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# ncura newsletter

*A publication of The National Council of University Research Administrators*

## Faculty Charged 100% to Sponsored Programs Another Compliance Risk?

*by Jerry Fife*

Add to your list of compliance concerns faculty that are charged 100% to sponsored programs. Why should you be concerned and where are the regulations that address this? Are these new regulations?

This article will discuss recent audit findings and alternatives for properly recognizing faculty effort related to proposal writing, committee assignments and teaching assignments.

### Background

A recent university audit by the DHHS OIG assessed cost disallowances for faculty that were charged 100% to sponsored programs while writing sponsored program proposals. The basis for these disallowances is derived from the Office of Management and Budget (OMB) Circular A-21 which states in Section F.6. (a)(2):

“Salaries and fringe benefits attributable to the administrative work (including bid and proposal preparation) of faculty (including department heads), and other professional personnel conducting research and/or instruction, shall be allowed at a rate of 3.6 percent of modified total direct costs.”

This language is contained in a section of A-21 describing the treatment of costs for developing the departmental administration pool while developing an F&A proposal. This language has been in A-21 since 1986. Unfortunately, for a host of reasons some universities may have failed to account for this effort and this latest audit report serves as a reminder that this should be taken into account when providing effort reporting guidance. Most universities have informed faculty of this requirement but some may not have monitored this for faculty that have charged 100% to sponsored programs.

Which proposals should be considered? Obviously new proposals fall into this category and institutional funding must be provided to account for this effort. It is important to realize that it is not acceptable to argue that faculty effort devoted to proposal writing occurs during personal time and needs not be included in the calculation of effort. Proposals such as NIH non-competing continuations where the proposal is a progress report can legitimately be direct charged to the project. Where things become grey are in proposals like NIH competing continuations where a portion of the proposal is a progress report and the remainder is proposed work. In this instance, the progress report portion is chargeable to the project and the remainder should be considered departmental administration and charged to university sources.

In addition, the audit also found instances where faculty charged 100% to sponsored programs, but taught courses during a portion of their time. Although not a part of the audit findings, serving on university committees and not accounting for effort

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## NCURA Ballot!

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## Pre-award Research Administration: Blazing a Trail to Excellence

August 20-22, 2006 Portland, OR

Attention all of you pre-award folks out there! Do you want to make history? NCURA is offering the first ever Pre-Award Research Administration Conference and you can be part of this new adventure.

The program committee has pulled together an exciting array of concurrent sessions, open forums, and discussion groups covering topics from eRA and Grants.gov to communicating with your PIs and compliance issues. Half-day workshops on Sunday morning will cover contract negotiation, perfect proposals, starting a sponsored program office at a PUI, and pre-award fundamentals. There will be lots of information for both departmental and central administrators, as well as special sessions for attendees from PUIs.

So blaze a trail to Portland in August and join us in the beautiful City of Roses. For more information about the conference, registration materials and suggestions for extra-curricular activities, visit the NCURA website [www.ncura.edu/conferences/pral](http://www.ncura.edu/conferences/pral).

*Sally Tremaine and Michelle Joy Powell are Co-Chairs of PRA. Sally Tremaine serves as the Director, Corporate and Foundation Relations, Quinnipiac University. Michelle Joy Powell is the Training Program Manager, Georgia Institute of Technology.*



## Faculty Charged 100% To Sponsored Programs Another Compliance Risk?

on sponsored programs for which faculty are named as an investigator with no effort also represents a compliance risk.

### Mitigating the Risk

Before describing possible solutions to mitigate risk it is important to recognize that taking these corrective actions will not be an easy task, regardless of the approach. It may create a funding issue at the department or school level and while this is not a valid reason for non-compliance, it will complicate the resolution of the compliance risk.

Understanding the magnitude of this risk is the first step in mitigating this compliance risk. This is done by running reports from your institution's effort or payroll system to determine how many faculty are being paid 100% from sponsored programs. It is also important to determine which faculty will be included in the report. In addition to traditional tenure track faculty, many research universities have research faculty positions that are not eligible for tenure. Although some research faculty may not be involved in proposal writing it is advisable to include these positions in your assessment because it is likely that some do engage in proposal writing. If your institution included research faculty in the 3.6% allowance in the development of the departmental administration pool for your institutions F&A proposal then this must be considered in mitigating this risk.

Once you have completed a report of faculty charged 100%, you will need to work with your institutions research leadership to develop a plan for reviewing and reducing the percentage charged for those faculty involved in proposal writing. Many research universities have already developed monitoring processes that periodically review the effort of faculty charged greater than some predetermined percentage. Most seem to be reviewing faculty charged greater than 90% although some are reviewing at lesser percentages. These reviews may include discussions with appropriate departmental officials or faculty depending on how your university operates. The discussions should be aimed at determining if adjustments in effort should be made to account for proposal writing.

How should the effort be adjusted for faculty charged 100% that are involved in proposal writing? This will depend on multiple factors and there is no clear guidance. If the 3.6% has been claimed for faculty as a part of your institutions F&A rate calculation then auditors may argue that the reduction should be at least 3.6% for all faculty included in this calculation. Since the 3.6% is an allowance it was intended to cover a reasonable amount for this activity spread across all faculty in the calculation. Stated another way, some faculty would be expected to be over the 3.6% while others would be under. A reasonable approach is to consider the amount of proposal writing that occurred during the effort certification period and account for the effort accordingly.

Faculty teaching of regular undergraduate and graduate courses must be accounted for in faculty effort and included as a part of faculty effort as instruction. Faculty charged 100% to sponsored programs should not be teaching courses unless the course is approved as a part of a sponsored instruction project. Also, faculty charged 100% to sponsored projects should not be serving on university committee(s) as these activities should be included as

university funded activities and included as a part of the institutional base salary.

What about those instances where a faculty member provides guest lectures, teaches a course that requires an insignificant amount of effort or serves on a university committee that only meets a few times in accomplishing its mission? Again, there is no clear guidance for these situations. The safest compliance position is to count these activities; however, it may be difficult to obtain faculty recognition of these activities when considering effort. A-21 recognizes the concept of reasonability in effort reporting. Therefore, a good strategy for dealing with these types of activities is to carefully define by policy that effort which is considered insignificant for effort reporting purposes. Care should be taken during monitoring of effort to ensure that these types of activities are questioned and documented so that a clear audit trail is created.

Instances where faculty are listed as an investigator with no effort also need to be considered in mitigating compliance risk. To understand why these projects need to be considered it is important to review a clarification to A-21 which was dated January 5, 2001. The portion dealing with effort reads:

“In addition, most Federally-funded research programs should have some level of committed faculty (or senior researchers) effort, paid or unpaid by the Federal Government. This effort can be provided at any time within the fiscal year (summer months, academic year, or both). Such committed faculty effort shall not be excluded from the organized research base by declaring it to be voluntary uncommitted cost sharing. If a research program research sponsored agreement shows no faculty (or senior researchers) effort, paid or unpaid by the Federal Government, an estimated amount must be computed by the university and included in the organized research base. However, some types of research programs, such as programs for equipment and instrumentation, doctoral dissertations, and student augmentation, do not require committed faculty effort, paid or unpaid by the Federal Government, and consequently would not be subject to such an adjustment.”

It is clear from this statement that faculty effort must be assigned to most federally funded research projects. Although not stated, if this concept applies to federal programs it would not be surprising to see auditors extend this to non-federal programs and these should be considered when monitoring faculty effort.

### Conclusion

Effort reporting has been the focus of many audits and many compliance efforts over the past few years. Many articles have been written on this topic during this time and this article has covered one small and sometimes overlooked area. Taking the steps as outlined above is yet another step in ensuring compliance in effort reporting.

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