Uniform Guidance for Federal Awards:

Salary and Effort Reporting

November 18, 2015, 12 noon to 1:30 pm
Curry Student Center, Room No. 440

Presenters: John Counts, Fred Cromp Jr., Barbara Gardner, Carrie Main, Doris Schultz
# Uniform Guidance Training Schedule

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<th>Date</th>
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<td>September 16, 2015;</td>
<td>Direct costs: Travel, Equipment and Supplies (including Computers);</td>
<td>Curry Student Center Room # 318-320-322</td>
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<td>12 noon to 1:30 pm</td>
<td>Internal Controls</td>
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<td>October 21, 2015;</td>
<td>Budgets, Allowable Costs, Cost Share, F&amp;A</td>
<td>Curry Student Center Room # 442-444-448</td>
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<td>2 pm to 3:30 pm</td>
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<td>November 18, 2015;</td>
<td>Salary and Effort reporting; Closeout</td>
<td>Curry Student Center Room # 440</td>
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<td>December 2, 2015;</td>
<td>Contracting and Procurement</td>
<td>Curry Student Center Room # 348</td>
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1. Overview – Doris Schultz
2. Proposals and Budgets, Salaries – Barb Gardner
3. Salary – Compensation for Personal Services – Fred Cromp
   • Direct Charging of Faculty salaries
   • Direct Charging of Administrative and Clerical salaries
4. Effort certification – Carrie to present broad overview
   • Fred Cromp to develop NU specific issues
5. Participant support (definitions) – Carrie Main to identify fellowship issues related to disbursements to students (e.g. pay through AP or payroll); tuition
7. Questions
The Federal government expects fund recipients to demonstrate a high commitment to create an environment that promotes responsible conduct by embracing standards of excellence, trustworthiness and lawfulness.
Compliance is everyone’s responsibility

Financial Stewardship
- Cost sharing
- Effort Reporting
- Accepted Accounting Practices
- Financial Reporting

Business Stewardship
- Purchasing
- Property management
- Subcontracting
- Subrecipient
- Monitoring
- Socio-economic

Research Integrity
- Conflict of Interest
- Intellectual Property
- Export Controls
- Animal Welfare
- Biosafety
- Misconduct
- Data Management
- Human Participants
- Technical Reporting
- Radiation Safety
- Chemical Safety
Focus on Strengthening the Foundation to support growth in Research

- People
- Systems
- Policies & Procedures
- Internal Controls
- Compliance
- Training
Salary on Proposals

a) NIH Cap: $183,300 or is it?
b) What if no salary support is requested?
c) Base salary versus annualized salary
d) NIH person months versus level of effort
e) Faculty consulting day
NIH Annual Salary Cap

NIH annual cap is $183,300

PI has 8 month appointment:

$183,300/12 = $15,275 \quad $15,275 \times 8 = $122,200

PI works all summer: $15,275 \times 3.2 = $48,880

Therefore, NU’s salary cap is $171,080
What if no salary support is requested?

- they are declaring voluntary cost share.
- If the proposal is awarded it becomes committed cost share and must be tracked.
- While ORAF will not stop a proposal being submitted with voluntary cost share, we do discourage it and required college and departmental sign-offs.
- One way to manage this issue is to refrain from using any language in the proposal that allows effort to be quantified.
Base salary versus annualized salary

• Base salary is the total amount paid for regular contracted work (total compensation for university activities)

• most PI’s at NU are on an 8-month appointment, some 9, and fewer are 12 months appointments.

• Annualized salary is base plus summer or off-contract work.
  • 8 months can receive up to 3.2 summer months,
  • 9 months receive 3
  • and 12 months, zero.
NIH person months versus level of effort

At NU 11.2 months = 100% effort
1 month = 8.93% effort \((100%/11.2)\)
Faculty consulting day

- All work must be performed off campus for non-university source – no one who works at NU can be paid by NU as a consultant.
Current and pending reports

- Need to be accurate – NIH and NSF will check

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<tr>
<td><strong>NAME OF INDIVIDUAL</strong></td>
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<tr>
<td><strong>ACTIVE/PENDING</strong></td>
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<tr>
<td>Project Number (Principal Investigator)</td>
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<tr>
<td>Source</td>
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<td>Title of Project (or Subproject)</td>
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The major goals of this project are…

OVERLAP (summarized for each individual)
Salaries-Compensation for Personal Services
Direct Charging of Faculty Salaries

• Uniform Guidance (200.430) states that charges for work performed on Federal awards by Faculty members are allowable at the Institutional Base Salary (IBS) rate.

• Faculty effort conducted during the academic term is deemed part of regular academic duties and processed via a Payroll Distribution Change (PDC) form.

• Faculty effort conducted outside the academic year, such as summer salary, is allowable at a rate not in excess of the IBS rate, based on the normal written policy of the Institution, and processed via an Extra Compensation Request form.
Salaries-Direct Charging of Faculty Salaries

Off Contract Research

• Off Contract Research Salary, typically Summer Salary, is subject to the University’s Policy for Faculty summer compensation.

• According to University policy, Faculty are allowed to receive up to a maximum amount of 40% of their annual base salary or 3.2 months in any combination of teaching and research over the summer period.

• The University policy also states that the monthly rate of compensation for summer research shall not exceed the monthly rate of a faculty member’s base salary from the prior semester.
Salaries-Direct Charging of Faculty Salaries

Federal Salary Limitations

• Salary charged to National Institutes of Health (NIH) awards is subject to an annual cap of $183,300. Therefore the most you can charge an NIH award is $15,275 per month for one month’s effort.

• Salary charged to National Science Foundation (NSF) awards is limited to no more than two months in any one year.

• Other federal agencies may have similar faculty limits or restrictions on charging federal awards.
Salaries-Compensation for Personal Services
Direct Charging of Administrative and Clerical

• Uniform Guidance (200.413) states that the salaries of Administrative and Clerical staff should normally be treated as indirect (F&A) costs.

• Direct charging of these costs may be appropriate if all of the following conditions are met:
  – The services are integral to a project or activity;
  – Individuals involved can be specifically identified with the project or activity;
  – Such costs are explicitly included in the budget or have prior written approval of the agency;
  – The costs are not also recovered as indirect costs.
Policy on Effort Reporting:
Federal regulations require that compensation and effort devoted to sponsored projects is appropriately documented and must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated. This policy defines and establishes University practices for effort reporting and assures those sponsors that salary and wages are properly accounted for. Accordingly, it is University policy that while salary charges to sponsored projects are made initially based upon the planned or estimated workload of faculty and others, the actual effort of each individual working on sponsored projects must be monitored, with charges modified as necessary based on variances between the estimated and actual effort.

Question:
• Do we only certify effort paid on federal funds?
Why Report?

- Federal audit personnel rely on effort reporting to evaluate whether the salary paid on an award is reasonable relative to the effort expended on the award.
- PI and University are ultimately responsible for ensuring that all charges to an award are appropriate, including salary charges.
- Salary and wage charges typically represent more than half of all direct costs.
- Effort reports document and account for the use of those funds.
Effort Certification: What is Effort

Effort is time spent on any activity that benefits the institution and for which a person is compensated.

It is expressed as a percentage of an employee’s total institutional activities during a specific period of time, such as a semester, month, or an overload period.

Examples of Institutional Activities
- Conducting research
- Writing proposals
- Instruction
- Advising students
- Supervising employees
- Serving on internal committees
- Attending required training
- Clinical activity
- Administrative Assistance
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<th>Sponsored Activities</th>
<th>Non Sponsored Activities</th>
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<tr>
<td>Effort on federal/non federal research projects</td>
<td>Typical Teaching</td>
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<tr>
<td>Writing progress reports</td>
<td>Writing a new grant application</td>
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<td>Meeting with lab staff</td>
<td>Mentoring junior faculty member</td>
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<td>Attending scientific conference to present research results</td>
<td>Attending department faculty meeting</td>
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<tr>
<td>Reading scientific journals to keep up to date with latest advances in field</td>
<td>Serving on IRB/IACUC</td>
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<td>Servicing on NIH student section or NSF peer review panel</td>
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Total Compensation

- **External Research**
  - Effort provided for external sponsors
  - Grants/Contracts

- **Departmental Research**
  - Writing proposals
  - Journal review/editing
  - Non sponsored research

- **Research**
  - 50%

- **Instruction**
  - 40%

- **Service**
  - 10%
Why Do We Do Effort Reporting?

As a recipient of federal funding, Northeastern University is required to comply with the CFR, Part 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

Section 200.430: Compensation for Personal Services

• Contains the federal regulatory requirements for internal controls over documenting salary charges to Federal awards.
• Provides standards for documentation of personal expenses.
• Implies that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.
• And that these records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.
Effort Reporting is the method of certifying to the granting agencies that the effort required as a condition of the award has actually been completed. According to Uniform Guidance, charges to federal awards for salaries and wages must be based on records that accurately reflect work performed.

Payroll vs. Effort Distribution: A payroll distribution reflects the activities to which salary is charged in the payroll system. An effort distribution should reflect an individual’s activity regardless of where the salary is charged. Effort reporting relies on actual payroll charges as the basis for the certification. Individuals completing the certification must report actual effort, regardless of where the salary was charged in the payroll system.

Salary charges to sponsored projects are made initially based upon the planned or estimated workload of faculty and other employees. The actual effort of each employee working on sponsored projects must be monitored, with charges modified as necessary.
The University’s effort reporting system provides the principal means for certifying that the salaries and wages charged to those projects are reasonable and consistent with the portion of the total professional activity devoted to the projects.

- University policy requires that such provisional salary and wage charges be monitored by the PI on a regular basis and that any adjustments to the activity devoted be processed on a timely basis.
- It is important that changes in effort are routinely communicated and recorded on the University’s financial records during the course of the fiscal year.
- Budget administrators are required to review payroll monthly for accuracy.
- Should an individual be charged to an incorrect account/project then a Payroll Distribution Change form will need to be submitted to correct.
Northeastern University Effort Reporting Process

The University’s practice is to utilize an after the fact reporting system to certify that salaries charged to sponsored awards are reasonable and consistent with the work performed.

- The Annual Certification Report is the primary means for complying with the federal regulations relating to effort certification.
- Principal Investigators or designated officials with suitable means of verification are required to certify that the total amounts charged to the sponsored awards are reasonable for the work performed on the award.
- If the salary information on the pre printed report does not agree with the actual effort performed, then a correction needs to be noted on the Annual Certification Report and a Payroll Distribution Change form needs to be processed and reviewed by ORAF.
Stipend

• A payment made to an individual under a fellowship or training grant in accordance with pre-established levels to provide for the individual's living expenses during the period of training. A stipend is not considered compensation for the services expected of an employee. (NIH)

• Paid via Direct Pay, Northeastern not required to withhold taxes

• Income reported on a 1099

• Account code 74600 (Participant Cost – Stipend)
Fellowship

• Fellowship payments are intended to support student research, living expenses, or tuition expenses and do not require that employee services be performed in exchange. Fellowships do not create an employer-employee relationship.

• Paid through Direct Pay, Reimbursement, or JV.

• Northeastern not required to withhold taxes

• Income reported on 1099
Wages (Salary)

• Regular payments to an individual providing benefit to a project under the direction of a principal investigator.
• Hired and paid as an employee, Northeastern University responsible for withholding taxes
• Income reported on W-2
• Assessed minimum 7.65% fringe rate to cover statutory FICA payments
• Account codes: 61010 - 61530
Problems created by using incorrect payment method:

• Incur employment taxes of 7.65% which may be unallowable
• Improper tax withholding
• Report income incorrectly to the IRS on W-2 or 1099
• Raises questions from sponsor regarding invoices, budget and expenditure
Case Study – Person Months

If the regular pay schedule of an institution is a 8 month academic year and the PI will devote 8 months at 30% time/effort and 3 months summer term at 30% time/effort to the project, then how many academic and summer person months should be listed in the budget?
Case Study-Person Months

• 2.4 academic months and .9 summer months should be listed (8 x 30% = 2.4 person months; 3 x 30%= .9)
Case Study – Hourly Rates

• Sponsor X has requested a proposal be submitted using hourly rates for NU faculty, students, and staff. How should we prepare our budget?

• The proposal to sponsor X was successful and they are requiring that financial reports and invoices show labor costs per hour. Attempts to negotiate this requirement out of the award and to instead reflect percent effort on our reports and invoices have been unsuccessful. What do we do?
For proposals add language similar to this on the budget/and or budget justification:

- *The information in (state budget, table, etc. as appropriate) is being provided solely for the convenience of (insert sponsor). As an institution of higher education subject to 2 CFR 200, NU cannot certify to any effort expressed in number of hours and/or hourly rates. The information in (state budget, table etc. as appropriate) is inconsistent with the University’s Cost Accounting Standards and the University does not certify to the accuracy of the information.*

**OR,**

- Salary costs are calculated using a percentage of effort based on employment contracts; faculty appointments at NU are based on an 8 month academic year (the University defines summer as 3.2 months); graduate and under-graduate stipends, which are set by the department/college, are based on the academic calendar which includes the Fall semester and the Spring Semester, stipends may also include summer effort; and full-time staff appointments are based on an 12 month calendar year. As an institution of higher education subject to 2 CFR 200 and the University’s Cost Accounting Standards, we cannot certify to any effort expressed in number of hours and/or hourly rates.
Case Study – Hourly Rates

Recommended Calculations:

• Faculty: Base/8/4.33/35
• Staff: Base/52/35
• Grad Students: Stipend/8 (or other length if applicable)/4.33/20
• Undergrad: Reasonable hourly rate

POST AWARD:

• Charge account per normal university PDC procedure. Finance will consult with PI for the number of hours spent so it can be reflected on the invoice and financial reports.
**Case Study - Effort Reporting**

*Scenario;*

A Principal Investigator has committed 50% of her effort to a federal project. At the beginning of the project period, the PI was offered an exciting project in Italy and decided to reduce her effort on the federal project by half.

*Question;*

What will be the consequence of this change (reduction in the PIs time devoted to the project)?