



February 18, 2019

Mr. Jeremy Forsberg  
Assistant Vice President  
Office of Research Administration  
University of Texas at Arlington  
202 East Border Street  
Suite 201  
Arlington, Texas 76010-0145

Dear Mr. Forsberg:

Our Services were performed in accordance with our engagement letter dated December 18, 2018 and is subject to the terms and conditions included therein.

Our Services were performed in accordance with Standards for Consulting Services established by the American Institute of Certified Public Accountants ("AICPA"). Accordingly, we are providing no opinion, attestation or other form of assurance with respect to our work and we did not verify or audit any information provided to us.

This report is limited to the specific procedures and analysis described herein and was based only on the information made available through February 17, 2019. Accordingly, changes in circumstances after this date could affect the observations and recommendations outlined in this Report.

This information has been prepared solely for the use and benefit of, and pursuant to a client relationship exclusively with, The Cohort for Efficiencies in Research Administration (CERA) which seeks to establish industry standards for institutions to effectively and efficiently implement and comply with the regulations that govern sponsored research. Our role was limited to an assessment of the Internal Control Framework for alternatives to effort reporting initiative.

We appreciate the opportunity to assist you with this important initiative for CERA.

Sincerely,

A handwritten signature in cursive script that reads "Lisa A. Franciosa".

Lisa A. Franciosa, Managing Principal

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## Background, Scope & Objectives

The Cohort for Efficiencies in Research Administration (CERA) has developed an internal controls framework to assist institutions with establishing alternatives to Effort Reporting. The intent of this framework is to facilitate consistency standards for institutions, federal agencies and the audit community. Franciosa & Associates LLC was hired to perform an evaluation of the framework to assess whether it maps to the Federal Uniform Guidance: Part 200- Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework and guidelines. The objectives of our assessment included the following:

- Evaluated the internal control framework to assess it against the Uniform Guidance and COSO.
- Evaluated how negative confirmation could be incorporated and suggest supporting controls.
- Review documentation standards outlined in Uniform Guidance 200.430 including a comparison to a CERA developed document "Standards for Documenting Personnel Expenses".

Overall, the framework demonstrates a great deal of effort and consideration for developing a sound framework for alternatives to effort reporting. The framework provides significant guidance and helpful advice to constituents. While we feel that the framework is comprehensive and useful, we have observed a number of areas that we recommend changes or updates to strengthen the framework.

## Observations & Recommendations

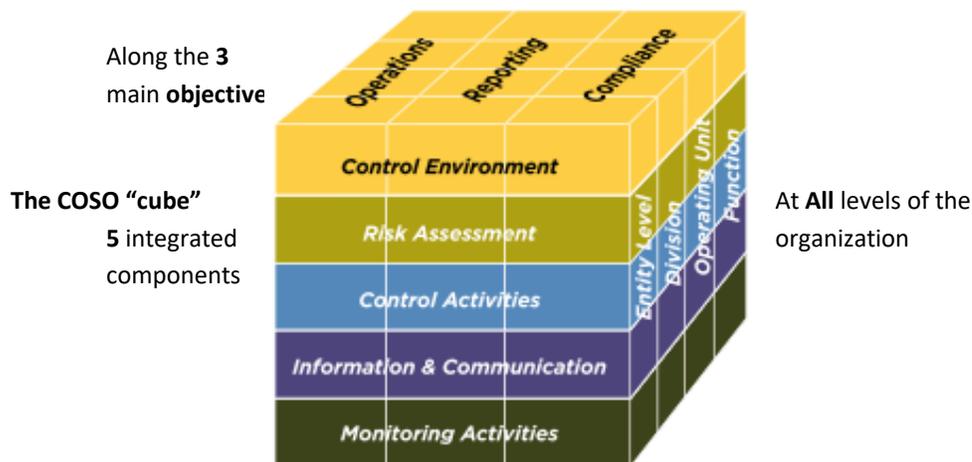
Provide below are some general observations on the Purpose of the Framework, Control Environment and Audience for the documents. Then we provide detailed observations and recommendations by section for I.) The internal control framework, II.) COSO guidance, and III.) Documentations Standards for alternatives to effort reporting initiative.

### Purpose of the Framework

The document titled “Cohort Internal Control Framework” appears to serve as a checklist. However, it does not provide member institutions with instructions on how to implement the framework. Member institutions must figure out it on their own. It does not provide guidance about internal controls and the COSO Framework.

We recommend adding a cover page/preamble to include the purpose of the document, which may include reasons for the documents, internal controls on allocation models, and COSO principles.

The COSO framework is shown in the following diagram:



### Control Environment

COSO defines the Control Environment as the “set of standards, processes and structures that provide the basis for carrying out internal control across the organization.” This component comprises the tone at the top, communication about ethical behavior and internal control with all levels of staff, and the overall integrity and values of the organization. These components provide the overall basis for successful system of internal control. Therefore, each organization has a unique control environment. A control environment can be strong or weak. Consequently, transactions, assessments, or evaluations as “part of control environment” could be also strong or weak. Using the term “part of control environment” in a framework designed for many institutions may not be accurate or the statement becomes ambiguous.

### Audience Focus

We understand that the primary audience of the Internal Control Framework for Compensation is research administrators and central administration. Based on our experience the majority of these professionals do not have significant experience in working with internal controls or the COSO framework. Considering the audience focus, the current documents could be overly technical, and we recommend simplifying the framework guidance to the extent possible.

## I. Internal Control Framework - Compensation

**Approach:** We recommend deleting “increase the risk of audit finding” for appropriateness.

**System Controls:** Controls tied to electronic data formatting that enable the institution to identify or prevent instances of noncompliance or the performance of other internal controls.

- **IBS Definition** should be consistently applied across schools, departments based on appointment types (9, 10, 11, 12 months). Certain payroll items are unique or specific to certain schools (e.g., inclusive or exclusive items, a legal structure of the faculty practice for the clinical base salary). IBS definition should be consistent with each faculty member’s appointment contract. IBS definition is critical to success, both for the PI in understanding the allocation of compensation and also for the coding in the payroll system.
- **The Treatment of Cost sharing** - Institutions need policies and procedures for how reportable cost sharing is identified, tracked in the system and how it gets reported.
- **Payroll Reallocation/Corrections** - policy and procedures should address prior fiscal year reallocations/corrections.
  - This is especially an issue when a journal entry is not processed in the source system (payroll). To ensure the integrity of the systems and financial reporting, a reconciliation between payroll and the general ledger is performed periodically, at a minimum once annually. This is also important for the Facilities & Administrative (F&A) cost proposal because direct cost equivalent (DCE) calculations are performed based on payroll records while the rest of cost allocations are based on the general ledger data.
  - The requirements for the revisions to the previously filed Federal Financial Reports (FFRs), LOC drawdowns or invoices should be also addressed in policies and procedures.

**Allocation of Payroll:** Controls associated with the payroll estimate to be charged.

- **Salary allocation review and approval** - Roles & Responsibilities should be clearly defined in policies and procedures. Specifically, the verification process should be developed to ensure that the PI signed off and the system setup reflects the PIs intent for allocation of compensation. Policies and procedures should define central responsibility vs. PI, departmental, and school responsibility.

**Payroll Review:** Controls to document, confirm, or review that payroll estimates and charges are reasonably accurate.

- **Payroll Reconciliation** - If the reconciliation is not automated, templates should be provided to the department administration, so calculations are consistent and accurate. Central Administration should perform a secondary review of payroll calculations based on certain criteria. In addition, the payroll reconciliation between the general ledger and FFR should be reconciled as percentage allocations. This is requested by Federal auditors
- **Payroll Reports** - Reports should include total paid compensation of 100%. Guidance on significant changes (e.g., over 5% change) should be provided in the policy and/or procedures as appropriate.
- **After-the-Fact-Review (Payroll Certification/Confirmation/Review)-**
  - The PI or a “**knowledgeable person**” – this person should be defined in policy and procedures and not subject to interpretation. Institutions often fail audits because the “knowledgeable person” could not demonstrate that they had sufficient knowledge of the programmatic aspects of an award.
  - Certifies or confirms compensation (could be a **negative confirmation**; e.g. have 90 days to reallocate payroll otherwise it is deemed to be reasonably accurate) received is reasonably accurate. We recommend eliminating the phrase from the section.

We do not recommend negative confirmation. It is too difficult to prove that the PI has reviewed the allocation. PIs are generally busy conducting research and oftentimes also teaching. Negative confirmation is difficult to prove in

an audit. COSO requires evidence of controls. With negative confirmation there is a lack of evidence. Most institutions fail audits when PIs or staff are interviewed by the auditors and the individuals cannot remember what projects they worked on or the personnel for which they certify compensation reports. The PI's review needs to be documented. Since salary is such a significant cost on sponsored awards, it is too material to use negative confirmation.

Negative confirmation is appropriate only when:

- 1) The auditor has assessed the risk of material misstatement as low and has obtained sufficient evidence regarding the design and operating effectiveness of controls.
- 2) The population of items is made up of a large number of small, homogenous account balances, transactions, or other items (e.g., accounts receivable, bank confirmation).
- 3) The auditor expects a low exception rate.
- 4) The auditor reasonably believes that recipients will give the requests adequate consideration. Adequate consideration exists when there are high response rates on audits in previous year or of similar clients.

Due to divergent activities that PIs and researchers perform, a negative confirmation for compensation would not be appropriate.

- **Coordination of an individual's compensation allocated on multiple projects with different PI/PDs -**
  - Generally, there should be a PI/ department to which an individual is primarily appointed (i.e., a home department). That PI should have primary responsibility for certification. Alternatively, each PI could certify to the percentage that the individual works for them, however, they would need to see total payroll distribution for the individual to ensure the data is meaningful.
  - In the research environment, developing coordination among faculty and researchers is more difficult than obtaining a confirmation from a primary certifier. This is especially true when a faculty has multiple awards as well as other duties.
- **Salary Reallocation Review and Approval-** We believe this section should be modified to clarify the meaning:
  - Element of Control: "Reallocation of **Prior** (after-the-fact) or future payments (budget estimate) is made as part of control environment)." Does "prior" mean incurred payroll costs? As stated earlier "part of control environment" needs to be reworded.
  - Control Description: "Reallocation of payroll for **prior payments** may be considered cost transfers of interim charges or the reallocation of budget estimates as part of **the internal control environment** (not yet confirmed for accuracy by the after-the-fact review control) and therefore, depending on institutional cost transfer policy, may not meet the definition of a cost transfer due to error. The term "prior payments" could indicates payments made in a prior period. Does this statement deal with payroll costs which are not yet to be confirmed or something else? It should be simplified to make it clear.
  - Cost transfers must have explicit language to support them. To correct an error is not sufficient. The criteria must be defined: Frequent, tardy and unexplained (or inadequately explained) transfers, particularly where they involve projects with significant cost overruns or unexpended fund balances, raise serious questions about the propriety of the transfers themselves as well as the overall reliability of the institution's accounting system and internal controls." (NIH Grant Policy Statement, 7.5 COST TRANSFERS, OVERRUNS, AND ACCELERATED AND DELAYED EXPENDITURES)
  - A retroactive cost transfer is justified in the following circumstances:
    - Clerical and data entry errors
    - Transfers between continuation years for the same award number
    - Pre-award costs that are specifically authorized in writing by the sponsor
    - Pertinent information is received subsequent to the date of original entry
    - It was impractical or impossible to allocate charges at the time of the original entry.
    - An award fails to materialize, and charges have been incurred on the risk project

- Salary corrections- higher level of scrutiny over 90 days requires escalation approval at a higher level such as Cost Analysis Manager/ Director.
- Extra Compensation - How does the payroll system distinguish IBS from non-IBS payroll items. How would the reviewer know the difference?
- There should have confirmation that payroll transfers were actually completed and didn't error out. Policies and procedure should define responsibility to monitor that transfers were completed timely, accurately and in accordance with federal requirements and institutional policies.

**Enforcement-** The institution has explicit authority to enforce additional internal controls or penalties for failure to follow the internal control framework.

- Institutional Escalation Process - Tone at the top. We recommend that VP of Research, the Dean, and/or some senior level personnel must be notified of repeat offenders.

**Administrative (non-financial)** The institution has a means to document or determine compliance to federal agency or other UG administrative compliance requirements (Unrelated to the UG Cost Principles).

- Should discuss how changes to salary cap should be handled. Can the system accommodate different cap amounts? What is the policy? Do the grants retain the old salary cap or change to new each year? In addition to NIH salary cap, there are others such as NSF- 2-month salary. What about private foundation requirements? These should either be set up in the system or tracked offline and documented including roles, responsibilities, etc. Who makes changes and who monitors? Responsibility should be assigned. We recommend that the procedures for federal and non-federal sponsors be consistent due to interrelatedness of sponsored activities.
- Committed Cost Sharing- As noted above, identifying, tracking and reporting of reportable cost sharing should be included in the policies and procedures.
- Reduction of 25% of time- We recommend both a process and training. Not sure what the underlined sentences mean. This needs clarification.

**Compliance Monitoring-** Processes or reports used to monitor effectiveness of internal controls or identify instances of potential noncompliance.

- "System automated controls designed to prevent errors may be the best form of a control because they may not require any monitoring once established that they are performing properly and as intended. "This is not accurate statement in accordance with COSO. There always will be monitoring regardless of type of control. Exception/error reports should be reviewed by responsible officials on an ongoing basis.
- Measurable- tests to determine that the controls are effective. Institutions need to define actionable steps (e.g., metrics, benchmarks, trend analyses) to measure effectiveness of controls.
- The example suggested below indicates the same type of reports used for effort reporting under the former Circular A-21 and does not really support an additional compliance monitoring control.

*"For example, of an additional compliance monitoring control, an institution may run a report to identify in a given time period those faculty that have received IBS related compensation on all sponsored projects (not just federal projects and including cost share) at 90% or more of their total IBS. These faculty may be asked to provide justification, or the institution determines based on its own criteria as to whether or not this total research activity is reasonable as it relates to their total activities of the institution. Such a post monitoring report may also help address the OIG audit recommendation that it would be useful to show full allocations of payroll to the FDP payroll pilot institutions. Such an approach may be a minimally burdensome alternative to a variety of controls an institution may put in place."*

**Education & Training-** Education and training opportunities are available or performed by the institution regarding compensation on federal projects.

- Training should be mandatory including tracking attendees. Anyone accessing the system must demonstrate that they took the training. Training should be included in onboarding of new PIs and research staff. Periodic refresher courses should be provided particularly if new policy, system or procedure changes or changes to roles & responsibilities. Also, an individual should be responsible (required?) for periodically reviewing policy and procedures.

**Documentation-** This section is missing as part of the element of controls. A section should be added for documenting the evidence of controls for each of the key elements.

#### Cost Accounting Standards Requirements

We have provided the Cost Accounting Standards below and highlighted relevant areas that need to be addressed in internal controls for certification of compensation.

Cost Accounting Standards §200.419 (a) An IHE that receives aggregate Federal awards totaling \$50 million or more in Federal awards subject to this Part in its most recently completed fiscal year must comply with the Cost Accounting Standards Board's cost accounting standards located at 48 CFR 9905.501, 9905.502, 9905.505, and 9905.506.

#### **48 CFR § 9905.501 - Cost accounting standard - consistency in estimating, accumulating and reporting costs by educational institutions.**

##### § 9905.501 -20 Purpose

The purpose of this Cost Accounting Standard is to ensure that each educational institution's practices used in estimating costs for a proposal are consistent with cost accounting practices used by the institution in accumulating and reporting costs. **Consistency in the application of cost accounting practices is necessary to enhance the likelihood that comparable transactions are treated alike.** With respect to individual contracts, the consistent application of cost accounting practices will facilitate the preparation of reliable cost estimates used in pricing a proposal and their comparison with the costs of performance of the resulting contract. Such comparisons provide one important basis for financial control over costs during contract performance and aid in establishing accountability for costs in the manner agreed to by both parties at the time of contracting. The comparisons also provide an improved basis for evaluating estimating capabilities.

##### 9905.501-40 Fundamental requirement.

- a) An educational institution's practices used in estimating costs in pricing a proposal shall be consistent with the institution's cost accounting practices used in accumulating and reporting costs.
- (b) An educational institution's cost accounting practices used in accumulating and reporting actual costs for a contract shall be consistent with the institution's practices used in estimating costs in pricing the related proposal.
- (c) The grouping of homogeneous costs in estimates prepared for proposal purposes shall not *per se* be deemed an inconsistent application of cost accounting practices under paragraphs (a) and (b) of this subsection when such costs are accumulated and reported in greater detail on an actual cost basis during contract performance.

##### 9905.501-50 Techniques for application.

- (a) The standard allows grouping of homogeneous costs in order to cover those cases where it is not practicable to estimate contract costs by individual cost element. However, costs estimated for proposal purposes shall be presented in such a manner and in such detail that any **significant cost can be compared with the actual cost accumulated and reported therefor.** In any event, the cost accounting practices used in estimating costs in pricing a proposal and in accumulating and reporting costs on the resulting contract shall be consistent with respect to:
  - (1) The classification of elements of cost as direct or indirect;
  - (2) The indirect cost pools to which each element of cost is charged or proposed to be charged; and

(3) The methods of allocating indirect costs to the contract.

(c) The standard does not prescribe the amount of detail required in accumulating and reporting costs. **The basic requirement which must be met, however, is that for any significant amount of estimated cost, the contractor must be able to accumulate and report actual cost at a level which permits sufficient and meaningful comparison with its estimates.** The amount of detail required may vary considerably depending on how the proposed costs were estimated, the data presented in justification or lack thereof, and the significance of each situation.

CAS 501 requires that for any significant proposed cost, the university must accumulate and report actual costs which permits comparison with estimates.

For those institutions that required to follow CAS, **the manner in estimating salaries & wages in proposal must be consistent with the manner in tracking payroll costs. If a PI is estimating his or her effort including all personnel proposed in the application, then he should track all personnel's effort.**

We suggest that the proposal and the method in payroll allocations be consistent.

CAS requires cost or funding adjustments, "If the university or its subcontractor fails to comply with CAS or fails to consistently follow the university's **established or disclosed** cost accounting practices, cost/funding adjustments (i.e., pay backs) will be imposed by the cognizant agency."

## II. Institutional Internal Control Program- Compensation

We identified the following additions for your consideration. For the Institutional Control Program.

### **Background and Use**

OMB has taken out Part 6 of Compliance Supplement. AICPA is currently working on a draft for audits.

### **Control Environment**

- Demonstrate Commitment to Integrity and Ethical Values
  - Tone at the top – we recommend adding whistleblower/ ethics hotline, senior leadership responsibility for oversight e.g., VP of Res Admin.
- Exercise Oversight Responsibility
  - Are internal and external audit findings presented to the Audit Committee? This should be addressed in the program.
  - This principle is more than just audit responsibility. This is oversight through monitoring reports, metrics, dashboards and other tools. In addition, have monitoring processes been implemented to ensure corrective actions are not just one time, but continuous and corrected for the long term.
- Establish Structure, Responsibility and Authority
  - Add: Is Internal Audit involved in reviewing compliance periodically?
- Demonstrate Commitment to Competence
  - Job qualifications, Job Descriptions- Are these reviewed periodically?
  - Are individuals properly trained and understand how they perform tasks related to compensation certification?
  - Training should be mandatory for anyone involved in the compensation certification process.
  - Training attendance should be tracked and documented.
  - What is the history of escalation resolution?
  - Do employees feel supported and don't fear reprisal?
  - Are there monthly or periodic meetings for managers to obtain feedback from staff?
- Enforce Accountability
  - Are personnel monitored to ensure that they perform their roles effectively and efficiently?
  - Does management enforce policies and support staff or are there overrides made for Faculty? Staff do not feel empowered when management overrides policies.

### **Risk Assessment**

- Define Objectives and Risk Tolerances
  - Add: How is cost shared compensation accounted for?
- Identify, Analyze, and Respond to Risks
  - Are objectives/ risks periodically reviewed to determine if there are any changes? Are employees consulted e.g., questionnaire on what they see as risks? This should be done periodically.
- Assess Fraud Risk
  - How does the institution verify that reviewers/ approvers have proper segregation of duties and there is no conflict of interest?
- Identify, Analyze, and Respond to Change
  - Define responsibility and approach to how the institution identifies and responds to change.

### **Control Activities**

- Design Control Activities
  - What is the access to the system and who grants approval to access? Who can approve additional compensation, merit increases, etc.? Who can confirm effort/amounts charged to sponsored projects? Just PI or individuals as well?

- Design Activities for the Information System
  - Who has responsibility to review access to system, data monitoring, exception reports, trend analysis, performance metrics- timeliness?
- Implement Control Activities
  - Changes to terms and conditions should have a communication standard, which should be addressed in policies & procedures.

***Information & Communication***

- Use Quality Information
  - Who has tested and confirmed accuracy of payroll reports? Responsibility should be carried on ongoing basis. Are all required elements working properly e.g., accurately reflects time periods, cost sharing, etc.?
- Communicate Internally
  - Can all PI/ faculty be reached with communication? Some travel and don't check emails, etc. Are responsibilities communicated for when PIs travel? Is a designee assigned responsibility?
- Communicate externally
  - How is salary/ effort tracked and monitored at subs? What are the subrecipients controls in place to monitor salary and/or effort? What are the expectations that are required of the sub? Is this included in the subcontract agreement?

***Monitoring Compliance***

- Perform Monitoring Activities
  - Remediation steps- Training, Communication, Enforcement of policies and procedures, escalation process.
- Evaluate Issues and Remediate Deficiencies
  - Yes, Internal review should be performed by the Office responsible for certifications e.g., Office of Cost Analysis.

### III. Standards for documenting Personnel Expenses

#### **Overall comment on Standards:**

We suggest adding standards that are broader than just documenting personnel expenses. A sample policy and procedures would be helpful. Perhaps adding at least an outline of a policy with the Uniform Guidance reference next to each item on the outline would be easier and more useful. The current draft is a little confusing and we had to re-read each section to understand them.

Also, we attached the NIH Policy Statement which states: *“For states, local governments and Indian tribes **NOT HIGHER ED** substitute processes or systems for allocating salaries and wages to Federal awards may be used in place of, or in addition to, the records personnel expenses described above, if approved by the cognizant agency for indirect cost. Such systems may include, but are not limited to, random moment sampling, “rolling” time studies, case counts, or other quantifiable measures of work performed.”*

Based on the language above, the documentation standards are more flexible for “non-higher education institutions. We also recommend obtaining Cognizant approval of the new system prior to implementing. Furthermore, we recommend the following questions: Why do we have controls over compensation? We should remember to get back to objectives of controls: Not charging based on estimate, but rather actual work/ effort. Agencies have to show progress and use dashboard to review spending on grants and programmatic progress through LOC draws and Progress reports before the Congress. This is where definition is important. It is not sufficient to present the results based on allocate costs. How do you demonstrate time/ effort if not based on salary charged to grant?

We suggest Add the following Definitions:

Appointments- 12-month, 9-month, summer salary and address changes to IBS during the year.

Cost Sharing- That portion of a project or program cost that is not reimbursed by the sponsor (whether Federal or non-Federal) and as such represents a commitment of institutional resources that would otherwise be devoted to other University purposes. Generally, cost sharing involves personnel effort; however, other costs, such as equipment, may be used.

- 1) Mandatory – may be required by the sponsor as a condition of the award and becomes an obligation once an award is made
- 2) Voluntary Committed – may be offered by the institution and becomes an obligation once an award is made.
- 3) Voluntary Uncommitted – faculty effort over and above that level which is committed and budgeted for in a sponsored agreement and is not required to be tracked.

Internal Controls- A process designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) Effectiveness and efficiency of operations;(b) Reliability of reporting for internal and external use; and (c) Compliance with applicable laws and regulations.

Institutional Base Salary- Add to the existing paragraph: The compensation relevant in determining IBS is the amount that is guaranteed and fixed in advance by the appointment letter or employment agreement and paid through the payroll system. The IBS does not include bonuses, one-time payments or incentive pay. Also excluded from IBS are: a) salary paid directly by another organization, and b) income that an individual is permitted to earn outside of one’s responsibilities such as consulting.

#### **Allocation of Personnel Expenses:**

*“Accounting and accountability are not the same thing. What may be more self-consistent is the fact that the faculty member’s contract calls for all of these activities to be performed for a*

*set value and cost to the institution (IBS) and the recognition that there is evidential support for the activities performed (actual and/or circumstantial evidence documented).*

What is circumstantial evidence? The documentation should be stored in one place to support the assertions and it must be easily obtainable.

*“These work activities are evidenced and aligned with progress reports, lab notebooks, and annual faculty reviews. Is an allocation basis based on time, when actual time is not recorded, a more accurate basis than a reasonable allocation made by the faculty member of all work activities performed and their proportionate benefit towards the project (not necessarily the time it took to complete them).”*

The institution must document the reasonable basis. Time is used because it’s measurable. How would you measure proportionate benefit? It seems subjective without clear definition.

### **Flexibilities to Institutions**

*“There are important flexibilities afforded to institutions in documenting personnel expenditures, especially for the unique nature of services provided by faculty at IHEs. These flexibilities have been incorporated into the regulations over a series of controversial exchanges (audit reports, position pieces, requests for public comment etc.) spanning decades regarding the reality of faculty activities performed and the accounting and documentation methodologies to justify and support their associated costs. Due to the fact that auditors (of OIG or Single Audits) may have a broad range of experience outside of IHEs, it is highly recommended that institutions explicitly reference and/or incorporate these flexibilities within their policies, procedures, or controls so that auditors can clearly see these flexibilities as part of the control environment and considered in their testing. “*

We don’t recommend focusing on flexibilities in this section. An institution must decide on its internal controls and document them. There should be consistency in their application across the university, schools, divisions, programs and units. This is a key component of the COSO requirements and methodology.

For Internal Controls Objectives- Documentation must meet these objectives.

- (a) Transactions are properly recorded and accounted for, in order to:
    - (1) Permit the preparation of reliable financial statements and Federal reports;
    - (2) Maintain accountability over assets; and
    - (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award;
  - (b) Transactions are executed in compliance with:
    - (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and
    - (2) Any other Federal statutes and regulations that are identified in the Compliance Supplement; and
  - (c) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.
- [§200.62]

**Document the Roles & Responsibilities-** We recommend that the following or similar responsibility be incorporated into the standards:

#### Principal Investigator (PI)

- Understands requirements for accurate certification of compensation;
- Provides reasonable estimates of effort expended in relation to the aims of the project and other University obligations; verifies that PI’s and other non-faculty personnel time commitments on all activities, prior to and after certification, including instruction, research and other department activities does not exceed 100%; alerts Chair and Dean of any overlap or discrepancy;

- Complies with sponsor requirements regarding reduction in effort and change in status of self and, when required by the sponsor, of key personnel;
- Certifies his or her compensation/effort and all other non-faculty personnel for the project;
- Notifies the School/Department Administrator of any required adjustments to the T&E report;
- Provides certification of effort to the departmental administrator in a timely manner upon receipt of e-mail notification of report availability.

#### School/Department Administrator (S/DA)

- Coordinates the activities of department leadership, Cost Analysis, PIs, OSP and SPA.
- Assists PI in determining committed effort at proposal stage for self and other relevant personnel;
- Ensures that sponsor-imposed salary caps are calculated and recorded properly in a cost sharing account;
- Monitors committed effort and assists PIs with preparation of request to sponsors, as necessary, regarding reduction of effort;
- Ensures that effort reports are complete, that the dollars charged are consistent with the effort certified and that reports are submitted correctly and on-time;
- Makes any adjustments in ERS for payroll distribution, as required, and submits payroll corrections consistent with the approved certification;
- Ensures that effort reported during a no-cost extension is consistent with the effort committed to the sponsor.

#### Cost Analysis, which includes the Central Administrator for Compensation Compliance

- Responsible for the Payroll Confirmation / Effort Reporting System (ERS);
- Transmits the certification data;
- Monitors the various aspects of compliance, including notification to Department Chair or Dean and OSP of any delinquency;
- Explains the effort reporting system and justifies the institution's performance to auditors.

#### Sponsored Programs Administration (SPA)

- Documents and confirms committed cost sharing based on the Notice of Grant Award during award set-up
- Ensures that all cost sharing amounts are appropriately established and in compliance with the institution's cost sharing policy and sponsor's requirements
- Reviews and approves all requests for retroactive adjustments in accordance with the Cost Transfer Policy

#### Office of Sponsored Programs (OSP)

- Ensures that submitted proposals are in accordance with the institution's and the sponsor's policies
- At the time of award, reconfirms the budget and cost sharing commitments, including PI and other relevant personnel time commitments
- When the award is granted, alerts SPA in writing of effort commitments, both funded and cost shared; reviews and approves requests for reductions of effort as required by sponsor terms and conditions; and informs SPA of any resulting change in effort
- Conveys changes in PI status to sponsor when required.

#### Department Chair

- Reviews proposed sponsored activity to ensure that other activities required of PI will not conflict with proposed effort commitment;

- Ensures PIs compliance with reporting and certifying effort accurately and on a timely basis;
- Approves changes in effort commitments, including cost sharing;
- Notifies dean of noncompliance by a PI and recommends/requests action.

#### Dean

- In collaboration with Chairs, reviews proposed sponsored activity to ensure that other activities required of PI will not conflict with proposed effort commitment;
- Approves changes in effort commitments, including cost sharing;
- Reviews and approves all requests for retroactive adjustments in accordance with the Cost Transfer Policy, as requested;
- With Chair's recommendation, initiates actions against a PI in the event of non-compliance.

#### Payroll

1. Responds in a timely way to requests for adjustments in payroll activity

#### Senior Vice Provost for Research (SVPR)

- With the recommendation of the Dean, enforces sanctions against PIs and other employees in the event of noncompliance, as appropriate

#### Compliance

Violations of this policy may subject faculty and other employees to disciplinary procedures, including, but not limited to:

1. Suspension of new submissions on behalf of a PI during the period that the faculty member's effort report (or that of any research staff) is delinquent;
2. Discipline in accordance with the policies and procedures set forth Faculty Handbook as applicable to faculty. A non-faculty employee who is determined to be noncompliant with this policy will be subject to discipline in accordance with the applicable employee disciplinary policies and procedures;
3. The institution will report to the sponsoring agency any finding of noncompliance, as required by applicable law, regulations and the term and conditions of the award.

#### Internal Evaluation

Certifications facilitated by the Compensation / Time and Effort Reporting system are evaluated as part of the University's annual single audit, and they also may well be audited as part of other specific, random audits, including audits periodically conducted by University's Internal Audit Department.

In addition to the documentation guidance provided, we recommend incorporating the NIH Policy statement that was issued in December 2018. Many higher education institutions receive a substantial portion of their funding from NIH. In addition to the Uniform Guidance requirements, NIH provides standards that reflect the guidance and some additional clarification to the requirements.

## Attachment I: NIH Policy Statement- Standards for Documentation of Personnel Expenses

In accordance with 45 CFR 75.430(i), charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed, as follows (in part): Records of personnel expenses 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 (or Institutional Base Salary for Institutes of Higher Education);  
Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;  
Comply with the established accounting policies and practices of the non-Federal entity  
Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that they meet the standards required in 45 CFR 75.430 paragraph (i)(1)(viii). Because practices vary as to the activity constituting a full workload (or Institutional Base Salary for Institutes of Higher Education), records may reflect categories of activities expressed as a 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 Institutes of Higher Education, a precise assessment of factors that contribute to costs is therefore not always feasible, nor is it expected.

For records which meet the required standards, the non-Federal entity will not be required to provide additional support or documentation for the work performed, other than that referenced in 45 CFR 75.430 paragraph (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.*

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.

*“For states, local governments and Indian tribes **NOT HIGHER ED** substitute processes or systems for allocating salaries and wages to Federal awards may be used in place of, or in addition to, the records personnel expenses described above, if approved by the cognizant agency for indirect cost. Such systems may include, but are not limited to, random moment sampling, “rolling” time studies, case counts, or other quantifiable measures of work performed.”*

Based on the language above, the documentation standards are more flexible for “non-higher education institutions.

For Federal awards of similar purpose activity or instances of approved blended funding, a non-Federal entity may submit performance plans that incorporate funds from multiple Federal awards and account for their combined use based on performance-oriented metrics, **provided that such plans are approved in advance by all involved**

**HHS awarding agencies.** In these instances, the non-Federal entity must submit a request for waiver of the requirements based on documentation that describes the method of charging costs, relates the charging of costs to the specific activity that is applicable to all fund sources and is based on quantifiable measures of the activity in relation to time charged.

For a non-Federal entity where the records do not meet the required standards, the Federal Government may require personnel activity reports, including prescribed certifications, or equivalent documentation that support the records as required in this section.