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**Schrag and Gindhart Thursday Morning Presentation March 2015**

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# UG , Compensation – personal services (- \$200.430)

Council on Government Relations

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# General

- **Not focused on payroll distribution system mechanics**
  - System functionality standards are commonplace
- **“Remuneration” instead of “Compensation”**
- **Federal Activities or Non-Federal Activities**
  - Recognized broad spectrum of IHE’s other direct and indirect activities
  - Replaces “other work allocable as F&A costs”
- **Established written policies**

# General, cont.

- **Costs must “satisfy the specific requirements”**
  - **They are reasonable, conform to written policy, and are applied consistently;**
  - **They follow an appointment made in accordance with Federal statute and/or written policies; and**
  - **They are supported by the [somewhat vague] Standards for Documentation provided for IHE’s.**

# Allowable Activities

- **Incorporates items from A-21 Exhibit C**
- **Recognizes activities identified from FDP Admin/Faculty Burden workgroups**
- **Removes narrow interpretation**
  - **Developing and maintaining protocols (human, animals, etc.)**
  - **Managing substances/chemicals**
  - **Managing and securing project-specific data**
  - **Coordinating research subjects**



# Unallowable & Special

- **\$487K Compensation (salary & fringe) limit on cost reimbursement contracts**
- **Allowability questioned when entity's compensation policies are modified due to:**
  - **Substantial increase in federal awards**
  - **Change in Federal policy**



# Reasonableness

- **Concerned about rate of pay, and not allocation**
- **Compensation reasonableness threshold**
  - **Adopted from A-87 & A-122**
  - **“Similar work performed” at grantee institution and/or business sector**
- **Intended to address issues such as;**
  - **Inconsistent rates of pay for similar work across federal grant portfolio**
  - **Salary increases driven by available funding**



# Incidental Activities

- **Definition or examples not provided in text**
- **Not described in A-87 or A-122**
- **Rate cannot exceed IBS**
  - **Frequently paid in fixed amount**
- **Specifically provided in award budget, or receive prior approval from awarding agency**
- **Excludable from documentation requirements**





# Salary Basis

- **IBS – Annual compensation paid by an IHE for an individual’s appointment, whether..time is spent on research, instruction, administration, or other activities**
- **Unless there is prior approval by a federal agency, charges of faculty salary to a federal award must not exceed the proportionate share of IBS**

# Salary Basis

- **Establish “a consistent written definition of work covered by IBS” specific enough to determine conclusively when work beyond that level has occurred**
- **How detailed a written policy?**
- **Create institutional definitions for key elements (e.g., ESP)?**
- **Review and enhance controls related to IBS/effort management?**

# Extra Service Pay (ESP)

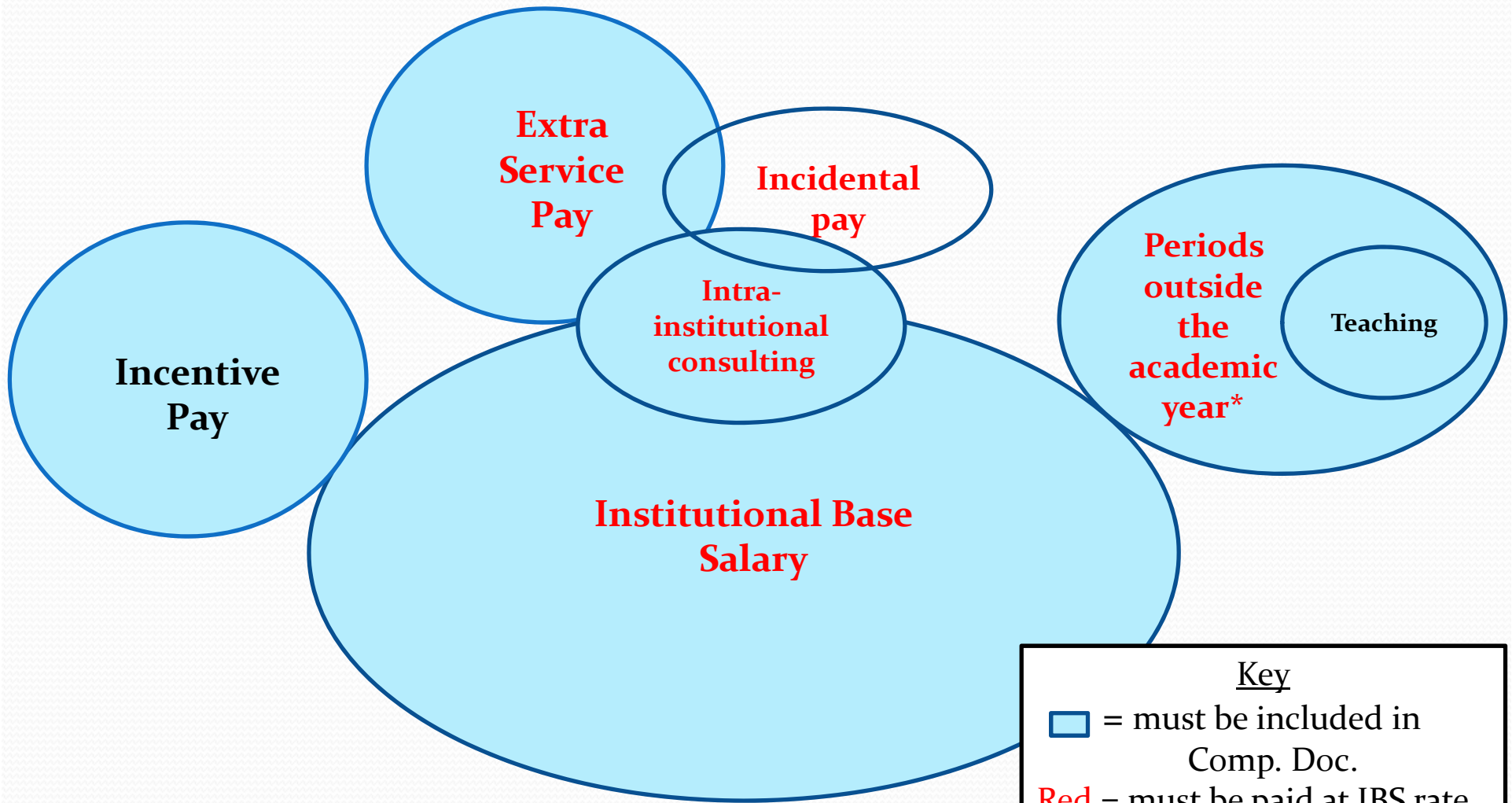
- **ESP = pay above and beyond IBS. Requirements:**
  - Institutional policy applicable to all
  - Consistent, documented definition of work covered by IBS, so that ESP may be distinguished from it
  - Pay at IBS rate and in accordance with documented salary structure
  - Subject to Standards of Documentation
- **How does ESP relate to intra-institutional consulting, incentive pay, and incidental pay?**
- **Distinguish ESP from pay associated with an additional appointment, e.g., dean/chair?**



# Periods Outside the Academic Year

- **Pay must not exceed IBS rate, except as specified for teaching activity.**
- **“Summer months” not included in UG but concept from A-21 remains – faculty members may be paid at the rate of the NIH salary cap. Review for consistency with institutional policy.**
- **For off-term teaching, develop/revise written policy if needed.**

# Overview of Compensation in the Uniform Guidance



Key  
□ = must be included in Comp. Doc.  
Red = must be paid at IBS rate  
\* = not to exceed IBS rate

# Standards of Documentation - Preamble

- Existing procedures may be the best method to meet the internal control requirements.
- But UG “does not specifically require them.”
- “The focus ... 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.”

# Documentation of Personnel

## Expenses Must:

- Be supported by internal controls
- Be incorporated into IHE's official records
- Reasonably reflect total activity, not exceeding 100% of compensated activity (for IHEs, per definition of IBS) (but see Venn diagram?)
- Encompass federally supported and all other compensated activities on an integrated basis (but may use subsidiary records)
- Comply with IHE's established policies and practices
- Support the distribution of salary or wages among activities

# Budget estimates: before, during and after work is performed

Budget estimates may be used to support federal charges provided that 3 requirements are met:

1. “The system for establishing estimates produces reasonable approximations of the activity actually performed.”
  - Consider a policy addressing this requirement, if you do not have one
  - Examples of systems?





## **Budget Estimates – 3 requirements**

- 2. “Significant changes in the corresponding work activity (as defined by the non-federal entities written policies) are identified and entered into the records in a timely manner.”**
  - Do you need a policy to document what constitutes a “significant change?”**
  - What should be the threshold ?**



## **Budget Estimates – 3 requirements**

- 3. “A process to review after-the-fact interim charges...made based on budget estimates.”**
- **Adjustments must be made such that final charges are accurate, allowable and properly allocated.**
    - **At what point in time is the amount charged “final?”**
  - **No certification required**
  - **No “suitable means of verification”**

# Level of Precision for Documentation

- Eliminates “reasonable estimate of work performed”
- Adds “accurately reflect the work performed”
- Retains concept that in an academic setting, “teaching, research, service, and administration are inextricably intermingled... for IHEs, a precise assessment of factors that contribute to costs is therefore not always feasible, nor is it expected.”
- Define your level of precision and that becomes your accuracy standard
- Review policies and procedures to ensure UG language is appropriately tracked



# Certification Statement

- **Current:** “I certify based on my personal knowledge or suitable means of verification that the percentage I have entered ... for each sponsored project is reasonable in relation to the work performed...”
- **Possible revision for UG:** “I have **reviewed** the percentages I have entered ... for each sponsored project and they are reasonable in relation to the work performed.”



**Is 200.430  
“A nightmare dressed as a  
daydream”?**