

DHHS Salary Cap

Policies

Business Policy Manual: [BPM-210](#), Sponsored Programs; [BPM-213](#), Correction of Income and Expense Items

Accounting Policy Manual: [APM-60.07](#), Allowable Costs and Cost Principles; [APM-60.20](#), Closing Sponsored Awards; [APM-60.30](#), Cost Share: Matching, Level of Effort, and Earmarking; [APM-60.32](#), Effort Verification Reports

Forms

[Payroll Correcting Entry](#)

Overview

In 1990, Congress imposed the first salary limitations (caps) applicable to National Institutes of Health (NIH), Agency for Healthcare Research and Quality (AHRQ), and Substance Abuse and Mental Health Services Administration (SAMHSA) funding streams. The salary cap limits direct salary that can be paid from a grant, contract, or cooperative agreement to which the limitation applies; the cap does not limit salaries paid by the Institution.

Until federal fiscal year (FY) 2012, the salary cap increased each year, with the FY 2001 through FY 2011 limitations coinciding with Executive Level I (ELI) of the Federal Pay Scale. The Consolidated Appropriations Act, 2012 (Public Law 112-74), signed into law December 23, 2011, realigned the salary cap to Executive Level II (ELII) of the Federal Pay Scale. This action represented the first decrease in the total amount of allowable direct salary since the limitation's inception.

The ELII limitation applies to all awards with DHHS funding streams (CFDA 93.XXX) with an initial issue date on or after December 23, 2011. Awards with an initial issue date on or before December 22, 2011 can charge salary at the ELI limitation.

[FY 2017 Awards Issued](#)

October 1, 2016 through January 7, 2017	(ELII)	\$185,100
January 8, 2017 through September 30, 2017	(ELII)	\$187,000

[FY 2016 Awards Issued](#)

October 1, 2015 through January 9, 2016	(ELII)	\$183,300
January 10, 2016 through September 30, 2016	(ELII)	\$185,100

[FY 2015 Awards Issued](#)

October 1, 2014 through January 10, 2015	(ELII)	\$181,500
January 11, 2015 through September 30, 2015	(ELII)	\$183,300

[FY 2014 Awards Issued](#)

October 1, 2013 through January 11, 2014	(ELII)	\$179,700
January 12, 2014 through September 30, 2014	(ELII)	\$181,500

[FY 2013 Awards Issued](#)

October 1, 2012 through September 30, 2013	(ELII)	\$179,700
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FY 2012 Awards Issued

October 1, 2011 through December 22, 2011	(ELI)	\$199,700
December 23, 2011 through September 30, 2012	(ELII)	\$179,700

Risk

By federal law, the University cannot charge salary above the limitation on any DHHS-funded awards, including DHHS-funded subawards. If the University is found to have charged salary above the limitation to a DHHS-funded award, the sponsor can disallow the charges and require the amount to be refunded. Noncompliance with the salary cap could result in audit findings and could negatively impact future funding opportunities.

Procedure

At proposal, the Departmental Research Administrator (DRA) and OSPA Senior Grants and Contracts Administrator (SGCA) work to ensure that employee salaries in excess of the applicable cap are properly allocated between the federal portion of the project budget and the cost share portion.

The Controller's Office prepares a monthly report that includes salary data for all employees who are paid from a DHHS funding stream (CFDA=93.XXX). The OSPA Compliance Team analyzes each project to determine which cap (ELI or ELII) is applicable based on the award issue date. The OSPA Compliance Team then analyzes each employee's salary to calculate (1) effort on the project, (2) the amount of salary allowable on the project at the applicable cap, and (3) the salary posted to the federal portion less the allowable cap. The OSPA Compliance Team documents these calculations for each project from which the employee is paid for the current calendar year and one prior calendar year.

If the OSPA Compliance Team identifies an employee's salary on the federal portion of an award that is over the applicable salary cap for the calendar year, the OSPA Compliance Team emails the DRA to request payroll correcting entries (PCEs) and/or Personnel Action Form (PAF) updates to ensure the salary posted is proportionate to effort based on the cap.

If the employee's salary is over the applicable cap for the prior calendar year, the Department must complete a PCE for that calendar year's payroll to transfer salary from the federal portion of the grant to the cost share portion.

If the employee's salary is over the applicable cap for the current calendar year, the Department must complete a PCE or, if the grant's period of performance is ongoing, make an adjustment to the next month's payroll distribution. In addition, the Department must ensure that the employee's PAF is adjusted accordingly.

As continuation funding is received, the SGCA notifies the OSPA Compliance Team. The OSPA Compliance Team reviews salary posted to prior years to determine if any employees paid from the project are over the ELII cap (effective December 23, 2011). If an employee is over the ELII cap for a prior year, the OSPA Compliance Team advises the SGCA to set up a new project for the continuation funding.

Responsibilities

Below is an outline of responsibilities as they relate to this process.

Department Research Administrator:

- During proposal development, the DRA determines the salary of individuals to be paid from the project and builds in an inflationary increase for each year. The DRA includes cost share for salary amounts over the DHHS salary cap in the Electronic PeopleSoft Signature Routing Sheet (ePSRS) budget and obtains appropriate approvals.
- During award setup, the DRA notifies the SGCA if there is a change in the cost share source and provides required approvals. The DRA sets up the employee's job earnings distribution to appropriately allocate between the federal funding and cost share MoCodes.
- During award closeout, the DRA prepares any final PCEs that may be needed to ensure compliance with the salary cap.

OSPA Compliance Team:

- During award setup, the Compliance Team works with the SGCA to determine if a new ChartField is needed for continuation funding based on the applicable salary cap.
- Each month, the Compliance Team reviews a report from the Controller's Office detailing employees who are paid from a DHHS-funded project and have salary that is over the cap. The Compliance Team works with the DRA to make adjustments to posted salary as necessary, including job earnings distribution (JED) updates on the PAF and PCEs.
- During award closeout, the Compliance Team works with the OSPA Post-Award Team to do a final review, ensuring that salaries are appropriately allocated between the federal funding and cost share portions of the project.

OSPA Senior Grants and Contracts Administrator:

- During proposal submission, the SGCA reviews the budget to determine if any employee's salary exceeds the applicable cap, and if so, that all approvals have been obtained for the cost share ChartField(s).
- During award setup, the SGCA obtains the prime agreement if the University is a subrecipient to (1) confirm the funding source, (2) confirm the issue date to determine the applicable salary cap, and (3) review all applicable flow-down terms and conditions.
- The SGCA works with the Compliance Team to determine if a new ChartField is needed for continuation funding.

OSPA Post-Award Team:

- During award closeout, the Post-Award Team works with the Compliance Team to do a final review, ensuring that salaries are appropriately allocated between the federal funding and cost share portions of the project.

Need Help?

If you have questions or comments about this procedure or the required form, contact OSPA at muresearchospa@missouri.edu or (573)-882-7560.

Related Topics

[Cost Share](#)

[Cost Transfers, Payroll](#)

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