EFFORT REPORTING OR WHATEVER WE CALL IT NOW

National Extension Research Administrative Officers

San Diego California

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Part 200: UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS

- 200.430: Compensation-personal services
  - Includes all renumeration
    - Must be reasonable
      - Consistent with that paid for similar work elsewhere in institution
      - In cases where the kinds of employees are not found elsewhere in the entity, compensation will be considered reasonable to the extent comparable to that paid for similar work in the relevant labor market.
    - Must comply with established written policy
    - Must follow an appointment made in accordance with written policy
    - Is determined and supported (standards for documentation)

COMPENSATION CONTINUED

- Specifically mentioned for Institutions of Higher Education
  - Allowable charges may include reasonable amounts for activities contributing and directly related to work under an agreement, such as delivering special lectures about ongoing activities, writing reports and articles, developing and maintaining protocols (human, animal, etc.), managing substances/chemicals, managing and securing project-specific data, coordinating research subjects, participating in appropriate seminars, consulting with colleagues and graduate students, and attending meetings and conferences.
  - Salary charged for work performed on Federal awards are allowable at the Institutional Base Salary Rate (IBS). IBS is defined as the annual compensation paid by an institution for an individuals appointment, whether that individual's time is spent on research, instruction, administration, or other activities. Charges for a faculty member's salary to a Federal Award must not exceed the proportionate share of the IBS for the period during which the faculty member worked on the award.

COMPENSATION CONTINUED

- Intra-Institution of Higher Education consulting. Intra-IHE consulting by faculty is assumed to be undertaken as an IHE obligation requiring no compensation in addition to IBS. In unusual cases where consultation is across departmental lines or involves a separate or remote operation, and the work performed by the faculty member is in addition to his or her regular responsibilities, any charges for such work representing additional compensation above IBS are allowable provided that such consulting arrangements are specifically provided for in the Federal award or approved in writing by the federal awarding agency.
- Also Extra Service Pay

COMPENSATION CONTINUED

- All allowable if all the following conditions are met:
  - The IHE maintains consistent written policies which apply uniformly to all faculty members
  - The IHE establishes a consistent written definition of work covered by IBS which is specific enough to determine conclusively when work beyond that level has occurred. This may be described in appointment letters or other documents.
  - The supplementation amount paid is commensurate with the IBS rate of pay and the amount of additional work performed.
  - The salaries, as supplemented, fall within the salary structure and pay ranges established by and documented in writing .

COMPENSATION CONTINUED

- The total salaries charged to Federal awards including extra service pay are subject to the Standards of Documentation.
- Charges for work performed by faculty members on Federal awards during periods not included in the base salary period will be at a rate not in excess of the IBS.
- Charges for work performed on Federal awards by faculty members having only part-time appointments will be determined at a rate not in excess of that regularly paid for part-time assignments.
- Costs of leaves of absence by employees for performance of graduate work or sabbatical study, travel, or research are allowable provided the IHE has written policy on the subject.

COMPENSATION CONTINUED

- Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave, employee insurance, pensions, and unemployment benefit plans.
- The costs of fringe benefits are allowable provided that the benefits are reasonable and are required by law, employee agreement, or and established policy of the entity.
- Severance pay is a payment in addition to regular salaries and wages to workers whose employment is being terminated. Costs of severance pay are allowable only to the extent that in each case, it is:
  - Required by law
  - Required by employer/employee agreement
  - Required by established policy
  - Required by circumstances of the particular employment

COMPENSATION CONTINUED

- Tuition or the remission of tuition is allowable but limited to the institution for which the employee works.

STANDARDS FOR DOCUMENTATION

- Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:
  - Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated
  - Be a part of the official records of the entity
  - Reasonably reflect the total activity for which the employee is compensated by the entity , not exceeding 100% of compensated activities also known as IBS

STANDARDS FOR DOCUMENTATION

- Encompass both federally assisted and all other activities compensated on an integrated basis.
- Comply with the entities established accounting policies and practices
- Support the distribution of the employee's salary among specific activities or cost objectives.
- Budget estimates alone do not quality as support, but may be used for interim account purposes if:
  - The system of establishing the estimates produces reasonable approximations of the activity actually performed
  - Significant changes in the corresponding work activity are identified and entered into the records in a timely manner.
  - The entity's system of internal controls includes processes to review after-the-fact interim charges made to federal awards based on budget estimates. All necessary adjustments must be made such that the final amount charged to the award is accurate, allowable, and properly allocated.
  - Percentage distribution of total activities is okay

STANDARDS FOR DOCUMENTATION

- It is recognized that teaching, research, service, and administration are often inextricably intermingled in an academic setting. When recording salaries and wages charged to federal awards for IHE's, a precise assessment of factors that contribute to costs in therefore not always feasible, nor is it expected.
- In accordance with Department of Labor regulations implementing the Fair Labor Standards Act, charges for the salaries and wages of nonexempt employees, in addition to the supporting documentation described heretofore, must also be supported by records indicating the total number of hours worked each day.

THE UNIFORM GUIDANCE SERIES BY NCURA

- NCURA Magazine April 2014 through December 2014
  - Background: starting in 1967 with a revision to OMB Circulare A-21 introduced the concept of EFFORT REPORTING. The purpose was to debate the best method of ensuring personnel service costs charged to sponsored projects met allowability, allocability, and reasonableness.

Uniform Guidance

- Considerable challenge because rules must apply to a wide range of recipients.
- Uniform Guidance response Section 200.430
  - It is recognized that teaching, research, service and administration are often inextricably intermingled in an academic setting. When recording salaries and wages charged to federal awards for IHE, a precise assessment of factors that contribute to costs is therefore not always feasible, nor is it expected.

Uniform Guidance

- This acknowledgement is a positive step to bridge the divide between federal and institutional viewpoints of how best to assign effort to sponsored activities
- The non-federal entity establishes a consistent written definition of work covered by institutional base salary which is specific enough to determine when work beyond that level has occurred.

Uniform Guidance

- The new guidance affirms the requirement for supporting documentation.
- Charges to federal awards may include reasonable amounts for activities contributing and directly related to work under an agreement.
  - Delivering lectures
  - Writing reports

Uniform Guidance

- Developing & maintaining protocols
- Managing chemicals
- Securing & managing project specific data
- Coordinating research subjects
- Participating in seminars
- Consulting with colleagues grad students
- Attending meetings and seminars

Uniform Guidance

- The guidance addresses the issue of direct charging clerical and administrative staff.
- The limits may cause institutions to reexamine how they review proposals and track requested categories of funds.
- Institutions need to devlop definitions of what is considered "integral" to sponsored projects
- Need to be prepared for the necessity of obtaining prior approval for these costs

Uniform Guidance

- WARNING: the guidance emphasizes internal control
- This fact strongly argues for the necessity of an internal verification as to the allocability of personnel service costs to projects.
- Former prescriptive language for frequency, specific methodology, and other effort reporting requirements are gone and/or modified.

Uniform Guidance

- To replace that language the guidance emphasis is on internal controls as a mechanism for ensuring effort is appropriately managed.
- The new language provides a blueprint for institutions when developing their internal contols processes or evaluating their current processes and policies

Uniform Guidance

- The new guidance allows for more flexibility provided institutions consistently apply and adhere to the internal controls to meet the standards and document policy and procedure.
- Several institutions are working with their cognizant and applicable auditors to pilot a project focused process that would replace the traditional effort certification process.

WHERE DO WE GO FROM HERE

- Three categories
  - A. Institutions have invested the pain of getting to an online effort reporting system. Have endured the financial, cultural, and personnel resources to have a system. Not willing to abandon what they have gained and simply will not change until there is a clear reading in the compliance testing environment

WHERE DO WE GO FROM HERE

- B. Those institutions that have received internal or external audit findings, perhaps experienced excessive grumbling from within regarding their current effort reporting system and accepted the reality that they must change or revise their current practices.

WHERE DO WE GO FROM HERE

- C. Those institutions that are not clear on their next steps and may not have a complete picture of their own internal processes sufficient to make informed decisions regarding change.

UNIFORM GUIDANCE

- It is clear that there is an expectation that effort management changes will require proactive coordination with cognizant agency and documentation within the institutional CASB DS-2
- The audit community will be required to assess the internal control structure based upon a much broader set of guidelines

WHERE DO WE GO FROM HERE

- The current audit approach is based on year of experience with A-21 and rigid institutional systems.
- It is unclear how auditors will determine what constitutes an auditable "system of internal control which provides reasonable assurance."