

PAYROLL CERTIFICATION SYSTEM FREQUENTLY ASKED QUESTIONS:

Background: A federal audit of UCR's Annual Payroll Certification System will be conducted in June 2013. UCR is participating in a Federal Demonstration Partnership Pilot to replace Effort Reporting with a more effective and efficient process, Payroll Certifications. Please send questions/comments to piwrsfeedback@ucr.edu.

Q1: The Payroll Certification language states "I have reviewed the attached Annual Payroll Certification Report with project salary expenses totaling \$XX,XXX and I have determined that **all** salary and wage expenses have been correctly charged because: **All** salary and wage charges are reasonable in relation to work performed..." I am concerned with the use of the term "all". What is the expectation for PIs to be able to make this affirmation?

A1: OMB Circular A-21 (Cost Principles for Educational Institutions) recognizes "in an academic setting, teaching, research, service, and administration are often inextricably intermingled. A precise assessment of factors that contribute to costs is not always feasible, nor is it expected. Reliance, therefore, is placed on estimates in which a degree of tolerance is appropriate." However, the PI is expected to review the payroll certification information for reasonableness. Examples of best practices to confirm reasonableness follow: 1) PIs are working with their department analyst to develop reasonable proposal budgets that follow campus guidelines; 2) PIs are communicating the appropriate information to their department administration regarding the hiring and/or funding source of employees paid from their contracts and grants; 3) PIs are reviewing their monthly financial statements and annual payroll certification to ensure the salaries appear reasonable (e.g., all individuals listed work on the project and no one has been omitted; the salaries listed seem reasonable based on the work performed; salaries align with the proposal/award salaries or there is an explanation for differences; errors/omissions are being promptly identified and corrected, etc.); and 4) Cost Notes explanations have been reviewed in order to be able to confirm compliance.

To support the PIs in performing the certification process, it is expected the department analyst is coordinating with the PI on Payroll Certifications and addressing any questions and concerns. Department analyst should also be reviewing and researching the cost notes for compliance, entering salary adjustments, adding cost sharing as appropriate, and entering comments to assist the PI in his/her review. ALSO SEE FAQ#4

Q2: As a PI, I rely on my department administrative support staff for ensuring much of this financial data is correct. What are my responsibilities to confirm the salary information appearing on the payroll certifications?

A2: Certifications made within the Annual Payroll Certification System are good faith acknowledgments. This means there is a reasonable belief the salary information that is

personally known to the Certifier is accurate. With respect to the salary information that is not personally known to the Certifier, it is appropriate for the Certifier to rely on the confirmations provided by his/her administrative staff (e.g. PIWRS coordinator, department analyst, and/or Financial Manager) and/or Co-PIs as long as the Certifier has no personal knowledge of inaccuracies.

Please note there is a potential for personal liability if the Certifier has knowingly provided an untrue certification, i.e. has engaged in intentional fraud or deliberate unlawful conduct.

Q3: What is the goal of the federal audit of the payroll certification pilot?

A3: The goal of the audit is to provide assurance to the federal government that the payroll certification process conforms to the costing principles outlined in OMB Circular A-21. A positive audit will allow other institutions across the nation to begin utilizing payroll certifications. The four pilot institutions (George Mason, Michigan Tech, UCI and UCR) experience is that payroll certifications are logical, have improved the review of salaries, and are more administratively efficient.

Q4: How is “reasonable” defined for payroll certification purposes?

A4: Webster’s dictionary defines reasonable as “not extreme or excessive.” Under OMB Circular A-21, reasonable costs “...reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made.” Other factors to consider as outlined in A-21:

- 1) Costs are generally recognized as necessary for the performance of the sponsored agreement;
- 2) Costs conform to the sponsored agreement terms and conditions;
- 3) The PI acted with due prudence in the circumstances, considering their responsibilities to the institution, its employees, its students, the Federal Government, and the public at large;
- 4) Costs are consistent with established institutional policies and practices applicable to the work of the institution generally, including sponsored agreements.

Q5: As the PI, I provide information to my administrative support staff on the level and step of my graduate student employees or other employees. How am I supposed to know if the salary rate is correct?

A5: If sufficient information is provided to department administrative staff to set up an employee to be paid on a sponsored project and the information is based on the proposal/award budget, it is appropriate to rely on the confirmations provided by your administrative staff (i.e. Department Analyst, PIWRS coordinator and/or Financial Manager). However, it is the PIs responsibility to determine/confirm: 1) the salary charges appear to be reasonable in general (e.g. were you expecting an annual charge for approximately \$5,000 for an individual, but the payroll certification indicates \$20,000?); 2) all individuals listed on the payroll certification contributed to direct project activities and salary paid was reasonable based on the work performed; 3) salary information is consistent with the proposal/award budget (or there an explanation for the variance, such as one Graduate Student Research originally proposed for one year, but due to various delays, two GSRs were needed for six months); and 4) salary (and other expenditure) information has been reviewed on a monthly basis and questionable items have been brought to the attention of your departmental administrative staff for resolution.

It is acceptable to ask your PIWRS Coordinator to enter a comment on the payroll certification confirming that the salary data reflects the instructions provided by the PI regarding hiring decisions.

Q6: Can staff paid from my federal grant assist with preparing the proposals for the next year's award?

A6: No. Proposal preparation activities cannot be paid from federally funded salaries and wage and should not be communicated to the employee as a work expectation.

Q7: What is the expectation of employees paid 100% on federal fund(s)?

A7: If a full-time employee is paid 100% from federal funds, all work activities must directly benefit the sponsored project(s) involved. Therefore, these individuals should not be performing instructional activities, proposal development activities, serving on administrative committees, etc. It is recommended that if an individual has incidental other responsibilities not directly attributable to direct sponsored project activities that the salary cost associated with the individual be paid at a rate less than 100% from federal sources.

Q8: If an individual's appointment is less than full-time (e.g. 45%) and 100% of their pay is distributed to a federal fund source, can they perform other activities like developing proposals in their "free" time?

A8: The part-time individual's employment related responsibilities must be directly related the federally sponsored project (please note proposal development is considered an indirect activity). As long as the other activities are not required and/or directed as part of the individual's employment relationship and are not conducted during the employee's normal work hours, a part-time employee can participate in other non-employment related activities.

Q9: Can a PI receiving 100% of their summer salary for a month on a federal project perform work on another agency's sponsored project activities, present at scientific meetings or prepare proposals on nights and weekends?

A9: Ideally, when an individual is paid 100% on a specific federal award for a period of time, the individual's work activities would be directly related to the award. It is recommended that if an individual has incidental other responsibilities not directly attributable to direct sponsored project activities that the salary cost associated with the individual be paid at a rate less than 100% from federal sources.

Q10: Some of the individuals appearing of the report worked under a Co-PI in another department, why do I have to sign the PRC?

A10: The Prime PI for any award is accepting primary fiduciary responsibility for the award. Some best practices are to provide Co-PIs with "collaborator" access to the PIWRS Monthly reports and indicate their review via a comment on a monthly basis OR many unit's administrative staff coordinate with the CO-PI's department(s) to confirm the Co-PI concurs with the salary data before asking the Prime PI to certify.