



Sponsored Project Labor Distributions

1. Summary

Oregon State University (OSU) will demonstrate compliance with federal regulations governing compensation for personal services (payroll costs). At OSU, payroll costs are allocated to sponsored projects via labor distribution (LD). When LDs change, they may represent a cost transfer on sponsored projects. OSU will establish appropriate guidelines and procedures to ensure compliance with relevant regulations.

The scope of this policy is University wide and applies to all labor distributions that include sponsored awards. Principal Investigators and OSU personnel involved with the conduct and administration of sponsored award activities are affected by this policy.

2. General Requirements

OSU has a responsibility to comply with 2 CFR §200, OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"), in addition to specific sponsored award terms and conditions, and University policy.

OSU must maintain support documentation demonstrating how payroll cost allocations are determined and subsequently charged to sponsored projects. Such allocations must be directed by the Principal Investigator (PI) or an individual with direct knowledge of both the program objectives and the personnel assigned to those objectives.

Further, payroll costs charged to sponsored projects must be supported by a system of internal controls which provide reasonable assurance that the charges are accurate, allowable, and properly allocated. Therefore, the distribution of payroll costs is expected to represent a reasonable reflection of the individual's effort.

Payroll costs charged to sponsored projects may be initially based upon the planned or estimated workload, provided that such estimates reasonably approximate the activity expected to be performed. The actual effort of each individual working on sponsored projects must be monitored, with distributions modified as necessary based on variances between the planned and actual effort.

Redistribution of payroll costs after their initial posting are considered cost transfers and must be justified, timely, and well-documented to demonstrate allowability and allocability to affected sponsored awards.

3. Definitions

3.1. 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.

- 3.2. 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.
- 3.3. 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.
- 3.4. 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.
- 3.5. 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.
- 3.6. 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.
- 3.7. 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.
- 3.8. Prior Year Labor Distribution** – A reallocation of payroll costs incurred for effort contributed in a previous fiscal year (July 1-June 30).
- 3.9. 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 redistribution.
- 3.10. 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.

4. Responsibilities

- 4.1.** All OSU personnel who engage in sponsored projects are expected to follow the OSU policies and sponsoring agency regulations for proposing, charging, and reporting effort on sponsored

awards.

- 4.2. See roles and responsibilities information in the associated [Labor Distribution Guidelines](#)

5. Process

- 5.1. 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.
- 5.2. Detailed procedures are provided in the following documents:
- 5.2.1. Sponsored Project Labor Distribution Guidelines on the OSRAA [Policies](#) page
- 5.2.2. Labor Distribution Form Instructions on the OSRAA [Forms](#) page

6. Related Information

- 6.1. Website for this policy: <https://research.oregonstate.edu/osraa/osraa-policies>
- 6.2. OSRAA Labor Distribution [Frequently Asked Questions](#) (OSRAA FAQs)
- 6.3. Related Research Office Policies:
[Effort Reporting](#) Policy and Guidelines
[Cost Transfer](#) Policy and Guidelines
- 6.4. [OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Section §200.430 Compensation – Personal Services](#)
- 6.5. [OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Section §200.302 Financial management](#)

7. History

- 7.1. Original Issue Date: July 1, 2016
- 7.2. Next Scheduled Review Date: May 1, 2026

8. Contacts

- 8.1. Policy Steward: Director of Sponsored Programs, Award Management ([contact info](#))
- 8.2. Office for Sponsored Research and Award Administration (OSRAA)
Inquiries: OSRAA@oregonstate.edu