

Northwestern University

Office of Cost Studies

EFFORT REPORTING AND OMB UNIFORM GUIDANCE

July 2014

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Agenda

Overview of the new guidance

- Brief history and implementation
- 2 CFR Part 200 (New Uniform Guidance) - Organization
- Before we begin - Acronyms and Key Words

Comparison & guidance

- Organization of Subpart 200.430
- Comparison between the new guidance and A-21, Section J.10
- Internal controls and other key topics

Next...

- Audit experiences
- What actions have we taken?
- Recommendations from external parties & our experiences



Brief History and Effective/Applicable Dates

- Nov 2009 – Presidential directives to ease administrative burden and strengthen oversight
- June 2011– Creation of A-21 Force and COFAR
- Dec 26, 2013 – OMB issued Final Guidance
- Federal agencies submit drafts of implementing regulations to OMB by June 2014
- Section 200.110 Effective/applicability date
 - Uniform implementation 12/26/2014 – applicable to new awards and to incremental funding awarded on or after 12/26/14
- Except Subpart F (Audit), effective the first FY beginning on or after 12/26/14



Organization of Uniform Guidance

	Title and Emphasis	Section No.	Predominate Sources
Subpart A	Acronyms & Definitions	200.0 to 200.99	New
Subpart B	General Provisions	200.1xx	
Subpart C	Pre-Federal Award	200.2xx	
Subpart D	Post-Federal Award - including Procurement, Standards for Financial and Program Management, and Subrecipients Monitoring	200.3xx	A-110, A-102
Subpart E	Cost Principles – including Direct & Indirect (F&A) Costs, and Compensation-Personal Services	200.4xx	A-21, A-87, A-122
Subpart F	Audit Requirements	200.5xx	A-133
Appendices	Combination of all 8 circulars; III – F&A for Educational Institutions	I to XI	

Before we begin...

Some New or Key Acronyms

Acronym & Key Word	
IHE	Institutions of Higher Education (e.g., NU)
COSO	Committee of Sponsoring Organizations of the Treadway Commission
COFAR	Council on Financial Assistance Reform
IBS	Institutional Base Salary
SOP	Standard Operating Procedures utilized by Office of Cost Studies
RCT	Retroactive Cost Transfers – The process of applying 90-day journals to impacted effort reports in Effort Reporting System (ERS)
CFR	Code of Federal Regulations

Before We Begin...

Words to Know - "Must" vs. "Should"

- **"Must"**
 - Interpreted as Required
- **"Should"**
 - Interpreted as Best Practice or Recommended Approach



§ 200.430 Compensation – Personal Services vs. A-21, Section J.10

Overall Comparison

- **Internal Controls** emphasized – *“records must be supported by a system of internal control...”*
- **Written Policies and Procedures, or Definitions** emphasized
- **(i) Standards for Documentation** - *“accurately reflect the work performed”* emphasized
- “IBS” introduced
- Specific guidance for IHEs in (h)
- 3 examples removed (“after-the-fact” mentioned later)
- Reporting frequency removed

Assessment

Main Contents starting 200.0

- **Internal control(s)** mentioned 34 times

§ 400.430 alone:

- “written” policies or definitions mentioned 13 times.
- “prior” approval mentioned twice
- A greater focus on Internal Controls to ensure full accountability



Internal Controls

§ 200.303 Internal Controls

- **Must** maintain effective internal control over the federal award that provides reasonable assurance...
- **Should** be in compliance with *COSO and Standards for Internal Control in the Federal Government (the "Green Book")*.
- **Must** comply, evaluate and monitor compliance with federal statutes, regulations and the terms and conditions of the federal awards
- **Must** take prompt action when non-compliance is identified
- **Must** take reasonable measures to safeguard personally identifiable information and other information designated as sensitive

Assessment

- *Is our current Effort Reporting System sufficient for Internal Controls?*
- To be determined what will withstand an OIG audit of Internal Controls?
- Written and applied institutional policies & procedures enforce internal controls



COSO'S Internal Control–Integrated Framework (2013 Update)

- Codification of 17 principles supporting the five components

(* May 2013 COSO outreach presentation)

Control Environment

1. Demonstrates commitment to integrity and ethical values
2. Exercises oversight responsibility
3. Establishes structure, authority and responsibility
4. Demonstrates commitment to competence
5. Enforces accountability

Risk Assessment

6. Specifies suitable objectives
7. Identifies and analyzes risk
8. Assesses fraud risk
9. Identifies and analyzes significant change

Control Activities

10. Selects and develops control activities
11. Selects and develops general controls over technology
12. Deploys through policies and procedures

Information & Communication

13. Uses relevant information
14. Communicates internally
15. Communicates externally

Monitoring Activities

16. Conducts ongoing and/or separate evaluations
17. Evaluates and communicates deficiencies

§ 200.430, (a) through (f)

Compensation – (a) to (f)

- (a) General
- (b) Reasonableness
- (c) Personal activities outside the IHE
- (d) Unallowable Costs
- (e) Special consideration in determining allowability of compensation
- (f) Incentive compensation

IHEs:

- (h) Requirements specific for IHEs

Some Key Points

- Follows the appointments of IHEs
- Determined and supported by *(i) Standards for documentation*
- Outside activities – “must” follow IHE’s policy
- Costs that are unallowable under other sections “must” not be allowed in this section
- Subject to ceiling in accordance with statute(e.g. NIH salary cap)



§ 200.430, (h) – Requirements for IHEs

(h) Institutions of higher education (IHEs)

- 1) Certain Conditions – better clarification: allowable and incidental activities
- 2) Salary basis
- 3) Intra-institution of IHEs
- 4) Extra service pay/Overload
- 5) Periods outside the academic year
- 6) Part-time faculty
- 7) Sabbatical leave
- 8) Salary rates for non-faculty members

Assessment

- Overall, clearer definitions and better examples:
 - New examples of allowable activities such as *developing and maintaining protocols (human, animals, etc.), managing substances /chemicals, managing and securing project-specific data, coordinating research subjects*
- IBS introduced & emphasized



§ 200.430, (i) Standards for documentation

(i)(1)(i) to (i)(1)(viii)

- Charges to Federal awards for salaries and wages **must** be based on records that **accurately reflect the work performed**
- Be supported by a **system of internal control** which provides reasonable assurance that the **charges are accurate, allowable, and properly allocated**
- **Reasonably** reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities



Assessment

- “**accurately reflect the work performed**” emphasized
- Internal Controls emphasized: accurate, allowable, and properly allocated
- Reasonably reflect the total activity... - similar to A-21, Section J.10

§ 200.430, (i) Standards for documentation – Budget Estimates

(i)(1)(viii) Budget Estimates

- Budget estimates (i.e., estimates determined before the services are performed) alone **do not qualify as support for charges** to Federal awards
- Significant changes in the corresponding work activity (as defined by the non-Federal entity's **written policies**) are identified and entered into the records in a timely manner. Short term (such as **one or two months**) fluctuation between workload categories need not be ...
- Internal controls includes processes to review **after-the-fact** interim charges
- All necessary adjustment must be made such that the **final amount charged to the Federal award is accurate, allowable, and properly allocated**

Assessment

- “after-the-fact” mentioned (also in A-21)
- Short-term fluctuation defined as no more than 2 months. However, final amount must be accurate...



§ 200.430, (i) Standards for documentation

(i)(1)(ix) to (i)(1)(x)

- May reflect categories of activities expressed as a percentage distribution of total activities
- “teaching, research, service, and administration are often **inextricably intermingled** in an academic setting. ...a precise assessment of factors that contribute to costs is therefore **not always feasible, nor is it expected**”

Assessment

- Similar to the language in A-21, Section J.10



§ 200.430, (i).3 – Documentation for Nonexempt Employees

(i)(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 also be supported by records indicating the total number of hours worked each day.

Assessment

- For non-exempt employees, time cards/timesheets will suffice but also subject to internal controls. e.g. , reasonable, accurate, allowable, and properly allocated



§ 200.430, (i).8 – Records not meeting the standards

(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, or equivalent documentation that support the records as required in this section

Assessment

- Federal government can impose personnel activity reports (same as in A-21) when it's determined the records do not meet the standards for documentation



Our Audit Experiences....



A-133 Audit on Effort Reporting at NU

- Annual audit performed by external auditors
- Requires certified effort reports, award documents, and **commitment** information
 - Were the sampled Effort Reports certified?
 - Was NIH salary cap difference accounted?
 - Was commitment met according to the award document?
 - Was Key Personnel devoted some effort (e.g., minimum effort)?
- For FY2014 audit, what is A-133 auditor's approach?



Past Audit Findings or Settlements

<u>Institution</u>	<u>Date Settled/Agency</u>	<u>Issues</u>	<u>Settlement</u>
Institute of International Education	Jun 2011/U.S. Dept of State	Effort reporting: budgeted vs. actual, cost allocation	\$1 million
Fort Valley State Univ	Jan 2010/NSF	Effort reporting, cost sharing	\$0.5 million
Yale University	Dec 2008 / multiple agencies	Cost transfers, summer salary charges, effort reporting	\$7.6 million
St. Louis University	Jul 2008 / NIH, CDC, HUD	Supplemental compensation, Effort reporting	\$1 million
Cornell University's Weill Medical College	Jun 2005/NIH	Effort reporting, payroll distribution, cost allocation, double billing Medicaid	\$4.38 million
The Mayo Clinic	May 2005/NIH, others	Cost allocation, cost transfers, inadequate accounting system	\$6.5 million
University of Alabama at Birmingham	Apr 2005/NIH	Research work overstated; Medicare billed for research	\$3.9 million
Harvard University	Jul 2004/NIH	Government billed for salaries & expenses unrelated to federal grants; self reported	\$3.3 million
Johns Hopkins Univ	Feb 2004/ NIH	Faculty time & effort overstated	\$2.6 million
Florida International U.	Feb 2005/Dept of Energy	Effort reporting, cost transfers, payroll dist.	\$11.5 million
Northwestern	Feb 2003/NIH	Institutional Base Salary; K award; certifier	\$5.5 million

Recommendations from External Parties and Our Experiences

- Review/update or establish policies and procedures to ensure consistent practice
 - “written” policies or definitions mentioned 13 times in Section 200.430 alone
- Strengthen Internal Controls
 - Mentioned 34 times in the main Uniform Guidance contents starting 200.0 (not including preamble)



Strengthening Internal Controls – Our Effort

Behind the scenes, Cost Studies utilizes SOPs to document our Current review, monitoring, and follow-up procedures. Examples include:

Weekly	Our Effort
System integrity	FASIS Payroll & InfoEd Award Data -> ERS - Data quality review via weekly tasks (RCTs, etc.) and award close-out - NCEs review and update

Quarterly Task	Our Effort
Completion status notification & follow-up	Escalated follow-up process to ensure completion of effort reports
Payroll vs. certified effort charges	Review payroll vs. certified effort amount per project via ERS cost share report; if payroll overcharged, Effort Coordinators follow up with dept
K award review and follow-up	Review 75% effort commitment and follow up with dept as needed
Random sampling of commitment review	Random sampling of Evanston awards and commitments review; Follow up with dept & OSR as needed



Recommendations from External Parties and Our Experiences

- Uncertainty as of today...Not all agencies have submitted the implementation plans
- Maintain current Effort Reporting and continue to strengthen Internal Controls
- Aggressively waiting for agencies and audit committee's responses



Questions?

Federal Register Notice - Title II CFR Part 200, PDF download:

<http://www.gpo.gov/fdsys/pkg/FR-2013-12-26/pdf/2013-30465.pdf>

Related presentations will be posted:

<http://www.northwestern.edu/coststudies>

