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Considering Compensation – Carefully

2 CFR 200.430

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COGR Analysis

- Background
- First Assessment document
- Target release date
- Looking ahead

Uniform Guidance Themes

- UG offers greater flexibility in account for salaries and wages charged to Federal awards
 - Effort reporting and certification are allowable but not required
- UG emphasizes strong Internal Controls with or without an effort reporting system
- UG stresses written institutional policies and procedures

What happened to effort reporting?

- From the Preamble to the Uniform Guidance:
- “While many non-Federal entities may still find that existing procedures in place such as personal activity reports and similar documentation are the best method for them to meet the internal control requirements, this final guidance does not specifically require them. **The focus in this final guidance on overall internal controls mitigates the risk that a non-Federal entity or their auditor will focus solely on prescribed procedures such as reports, certifications, or certification time periods which alone may be ineffective in assuring full accountability.**”

Federal Register, Volume 78, Number 248, on December 26, 2013

General, 200.430 (a)

- Introduces “remuneration” rather than compensation
 - Includes all complementary benefits provided to an employee
- IHE activities are separated into two categories – federal or non-federal
- UG removed the condition that compensation conform to the “established policies of the institution”
 - Now, “costs of compensation are allowable to the extent that they satisfy the specific requirements of this Part.”

General, 200.430 (a)

- Documentation is critical. Compensation policies must be maintained in a written format.
 - Be available and easily accessible, i.e., online
 - Be up to date and consistent with current systems and practices
 - Document internal controls and roles and responsibilities
 - Address specific compensation issues
 - **Be supported by monitoring** to confirm compliance

Being Reasonable


- Reasonableness, 200.430 (b)

- Individuals working on grants should not be receiving higher rates of pay than other employees who are performing the same work

- Special Considerations, 200.430(e)

- The UG states that *special considerations in determining allowability of compensation will be given to any change in a non-Federal entity's compensation policy resulting in a substantial increase in its employees' level of compensation (particularly when the change was concurrent with an increase in the ratio of Federal awards to other activities) or any change in the treatment of allowability of specific types of compensation due to changes in Federal policy.*

Institutional Base Salary (IBS)

- Only for IHEs and specifically defined in the UG: 200.430(h)(2)
- Must be defined in writing by the institution
 - Components of faculty salaries should be clearly established in appointment letters 
- Define the treatment of clinical practice plan compensation in relation to IBS
- Generally, IBS will exclude salary paid by a separate organization – VA appointments, consulting, incidental activities, incentive pay

Categories of Compensation

- Professional Activities Outside the Non-federal Entity, 200.430(c) – consulting
- Incentive Compensation, 200.430(f)
- Incidental Activities, 200.430(h)(1)(ii)
- Allowable Activities, 200.430(h)(1)(i)
- Intra-IHE Consulting, 200.430(h)(3)
- Extra Service Pay, 200.430 (h)(4)
- Periods Outside the Academic Year, 200.430(h)(5)

Incentive and Incidental

- Incentive Compensation, 200.430(f) = Bonus
 - Should only be charged to a sponsored award if:
 - The work provided benefit to the award
- Incidental Activities, 200.430(h)(1)(ii)
 - Infrequent, irregular activity that would normally be considered "so small" that it cannot (and should not) be tracked
 - Meets an institutional, written definition of incidental or de minimis (1% for example)
 - Example: Service on a department committee that meets once per semester

Allowable Activities, 200.430(h)(1)(i)

- Programmatic in nature – can be direct charged. Examples from the UG:
 - delivering special lectures about specific aspects of the activity; writing reports and articles
 - developing, maintaining protocols (humans, animals, etc.)
 - managing substances/chemicals
 - managing and securing project-specific data
 - coordinating research subjects
 - participating in appropriate seminars
 - consulting with colleagues and graduate students
 - attending meetings and conferences

Intra-IHE Consulting, 200.430(h)(3)

- Basically unchanged from A-21
- Assumed to be an obligation requiring no additional compensation
- Example: Faculty member in graphic arts is asked to be a guest speaker for an hour's lecture on the relationship of the arts to engineering design.

Extra Service Pay, 200.430 (h)(4)

- NEW term in the UG

- “Normally represents overload compensation, subject to institutional compensation policies for services above and beyond IBS.”
- Additional pay, other than incentives and bonuses, which is treated as compensation.
- ESP must be commensurate with the IBS rate and is subject to the UG Standards of Documentation
- Example: A faculty member has an appointment for teaching two course but is needed now for three.
- What about administrative supplements????

Periods Outside the Academic Year, 200.430(h)(5)

- No change from A-21
- “ . . . 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.”

Standards of Documentation of Personnel Expenses, 200.430 (i)

- UG eliminates the examples from A-21 to provide increased flexibility to document personnel costs
- Focus is on strong internal controls
- First Standard:
 - Charges to Federal awards must be “supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.”

Back to the Preamble

- The Preamble says, “...this final guidance requires non-Federal entities to comply with a stringent framework of internal control objectives and requirements. . . . While many non-federal entities may still find that existing procedures in place such as personal activity reports and similar documentation [are] the best method[s] for them to meet the internal control requirements, this final guidance does not specifically require them.”
- The Preamble was not codified as part of the Guidance.

Standards of Documentation

- An institutional system for charging salaries to Federal awards must provide, “reasonable assurance that the charges are accurate, allowable, and properly allocated.”

Budget Estimates, 200.430 (i)(viii)

- New language: Budget estimates alone do not qualify as support for charges to Federal awards, but may be used for interim account purposes, provided that:
 - Estimates produce reasonable approximations
 - Changes are entered into records in a timely manner
 - Our system of internal controls includes an after-the-fact review
 - “. . . The final amount charged to the Federal award is accurate, allowable, and properly allocated.”

The Academic Setting, 200.430 (i)(ix)

- (ix) Per the UG, *“Because practices vary as to the activity constituting a full workload (for IHEs, IBS), records may reflect categories of activities expressed as a percentage distribution of total activities.”*
 - This standard is consistent with A-21. The standard appears to acknowledge that some institutions may continue to use effort reporting.

- (x) *“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 IHEs, a precise assessment of factors that contribute to costs is therefore not always feasible, nor is it expected.”*
 - The “degree of tolerance” qualifier has been eliminated, however, the recognition that “a precise assessment of factors that contribute to costs is therefore not always feasible, nor is it expected” remains intact.

Records and Cost Sharing

- Records, 200.430 (i)(2)

- Per the UG, “for records which meet the standards required in paragraph (i)(1) of this section, the non-Federal entity will not be required to provide additional support or documentation for the work performed...”

- Cost Sharing, 200.430 (i)(4)

- A not-new requirement is that, “. . . salaries and wages of employees used in meeting cost sharing or matching requirements on Federal awards must be supported in the same manner as salaries and wages claimed for reimbursement from Federal awards.”

Alternatives, 200.430(i)(6)

- (6) “Cognizant agencies for indirect costs are encouraged to approve alternative proposals based on outcomes and milestones for program performance where these are clearly documented. Where approved by the Federal cognizant agency for indirect costs, these plans are acceptable as an alternative to the requirements of paragraph (i)(1) of this section.”
 - (i)(1) “Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must”
- Recognizes the possibility of alternatives, but suggests approval is needed

Alternatives

- Anecdotal information: Some institutions have received information from ONR and DHHS that no approval is needed to move to payroll certification or another alternative mechanism for accounting for salaries and wages.

Reading between the Lines, 200.430(I)(8)

- “For a non-Federal entity where the records do not meet the standards described in this section, the Federal Government may require personnel activity reports, including prescribed certifications”
- Does that suggest PARs, aka effort reports, are only needed if we fail to keep records that meet the standards?

Well, here's another nice mess
you've gotten me into.



Questions?