

# **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.

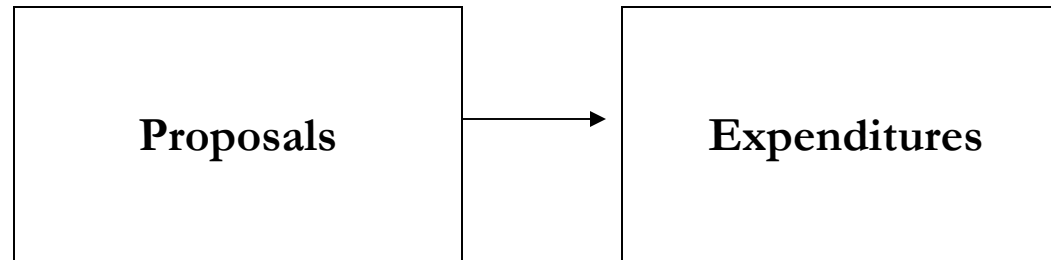
# OIG Mission

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.

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

# Objective # 1 Key Areas of Risk

## Grant Management

- A. Excessive and untimely cost transfers
- B. Last minute spending
- C. Significant over- and under-spending
- D. Un-captured cost sharing commitments
- E. Late reporting

## 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. Audit is likely.
- Not limited to a 40 hour week.
- 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.

Each of these items has been identified by the OIG as a  
“key area of concern” in the 2006 OIG Work Plan.

Any of these situations could alert an auditor to review a project in more detail.

## A. Excessive and untimely cost transfers

- A. Excessive and untimely (3 months) cost transfers (moving costs from one code to another)
- 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.
  - 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.

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

## B. Last minute spending

### B. 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

### C. 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

## D. 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.
- It is critical that we record and report effort related to committed cost sharing to demonstrate we are meeting our commitments.

# E. Late Reporting

## E. 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.

# Reasonable Estimate of Effort

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 this 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 Dean 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 this optional material.**

**[Go straight to Review & Quiz](#)**

# Dr. Greene's Current University Effort

Dr. Greene's effort is currently divided between Instruction, Administration, and Research. Research is 85%: 60% is on a federal grant and 25% is used for departmental research and is earmarked for new grant proposal development, department meetings, collaboration with other investigators not related to a specific project, as well as unfunded research time.

## Instruction

Graduate & Undergraduate

## Current University Effort

5%

## Administration

Department Administration

10% (Major committee or DGS)

## Research

Grant A

Departmental Funding

85%

60%

25%

TOTAL EFFORT

100%

# Reassessing Your Effort for a New Proposal

- When you submit a proposal to a sponsor, you are making a commitment of effort. This is the effort the sponsor expects if we receive the award. You need to make sure that you have effort available.
- On the next slide, Dr. Greene proposes 25% effort for a new Grant, Grant B.

# Proposed Effort Adjustment for Grant B

- Determine how effort distribution will change based on the new award.
- In this example, Grant A will be reduced to 55%.
- Reductions in effort  $\geq 25\%$  require sponsor approval.

<u>Instruction</u>	<u>Current Univ Effort</u>	<u>Proposed</u>
Graduate & Undergraduate	5%	5%
<u>Administration</u>		
Department Administration	10%	10%
<u>Research</u>		
Grant A	60%	55%
<b>Grant B</b>	<b>0%</b>	<b>25%</b>
Departmental Funding *	25%	5%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

Change in effort is  
 $(60-55)/60 = 8.3\%$

Dr. Greene will request 5% effort from a colleague to accomplish the Grant A scope of work. The PI change in effort is 8.3%, therefore, the sponsor will not need to be notified.

Dr. Greene reduces departmental effort to 5% which she feels is reasonable for proposal development and department meetings.

# University Effort Based on Award Notice

When the award is received, Dr. Greene finds that the Award B is issued with a 30% budget cut. In this case, the PI modifies the project scope then receives approval from the Program Official. She must re-examine effort to determine the appropriate amount of effort on the new project, given the reduced award. She decides that she will only need to expend 20% effort in order to complete the new scope of work.

Her research effort will remain at 85%. She will keep her effort on her current grant at 60%.

<u>Instruction</u>	<u>Current Univ Effort</u>	<u>Proposed</u>	<u>Awarded</u>
Graduate & Undergraduate	5%	5%	5%
<u>Administration</u>			
Department Administration	10%	10%	10%
<u>Research</u>			
Grant A	60%	55%	60%
<b>Grant B</b>		<b>25%</b>	<b>20%</b>
Departmental Funding	25%	5%	5%

# Relating Pay to Effort

- Effort is attested to after activity has occurred.
- Adjustments may need to be made based on **ACTUAL** effort.

Grant and business administrators have received training regarding effort reporting and the process of making effort adjustments.

You should be able to rely on them to help you get this accomplished.

# University Effort Based on Actual Effort

Dr. Greene reviews her quarterly notice and determines that her actual effort is in line with what she anticipated at the time of the new award.

She believes this is a reasonable estimate of how her actual effort was expended.

<u>Instruction</u>	<u>Current Univ</u>	<u>Proposed</u>	<u>New Award</u>	<u>Actual</u>
Grad & Undergrad	5%	5%	5%	5%
 <u>Administration</u>				
Dept Admin	10%	10%	10%	10%
 <u>Research</u>				
Grant A	60%	55%	60%	60%
<b>Grant B</b>		<b>25%</b>	<b>20%</b>	<b>20%</b>
Departmental Funding	25%	5%	5%	5%

# Research Financial Compliance

The School of Medicine has established an office to help ensure compliance and provide assistance to business managers and faculty in the following areas:

- **Effort Reporting**
- **Institutional Base Salary**
- **Cost Sharing**

**Director, Research Financial Compliance**  
**(919) 684-3612**  
**[degue001@mc.duke.edu](mailto:degue001@mc.duke.edu)**

# 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/](http://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 School of Medicine  
Office of Research Administration