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
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.
<table>
<thead>
<tr>
<th>Description</th>
<th>Effort Reporting System</th>
<th>Payroll Certification System</th>
</tr>
</thead>
<tbody>
<tr>
<td>System Focus</td>
<td>Individuals</td>
<td>Project (Grant or Contract)</td>
</tr>
<tr>
<td>Certification Frequency</td>
<td>Quarterly</td>
<td>Annually (Based on project’s budget year)</td>
</tr>
<tr>
<td>Time frame for distributing the form</td>
<td>February, May, August, and November</td>
<td>After the end of the project’s budget year</td>
</tr>
<tr>
<td>Time frame to sign certification</td>
<td>Within 90 days after the end of the quarter, which is also 45 days after receiving the form</td>
<td>Within 70 days of the end of the budget year.</td>
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# University of California
Comparison of Efforts Reports to Payroll Certifications

<table>
<thead>
<tr>
<th>Description</th>
<th>Effort Reporting System</th>
<th>Payroll Certification System</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Signers</strong></td>
<td>Individual employee, Principal Investigator, or person with First-hand knowledge</td>
<td>Required: Principal Investigator Optional: Co-principal Investigator, business officer, lab supervisor, etc.</td>
</tr>
<tr>
<td><strong>System Rationale (Theoretical foundation)</strong> For Certifying Salaries and Wages</td>
<td>Amounts are reasonable based on percentage of effort</td>
<td>Amounts are reasonable based on work performed</td>
</tr>
<tr>
<td><strong>Committed Salary Cost Sharing</strong></td>
<td>Shown as a percentage of effort</td>
<td>Amounts are reasonable based on work performed</td>
</tr>
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<td>--------------------------------------------------</td>
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<td>-------------------------------------------------------------------</td>
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<tr>
<td>NIH Salary Cap</td>
<td>Shows total effort expended on the project, but amount reflects cap limitations</td>
<td>The acceptable amount is net of the cap disallowance.</td>
</tr>
<tr>
<td>Special Costing Requirements: Clerical and Administrative, NSF salary limit, No proposal preparation charged to project, NIH cap</td>
<td>Not addressed</td>
<td>Part of the certification</td>
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