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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)

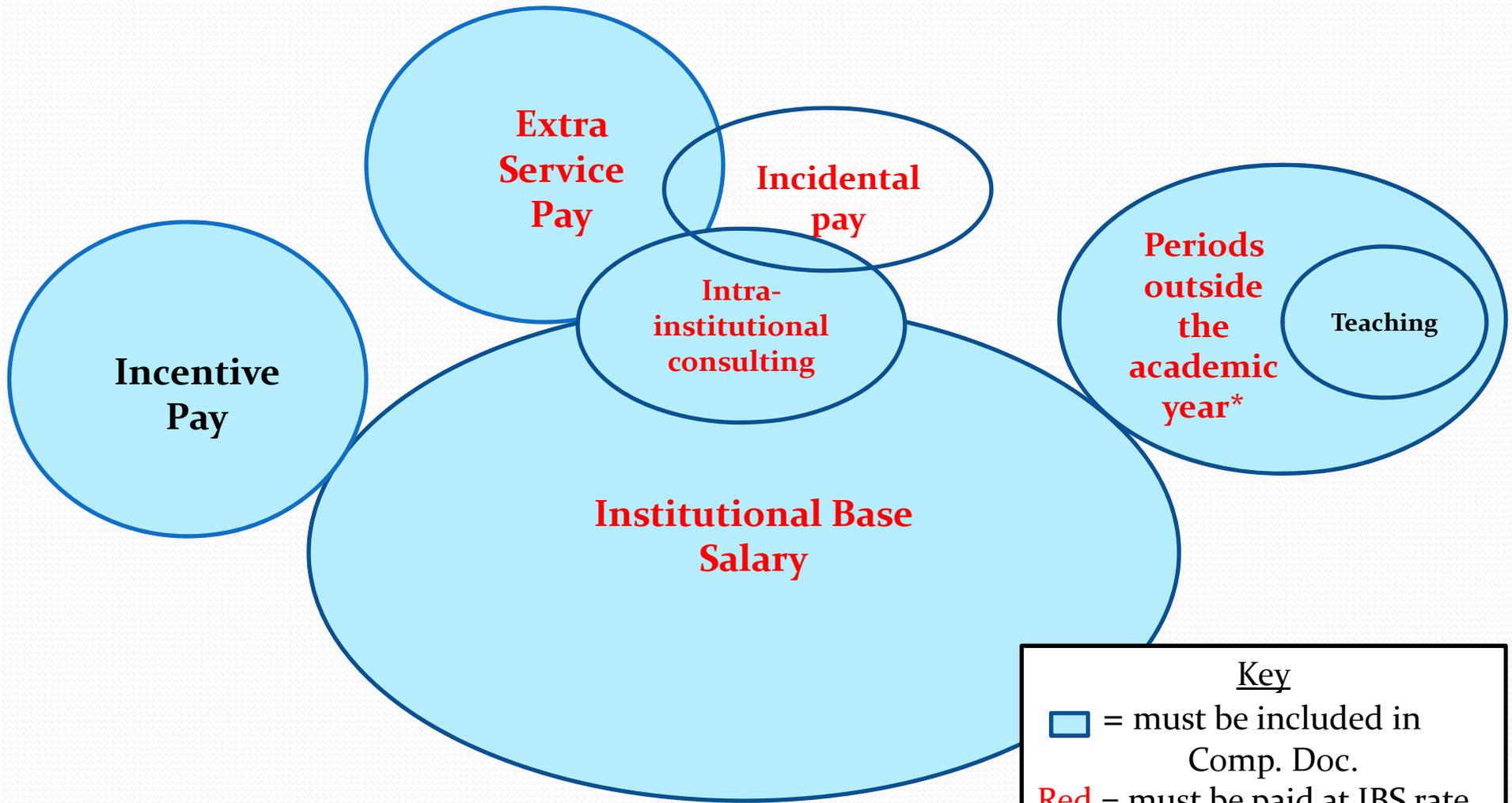
- **ESP = pay above and beyond IBS. Requirements:**
 - Institutional policy applicable to all
 - Consistent, documented definition of work covered by IBS, so that ESP may be distinguished from it
 - Pay at IBS rate and in accordance with documented salary structure
 - Subject to Standards of Documentation
- **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”?**