Payroll Accounting Adjustment Guidance - Office of Research

The purpose of this guidance to Finance Business Center (FBC) post-award specialists and departmental administrative staff is to provide how and when to review and approve payroll allocations and payroll accounting adjustment (PAA) requests through continuous monitoring.

The following questions are critical for FBC post-award specialists and departmental administrative staff to ask of faculty, when reviewing and approving payroll:

- Is this charge reasonable and allocable?
- Does the charge fall within the contract dates?
- Is the charge part of a last-minute surge of payroll adjustments near a grant's end?

Monitoring these topics involves a combination of financial oversight, compliance checks, and proactive grant management. Here's how each can be addressed:

1. **Is this charge reasonable and allocable?**

   To monitor this:

   - Review Budget Justifications: Ensure the expense aligns with the approved budget and scope of work.
   - Use Cost Principles: Apply federal cost principles (e.g., Uniform Guidance 2 CFR §200.404-405) [https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200] to determine if the cost is:
     - Reasonable: A prudent person would pay this under similar circumstances.
     - Allocable: The cost benefits the award proportionally
   - Documentation: For PAAs, complete documentation for why the charge is necessary and how it supports the award (complete the Workday PAA questionnaire, as outlined)

2. **Does the charge fall within the contract dates? (for PAA requests)**

   To monitor this:

   - Clear communication with faculty
     - Communicate to faculty that charges for efforts must represent the time at which they occurred and cannot be manipulated to be incurred within the contract dates

3. **Is the charge part of a last-minute surge of payroll adjustments near a grant's end?**

   To monitor this:

   - Review Budget Justifications: Ensure the expense aligns with the approved budget and scope of work.

- Use Cost Principles: Apply federal cost principles (e.g., Uniform Guidance 2 CFR §200.404-405) [https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200] to determine if the cost is:
    - Reasonable: A prudent person would pay this under similar circumstances.
    - Allocable: The cost benefits the award proportionally
- Documentation: For PAAs, complete documentation for why the charge is necessary and how it supports the award. Documentation must also provide reasoning as to the timing of the PAA request and why the corrective action was not completed prior (complete the Workday PAA questionnaire, as outlined)

Red flags to look for include:

- Payroll Accounting Adjustments (PAAs) from one award/grant with little or no remaining budget to an award/grant with ample budget remaining
- PAAs requested at the end of a fiscal year between seemingly unrelated awards

If the guidelines for monitoring sponsored research payroll charges are not followed, the following escalation process is provided to ensure compliance, accountability, and corrective action:

1. **Initial Notification & Department-Level Review**
   Trigger: Non-compliant charge identified (e.g., unreasonable and/or unallocable payroll charge, payroll outside of contract dates)
   Action: Notify the Principal Investigator (PI) and request justification or correction
2. **Escalation to Office of Research – Compliance**
   Trigger: Inadequate justification from department and/or repeated attempts to process unreasonable and/or unallocable payroll charges
   Action: May initiate a formal inquiry or request additional documentation. If necessary, disallow the Payroll Accounting Adjustment (PAA) request). Notify the department and PI.
3. **Institutional Leadership Notification**
   Trigger: Serious or unresolved issues affecting institutional risk or sponsor relations
   Actions: Notify Department Chair and Dean, Vice President for Research and Innovation. May involve external reporting to federal sponsors. Implement corrective action plan