

William & Mary Guidelines for Internal Supplementary Payments

Background:

There are situations wherein William & Mary requests additional efforts of a full-time, exempt employee. Such additional efforts generally require specific qualifications and are limited to defined time-periods for performance under specific terms and conditions. Based on guidance provided by the Human Resources' "Supplemental Pay Policy," these assignments normally should be less than six months in duration. In special circumstances, and with the approval of the appropriate Dean or Vice President, the assignment may be extended to one year. Examples may include service as a Department Chair or Program, Institute, or Center Director, or the addition of classroom teaching to cover death or disability of a colleague during a term. Some of these requests may result in supplementary compensation, that is, payments from W&M in excess of the institutional base salary established in the annual faculty contract. The additional assignment must be reasonable and not adversely impact the faculty member's ability to fulfill the expectations of the primary contract. In addition, and less frequently, the university sometimes recognizes such service or other extraordinary accomplishments, retrospectively.

W&M also awards as supplementary payments compensation associated with *internally* funded research. Most often these stipends are associated with annual or semester research leave assignments, summer research stipends, or by competitive calls for proposal in exploratory new directions for teaching or research supported through an administrative office such as the President, Provost, or a Dean.

Rules on supplementary payments described immediately below apply only to *INTERNALLY FUNDED* programs, which is to say, programs or projects that are not funded as grants, cooperative agreements, or contracts from an external state or federal agency, for-profit or not-for-profit business, corporation, company, or foundation. Such research grants, contracts, cooperative agreements, and formal memoranda of understanding or agreements between W&M and outside funding sources are sometimes colloquially said to be *EXTERNALLY FUNDED WORK*, although we emphasize that compensated work done under these mechanisms is not "external paid employment". More elaborate rules govern payments for research funded by external grants and contracts. These rules derive from a combination of federal and state laws, subject to close scrutiny under audit standards. The rules for supplementary payments deriving from sponsor-supported work are described in the final section of this document.

Supplementary Payments:

Supplementary compensation may be paid as stipend or non-stipend income.

STIPEND – A stipend is based on award of a defined amount rather than derived as a function of the faculty member's compensation.

- A stipend is for a limited period of time, usually no more than one year in duration, and may be paid as a one-time payment or included as part of salary payments over a specified period of time. Stipends may be awarded as a result of:
 - Recognition – A faculty member may receive a stipend as a recognition award for outstanding service to the university in academics, research or service.
 - Compensation for faculty who are recipients of awards of *internally* funded research.

NON-STIPEND SUPPLEMENTARY PAYMENTS:

Non-stipend supplementary payment is compensation in addition to the institutional base salary paid through the William & Mary payroll system. This process is used to compensate faculty for temporary assignments that are

defined in advance, in writing, for a specific purpose and are outside the expectations associated with the employee's normal job description. The amounts of the supplementary compensation usually are computed in connection with the performing individual's base salary and are established prior to the delivery of the effort and are based on the level of effort to be devoted to a given project.

Faculty may be compensated for assignments needed to achieve the university's mission for which they are specifically qualified, but which are outside the expectations associated with the employee's current contract and job description.

Supplementary compensation may be paid for:

Administrative Service – Limited duration assignments such as Department Chair or committee service.

Teaching – Supplementary pay for teaching may be offered in limited and restricted situations of special need, with each case approved on an individual basis.

Sponsored Projects - are those projects and/or activities which are originated and conducted by members of the faculty. These programs are supported wholly or in part by funds awarded to the W&M by outside entities and are restricted for use on the projects under terms that are reviewed and approved by the funding entities. These research or scholarly activities have a defined scope of work or set of objectives, which provide a basis for sponsor expectations. This may include research, demonstration, professional development, instruction, training, curriculum development, community and public service, or other.

- Research and sponsored activities - The use of supplementary compensation during the academic year is limited by the federal requirement that the distribution and certification of faculty effort be based entirely on a percentage of total effort. The guidance language that applies, taken from Circular A-21 is presented below. For the purpose of effort certification, 'university effort' always totals 100%, regardless of the number of hours actually worked. Percentages of faculty effort are computed from the sum of all activities that comprise the assigned professional/professorial workload through the duration of the contract period for which the employee is compensated. This total assigned effort includes research, instruction, public service, other sponsored activities, and administration. In addition to the constraint of effort reporting via percentage of effort which generally may not exceed 100%, extra compensation on any given sponsored project may be permitted only in accordance with the individual sponsor's rules and regulations.

William & Mary's policy is designed to comply with the Federal Office of Management and Budget Circular A-21, §10. In particular:

*"In no event will charges to sponsored agreements, irrespective of the basis for computation, exceed the proportionate share of the base salary for that period. The principle applies to all members of the faculty at an institution. **Since intra-university consulting is assumed to be undertaken as a university obligation requiring no compensation in addition to full-time base salary, the principle also applies to faculty members who function as consultants or otherwise contribute to a sponsored agreement conducted by another faculty member at the same institution.** However, in unusual cases where consultation is across departmental lines or involves a separate or remote operation, and the work performed by the consultant is in addition to his regular departmental load, charges for such work representing extra compensation above the base salary are allowable provided that such consulting arrangements are specifically provided for in the agreement or approved in writing by the sponsoring agency."*

During the normal course of an academic year, work on sponsored projects that might require the faculty to re-allocate normal academic duties is to be managed by an approved buy-out of teaching activities, or an equivalent policy for re-assignment of duties.

When a faculty member wishes to request supplementary pay for sponsored research activity in addition to institutional base salary during the academic year, **all** of the following conditions must be met:

1. The work performed must be temporary, ordinarily of less than 6 months and in not to exceed one year in duration.

And

2. The work must be in addition to the faculty member's regular departmental load

And

3. One of the following two circumstances must exist:

- a. The consultation is across departmental (divisional, unit) lines or
- b. The work involves a separate or remote operation

And

4. The work performed cannot conflict with or impede the faculty member's regular University duties and assignments.

And

5. Approval for compensation in addition to the base salary must be specifically stated by the funding agency in writing by the sponsoring federal agency. If approval is not included in the award document, a request must be submitted to the agency to work on an extra compensation basis and approval must be received **before any work is done**. Such approval is also required for federal flow-through funds (federal funds received via another entity such as a state agency).

ELIGIBILITY FOR SUPPLEMENTARY COMPENSATION:

Supplementary pay for sponsored program activities may be available for full-time faculty who are supported by unrestricted funds.

Employees who are fully supported by restricted funds may not receive supplementary support from the award(s) that serves as the source of funds for their primary appointment.

PROCEDURES:

- 1.) Approval must be made in writing by the funding entity:

- a. Inclusion of the anticipated supplementary compensation must be included in the proposal budget, but that alone may not be adequate authorization. It may be necessary to secure specific approval by the agency's authorized representative.
- b. If approval is not incorporated as part of the award document, the principal investigator will work with the Office of Sponsored Programs to submit a written request to the funding agency.

- 2.) Internal notifications and approvals:

- a. It is the responsibility of the PI and fund manager to review the request to confirm that the supplementary compensation meets legal requirements and that adequate funds are available.
- b. The requestor must complete the Supplementary Compensation Request Form which must be approved by Department Chair/Center Director, Academic or Administrative Supervisor, Principal Investigator/Fund Manager, and the Vice Provost for Research.
- c. Approvals should be completed prior to beginning the work.

- 3.) Payroll distribution and certification:

- d. It is the responsibility of the Principal Investigator and Department to prepare forms to charge salary

costs to the grant/contract at the time the work is on-going and in accordance with the percentage of effort requested and approved.

Payroll certifications are distributed at the end of each semester for and should be reviewed by the researcher and the department for accuracy. Any request for corrections or adjustments should be submitted and completed no later than ninety (90) days after distribution of the certification forms.

DEFINITIONS

Full-time faculty receive a contract providing either a 9-month or a 12-month faculty appointment and are governed by the Faculty Handbook. These appointments may be tenured, non-tenure eligible, or professional.

Part-time faculty receive a contract specifying a period of time for the contract.

Institutional base salary (IBS) is the annual compensation stated in the appointment letter and includes all activities including on research, teaching, or other activities. IBS excludes any supplemental or extra compensation included in the annual contract amount.

Funding source describes the type of funds supporting the appointment. These may be Restricted (derived from sources other than University/Education and General Funds) or Unrestricted (derived from Education and General Funds provided by the Commonwealth).

Effort reporting is the process used to confirm that salaries and wages charged to each sponsored agreement are reasonable in relation to the actual work performed. Certification of an effort report must reasonably reflect the activity for which the employee is compensated by the institution and must include all sources of support, external and internal to total 100%.

Sponsored Project Effort includes sponsored research, sponsored instruction and training, and other sponsored activities. Each sponsored project is separately budgeted and accounted for.

University Effort includes all University activity that is funded by operating and discretionary accounts, such as activities related to instruction, departmental research, department administration and other institutional activities.

Cost share/matching is provided by the university and accepted by the funding agency as part of the award and is considered sponsored research. Match is defined in OMB A-110, Subpart C, §23 as:

(a) All contributions, including cash and third party in-kind, shall be accepted as part of the recipient's cost sharing or matching when such contributions meet all of the following criteria.

(1) Are verifiable from the recipient's records.

(2) Are not included as contributions for any other federally-assisted project or program.

(3) Are necessary and reasonable for proper and efficient accomplishment of project or program objectives.

(4) Are allowable under the applicable cost principles.

(5) Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching.

(6) Are provided for in the approved budget when required by the Federal awarding agency.

When faculty salary is committed and confirmed as part of the award budget, a separate index associated with the grant is created and salary is directly charged to provide confirmation of the contribution via the certification process.

External Paid Employment is undertaken by a faculty member following the W&M Policy on External Paid Employment. Funding does not come through the university. The terms and rate of compensation are between the faculty member and the external entity.

Summer salary is compensation paid to the faculty member during the summer semester. Compensation is based on the institutional base salary. The Personnel Action Form (PAF) is used to authorize and distribute the salary.

Personnel Action Form is the university's standard form for a number of hiring and salary actions including distribution of salary charged to institution funds. <http://www.wm.edu/offices/hr/forms-topic/index.php>

REFERENCES

- Office of Management and Budget, Circular A-21 – 2 CFR, Part 220 - http://www.whitehouse.gov/omb/fedreg_a-21rev
- Office of Management and Budget, Circular A-110 – 2 CFR, Part 215 - http://www.whitehouse.gov/omb/circulars_a110/
- Council on Governmental Relations, “Compensation, Effort Commitments and Certification,”
http://www.cogr.edu/Pubs_Financial.cfm#
- William & Mary, Faculty Handbook -
<http://www.wm.edu/about/administration/provost/forfacstaff/faculty-handbook/index.php>
- William & Mary, Professionals and Professional Faculty Handbook
<http://www.wm.edu/sites/proffaculty/policies/ppfhandbook/index.php>
- William & Mary, Office of Human Resources <http://www.wm.edu/offices/hr/forms-topic/index.php>
<http://www.wm.edu/offices/hr/policies/index.php>
- National Science Foundation - <http://www.nsf.gov/bfa/dias/policy/>
- National Institutes of Health -
http://grants.nih.gov/grants/policy/nihgps_2012/nihgps_ch3.htm#terms_conditions_overview

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