



9-Month Employee Accounting for Sponsored Awards

Financial Affairs – Office of Sponsored Programs

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— 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 Employee Compensation Certification (ECC) Reports

Changes to ECC Reports Due to 9-Month Accruals

Important Considerations for Project Effort Coordinators

3 | Key Takeaways and Questions

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

Payroll Accrual: A method to allocate earned salary across accounting periods to match the timing of work with payment distribution.

Purpose

Ensures that expenses are recorded in the period when the work is performed, even if payment is made later. Used primarily for financial reporting and compliance with Generally Accepted Accounting Principles (GAAP).

Example

For a 9-month employee paid over 12 months, part of each paycheck is "accrued" to account for the summer period when they do not actively work but receive payments.

Key Takeaway

Payroll accruals help maintain accurate financial records, reflecting true costs and efforts within specific timeframes.

Why Are Payroll Accruals Necessary?

- **Align Costs with Work Periods**

Projects are charged based on the actual cost of effort within each reporting period, not simply when payments are made.

Ensures that payroll expenses are reported in the period they are earned.

- **Ensure Compliance**

Necessary for projects funded by sponsors who require precise tracking of labor costs, especially for employees on grants or research funding.

Accruals ensure that project expenses align with GAAP and federal guidelines, reflecting actual work done during specific periods.

- **Accurate Financial Reporting**

Enables financial reports to accurately represent when the work related to project funding occurred.

Avoids misstated expenses or potential audit issues.

- **Budget Management**

Allows departments and projects to track true labor costs within the specific periods when work occurs, even if payments span additional months.

- **Example in Action**

For a 9-month employee funded by a grant, payroll accruals ensure summer payments don't incorrectly impact grant budgets for periods with no active work.

- **Key Takeaway**

Payroll accruals are essential for responsible and compliant grant management by creating consistency in reporting, supporting transparent and compliant financial management.

Consequences of Not Accruing Payroll for Sponsored Awards

- **Misstated Expenses**

Expenses will not align with the periods when work was performed, understating costs in financial reports.

- **Non-Compliance with Federal and GAAP Standards**

Could lead to non-compliance issues with Generally Accepted Accounting Principles (GAAP) and federal guidelines, risking audit flags.

- **Impact on Budget and Funding**

Incorrect accruals may lead to misallocated project budgets, jeopardizing funding or causing budget overruns.

- **Audit Risks and Penalties**

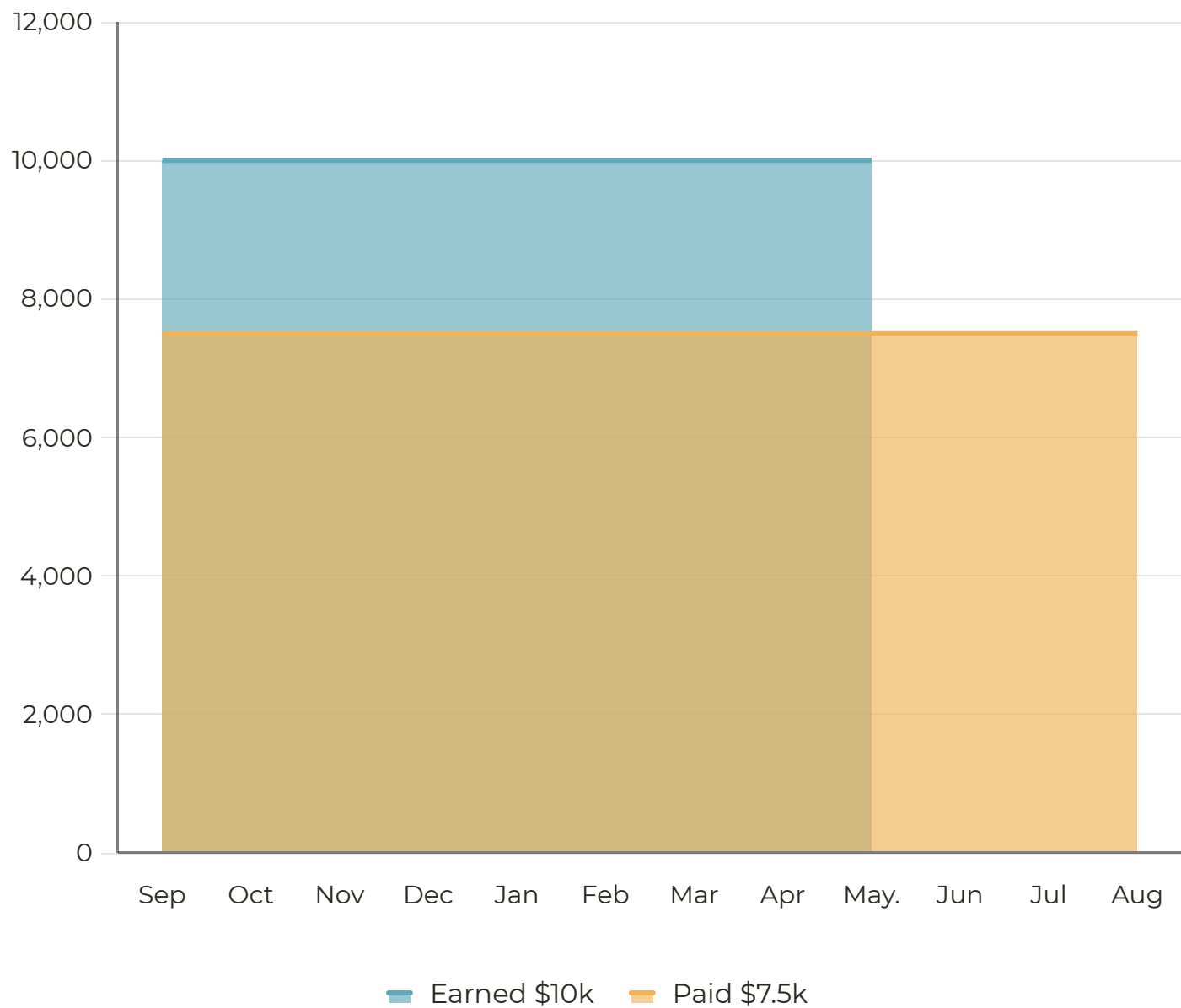
Non-compliance increases the risk of audits, and potential financial penalties may apply such as project disallowances.

- **Trust and Credibility Loss**

Non-compliance with GAAP and grant guidelines can erode funders' trust, possibly impacting future funding opportunities.

9-Month Employee with \$90k Annual Contract

Monthly Earnings vs Monthly Pay



Accrual Adjustment

1.3334...  33.34%

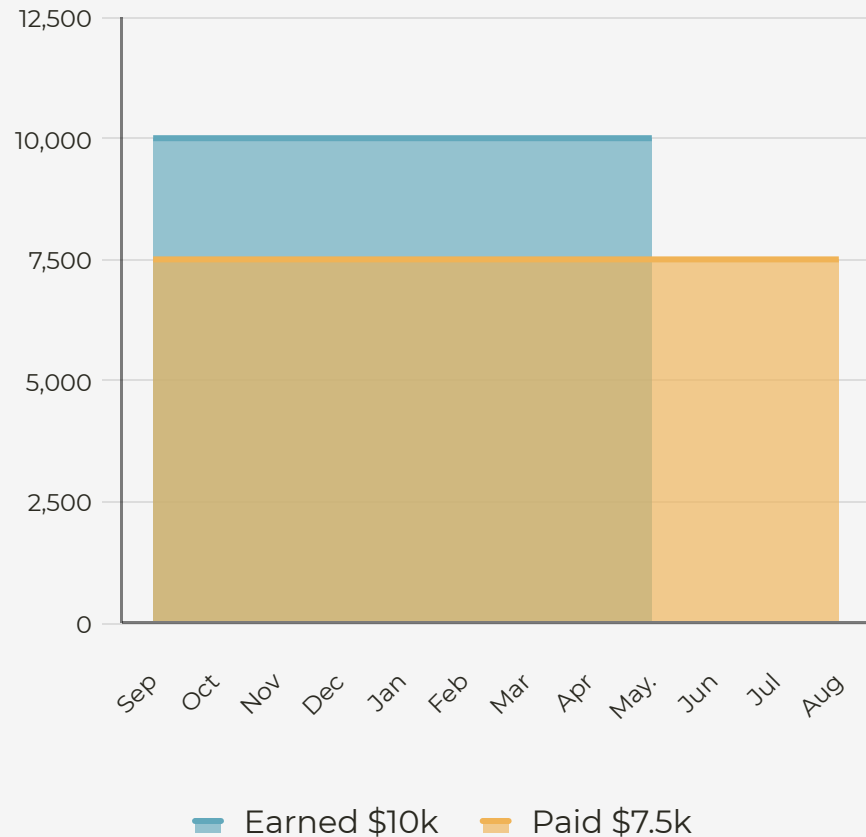
AY earnings over 9 months; pay is spread over 12
→ 12/9.



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



Adjusted (earned basis)

Monthly earned (AY):

$$\$90,000 \div 9 = \mathbf{\$10,000}$$

Adjusted distribution:

$$20\% \times 1.3334 = \mathbf{26.67\%}$$

Amount charged to project:

$$\$7,500 \times 26.67\% = \mathbf{\$2,000}$$

Normal (paid basis)

Monthly paid:

$$\$90,000 \div 12 = \mathbf{\$7,500}$$

Effort Distribution:

20%

Amount charged to project:

$$\$7,500 \times 20\% = \mathbf{\$1,500}$$

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 | Amount Charged |
|----------------|---------|--------|---------|------------|-------------|--------------|---------------|---------|----------|--------|---------|------|----------------|
| 9/1/2020 | 80.00 | 10 | 60001 | 105 | 000001 | XXXXX | 100 | 0000 | 0000 | 0 | | 1 | \$6,000 |
| 9/1/2020 | 20.00 | | | | | XXXXX | | | | 0 | 100XXXX | 1 | \$1,500 |

ADJUSTED FOR ACCRUALS

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

| Effective Date | Percent | Entity | Account | Fund Class | Fund Source | Organization | Expense Class | Program | Activity | Future | Project | Task | Amount Charged |
|----------------|---------|--------|---------|------------|-------------|--------------|---------------|---------|----------|--------|---------|------|----------------|
| 9/1/2020 | 73.33 | 10 | 60001 | 105 | 000001 | XXXXX | 100 | 0000 | 0000 | 0 | | 1 | \$5,500 |
| 9/1/2020 | 26.67 | | | | | XXXXX | | | | 0 | 100XXXX | 1 | \$2,000 |

*Assumes project is budgeted based on the pay period and that person is not over 67% committed to sponsored projects.

Adjust Costing for 9-Month Employee Accruals - continued

For audit purposes, add a note to the HCM costing order indicating that the distribution for the project(s) includes an adjustment for the accrual.

- 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 8128 | 07/01/2022 - 12/31/4712 | 10-80101-105-000001-33011-700-3124-9012-0 | 100.00% | - | | 0.00% | + | | |
| 8161 (Current ticket) | Position 8128 | N/A | N/A | N/A | 06/01/2023 - 12/31/4712 | 10-80101-105-000001-10501-300-0000-0000-0 | 100.00% | + | / | X |

1 - 2

Add New Costing

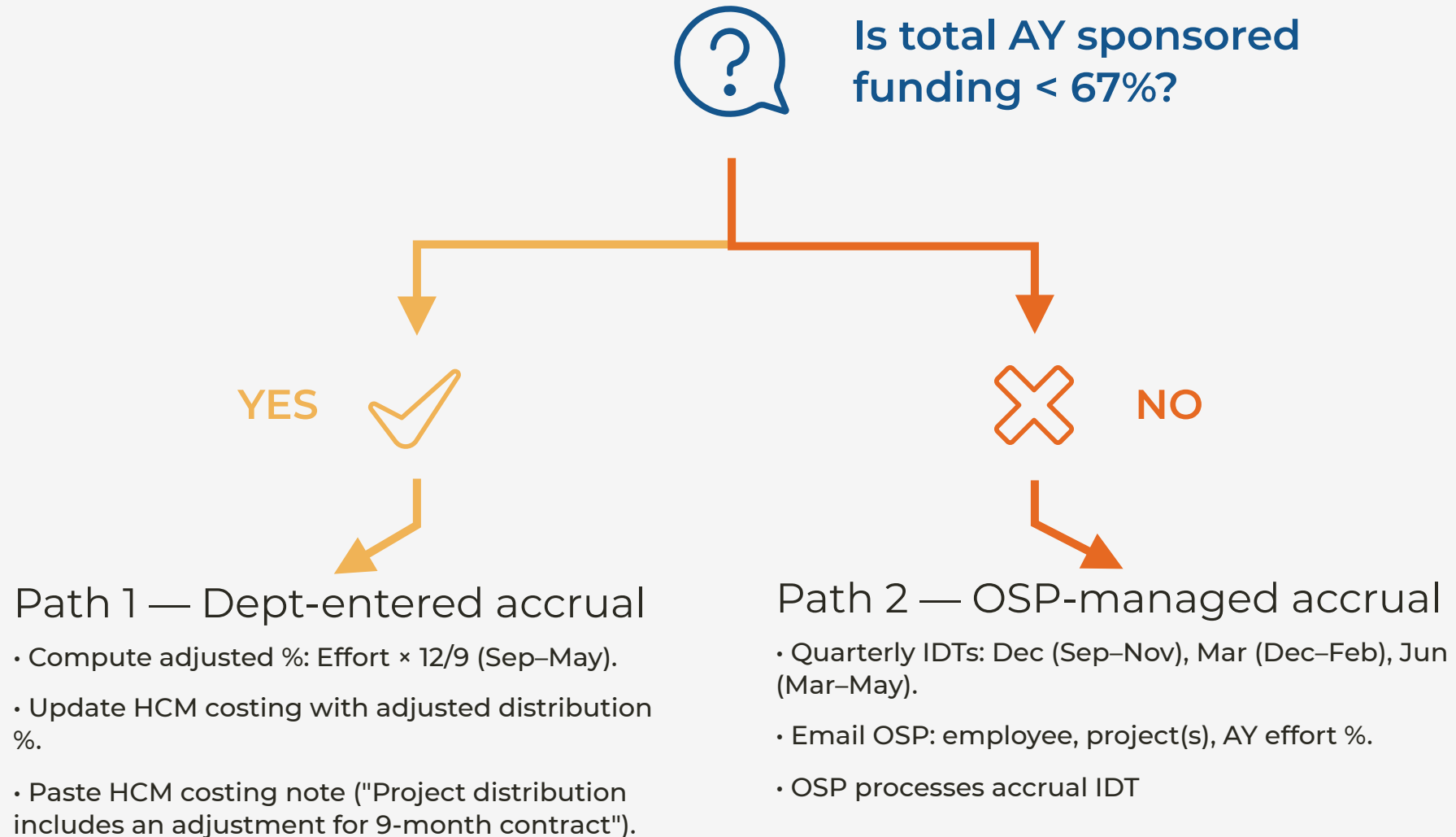
Note about costing order

Please note: If you need to add multiple costings for a position, and at least 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”

Decision Flow: Which Path?



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 Over 67% Committed to Sponsored Programs

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

Impact to Employee Compensation Certification (ECC) Reports

- The ECC statement certified percentage is based on the employee's total payroll for the period of performance.
- The payroll distribution in ECC will match the HCM Costing (26.67%), not the actual effort (20%).
- The Project Effort Coordinator should add the comment "Project distribution includes an adjustment for 9-month contract" for any impacted projects.
- 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.

Key Takeaways

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

EXIT CHECK

- 1 | For one current 9-month employee you support, which path applies?
- 2 | Do you have the Costing and ECC comment you will use for 9/12 adjustments?

Resources



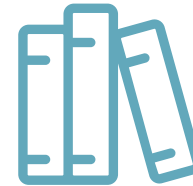
OSP Website

uwyo.edu/osp-postaward



Online Tutorials

[Training Tool Kit](#)



References

[Award Management Resources](#)

[Policy & Procedure](#)

[FAQ & Other Resources](#)



Community Forum

[Suggestions & Feedback](#)

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