

COSTING POLICIES OUTLOOK 2012

EFFORT REPORTING

Nov 9 Letter to Task Force Recap

Thursday AM Session
February 23, 2012

Activities –July 28 Letter to Task Force

- **Proposed Action re: Effort Reporting**
 - **Effort Reporting should be discontinued**
 - **Replace with institutionally designed compliance-based approach that meets accountability standards**
 - **Research Universities have option to continue to use existing systems OR**
 - **Develop new approaches that meet accountability standards**
 - **Effort Reporting Systems are overhead intensive, not well understood and evolved away from original intent of validating salaries charged represent reasonable estimate of the work performed**

Activities- Nov 9 Follow Up Letter

Common Understanding

- **Research outcomes are captured by advancing the science**
- **Payroll systems and associated internal control environment established consistent with institutional philosophies and practices**
- **Sound payroll distribution systems can demonstrate compliance with cost principles**
- **Effort Reporting represents an inefficient additional layer of reporting**

Nov 9 Follow Up

Common Understanding

- **COGR recommended approach**
 - Enhance faculty productivity
 - Minimize administrative burden
 - Maintain institutional accountability

Recommendations

- **Amend Circular A-21 Section J.10.b**
 - Remove the Examples of Acceptable Methods for Payroll Distribution
- **Model Framework for Payroll distribution systems that incorporates:**
 - Preventive controls
 - Ongoing monitoring and review
 - Detective controls

Model Framework- Common Characteristics

1. **Medium** – electronic based system; reconcilable to the GL of the institution
2. **Coverage** – encompass all federally funded projects
3. **Uniformity** – applied consistently and uniformly to all classifications of personnel
4. **Measurement** – verify salary amounts charged
5. **Frequency** – standards for review of reports from distribution system, minimum at close-out
6. **Review Responsibility** – individual with direct or delegated responsibility for account oversight and authorized to review PR charges for everyone charged to the project

Model Framework- Common Characteristics

7. **Account Establishment** – once personnel set up in distribution system for a project, ensuing distribution charges assumed valid unless or until PI or designee change the distribution
8. **Integrity** – policies and procedures are subject to routine audits (i.e. internal, annual financial, A-133)
9. **Feedback** – results of integrity tests provided to appropriate individuals for any necessary corrective actions and to reemphasize procedures/training
10. **Cost Sharing** – data either integrated into distribution system or accumulated through stand-alone system reconciled to distribution system.

**University of California – FDP
Comparison of Efforts Reports to Payroll Certifications**

Description	Effort Reporting System	Payroll Certification System
System Focus	Individuals	Project (Grant or Contract)
Certification Frequency	Quarterly	Annually (Based on project's budget year)
Time frame for distributing the form	February, May, August, and November	After the end of the project's budget year
Time frame to sign certification	Within 90 days after the end of the quarter, which is also 45 days after receiving the form	Within 70 days of the end of the budget year.

**University of California
Comparison of Efforts Reports to Payroll Certifications**

Description	Effort Reporting System	Payroll Certification System
Signers	Individual employee, Principal Investigator, or person with First-hand knowledge	Required: Principal Investigator Optional: Co-principal Investigator, business officer, lab supervisor, etc.
System Rationale (Theoretical foundation) For Certifying Salaries and Wages	Amounts are reasonable based on percentage of effort	Amounts are reasonable based on work performed
Committed Salary Cost Sharing	Shown as a percentage of effort	Amounts are reasonable based on work performed

**University of California
Comparison of Efforts Reports to Payroll Certifications**

Description	Effort Reporting System	Payroll Certification System
NIH Salary Cap	Shows total effort expended on the project, but amount reflects cap limitations	The acceptable amount is net of the cap disallowance.
Special Costing Requirements: Clerical and Administrative, NSF salary limit, No proposal preparation charged to project, NIH cap	Not addressed	Part of the certification