

PI Education Research Costing Compliance (RCC)

2006

**Advance slides using right arrow button
below or the outline on the left.**

This presentation is especially important in light of non-compliance, fraud and misuse of federal funds that we continue to see at our peer institutions.

Audit findings have resulted in considerable fines and sometimes criminal penalties to both the PI and the institution.

PI Education

Research Costing Compliance (RCC)

About this training....

- This training should take approximately 30 minutes to complete.
- A 10 question quiz will follow.
- A printable, PDF version of this training is also available for download.
- Website links have been provided for additional information.

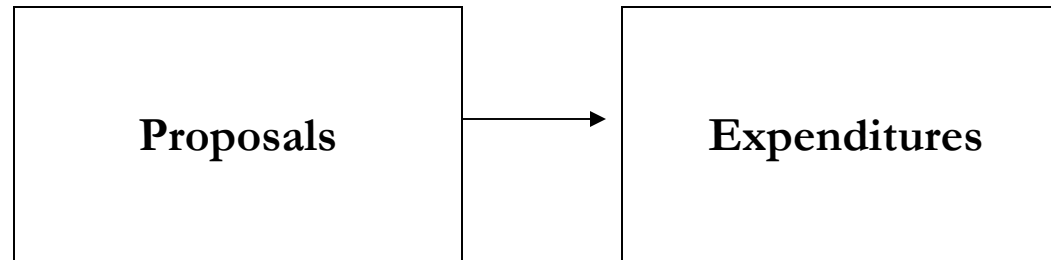
OIG Mission

The federal government's Office of the Inspector General's (OIG) mission is to enforce rules and protect the integrity of the federal government sponsored research programs. The OIG conducts audits to detect fraud, waste and abuse.

These educational materials include specific compliance items that have been included in the OIG audit plan for 2006.

Objective

Financial Compliance:



The objective of this presentation is to provide **guidance** on financial compliance for sponsored projects' **proposal budgets** and **subsequent expenditures**.

You need to understand:

1. key areas of risk
2. your responsibilities
3. resources and tools available to you

Significant Risks of Non-compliance

Impact on Duke University

- Shutdown of Operations
- Fines and Penalties
- Damage to Duke's reputation
- Susceptibility to False Claims Act allegations

Impact on You

- Loss of PI status
- Debarment (excluded from participating in research for a period of time)
- Possible criminal and civil charges

This education serves to safeguard you.

Recent Fines at Peer Institutions

We continue to see a significant increase in the number of fines imposed on our peer institutions.

The findings were all related to effort reporting.

The findings were a result of

- a random audit or
- employee of the institution who believed a PI was misrepresenting effort.

Florida International University <i>(Incomplete records related to time and effort report)</i>	\$11.5M
Northwestern University <i>(Inadequate documentation for salaries, fringe benefits, and related indirect costs)</i>	\$5.5M
University of Alabama, Birmingham <i>(Overstated percentage of work effort researchers will able to devote)</i>	\$3.4M
Harvard University <i>(Improperly paid salaries of scientists, research supplies, and other support)</i>	\$3.3M
Johns Hopkins University <i>(Over-commitment of effort)</i>	\$2.6M

Objective # 1 Key Areas of Risk

Each of these items has been identified by the OIG as a “key area of concern” in the 2006 Work Plan. Any of these items could alert an auditor to review a project in more detail. A federal audit in all of these areas is likely.

Grant Mismanagement

- Excessive and untimely cost transfers
- Last minute spending
- Significant over- and under-spending
- Un-captured cost sharing commitments
- Late reporting

Inaccurate Effort Reporting

- Identified by the OIG as a “key area of concern” and will look for PIs who are misusing funds or over-committing time. Must be reported accurately and certified annually.
- We need to demonstrate to the government that:
 - we’re spending project funds as they were intended;
 - the expense is reasonable;
 - Effort certification reports reflect actual work performed.

A. Cost Transfers

- Excessive and untimely (3 months) cost transfers (moving costs from one code to another)
 - It is much more effective and efficient to charge the expenses correctly in the first place. Effective grant management eliminates the need for excessive cost transfers being processed during a project.
 - An excessive number of cost transfers being processed during a project and at the conclusion of the project shows a lack of internal controls and an ineffective approval process. This practice could indicate that expenses are not being managed appropriately or are not being reviewed before being incurred.

Business and Grant Managers will be receiving training and resources on how to effectively reduce the number of cost transfers.

B. Last Minute Spending

- Last minute spending

This may indicate that the grant has not been managed effectively throughout the year or that we are trying to use unspent funds on activities that are not directly related to the project's scope of work. The sponsor may question the need for the expense if it was only required near the conclusion of the study.

You can review your financial reports online or you can work with your business / grant managers to develop financial reports and financial analyses, including forecasts. For more information regarding online reports, click on link below.
[Faculty web-based financial reports](#)

C. Over- and under-spending

- Significant over- and under-spending
 - A pattern of **significant over-spending** could indicate that funds are being used inappropriately or that the next year's budget funds are being spent in advance and could imply that the grant will run out of funds before the work is completed. In this case, the PI or department would have to cover the overdraft on the project.
 - A pattern of **significant under-spending** may indicate the research is not being completed or the "good faith estimate" in the original proposal was overstated. In this case, the sponsor could **reduce future funding** for the project.

NIH evaluates spending patterns during the annual Progress Report review. For projects that carryover funds greater than 25% of the current year's award amount, NIH may use the carryover funds to "offset" or reduce the next year's award amount. In effect, significant under-spending may reduce the total funds available to the investigator.

D. Cost Sharing

- Un-captured cost sharing commitments
 - Cost sharing is defined as committed resources that are NOT budgeted in a sponsored research agreement. Common examples include salary costs in excess of the NIH salary cap, or committed but unpaid effort.
 - Example: If a PI has 30% effort on a grant and only 20% is funded by the grant; 10% is cost shared. The 10% is typically paid by the department or discretionary account.

E. Late Reporting

- Late Reporting:
 - Financial Status Reports;
 - Progress Reports;
 - Invention Statements.

The department and PI are responsible for ensuring that all project costs are accurately recorded in a timely manner so that the Office of Sponsored Programs (OSP) can submit the financial status reports to the sponsor. It is important that your grant or business manager be in contact with OSP during the close-out of a project.

In addition to the financial reports, PI's are responsible for submitting timely and accurate progress reports. Late reporting shows poor project management and may raise questions to an auditor about overall management of the project.

Key areas of risk continued

- **Grant Management**
- **Effort Reporting**

Faculty Effort Reporting Responsibilities

- Propose effort as accurately as possible at the time of submission.
- Monitor quarterly and certify annually
- Work with your business or grant manager as changes occur
- Verify effort for others assigned to your sponsored research

Reasonable Estimate of Effort

- Sponsors and Duke understand that activities that constitute effort are often difficult to separate.
- When certifying effort, a reasonable estimate is expected.
- The undue burden of a precise assessment is not feasible nor expected.

Duke recognizes that you may not spend the same percent of your University Effort each week or month on a certain activity.

You are certifying that the effort stated is a reasonable estimate of how you spent your time over the fiscal year.

Possible Audit Documents

In an audit, many documents will be reviewed and possibly subpoenaed.

- PDA based calendars
- Clinic Schedules
- Teaching Schedules
- Any record of the activities of the work you perform

Duke Policy, Practices and Guidelines

The next set of slides provide new effort policy and guidelines to help you understand effort requirements and what CAN and what CANNOT be included in sponsored research effort.

Effort Policy

Effective July 1, 2006

- All faculty with PI status on sponsored projects should set aside committed effort for university related activities including:
 - instruction;
 - administration;
 - writing grant proposals (including competing renewals)
 - committee work
 - department meetings.

As should be the case for all effort reporting, the actual percentage effort designated must accurately reflect the time spent on those activities.

Policy Review

An institutional review will be conducted for individuals with sponsored research funding > 90% to be certain that each effort report accurately reflects activities.

For example, setting aside 2% for a person with considerable administrative responsibilities will NOT be sufficient.

Exceptions to Effort Policy

Exceptions to this rule could include:

- non-tenure track or research faculty who are not PIs and who are not involved in activities beyond what the grant encompasses such as
 - instruction
 - proposal writing
- funding from a core grant or a center grant designed to support administrative or other responsibilities

Exceptions must be documented and requested in writing through the office of the Vice Provost for Research.

There will be no exceptions to this policy without written approval from this official.

What Should be included in Sponsored Research Effort

Regardless of **where** effort is expended (office, home) **or when** (after hours, on vacation, on weekend), these items should be included in your sponsored research effort.

- Effort on current Federal Grants or Contracts (e.g., NIH, NSF or DOD)
- Effort on current Non-federal research projects (e.g., a foundation grant or industry clinical trial)
- Writing progress reports
- Lab meetings
- Attending a scientific conference
- Reading scientific journals

Effort Guideline

Effective 7/1/2006

- For externally funded research grants, faculty should not have less than 1% effort on any grant.

- Federal government expects that effort is:
 - Reasonable and
 - **MEASURABLE**

Effort less than 1% on any grant will need to be justified to the Pre-award office in the proposal.

Circumstances where 0% Effort on a Sponsored Research Project is Allowable

- Equipment and instrumentation grants
- Doctoral dissertation grants
- Student or minority supplement grants
- Mentors on institutional/individual training grants
- Conference grants
- Some career development awards and scholar awards
- Concurrent research endeavors when salary is covered by other research funds
- “Other Significant Contributors” (NIH grants)

Effort Reporting at Duke

The effort process begins well before the effort report is generated. The next set of slides is optional and will show you a simple example of effort distribution from the award application proposal through the close of the project/award. **Please click on “Go straight to Review & Quiz” to skip the optional material.**

[Go straight to Review & Quiz](#)

Effort Commitments and Effort Certification: *Clarifying the Relationship*

Current & Pending Support for Charlotte Greene, Ph.D.			
<u>Current</u>	<u>Support</u>	<u>Months</u>	<u>Effort %</u>
NSF Grant	Academic	1.0 / yr	11%
10/1/04 - 9/30/05	Summer	1.0 / yr	33.3%
ARO Grant	Academic	1.5 / yr	17%
7/1/04 - 6/30/07	Summer	1.5 / yr	50%

28% effort committed to sponsored research during the academic year

83.3% effort committed to sponsored research during the summer.

Effort Commitments and Effort Certification:

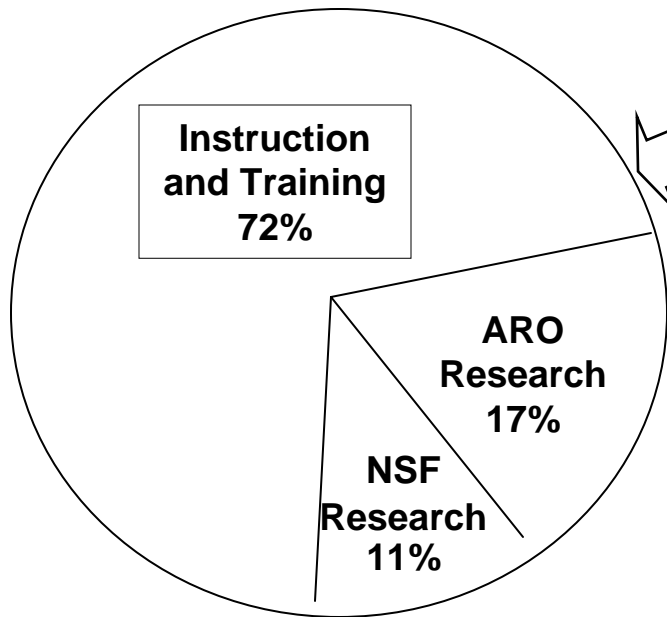
Clarifying the Relationship

- Prof. Greene's committed effort on her most recent Current and Pending Support form showed 2.5 months - or 28% - effort committed to research during the 9 month academic year and 2.5 months - or 83.3% - during the summer.
- However, as you can see by the Effort Certification Report on the following slide, during the academic year the 2.5 months of committed effort was not paid from either of her grants. As is often the case, all her effort was supported by her department under the description "Instruction, Training, and Dept Research."

Effort Commitments and Effort Certification: *Clarifying the Relationship*



Instruction, Training &
Dept. Research



Duke University Effort Certification Report

Acad. Yr. FY2005 Weighted Avg

Sponsored Research

Cost Sharing – Sponsored Programs

Other Federal Sponsored Programs

Cost Sharing - Training

**Instruction, Training &
Dept Research**

151-1234-601300 100%

Effort Supporting Duke Hospital

Administrative Effort Supporting General

All Other Effort

*****Total*** 100%**

Faculty/Staff Signature _____

Charlotte Greene, Ph.D. 6-1-2005

Effort Commitments and Effort Certification: *Clarifying the Relationship*

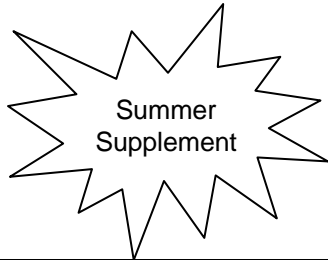
- The 28% of Dr. Green's effort committed to sponsored research but paid for by the department is considered voluntary uncommitted cost sharing by the University.
- Effort Certification Reports must reflect 100% of a faculty member's effort. Prof. Greene's remaining 72% effort is directed to Instruction and Training during the academic year.

Effort Commitments and Effort Certification: *Clarifying the Relationship*

- Looking at Prof. Greene's summer commitment to sponsored research we see a different picture.
- Prof. Greene has no teaching, training or administrative duties during the summer and the University does not pay her.
- She may commit all or a portion of this time to sponsored research and she will be paid from her grants. As you saw on the Current and Pending Support form, she showed 83.3% level of effort on sponsored research for the summer.
- As during the academic year, a summer certification form will show all of her effort – 100%. The following slide shows how the 83.3% commitment on the Current and Pending Support form translates to 100% effort on the Certification Report.

Effort Commitments and Effort Certification:

Clarifying the Relationship



Current & Pending Support	
<u>Current</u>	<u>Support: Mos. Effort %</u>
<u>NSF Grant</u>	Cal:
Title X	Academic 1.0/yr 11%
\$xx,xxx	Summer 1.0/ yr 33.3%
10/1/04-	
09/30/05	
<u>ARO Grant</u>	Cal:
Title Y	Academic 1.5/yr 17%
\$xx,xxx	Summer 1.5/yr 50%
7/1/04-	
6/30/07	

Duke University Effort Certification Report	
Summer Yr. FY2005	Weighted Avg
Sponsored Research	
333-1234-603600 (NSF Grant)	40%
313-3456-603600 (ARO Grant)	60%
Cost Sharing – Sponsored Programs	
Other Federal Sponsored Programs	
Cost Sharing - Training	
Instruction, Training & Dept Research	
Effort Supporting Duke Hospital	
Administrative Effort Supporting General	
All Other Effort	
Total	100%
Faculty/Staff Signature_____	
Charlotte Greene, Ph.D. 6/1/2005	

Effort Commitments and Effort Certification:

Clarifying the Relationship

- As a faculty member increases or decreases sponsored research activity, changes in effort levels must be reflected in the Effort Certification Report.
- In the next example Prof. Greene has added a third sponsored research project. This research will be supported by her grant during the academic year.
- With the agreement of her Chair, Prof. Greene reduces her teaching and training responsibilities and lowers the amount of effort supported by her department accordingly. Now she shows 17% effort dedicated to her NIH grant and 83% effort support by the department.

Effort Commitments and Effort Certification: *Clarifying the Relationship*



Current & Pending Support				Duke University Effort Certification Report		
<u>Current</u>	<u>Support:</u>	<u>Mos.</u>	<u>Effort %</u>	Acad. Yr.	FY2005	Weighted Avg
NSF Grant				Sponsored Research		
Title X	Cal:			303-1234-603600 (NIH) 17%		
\$xx,xxx	Academic	1.0/yr	11%	Cost Sharing – Sponsored Programs		
	Summer	1.0/ yr	33.3%	Other Federal Sponsored Programs		
10/1/04-09/30/05				Cost Sharing - Training		
ARO Grant				Instruction, Training & Dept Research		
Title Y	Academic	1.5/yr	17%	151-1234-601300 83%		
\$xx,xxx	Summer	1.5/yr	50%	Effort Supporting Duke Hospital		
7/1/04-6/30/07				Administrative Effort Supporting General		
NIH Grant				All Other Effort		
Title Z	Cal:			***Total*** 100%		
\$xx,xxx	Academic	1.5/yr	17%	Faculty/Staff Signature _____		
	Summer					
1/1/04-12/30/05						

Effort Commitments and Effort Certification: *Clarifying the Relationship*

The scenario presented here is somewhat simplistic. In reality, effort commitments and effort certification can become quite complex as a faculty member receives additional awards for sponsored research and undertakes additional duties within the university. The following are considerations as responsibilities and commitments increase:

- As a starting point, we assume a 50/50 split between teaching and service and research duties with variations depending on faculty rank, departmental expectations, and administrative assignments. To remain compliant you should ensure that research funding does not, inadvertently, support teaching or administrative effort.
- If you need to decrease your teaching workload to accommodate increased research, you should have a formal agreement prior to submission of a proposal.
- To be compliant, you must honor effort commitments to sponsors. If necessary, adjustments to teaching and administrative effort may be required.
- If you need to make significant adjustments in your level of effort on a sponsored project, you may need the prior approval of the sponsor. Always check.

Review of Effort

If your current effort report does not reflect how you spent your time and how you plan to spend your time or if you have questions, you should work with your business or grant administrator to make adjustments.

When you should review your effort:

- Quarterly, using periodic effort certification notices;
- Annually, with the effort certification; and
- When you are considering submitting a new proposal
- When you have received a new award

Objective # 2 PI Responsibilities

- Direction and management of sponsored research
- Financial compliance
- Completion of progress and technical reports
- Effort certification
- Approving final payments to subcontractors

Roles and Responsibilities have been defined for each position.

rcc.compliance.duke.edu/roles/

Objective # 3

Resources and Tools Available to You

- Your Grant Administrator or Business Manager
- Sponsored research organizational structure, policies and procedures pertinent to faculty: Faculty Handbook (chapter 5)
- Web view of project financial status by PI. Faculty web-based financial reports
- Roles & Responsibilities related to financial compliance.
- Pre-award Office for the University Office of Research Support
- Link to 2005 PI Training which includes information on;
 - the compliance environment,
 - direct cost guidelines (what can / can not be charged to grants) and
 - roles and responsibilities.
- General Accounting Procedures (GAP)