



University of California  
Office of the President

Senior Vice President—  
Business and Finance

Research Administration Office

# Memo

## Operating Guidance

No. 00-09  
October 31, 2000

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### CONTRACT AND GRANT OFFICERS (CAMPUS AND LAB)\* VICE CHANCELLORS--ADMINISTRATION

**Subject: General Principles Governing Payroll Charges to Extramural and University Funds**

This memo incorporates in the Contract and Grant Information System a letter previously issued to campuses.

The enclosed memo issued in December, 1992 provides guidance on payroll charges to extramural and university funds. This memo and enclosure are available electronically at the Research Administration Office website at <http://www.ucop.edu/raohome/cgmemos/00-09.html>.

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Subj Index: 07, 01, 06  
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Sincerely,

David Mears  
Director, Research Administration Office

Cc: Assistant Vice President Plotts  
Manager Ohy

\*Note: The addressees above represent the standard distribution of Contract and Grant Memos. Additional addressees, if any, may be added based on the subject of the Memo. See cc's.



J.W. PELTASON  
President

OFFICE OF THE PRESIDENT  
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December 14, 1992

RONALD W. BRADY  
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VICE CHANCELLORS--ACADEMIC AFFAIRS  
VICE CHANCELLORS--BUSINESS AND FINANCE  
VICE CHANCELLORS--BUDGET

SUBJECT: General Principles Governing Payroll Charges to Extramural and University Funds

To ensure an accurate accounting trail and the reasonableness of salary charges to extramural fund sources, campuses are required to implement procedures in accordance with the following general principles.

1. Effort on Sponsored Activities Must be Reasonable in Relation to Total University Duties:

a. Extramural Funds and Instructional Duties: During the course of each academic year, faculty are required to devote effort to department duties, teaching, and departmental research, unless the faculty member has been specifically relieved of his/her teaching and departmental duties. Each campus shall develop local policies governing the maximum amount of effort that can be charged to extramural sponsored projects, consistent with a reasonable level of effort for instruction and departmental duties.

b. Extramural Funds and Clinical Duties: Many faculty members participating in the Health Sciences Compensation Plans generate additional clinical fee income from their patient care duties. Each campus with Health Science Compensation Plans should develop local policies and procedures to ensure that the total amount of salary charged to extramural sponsored projects is reasonable in light of the individual's effort on patient care, in addition to teaching and other departmental duties as specified in 1.a. above.

2. The Total Payroll Charges to All Sources Shall Not Exceed the Actual Compensation Paid to the Faculty Member: There should be no negative pay lines on a Personnel Action Form (PAF). Transfer of payroll expense procedures must be used if the source initially charged is to be relieved of the expense and the resulting credit must be made to the fund source receiving the original charge and may not exceed the amount of the original charge. The only exception to this principle is for salaries paid directly to a faculty member by an affiliated hospital (i.e., salary disclosure). The PAF transaction entry for salary disclosure must be an offset to the fund(s) initially charged the salary.



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3. General Funds Salary Savings Must be Spent as General Funds and Cannot be Transferred to Other Funds: General Funds budgeted for academic salaries not needed to pay individual faculty salaries because of salary reimbursements from sponsored projects or direct payments to the faculty member from affiliated hospitals should be accounted for in accordance with the Planning and Budget Manual, Chapter 4010. At the discretion of the Chancellor, such savings may be transferred to other sub-budgets to be used for academic personnel-related costs. With approval by the Office of the President, such academic salary funds may also be transferred to other sub-budgets to cover expenses of other activities but must be expended as General Funds.

4. No Negative Effort on Personnel Activity Report: The Personnel Activity Report (PAR) should report the charges to each sponsored agreement and the percent of effort devoted to each agreement. In the case of Health Sciences Compensation Plan members, the percent of effort should be computed in terms of the total negotiated salary. The percent of effort devoted to clinical fee income generating duties as well as teaching and departmental duties must also be reflected on the PAR. All activities requiring effort for which the employee is compensated, including sponsored projects, teaching, patient care, and departmental duties, should be reported as a percent of total effort on the PAR. The PAR reported effort should add up to but not exceed 100% and there should be no negative effort reflected for any fund on the PAR.

5. Accurately Estimate Percent of Effort to be Devoted to the Project and Use Correct Rate of Pay in Project Budgets: The principles of good faith and fair dealing require that proposals present a realistic estimate of the amount of time to be devoted to the project by University faculty and staff. When the University seeks reimbursement for academic effort to be devoted to the project, or wishes to document voluntary or mandatory cost sharing, proposals to extramural sponsors should reflect the planned percent of effort at the approved academic year salary, giving due consideration to any pending personnel actions, anticipated range adjustments, and merit increases. In the case of health sciences compensation plan faculty, the approved academic year salary is the total negotiated salary.



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Joseph A. Pastrone  
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cc: Senior Vice President Brady  
Senior Vice President Frazer  
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Director Alter  
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bcc: Director Young  
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