



DIVISION OF RESEARCH


2133 Lee Building
College Park, Maryland 20742-5125
301.405.4175 TEL

OFFICE OF THE VICE PRESIDENT FOR RESEARCH

MEMORANDUM

DATE: November 24, 2020

TO: Deans, Directors, and Department Chairs

FROM: Laurie E. Locascio, Vice President for Research 

SUBJECT: Consistent Application of Salary Costs to Sponsored Projects

UMD recognizes that on rare occasions, state budget constraints may occur due to unanticipated events. These budget constraints, in turn, may impact the University. Should such circumstances lead to salary reductions and/or furloughs, UMD will apply the mandated reductions and/or furloughs universally. To ensure compliance with federal regulations (e.g., § 200.403(c)), no exclusions will be made for salaries funded through sponsored awards.

2 CFR § 200.400, the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance or UG) at Subpart E, *Cost Principles*, contains the requirements pertaining to the charging and treatment of costs under federal financial assistance awards. The “allowability” standard is the threshold test for determining if a cost(s) may be charged to a federal award. § 200.403, “Factors affecting allowability of costs”, describes how determinations on allowability are made.

“Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- c) **Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-Federal entity.**
- d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period. See also § 200.306 Cost sharing or matching paragraph (b).
- g) Be adequately documented. See also §§ 200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.”

Likewise, 2 CFR § 200.430(a)(1), “Compensation – Personal Services”, states that costs of compensation are allowable to the extent that the total compensation for individual employees “[i]s reasonable for the services rendered and **conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities.**”

The aforementioned allowability standards, which have been explicitly adopted by federal sponsors, must be applied universally to costs charged to federal awards, and apply to the subset of costs described as “salary costs”. Note especially, § 200.403(c) and § 200.430(a)(1), which speak to the consistent application of policies to federally financed activities and those supported through other funds.

In addition to guidance on salary caps, both the National Science Foundation (NSF) and the National Institutes of Health (NIH) budget policies explicitly refer to consistency in charging salary/compensation costs to federal awards and other funding sources, for those costs to be allowable.

NSF, in its Proposal and Award Policies and Procedures Guide, states, “Compensation classified as salary payments must be requested in the salaries and wages category. Salaries requested must be consistent with the organization’s regular practices. The budget justification should detail the rates of pay by individual for senior personnel, postdoctoral associates, and other professionals.”

NSF provides additional guidance on the required documentation for salary costs, explicitly noting that organizations receiving NSF awards are required to have adequate personnel compensation systems, as detailed in 2 CFR §200.430. All salaries and wages charged to Federal awards must be supported by a system of internal controls that provides reasonable assurance that the personnel costs incurred are accurate, allowable, and properly allocated. The institution’s system of internal controls must be able to document that:

- The total compensation paid to individual employees is reasonable according to the work performed on the NSF-supported project;
- The compensation is made in accordance with established policies of the organization;
- **That the compensation policies are consistently applied to both government and non-government activities;** and
- The system must be able to adequately identify whether or not the work performed is considered a direct or an indirect cost, consistent with the organization’s established policies and 2 CFR §200.430, or FAR Part §31.205-6 for for-profit organizations.

Similarly, NIH’s guidance on Allowable Salary/ Compensation Costs states “Compensation for personal services covers all amounts, including fringe benefits, paid currently or accrued by the organization for employee services rendered to the grant-supported project. Compensation costs are allowable to the extent that they are reasonable, conform to the established policy of the organization, consistently applied regardless of the source of funds, and reasonably reflect the percentage of time actually devoted to the NIH-funded project.”

In accordance with these federal principles, all compensation actions at UMD will be treated consistently, regardless of funding source or appointment.