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

- 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

- 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

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

- 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
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Guiding Principles

- 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?

- 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?

- 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?

- 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?

- **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?

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?

- **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?

- 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

### 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

- 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

- 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

- 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

- 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

- 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

- 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

- 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

**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

**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

**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

**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-Receipients
Candidates for Simplification/Elimination

**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**

**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

**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

**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

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

Other Issues (continued)

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

- 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

- 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