

Effort Reporting – Again

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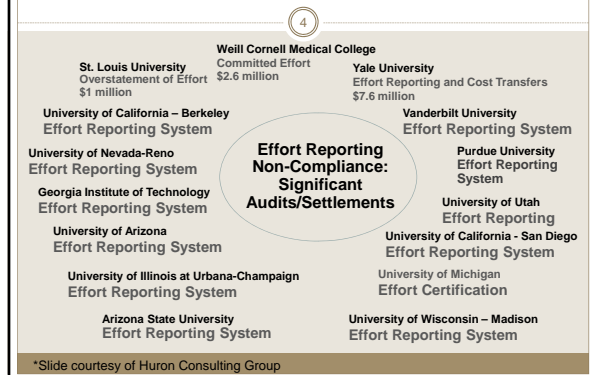
Agenda

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- Audit Findings
- Common Policy Issues
- FDP Project Certification Demo

Audit Findings

Recent Effort Audits & Settlements



NSF Effort Reporting Reviews

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- NSF planned to audit 30 institutions on effort reporting
 - Completed 16 to date
 - Reports are published at <http://www.nsf.gov/oig/auditpubs.jsp>
 - OIG has announced it will stop the effort audits once the audits in process are completed.

Common Audit Issues

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- Who is covered by effort reporting
 - Who certifies
 - Managing effort commitments
 - Definition of "100%" professional effort
 - 100% funding from sponsored projects
 - Summer effort and summer salary
 - Academic year effort
 - Effort reporting and cost sharing
 - Integration of Cost transfers
 - Method for independent evaluation of systems' effectiveness

Common Audit Issues

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- Certification issues
 - ✓ Timeliness of the certification
 - ✓ Accuracy of the certification
 - ✓ Who approved the certification
 - ✓ What is "suitable means of verification?"
 - ✓ Documentation
- Costing issues
 - ✓ Salary charges and cost sharing
 - ✓ Number and appropriateness of cost transfers
 - ✓ Overload payments

More Audit Issues

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- Review of effort processes
 - ✓ Independent evaluation
 - ✓ Internal audit review – frequency of reviews
- Appropriateness of activities
 - ✓ Activities charged to the sponsored project
 - ✓ Level of work on non-sponsored activities
 - ✦ Governance
 - ✦ Departmental functions
 - ✓ Summer salary and effort
 - ✦ NSF 2/9 rule

Still More Common Audit Issues

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- General concerns
 - ✓ Policies and procedures
 - ✓ Training programs
 - ✦ Principles of effort v. use of the system
 - ✓ Mandatory v. voluntary training
 - ✓ Consequences for failure to certify
 - ✓ Support for effort reporting activities

Key Policy Issues

Key Policy Issues

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1. Who certifies for whom?
2. What is 100% effort
3. What constitutes timely certification?
4. How will you handle commitments of effort?
5. How will you handle training on effort reporting? Is it voluntary or mandatory?
6. Faculty effort on sponsored projects: Is there a maximum level?
7. Managing professional classes of staff who work on sponsored projects and the budgetary impact
8. De minimis effort
9. Summer & Academic Year Effort
10. Setting consequences for failure to comply with effort reporting policies and practices

1. Who certifies for whom?

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- What works on your campus?
 - ✓ Volume
 - ✓ Campus culture
 - ✓ Faculty and scientist perspective
- **Applicable Regulation:** OMB Circular A-21 Section J.10a – *Compensation for Personal Services*
- J.10.a applies “for services of employees rendered during the period of performance under sponsored agreements”
- **Any person paid by, or with a commitment to, a federally sponsored program**
 - ✓ Most institutions include all sponsored programs (not just federal) in the criteria
 - ✓ Some institutions include all individuals
 - ✗ Commitment information may not be well-maintained
 - ✗ Effort reports may be required for other purposes (e.g., state reporting)

2. What is 100% Effort?

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- Total Professional Effort
 - ✓ All professional activities performed by a faculty or staff member, regardless of how (or whether) the individual receives compensation.
 - ✓ May include activities that are not compensated by the institution
- Institutional Base Salary
 - ✓ The activities which constitute a full workload for the individual and which are compensated by the institution.

3. Timely Certifications

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- How often will you certify?
 - ✓ Faculty and professional staff
 - ✓ Classified staff
- Setting a window for certifying
 - ✓ It's the calendar for audit
 - ✓ Wisconsin: 90 days
 - ✓ Yale: 60 days
 - ✓ Penn: 45 days
- Recertifications
 - ✓ Do you allow them?
 - ✓ Under what circumstances?

4. Effort Commitments

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- How do you manage effort commitments?
 - ✓ Are they captured centrally? Electronically?
 - ✓ Monitoring commitments
- Effort Commitments v. cost sharing commitments
 - ✓ NOT always the same!
- Minimum Commitment
 - ✓ January 5, 2001 OMB Memorandum excerpt:
 - ✓ Most Federally-funded research programs should have some level of committed faculty (or senior researchers) effort, paid or unpaid by the Federal Government. This effort can be provided at any time within the fiscal year (summer months, academic year, or both)
 - ✓ If no effort is reflected, the university must compute an amount to include in the base.

5. Training Programs

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- Key institutional decision
 - ✓ Mandatory at Wisconsin
 - ✓ Voluntary at many institutions
- Who is trained?
 - ✓ Faculty, professional staff, students, etc.
 - ✓ Support staff (Effort Coordinators)
- Frequency of training requirement
 - ✓ UW – Audit issue over “refresher course”
 - ✓ Delivery methods

6. Level of Faculty Effort

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- Institutional policy on maximum effort
- Nature of the institution
 - ✓ Research intensive v. undergraduate education focus
- Wisconsin:
 - ✓ *Generally, faculty cannot commit 100% of their effort on sponsored projects, as time must be reserved for other UW duties. For academic staff, there is no limit on the amount of effort that can be devoted to sponsored projects. However, allocations of effort to sponsored projects must be reasonable given the individual's non-sponsored University activities.*

7. Professional Staff

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- Professional classes of employees
 - ✓ Research faculty
 - ✓ Scientists
 - ✓ Post-docs
 - ✓ Academic staff
- Maximum level of effort on sponsored projects
- Responsibilities for non-sponsored activities
- Serious budgetary impact
- Political issue for people in those employee classes

8. De Minimis Effort

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▪ Definition and description:

Infrequent, irregular activity that would normally be considered "so small" that it cannot (and should not) be accounted for. Activities can be considered de minimis in amount when, in the aggregate, they represent less than one percent of the individual's total UW effort.

Depending on the nature and extent of the activity, and on the amount of time it requires in an effort period relative to the individual's total UW effort for the period, the types of activities that may qualify as de minimis effort include service on ad hoc committees, participation in department and division meetings, and basic activities of University life.

Grant proposal writing and well-defined, regular administrative activity cannot be considered "so small," and therefore must not be treated as de minimis.

▪ Budget implications for non-sponsored activities

9. Auditors' Position on NSF 2/9 Rule

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▪ 2 months. Period.

▪ Summer salary based on an average of previous 9 months

▪ Example:

✓ \$10,000/mo for 5 months	= \$50,000
✓ \$11,000 /mo for 4 months	= \$44,000
✓ Total salary	= \$94,000
✓ Average salary	= \$10,444/mo
✓ Current salary	= \$11,000/mo

9. NSF 2/9 Rule

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▪ Uncertainty among OIG auditors

▪ Conversation with NSF

- ✓ Paying an average salary is unworkable
- ✓ Universities have authority to pay current salary
- ✓ Adding additional months may be allowable if there is no change in the SOW
 - ✦ Recommends contacting Grant and Program officers
 - ✦ Program should judge level of effort needed
- ✓ Best course is to put it in the proposal and justify

10. Consequences

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- Is there a penalty for failure to certify effort?
- Is there a penalty for failure to take training?
- Do the penalties have teeth?
- How do you monitor?

Federal Demonstration Partnership

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Are there any Alternatives – What do we really have to do?

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- A-21 Section J10. *Compensation for Personal Services*
 - ✓ J10a. General
 - ✦ Salaries, Wages, Fringes are allowable when in conformance with institutional policy consistently applied
 - ✦ Charges to sponsored projects and allocable as F&A follow principles in the section

Are there any Alternatives
Within the A-21 Requirements?

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- J10b. Payroll distribution
 - ✓ J10b(1). General Principles
 - ✦ Based on payrolls documented in accordance with general practices at colleges and universities
 - ✦ Apportionments of salaries and wages produce equitable distribution
 - ✦ Recognizes intermingled activities and accepts degree of tolerance
 - ✦ Recognizes there is no single best method
 - Methods must meet criteria of J10b(2)
 - Examples are in J10c
 - Other methods may be acceptable

Are there any Alternatives
Within the A-21 requirements?

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- J.10b(2). *Criteria for Acceptable Methods*
 - ✓ Payroll distribution system will: be incorporated into the official records; reflect activity for pay; incorporate both sponsored and all other activity (can be separate)
 - ✓ Method for after-the-fact confirmation of actuals
 - ✓ Allows confirmation for sponsored agreement separate from identification for F&A costs

Are there any Alternatives
Within the A-21 requirements?

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- J.10b(2). *Criteria for Acceptable Methods*
 - ✓ Payroll distribution systems vary among institutions so recognizes activities expressed as percentage of total activities
 - ✓ Recognizes short-term fluctuations
 - ✓ Provides for independent internal evaluations
 - ✓ When these standards are met, no additional support or documentation required

FDP Payroll Certification Project

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- Federal Demonstration Partnership (FDP)
 - ✓ Cooperative Initiative among 10 Federal Agencies and 120 institutional recipients of federal funds
 - ✓ Work to streamline the administration of federally sponsored research
 - ✓ Identify, test, and implement new, more effective ways of managing \$15 Billion in federal research grants
 - ✓ Maintain stewardship while improving productivity

FDP Payroll Certification Project Alternative to the Effort Reports

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- Explore a method for apportioning salaries and wages other than examples in J.10c but still meet the criteria specified in J.10b(2)
 - ✓ Recognizes that A-21 is not going to be revised to move examples to appendices
 - ✓ Recognizes that A-21 recognizes there is "no single best method"
 - ✓ Recognizes that stewardship must be maintained

FDP Payroll Certification Project Alternative to the Effort Reports

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- FDP Committee formed in 2008 (reformed from 2005) and gained momentum in 2009
 - ✓ August 2009 Session
 - ✦ Attending: ONR, DHHS, NIH, NSF, George Mason, Caltech, University of Illinois, Michigan Tech, University of California (Irvine Campus and State System), Washington University, Yale
 - ✦ Draft Payroll Certification Alternative
 - ✦ Presentation of Proposed System, UC Irvine
 - ✦ Presentation of Current Similar System, UI Urbana

FDP Payroll Certification Project Alternative to the Effort Reports

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- Where the Project is Now
 - ✓ http://sites.nationalacademies.org/PGA/fdp/PGA_055834
 - ✓ ONR Draft Guidance to Universities for Participation in FDP Project Cert Demo
 - ✦ Notice of Intent to ONR
 - ✦ Application Package
 - ✦ ONR Review Process
 - ✓ DHHS Approach
 - ✦ Written confirmation from OMB
 - ✦ Initial participation limited
 - ✦ Application Checklist/Package pending
