

9-Month Employee Accounting for Sponsored Awards

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September 15, 2026

Financial Affairs – Office of Sponsored Programs



9-Month Employee Payroll Accruals

- 1 Overview of 9-Month Employee Payroll Accruals
 - Purpose and Objectives
 - Process for Sponsored Award Payroll Accruals
- 2 Impact to Effort Compensation Compliance (ECC) Reports
 - Changes to ECC Reports Due to 9-Month Accruals
 - Important Considerations for Project Effort Coordinators
- 3 Key Takeaways and Questions

POLL QUESTION #1

How familiar are you
with payroll accruals for
9-month employees?

- A** Not familiar at all
- B** Basic understanding, but need more guidance
- C** Comfortable, but could use a refresher
- D** Very familiar and confident with the process

What is a Payroll Accrual?

Definition

Allocates earned salary to the accounting periods in which the work was performed.

Example

A 9-month employee is paid over 12 months. Part of each paycheck is accrued to cover the AY base salary paid in June–August, when that salary is not being earned.

Purpose

Records expenses in the period the work is performed, even when payment comes later.

Supports financial reporting and compliance with Generally Accepted Accounting Principles (GAAP).

Key Takeaway

Charges reflect when the work happened, not when the paycheck issued.

Why Are Payroll Accruals Necessary?

Align Costs with Work Periods

Projects are charged for effort in the period it occurs, not when payment is made.

Ensure Compliance

Labor charges must be supported by the work performed.

Accurate Financial Reporting

Reports show when project work actually occurred.

Budget Management

Departments see the true burn rate of the award.

Example in Action

Without the accrual, the project is charged less than the effort cost during the academic year.

Key Takeaway

Accruals keep charges consistent with the period of performance.

Consequences of Not Accruing Payroll

Misstated Expenses

Academic-year months understate the cost of the effort the project received.

Non-Compliance

2 CFR 200.430 requires salary charges to be supported by records that accurately reflect the work performed.

Impact on Budget and Funding

The spending pattern doesn't show when effort occurred, so the burn rate misleads.

Audit Risks and Penalties

AY base salary charges must be supported by the period in which the work was performed.

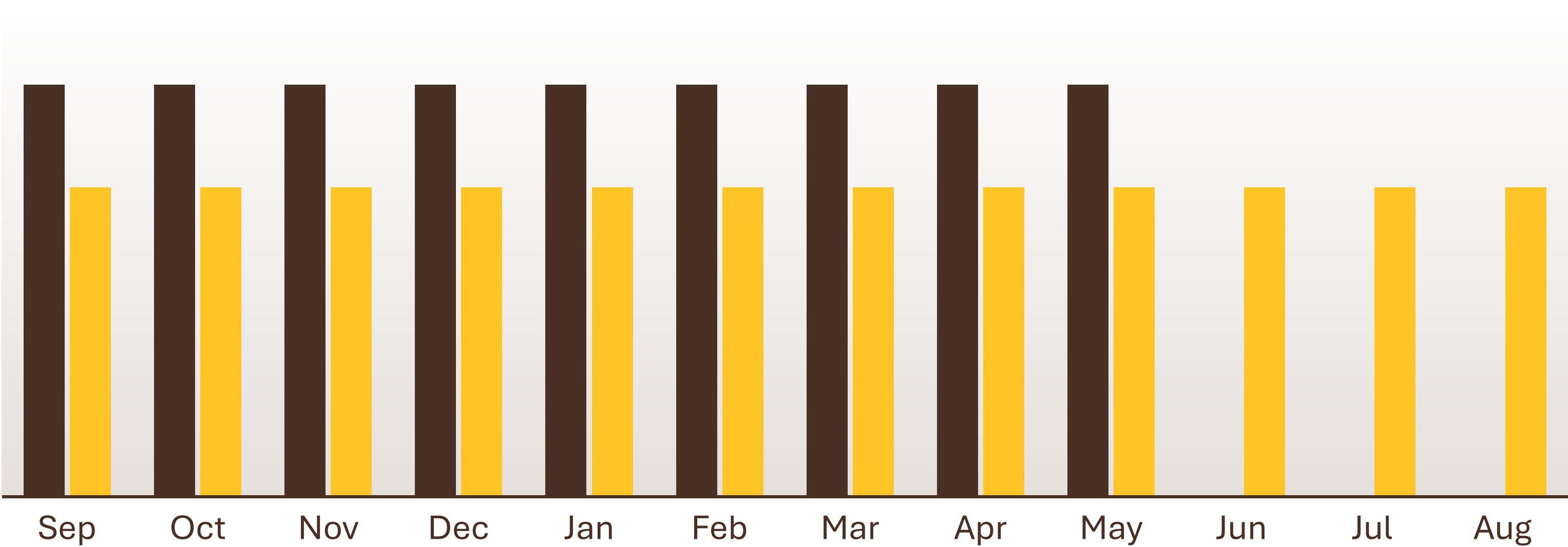
Trust and Credibility Loss

Repeat findings shape how sponsors view UW's stewardship.

9-Month Employee with \$90k Contract

Monthly Earnings vs Monthly Pay

Earned \$10k Paid \$7.5k



Accrual Adjustment

AY earnings over 9 months; pay spread over 12. The adjustment factor is $12 \div 9$.

33.34%

1.3334...

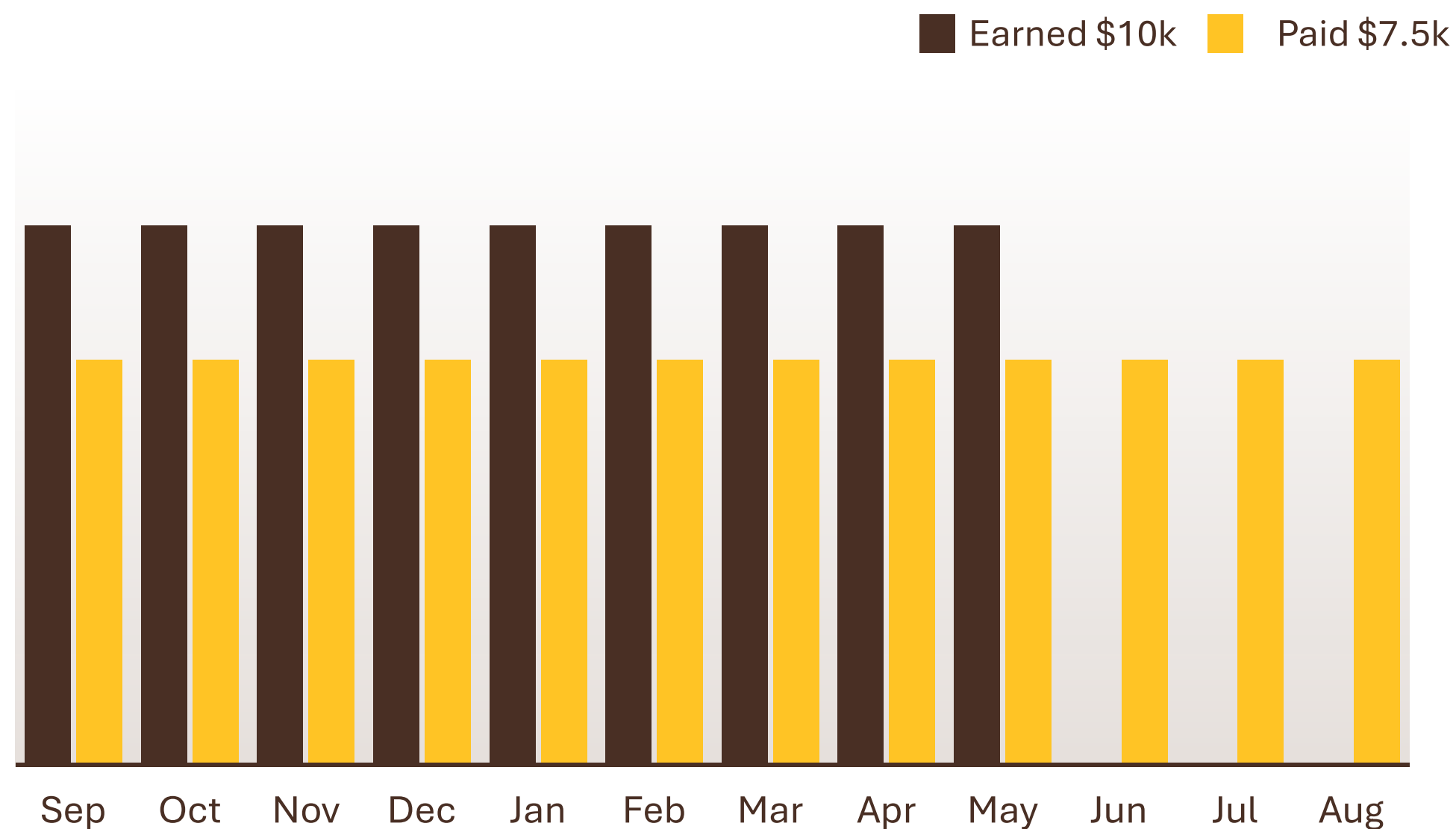
$$12 \div 9 = 1.3334$$

POLL QUESTION #2

For an AY project effort of 20%, what is the adjusted distribution?

- A 20% in Sep–May
- B 26.67% in Sep–May
- C 26.67% in Sep–Aug
- D Post AY base in Jun–Aug

Normal Costing vs Adjusted Costing



Normal (paid basis)

Monthly paid:

$$\$90,000 \div 12 = \$7,500$$

Effort Distribution:

20%

Amount charged to project:

$$\$7,500 \times 20\% = \$1,500$$

Adjusted (earned basis)

Monthly earned (AY):

$$\$90,000 \div 9 = \$10,000$$

Adjusted distribution:

$$20\% \times 1.3334 = 26.67\%$$

Amount charged to project:

$$\$7,500 \times 26.67\% = \$2,000$$

Adjust Costing for 9-Month Employee Accruals

Increase the project amount for the difference between the “Monthly Gross Salary Paid” and the “Monthly Earning” amounts

CURRENT

Effective Date	Percent	Entity	Account	Fund Class	Fund Source	Organization	Expense Class	Program	Activity	Future	Project	Task
9/1/2020	80.00	10	60001	105	000001	XXXXX	100	0000	0000	0		1
9/1/2020	20.00					XXXXX				0	100XXXX	1

Amount Charged

\$6,000

\$1,500

↓ Increase the project funding string percent by 33.34% ($20\% \times 1.3334 = 26.67\%$)

ADJUSTED FOR ACCRUALS

Effective Date	Percent	Entity	Account	Fund Class	Fund Source	Organization	Expense Class	Program	Activity	Future	Project	Task
9/1/2020	73.33	10	60001	105	000001	XXXXX	100	0000	0000	0		1
9/1/2020	26.67					XXXXX				0	100XXXX	1

Amount Charged

\$5,500

\$2,000

*Assumes the project is budgeted based on the pay period and that the employee is less than 67% committed to sponsored projects.

Adjust Costing: Add the HCM Costing Note

- Click on **Add Note** to enter any important details regarding this payroll costing.
- Click on **Apply** after you have entered your notes.
- When finished, click on **Submit**.

Related Costing ID	Costing Description	Start End Date	Current Account	Current Percentage	New Start End Date	New Account	New Percentage			
	Position 6126	01/01/2022 - 12/31/4712	10-80101-105-000001-33011-700-3124-9012-0	100.00%	-		0.00%	+		
8561 (Current ticket)	Position 6126	N/A	N/A	N/A	06/01/2023 - 12/31/4712	10-80101-105-000001-10501-200-0000-0000-0	100.00%	+	/	x

1 - 2

Add New Costing

Note about costing order

Please note: If you need to add multiple costings for a position, and at least one of those costings is a project costing, be sure to enter the project costing with the earliest end date first

Cancel Save **Submit** Delete **Add Note**

← “Project distribution includes an adjustment for 9-month contract”

Who Handles the Accrual?

Is total sponsored funding < 67%?

YES

Department-entered accrual

- Compute adjusted %: $\text{Effort} \times 12/9$ (Sep–May).
- Update HCM costing with adjusted distribution %.
- Paste HCM costing note ("Project distribution includes an adjustment for 9-month contract").

NO

OSP-managed accrual

- Quarterly IDTs: Dec (Sep–Nov), Mar (Dec–Feb), Jun (Mar–May).
- Email OSP: employee, project(s), effort %.
- OSP processes accrual IDT

POLL QUESTION #3

SCENARIO

9-month faculty's total sponsored funding for the AY is 70%.

- A** Department adjusts the employee's Costing, raising the project funding percentage(s) by 33.34%.
- B** Department notifies OSP of the 9/12 employee requiring accrual processing through the Accrual IDT.

9-Month Employee 67% or More Committed to Sponsored Programs

- 1 Provide the affected employee's name, project and percentage of effort via email to the Office of Sponsored Programs (OSP).
- 2 In collaboration with departments, OSP will complete an IDT to bill projects for payroll accruals.

Impact to ECC Reports

- 1 The ECC statement certified percentage is based on the employee's total payroll for the period of performance.
- 2 The payroll distribution in ECC will match the HCM Costing (26.67%), not the actual effort (20%).
- 3 Keep in mind that the project statement certification confirms that the payroll charged to the project is reasonable in relation to the work performed. It is not a certification of 100% of their time.
- 4 The Project Effort Coordinator should add the comment "Project distribution includes an adjustment for 9-month contract" for any impacted projects.

Key Takeaways

- 1 The accrual adjustment is just for the academic period – no 9-month salary should be charged in June, July, and August.
- 2 If your 9-month employee is committed 67% or more to sponsored projects, contact OSP.
- 3 OSP will communicate the ECC impact to Project Effort Coordinators and Principal Investigators prior to release of ECC's academic year report.

POLL QUESTION #4

EXIT CHECK

- 1 For one current 9-month employee you support, who handles the accrual?
- 2 Do you have the Costing and ECC comment you will use for 9/12 adjustments?

Resources

OSP Website

uwyo.edu/osp-postaward

The OSP website provides a comprehensive set of resources to explore post-award topics further.

