project budget period

Payroll changes are very limited after fiscal year end close and may require additional justification prior to OSRAA approval.

Documentation & Authorizations

- Documentation is needed to substantiate the allocability of payroll expenses charged to sponsored awards and sufficient documentation is a key element in providing support and justification as to why the labor was initially allocated to or redistributed to a sponsored award. Thorough explanation and documentation is essential to avoid audit findings and possible disallowances.
- For after-the-fact labor distributions, the justification on the OSRAA Labor Distribution Form must include the reason why the salary was charged incorrectly to the original index and how the expense directly benefits the receiving project. The updated salary distribution must match where the individual worked for the applicable time period. See the [OSRAA Labor Distribution Form Instructions](#) and [Labor Distribution FAQs](#) for more specific information.
- Authorizations required:
 - *Principal Investigator* must sign all Labor Distribution forms for sponsored awards, certifying whether the distribution of labor will revise key personnel committed effort by 25% or more for the project budget period and/or signify a change to the scope of work on any of the sponsored awards.

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- *Authorized personnel in Business Center or Department.* Authorized signer and preparer cannot be the same individual.
- *Dean, Director or Department Head* approval is needed only when the distribution is for a PI's or Co-PI's own effort.
- *Office for Sponsored Research and Award Administration (OSRAA)* approval is needed only for labor distributions over 90 days, including prior year labor distributions, and/or when key personnel committed project effort is revised by 25% or more for the project budget period and/or there is a change to the scope of work.
- *Sponsor **prior approval*** is required if distributions of labor reduce key personnel committed effort by 25% or more or any effort change – increase or decrease – that will impact the scope of work.

Responsibilities

A comprehensive list of OSU Roles and Responsibilities may be viewed at:

<http://research.oregonstate.edu/osraa/osraa-organization/roles-and-responsibilities>

Responsibilities related to labor distributions are as follows:

- Principal Investigator (PI)
 - Regularly review expenses, including payroll charges, posted to sponsored awards to ensure accurate allocation of employee time spent on specific projects
 - Contact Business Center to Initiate labor distributions for employees paid from sponsored awards
 - Authorize labor distributions for employees paid from sponsored awards, including certification as to whether the distribution revises key personnel committed effort by 25% or more for the project budget period or signifies a change in project scope of work. (**Note:** PI does not authorize own labor distributions, see *Authorizations* above)
 - Sign revised PAR Form, if applicable
- Dean, Director, Department Head
 - Authorize labor distributions which distribute or revise PI salary/effort
- Business Center
 - Complete and process labor distributions through DocuSign, in accordance with this policy and instructions on the OSRAA Labor Distribution Form—paying special attention to requirements for labor distributions processed more than 90 days after the original payroll

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- posting, including prior fiscal year labor distribution requests, and labor distributions for which the PI has indicated a significant change to key personnel effort or project scope of work.
 - Revise PAR Forms, if applicable, and file with the OSRAA Labor Distribution document in the Reporting role in Nolij
 - Once fully approved through DocuSign, file final OSRAA Labor Distribution Form and supporting documentation in the Payroll role in Nolij
- Office for Sponsored Research and Award Administration
 - Review and approve labor distributions taking place more than 90 days following the end of the month in which the salary was posted, including prior fiscal year labor distributions
 - Review and approve labor distributions where committed sponsored project effort of key personnel is revised by 25% or more for the project budget period.
 - Review and approve labor distributions where the PI has indicated a change to the scope or work
 - Submit requests for prior approval to the sponsor when it is determined that approval is needed for a labor distribution.