A Proposal for a Demonstration Project

An Alternative to Effort Reporting

Rich Andrews
Controller
University of California, Irvine

Presentation Agenda

- Introduction
- FDP Mission
- FDP Process
- The Demonstration Process
- Details of a new certification system
- Discussion
- Next steps

Introduction

- Spent a lot of time on this issue
- Effort Reporting has weaknesses:
    - Theoretical Model
    - Can't measure effort
    - Expensive system
    - Benefits don't exceed the cost
    - Some Effort Reports are late for Financial Status Reports (FSR)
- There has to be a better way!

Introduction

- Elements of Demonstration:
  - A new approach
  - A test methodology
  - Decision makers

The FDP's Mission

- **The Federal Demonstration Partnership (FDP) is an association of federal agencies, academic research institutions, … and research policy organizations that work to streamline the administration of federally sponsored research.**

The FDP's Mission

- The goal of improving the productivity of research without compromising its stewardship has benefits for the entire nation.

The FDP's Mission

- **Individuals from universities, … nonprofits … [and] federal agency[s] … hold spirited, frank discussions, identify problems, and develop action plans for change.**

- **Then – again working jointly – they test the new ways of doing things in the real world before putting them into effect.**

The Demonstration Process

- Hold spirited, frank discussions
- Identify problems and issues
- Analyze problems and issues
- Develop action plans for change
- Test the new way of doing things
- Change federal regulations, if necessary
- Implement at Universities, if valuable

Develop an Action Plan for Change

- What would an action plan for change look like?
- How would we measure results?
- How would we determine if the demonstration is a success or a failure?
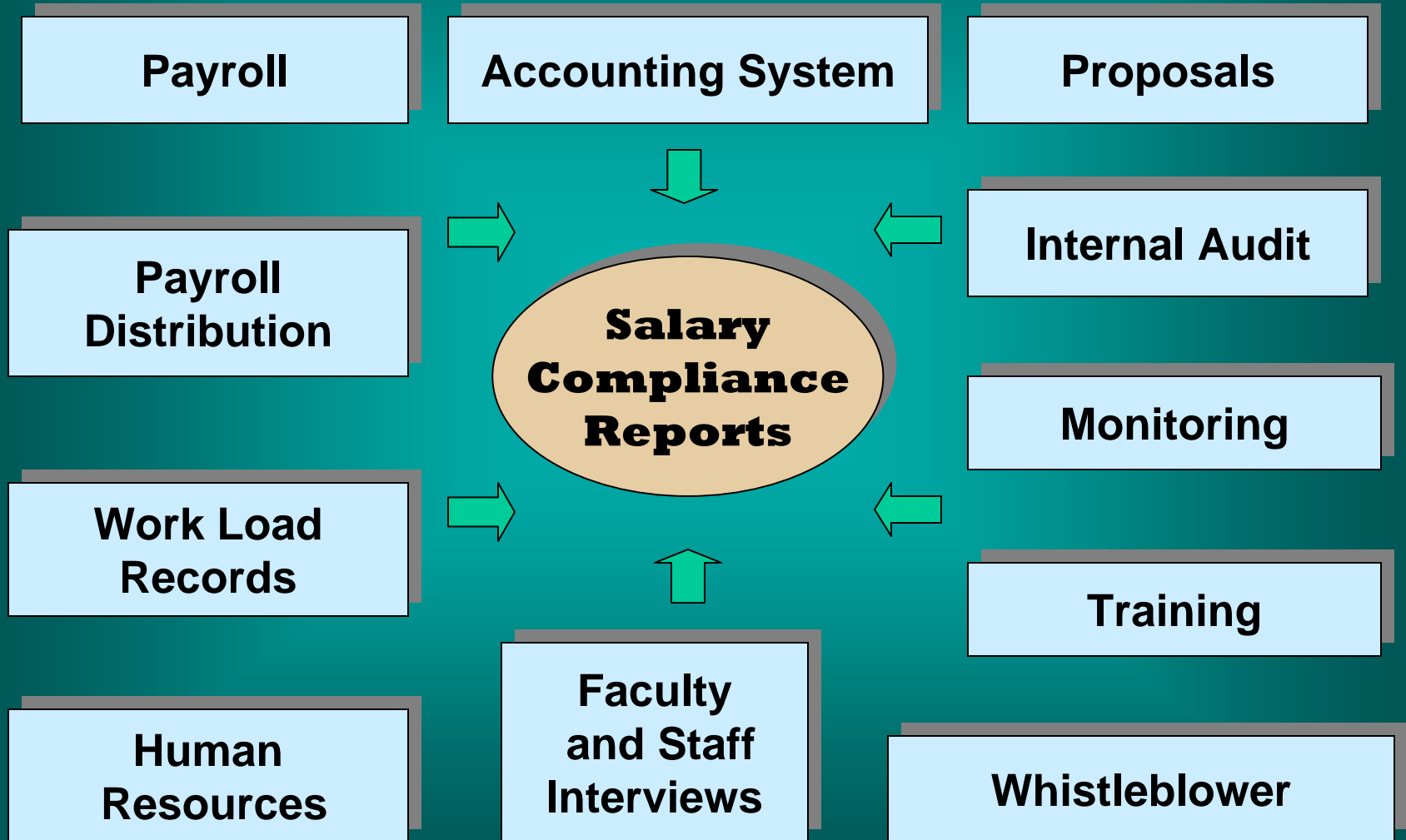- What should we measure?

Action Plan or Demonstration Framework

1. Perform an assessment audit of the current effort reporting system to determine the "health" of the system
2. Implement the new system
3. After 2 years, perform an assessment audit of the new system to determine its "health"
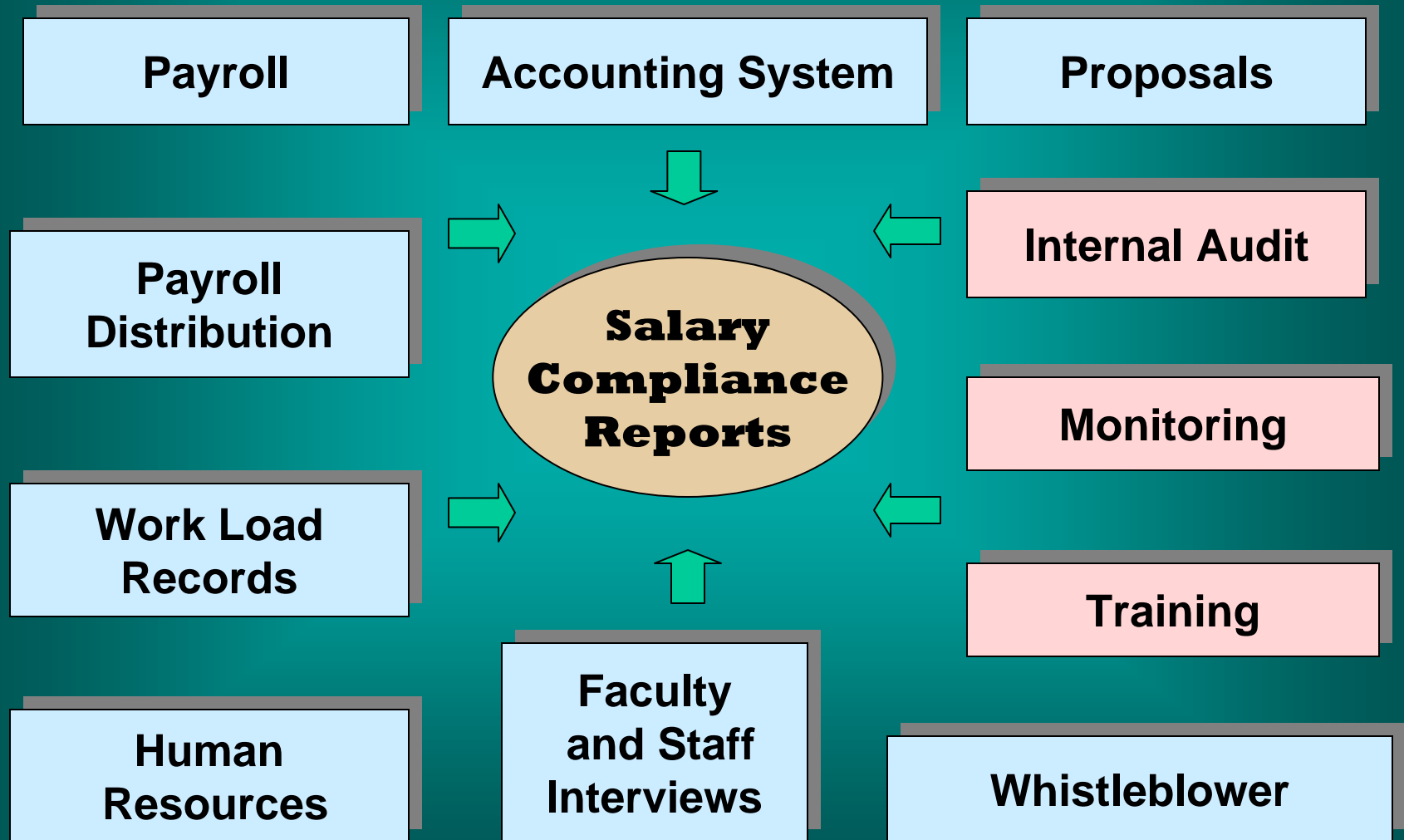
Underlying Beliefs

- Effort reports are not a strong internal control
- Effort reports meet a compliance requirement
- A non-effort reporting system could meet the compliance requirement
- Know and understand existing controls

Internal Controls Surrounding Salary Compliance Reporting

Payroll

Accounting System

Proposals

Payroll Distribution

Internal Audit

Salary Compliance Reports

Monitoring

Work Load Records

Training

Human Resources

Faculty and Staff Interviews

Whistleblower

Internal Controls Surrounding Salary Compliance Reporting

Payroll

Accounting System

Proposals

Payroll Distribution

Internal Audit

Salary Compliance Reports

Monitoring

Work Load Records

Training

Human Resources

Faculty and Staff Interviews

Whistleblower

Expense Certifications

- Project specific certifications
- Annual certification based on budget period
- Signed by the Principal Investigator
- Certifies: Salaries and wages, non-salary and wage expenses, and cost sharing
- For salaries and wages, "charges were reasonable in relation to work performed"
- Incorporates control features

OMB A-21, J.10.C.1.e: Plan Confirmation

"At least annually a statement will be signed by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed, stating that salaries and wages charged to sponsored agreements as direct charges, and to residual, F&A cost or other categories are reasonable in relation to work performed."

Expense Certifications

- A Project Management Tool that is available 24/7

- The Project Management Tool will assist the Principal Investigator and others in meeting the University's stewardship goal

- The Project Management Tool, at the end of the budget year, becomes the Certification Document

Elements of the Project Management/Certification Tool

- **General Information**
- **Certification Statement**
- **Expense Information**
- **Expense Transfers**
- **Inception-to-Date Charges to the Project**

Next Steps for UCI

- **Understand the IT costs to implement the Project Management Tool**
- **Have assurances that the audits would not require refunds**
- **Have assurances that UCI's participation was part of a valid demonstration methodology**
- **Obtain Senior Administration approval**

Discussion and Next Steps