
May 13, 2025

To: Contracts & Grants Directors, Extramural Fund Managers

Subject: Charging STAR Awards to Federally Sponsored Projects

Introduction & Purpose:

This guidance outlines when and how Staff Appreciation and Recognition (STAR) Awards may be charged to federally sponsored projects, ensuring recognition of exceptional employee contributions while maintaining compliance with federal regulations. General requirements for STAR Awards are outlined in the [Staff Appreciation and Recognition Plan \(PDF\)](#).

Guidance

Charging of STAR Awards to federal awards is permissible when:

- Such payments are not prohibited by the specific sponsor and award terms.
- The payments represent compensation for exceptional performance that directly benefits the award.
- The payments meet all regulatory requirements including specific agency and/or award requirements as well as Uniform Guidance regulations in [2 CFR §200.430\(f\)](#):

“Incentive compensation. Incentive compensation to employees based on cost reduction, efficient performance, suggestion awards, or safety awards is allowable to the extent that the overall compensation is determined to be reasonable and such costs are paid or accrued according to an agreement entered into in good faith between the recipient or subrecipient and the employees before the services were rendered, or according to an established plan followed by the recipient or subrecipient so consistently as to imply, in effect, an agreement to make such payment.”

Allowability Criteria

1. **Established Written Policy/Guidance:** The STAR Award is provided under an established award program that is consistently applied across all eligible employees.
2. **Reasonable Compensation:** The STAR Award, when combined with regular compensation, must be a reasonable payment for the services rendered.
3. **Direct Benefit:** The exceptional performance must directly benefit the specific federal award being charged. STAR awards for work that does not relate to the

- scope of the federal award or project are not allowable.
4. **Within Award Scope:** The exceptional performance must relate to activities within the scope of the federal award. "Above and beyond" refers to the quality or impact of work performed within scope, not work outside the award's scope.
 5. **Adequate Documentation:** The STAR Award must follow local nomination, review and award approval processes, and be supported by documentation that clearly establishes the exceptional nature of the performance and the benefit to the federal award.

Documentation

STAR Award payments charged to federal awards must be supported by documentation that includes:

1. **Justification:** A description of the exceptional performance, including how it exceeded normal expectations.
2. **Benefit:** A clear explanation of how the exceptional performance directly benefited the federal award being charged.
3. **Allocation:** If an employee works on multiple projects but only one project benefited from the extraordinary efforts, the bonus may only be charged to the relevant project. If the exceptional performance benefited multiple awards, the STAR Award must be allocated proportionally based on the benefit received by each award (not necessarily following the employee's regular salary distribution).

Implementation

Individual locations may maintain their current STAR Award funding practices if they choose. This guidance provides an additional option to charge STAR Awards to federal funding when appropriate but does not mandate changes to Local STAR Plan implementation. Each location may choose if the location will implement STAR Award charges to federal awards within the parameters in this guidance.

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