Objectives

• Identify the impact inaccurate effort reporting has on adherence to cost principles.
• Pinpoint best practices to comply with cost principles by examining high risk scenarios involving cost allocations, allocation of effort, and cost transfers.
• Provide recommendations on how to minimize high risk situations.
• Allowable: Costs that may be charged directly or indirectly to a sponsored project.
• Reasonable: The cost must reflect the actions of a prudent person.
Consistent Treatment: Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (Facilities & Administrative) costs.
The Challenging Principle

• Allocability: The cost must benefit the project or projects. If the cost benefits multiple projects, it must be distributed in accordance with its relative benefit using a methodology that is justifiable.
What is the Issue?

• Allocability
  – How costs are allocated to projects
  – Effort and cost transfers
• 62 % of direct costs allocated to sponsored projects are salaries and related fringe benefits.
• Principal investigators are presented with reports on how his/her time is spent as well as all project personnel.
• 100% of an individual’s time that is compensated by the institution as their base pay.
• Reasonable allocation give 5% +/-.
Recommendations for Effort

• Ask first: How is that person spending their time?
• Verify payroll aligns with how that person is spending their time.
• Review commitments
  – Is the PI meeting the promise made to the sponsor?
Where the Breakdown Happens...

• Misunderstandings of what 100% of an individual’s time mean.
  – 40 hours vs. 60 hours vs. 80 hours

• Certification of Effort
  – No certification
  – Adjustment of payroll after effort is certified

• Salary Caps
  – NIH
High Risk Situations

• Incorrect allocation
  – Rotation of costs
  – Improper distribution of costs due to an award ending sooner
  – Effort allocation
High Risk Situations

• Cost Transfers
  – Spending down an award
  – Overspending an award
  – Timeliness
  – Appropriate documentation for all cost transfers

• Reasonable cost transfers:
  – Late awards – cost incurred prior to award set-up
  – Clerical errors – miscommunication, data entry errors
  – Reallocations – animal care, copying, etc.
• Temporary accounts
  – Late awards

• Tracking costs
  – myInvestiGator
  – Enterprise Reporting
Other Compliance Challenges

- Conflict of Interest
- Export Controls
- IRB
- IACUC
- HIPAA
- Responsible Conduct in Research
- Lab Safety (Compliance)
Questions??

• Thank you!