


NCURA Region 1 – May 2, 2016

## Learning Objectives

- Present updates/clarification to UG-Section 430 Personal Compensation
- Discuss alternatives and impact for IHE



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The slide has a light purple header bar. Below it, the title 'Learning Objectives' is centered. The two bullet points are listed below. To the left of the second bullet point is a 3D illustration of a white stick figure standing on a path that splits into several orange arrows pointing in different directions. The MAXIMUS logo is in the bottom left corner, and the number '2' is in the bottom center.

## Contents

- UG Purpose for 200.430 to Institutions
- Allowable Costs
- UG Personal Compensation Strengths
- UG Personal Compensation Flexibilities: Standards of Documentation
- Solutions
- BTW

## UG Personal Compensation



Strengthens Requirements to maintain high standards for *Internal Controls*



Provides Greater Flexibility in methods to implement in meeting “high standards”

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## UG Personal Compensation (Remuneration)

Allowable to the extent compliant with 2 CFR 200.430, not just Institutional Policies, and that the total compensation for individual employees:

1. **Reasonable** for the services rendered: Confirming to written policy; Consistently applied to federal and nonfederal funds
2. *Follows an appointment*
3. **Supported** by Standards of Documentation for Personal Expenses (Allows for flexibility)

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## Strengthen by Requiring

### 1. Established written policies for—200.430

- b) Compensation Practices: Reasonableness; Rates of Pay; Increases;
- c) Professional Activities Outside the Non-Federal Entity
- d) Unallowable Costs
- e) Special Considerations requiring increases based on grant activity
- f) Incentive Compensation



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## Strengthen by Requiring

### 1. Established written policies for—200.430

- (h1). Incidental Activities
- (h2). IBS – Institutional Base Salary
- (h3). Intra-IHE Consulting
- (h4). Extra Service Pay
- (h5). Periods Outside of the Academic Year



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## Strengthen by Requiring

### 1. Established written policies for—200.430

- (h6). Part time Faculty
- (h7). Sabbatical Leave Costs
- (h8). Salary Rates for Non-faculty Members



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## Standards of Documentation: Greater Flexibility

Pre-Amble:



- **The focus in this final guidance on overall internal controls** mitigates the risk that non-Federal entity or their auditor will focus **solely** on prescribed procedures such as reports, certifications or certification time periods which alone may be ineffective in ensuring full accountability.
- While many non-federal entities may still find that existing procedures in place such as personal activity reports and similar documentation are the best method for them to meet the internal control requirements, this final guidance does not specifically require them.

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## Standards of Documentation: Internal Controls

Pre-Amble:



- **The approach may increase burden with weak controls but overall reduce burden by providing the ability to implement the internal control systems and business processes that meets the needs of the institution.**
- **Specifically it was explicitly stated: *Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed.***

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## Standards for Documentation - 200.430.i

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.

These records must:

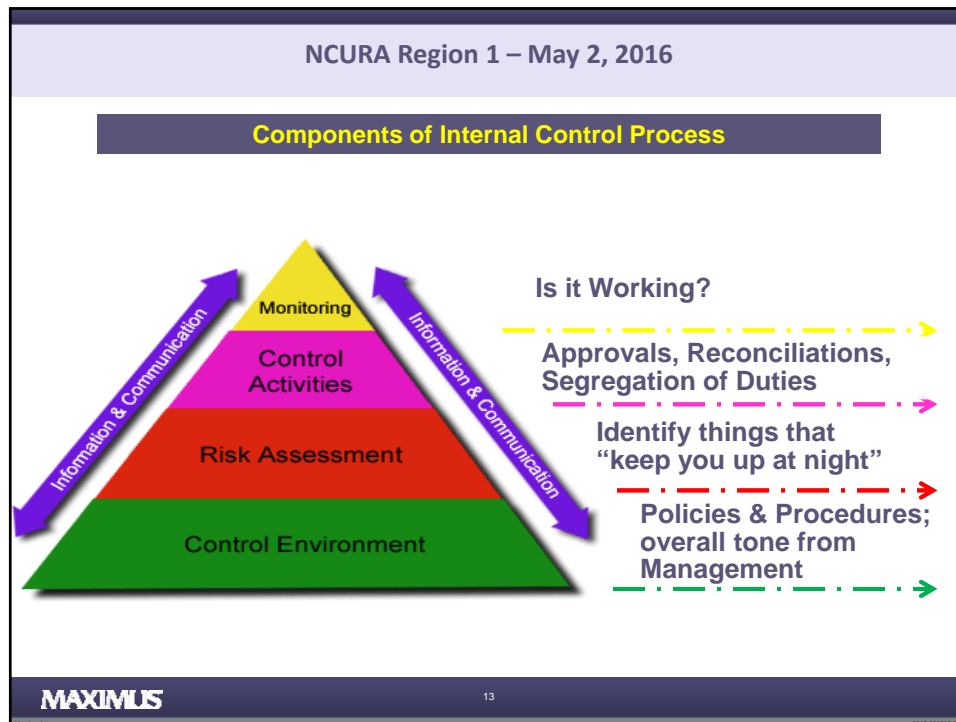
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## Standards for Documentation

- Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;



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- Be incorporated into the official records;
  - Reasonably reflect total activity compensated, not exceeding 100% of compensated activities (IBS);
  - Encompass both federally assisted and all other activities compensated;
  - Comply with the established accounting policies and practices
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- 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.

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**Budget Estimates to Charge**

- 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:
  - The system for establishing the estimates produces reasonable approximations of the activity actually performed; (*what internal controls in place to do this?*)
  - Significant changes in the corresponding work activity (as defined by the non-Federal entity's written policies) are identified and entered into the records in a timely manner.



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**Budget Estimates to Charge**

- Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term; and
- The non-Federal entity's **system of internal controls includes processes to review after-the-fact interim charges made to a Federal awards based on budget estimates**. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

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**Accurate, but not an exact science:**

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, a precise assessment of factors that contribute to costs is therefore not always feasible, nor is it expected.



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- For records which are supported by a system of **internal controls**, the institution will not be required to provide additional support or documentation **for the work performed**.....
- **Solutions**.....?



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### COFAR's Response

- Institutions can develop solutions that meet the requirements in paragraph (i) and reduce the burden related to their current process whether they be incremental or more significant, including complete elimination of current systems.



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## Solutions.....

1. None
2. Effort Reporting Systems (Manual/On Line) supporting internal control processes---Audit History: Weak, Proficient, Failed.
3. FDP Project Certification/Payroll Certification—Audits Under Review for Acceptance: George Mason most recent.
4. Others?



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Your level of risk and how you manage it will aid in determining your internal control processes.....i.e. maintain, change, or even eliminate current systems



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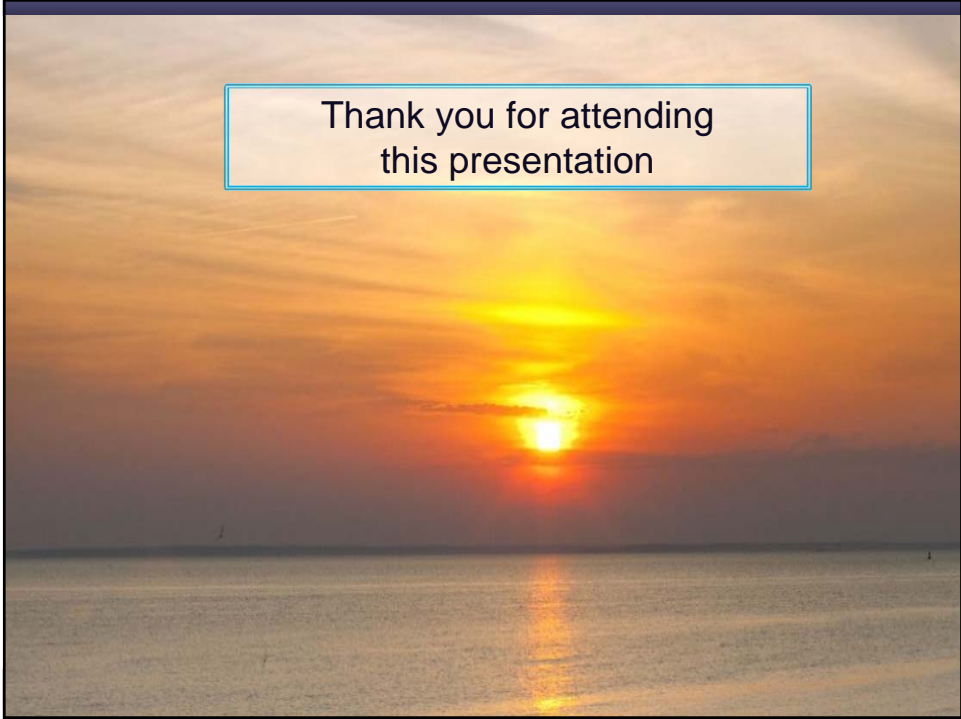
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*By The Way (BTW)*

- Time Cards are also subject to this section.
- **Cost Sharing** S&W on Federal awards must be supported in the same manner as S&W claimed for reimbursement from Federal awards.

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A photograph of a sunset over a body of water. The sun is low on the horizon, creating a bright orange and yellow glow that reflects on the water. The sky is filled with soft, wispy clouds. A white text box with a blue border is centered in the upper half of the image.

Thank you for attending  
this presentation