

FDP PL106-107

*Initiative to Reduce Administrative Burdens*

Patrick Fitzgerald

Massachusetts Institute of Technology

Beth Mora

Harvard University

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# *Initiative to Reduce Administrative Burdens*

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- # Expands FDP role in PL 106-107 activities beyond eRA to include pre-award, post-award and audit
- # Continues the work of the FDP Effort Reporting Task Force
- # Identify burdensome administrative requirements in A-21, A-110, A-133, etc. that present opportunities for streamlining and simplification (or elimination)

# *Initiative to Reduce Administrative Burdens*

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- # Development, testing and evaluation of new methods:
  - Develop simpler methods
  - Demonstrate the feasibility of new methods
  - Estimate potential cost savings
  - Assess impact on F&A rates
- # Recommend elimination of ineffectual or unnecessary administrative requirements

# *Initiative to Reduce Administrative Burdens*

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- # Serve as resource for Federal Workgroups (Pre-Award, Post-Award and Audit)
  - Develop FDP responses to Federal proposals
  - Facilitate individual institutional responses
  - Provide ideas and data analysis, model impact of Federal proposals
- # Raise awareness of problems caused by administrative cap/institutions increasing cost of compliance

# *Initiative to Reduce Administrative Burdens*

## Guiding Principles

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- # Accountability and stewardship cannot be sacrificed for the benefits of simplicity
  - Accountability should be focused on research results
  - Accountability should be affordable
- # Regulations should be evaluated based on effectiveness and efficiency
  - Assessment of cost/benefit of each regulation
  - Assessment of risk associated with non-compliance

# *Initiative to Reduce Administrative Burdens*

## Guiding Principles

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- # Differentiate administrative compliance regulations from scientific regulations
  - All rules are not equal in importance
  - Some rules add value to research endeavor, others are “administrivia”
  - Highest priority, greatest resources should be assigned to value-added, research-focused regulations
- # Simplification can be achieved without increasing F&A rates

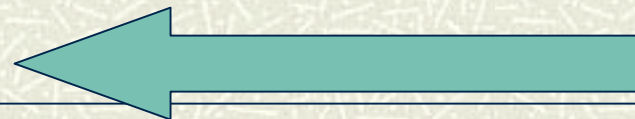
# Why a New Task Force?

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- # Times have changed.....
  - OMB Circular A-21 introduced in 1958, should be periodically re-evaluated
  - Many changes made during the 1990's in an environment of mistrust
    - Was there widespread abuse of regulations by universities?
    - Were these “remedies” justifiable?
- # The government is advocating change with PL 106-107; we have a unique opportunity

# Federal P.L. 106-107 Initiative on Cost Principles

- # Objectives of Post-Award Workgroup on Cost Principles (A-21, A-87, A-122)
  - Consistent treatment of costs
  - Uniform interpretation of cost policies
  - Update of new cost items
- # **Not Objectives** of Post-Award Workgroup on Cost Principles
  - Add new restrictions
  - Modify current policies



# Why a New Task Force?

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- # Response to the “Compounding effect” of Federal regulations
  - Government continually adds new regulations, rarely subtracts
  - Shouldn't there be a process to assess the effectiveness of existing regulations?
    - Does a regulation meet the intended compliance objective in an efficient way?
    - Is there a better way to achieve the objective?
    - Is the regulation still necessary?

# Why a New Task Force?

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- # Some regulations are too complicated and make...
  - Compliance more difficult
  - Auditing more difficult
  - F&A negotiations more contentious
- # Costing regulations are too prescriptive
  - Focus is on the means/process by which we comply; the measure of success should be outcomes or objectives
  - flexibility is limited by regulations; minimizes opportunities for change

# Why a New Task Force?

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## # Conflicting Guidance from Federal Agencies

- Example: NIH Modular Grants
  - NIH doesn't want detailed proposal budgets
  - A-21/CAS requires consistency between proposal budgets and project accounting
  - A-133 Auditors expect detailed budgets for comparison to actual expenditures

## # Overlapping Requirements

- Example: Certifications required for all project costs and a separate certification is required for salary and wages charged to sponsored projects

# Why a New Task Force?

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## **The Unfunded Mandate**

# Increased Cost Of Compliance is borne largely by Institutions, not the Sponsors imposing the regulations

### ■ **The RAND Study (2000)**

“most universities are at the 26% cap ...in such cases newly mandated compliance costs will be borne entirely by universities”

“We estimate that the federal government does not reimburse between \$0.7 and \$1.5 billion in F&A costs allocated to federal projects.”

# Why a New Task Force?

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## # COGR Data Supports RAND Report

- Of 144 COGR members, more than 80% have administrative costs in excess of 26%
- COGR Cost of Compliance Study (2001):
- 20 Institutions in sample under-recover between \$1 mil and \$31 mil in F&A costs
- Federal programs that mandate F&A recovery at less than negotiated rate are a bigger problem

→ **Bottom Line: Universities fund 100% of the cost of new regulations; Federal Government funds 0%**

# Why a New Task Force?

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- # As members of the FDP, university and government representatives have an **obligation** to find efficient and effective ways to support research
  - maximize resources available for research
  - minimize administrative costs
- # Promote the Executive Order of 12/29/00;
  - What happened to this Executive Order?
  - Aren't these principles still valid?
  - Shouldn't we be working towards these goals?

# Executive Order of 12/29/00

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## # Operating Principles to Strengthen the Federal Government-University Research Partnership

- Agencies and universities should manage research in a **cost-efficient manner**, make maximum resources available for the performance of research and education
- **Accountability and accounting not the same**; principal measure of accountability should be research results
- The **benefits of simplicity** in policies and practices **should be weighed against the cost**; goal is to maximize the impact of every research dollar spent...

# Potential Benefits of New Initiative

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- # We can create “win-win” solutions; institutions (and government) administrative costs are reduced with no negative impact on accountability
- # Opportunity for substantial savings with little investment; “savings by subtraction”
- # Can be pursued concurrent with other approaches, e.g. “uncapped” compliance pool, direct grants
- # Enable institutions to develop their own systems and processes to ensure compliance; recognize that institutions are different and there is no “best practice” for ensuring compliance

# Potential Benefits of New Initiative

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- # Collaborative government-university partnership can develop creative, synergistic solutions that are better than each partner's solutions
  - Prior collaborative efforts have been successful; e.g., expanded authorities, subawards template
  - It is in our mutual best interest to be successful
- # Consistent with goals of the Federal Government
  - PRD-4
  - Executive Order 12.29.00
  - P.L. 106-107
  - OMB Report (3.19.02) Cost vs. Benefit of Regulations

# Potential Benefits of New Initiative

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- # Simplification of processes without increases to F&A rates; the focus is on cost reduction
- # Changes are agency neutral, not directed towards specific agencies or certain types of research
- # A means to lessen the impact of the 26% cap; simplification would enable institutions to reduce administrative costs to cope with reduced reimbursements of administrative expenses
  - In 1991 the government reduced administrative reimbursements but has done little to help universities reduce administrative burdens or costs

# IRAB Task Force

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- # Kick-off at May 2002 FDP Meeting
- # 43 Institutions Agree to Participate
- # 4 Federal Agencies (So Far)
  - Health & Human Services:
    - DCA (Phil Simard)
    - Cost Policy and Audit Resolution (Jean Augustine)
  - Office of Naval Research (Debbie Rafi)
  - National Institutes of Health (Regina White)
  - Army Research Office

# Participating Institutions

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- # California Institute of Technology
- # Columbia University
- # Cornell University
- # Dartmouth College
- # Emory University
- # Florida State University
- # Harvard University
- # Johns Hopkins University
- # Massachusetts General Hospital
- # Massachusetts Institute of Technology
- # Medical University of South Carolina
- # Northeastern University
- # Northwestern University
- # North Carolina State University
- # Penn State University

# Participating Institutions

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- # Purdue University
- # Research Foundation of the State University of NY
- # San Diego State University Foundation
- # St. Jude Children's Research Hospital
- # Stanford University
- # Southwest Texas State University
- # University of Arizona
- # University of California, Los Angeles
- # University of Cincinnati
- # University of Florida
- # University of Illinois at Urbana-Champaign
- # University of Maryland, College Park
- # University of Massachusetts Medical
- # University of Miami
- # University of Minnesota

# Participating Institutions

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- # University of Notre Dame
- # University of North Carolina
- # University of North Florida
- # University of Pennsylvania
- # University of Rochester
- # University of Southern California
- # University of Texas at Arlington
- # University of Texas at Austin
- # University of Texas Health Science Center at San Antonio
- # University of Texas M.D. Anderson Cancer Research Center
- # University of Texas Medical Branch
- # Washington University in St. Louis
- # Yale University

# Candidates for Simplification/Elimination

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## OMB Circular A-21

Elimination of Analyses and Requirements that Add No Value, including

- # Reasonableness of the Cost of New Construction
- # Monthly Cash Flow Analysis for Debt Arrangements in Excess of \$1 million
- # Lease-Purchase Analysis
- # Reserve or Expend F&A Payments Made for Depreciation

# Candidates for Simplification/Elimination

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## OMB Circular A-21 (continued)

- 26% Cap on Reimbursement of Administrative Costs (Especially Compliance Costs)
- # Limitation on Direct Charging of Clerical and Administrative Support
- # Effort Reporting (Payroll Distribution)

# Candidates for Simplification/Elimination

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## OMB Circular A-21 (continued)

- # Space Survey (i.e. Implementation of Simplified Method for Allocating Facilities Costs)
- # Cost Accounting Standards (CAS), esp. Disclosure Statement Requirements

# Candidates for Simplification/Elimination

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## OMB Circular A-110

- # Multiple Federal Systems for Letter of Credit Draw downs (e.g. PMS, ASAP, LOCCS, FADS, EDGAPS)
- # Financial Status Reports (FSR) — Inadequate Time for Filing of FSR's with Projects Involving Sub-Recipients

# Candidates for Simplification/Elimination

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## OMB Circular A-110 (continued)

- # Duplication of Representations and Certifications
- # Inconsistent Reporting Requirements, e.g. Quarterly SF 272, Final SF 269
- # Property Disposition Requirements
- # Equipment Threshold, Vesting of Title to University for Equipment, Supplies

# Candidates for Simplification/Elimination

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## OMB Circular A-110 (continued)

- # Documentation of Cost Sharing (especially cost sharing not required by the sponsor)
- # Cost/Price Analysis for Purchases
- # Expansion of FDP Terms and Conditions to Grants and Cooperative Agreements Not Currently Covered

# Candidates for Simplification/Elimination

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## OMB Circular A-133

- # Effectiveness of A-133 Audits:
  - Revised Approach; Less transaction Testing, More Focus on Roles and Responsibilities, Adequacy of Systems.
- # Sub-recipient Monitoring (especially foreign subs)
- # Materiality (What is a "Material" Impact?)

# Candidates for Simplification/Elimination

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## OMB Circular A-133 (continued)

- # Reliance on A-133 Audit
  - Reduce Other ("Special") Audits
  - Minimize Audit Overlap, Duplication of Effort
- # Audits Should be More Systemic, Focus on Charging Practices
- # Less Frequent A-133 Audits

# Candidates for Simplification/Elimination

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## Other Issues

- # NIH Salary Cap (frequent changes to the cap amount)
- # Just-in-Time Review for Research Involving Human Subjects
- # Administrative Burden on Faculty Caused By Increased Compliance Requirements

# Candidates for Simplification/Elimination

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## Other Issues (continued)

- # Cost Principles for Hospitals (OASC3 not revised since 1974)
- # Inconsistent/Incorrect Auditor/Negotiator Interpretations of A-21

# Next Steps

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- # FDP Meeting September 19-20, 2002
- # Phase IV begins: 30+ New FDP members
- # Prioritize “Candidates for Simplification/Elimination”
- # Organize Task Force Around Major Areas
  - OMB A-21, A-110, A-133
  - Pre-Award, Post-Award, Audit
- # Work With FDP Faculty Committee to Assess Impact of Administrative Requirements on Faculty

# Next Steps

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- # Development FDP Response to Proposed A-21 Changes of 8/12/02
- # Increase Participation of Federal Agencies and OSTP
- # Collaboration with other University groups, including, COGR, AAU, etc.
- # Engage in Dialogue with Federal PL 106-107 Working Groups: Pre-Award, Post-Award & Audit

# Discussion.....

Questions 

Comments



Suggestions



Volunteers

