Payroll Confirmation


Some History

1965: Effort reporting was first proposed
1966-1968: Heavily protested so the regs were not implemented
1967: First addressed in A-21, requirements were tedious and unclear so the university response was primarily negative
1979: This revision gave examples of acceptable methodologies
1982: Revised again after further stakeholder involvement

• Several articles were written protesting the requirements and suggesting alternative strategies:
  • Burden was foreseen and predicted
  • Extent of compliance with the “new” regulations could only be seen once they were audited unless baseline data were collected for comparison
  • Regulations remained unchanged until…
FDP & NAS Reports

• The FDP’s 2005 and 2012 Faculty Burden Surveys both show 42% of faculty’s federally-funded research time is spent on completing pre- and post-award requirements.

• Link to the reports: http://sites.nationalacademies.org/PGA/fdp/PGA_055749

• National Academy of Sciences Report: Optimizing the Nation’s Investment in Academic Research
  A New Regulatory Framework for the 21st Century, Part 1

• Link to the report: http://www.nap.edu/catalog/21803/optimizing-the-nations-investment-in-academic-research-a-new-regulatory-framework-for-the-21st-century-part-1

• On compensation for personnel expenses:

  The committee recommends that Congress, in concert with OMB, affirm that research institutions may take advantage of the flexibility provided by the Uniform Guidance with regard to the documentation of personnel expenses.

• In addition, specific recommendations to the audit community were given.

  Inspectors General responsibilities should be rebalanced so that adequate consideration is given both to uncovering waste, fraud, and abuse and to advising on economy, efficiency, and effectiveness. The relationship between Inspectors General and research institutions should be based on a shared commitment to advancing the nation’s interest in a dynamic and productive research enterprise.


Compensation Reporting Requirements

Governing Regulations

• 2 CFR Part 200.430, paragraph (a) notes that compensation is allowable if it is reasonable, conforms to established written policies, is consistently applied, follows an appointment, and is supported by paragraph (i)

• 2 CFR Part 200.430, paragraph (i) Standards for Documentation of Personnel Expenses outlines the compensation reporting requirements

• Clarification of OMB A-21 Treatment Voluntary Uncommitted Cost Sharing and Tuition Remission Costs (January 5, 2001)

Major Regulatory Changes

• Allows for additional flexibility in how entities implement processes to meet standards
  – Removed formal reference to many elements of guidance
    • specific examples of appropriate methodologies for monitoring effort
    • prescribed effort reporting time periods
    • specification on who must certify/document compensation costs
    • concept of independent evaluation removed
  – But, must be based on a strong system of internal controls and records must accurately reflect the work performed
Compensation Reporting Requirements
2 CFR 200.430, paragraph (f) Standards for Documentation of Personnel Expenses

(1) Charges to Federal awards for salaries and wages must be based on the 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 incorporated into the official records of the non-Federal entity;
- Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity; not exceeding 100% of compensated activities (for IHE, IRS per the IHE’s definition of IRS);
- Support the distribution of the employee’s salary or wages among specific activities or cost objectives if the employee works on more than one activity; and
- Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

Office of Business Affairs
Sponsored Programs Administration

UT Southwestern Medical Center

Translated

- Salary charges must be based on official records
- Records must be supported by a system of internal controls
- Records must reflect employee’s total activity; not exceed 100%
- Encompass all activities in IRS

Office of Business Affairs
Sponsored Programs Administration
UT Southwestern Medical Center

Translated

- Records must include all activities; supplementary records can be used
- Comply with accounting policies/practices
- Support salary/wage distribution

Office of Business Affairs
Sponsored Programs Administration
UT Southwestern Medical Center

Translated

- Budget estimates (BEs) can be used for interim accounting purposes only; when they do not qualify
- Process to establish IRS is important
- Significant changes made timely
- After-the-fact review (adjustment, as applicable) of IRS required

Office of Business Affairs
Sponsored Programs Administration
UT Southwestern Medical Center
(1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must (CONTINUED):

- Because practices vary as to the activity constituting a full workload (for IHEs, IBS), records may reflect categories of activities expressed as percentage distribution of total activities.
- 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.

(2) 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, other than that referenced in paragraph (i) (3) of this section.

(3) In accordance with Department of Labor regulations implementing the Fair Labor Standards Act (FLSA) (29 CFR Part 516), charges for the salaries and wages of nonexempt employees, in addition to the supporting documentation described in this section, must be also supported by records indicating the total number of hours worked per day.

(4) 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.

Pilots – UG Alternatives

Federal Demonstration Partnership
- Pilots Started at George Mason, UC Irvine, UC Riverside, Michigan Tech
- Payroll certification system
- Eliminates "effort" in favor of reasonable charges
- PI verify annually

Department of Labor Workforce Innovation Fund
- OMB may allow waiver of effort reporting for Innovation Fund grants
- Verify activity based on outcomes, not promise of success
- Examples include case counts or employment placements
- Applicants may propose alternate plans with application

Department of Education Request for Ideas
- Soliciting detailed and general ideas for effort alternatives
- Evidence that funds are producing outcomes tied to overall program goals
- Development and linkage of data systems
- Long-term efficiency and productivity benefits
### FDP Pilot Audit Results

<table>
<thead>
<tr>
<th>OIG</th>
<th>Report Issued</th>
<th>Pilots Specific Results*</th>
</tr>
</thead>
<tbody>
<tr>
<td>George Mason University</td>
<td>NSF August 2015</td>
<td>Influence written policies on payroll certification; enforcement internal controls over 1% issues identified are not as a result of inherent design of central system; timing, having direct visibility to full payroll statements could be an important control;less frequent certification requires diligence in communicating and adhering to control procedures.</td>
</tr>
<tr>
<td>University of California - Irvine</td>
<td>DHHS December 2014</td>
<td>Must document separate opinion for payroll certification process.</td>
</tr>
<tr>
<td>University of California - Riverside</td>
<td>DHHS</td>
<td>Report has not been issued.</td>
</tr>
<tr>
<td>Michigan Technological University</td>
<td>NSF September 2015</td>
<td>University generally provided clear guidance; unaccounted pay and uncharged, internal control over financial accounting system should be strengthened.</td>
</tr>
</tbody>
</table>

*FDP conclusion is that payroll certification is permitted under 2 CFR 200; approval from cognizant agency is NOT required but guidance on internal controls should be considered in implementation. Comprehensive report summarising conclusions from all pilots is forthcoming.

Source: Office of Business Affairs

Office of Business Affairs

Sponsored Programs Administration as of September 2015 meeting.