

UNIVERSITY OF KENTUCKY

LEXINGTON, KENTUCKY 40506

OFFICE OF THE PRESIDENT

April 9, 1981

MEMORANDUM

TO: UK Faculty

FROM: Otis Singletary *OK*

SUBJECT: Implementation of the Monitored Workload System

I'm sure that by now most of you have heard of the Office of Management and Budget Circular A-21 which deals with requirements on federal contracts and grants and its specific requirements that faculty account for their effort through some type of time and effort reporting system. This University has developed a new system for meeting these requirements. The purpose of this letter is to introduce our Monitored Workload System.

Some background may be of interest to you. Circular A-21 has been in existence since the early 50's and has been revised from time to time. The latest revision was initiated by the then Department of Health, Education and Welfare as a response to Congressional pressure for greater accountability on the part of university grantees. The university community, through the National Association of College and University Business Officers, the American Council on Education, and the Association of American Universities, strongly resisted the more onerous proposals of HEW. The current revision, published in 1979 by OMB, is the result of long and arduous negotiations between the higher education community and the federal government. The final version is certainly not what we would have liked, but on the other hand, it is not nearly as bad as it could have been.

At this institution we began considering implementation of the revised regulations in the fall of 1979. Members of our staff attended workshops by DHEW and NACUBO. We retained Coopers & Lybrand, a national public accounting firm, in a consulting capacity and appointed a faculty committee chaired by Dr. Robert Grieves to advise on the implementation.

The revision of A-21 mandates many changes in the way we account for and monitor charges to federal contracts and grants. The impact of these changes is significant. In the current year we will recover something over three million dollars in indirect costs and seventeen million dollars in salaries and wages from sponsored projects. Any significant decrease in this recovery would have to be made up by reducing other programs, something that would be very difficult to do in our current financial situation.

The change which will most affect faculty is in the area of salary documentation. We must now have a system which documents any salary charge directly to contracts and grants and portions of the salary charged to such indirect activities

as departmental and general administration. With the help of Coopers & Lybrand, we reviewed our current systems and found that the hourly or bi-weekly system now in use adequately meets the new requirements of A-21, but that our monthly system would require significant changes. The revised A-21 gives us two options for documenting professional salaries. The first option, called personnel activity reporting, is a monthly or quarterly after-the-fact review and certification system. The second, called a monitored workload system, is a before-the-fact, budget driven exception reporting system on an annual basis.

Coopers & Lybrand recommended that we opt for the monitored workload approach, particularly because it could be built on the distribution of effort system already in place. By combining parts one and two of the existing form, changing the timing somewhat, and adding certain monitoring provisions to pick up changes, we could satisfy the new government requirements without developing an entirely new system. In addition, we could drop the present payroll certification system for direct charges to grants and contracts. The Grievances committee endorsed this recommendation, and in the spring of 1980 the Cabinet adopted the recommendation.

Because the proposed system would require a significant amount of systems design, programming, and training, we asked for and received a one year extension of the implementation deadline from HHS. Thus our new system must now be implemented by July 1, 1981.

The systems design has now been completed and the programming is nearing completion. The new system will start with the completion of distribution of effort agreements by faculty beginning in April. Extensive orientation sessions for deans, chairpersons, and administrators are already underway. Appropriate procedures and guidelines will be issued through the Business Procedures Manual within the next few weeks. The attached set of questions and answers has been prepared to specifically answer many of your questions and to provide you with an understanding of the system. In addition to the above efforts to acquaint faculty, staff, and administration with the new system, I would like to share with you the following specific points.

1. Our approach all along has been to resist, together with the rest of the higher education community, the efforts of the federal government to impose strict time accounting requirements.
2. We believe that we have managed to minimize the impact by adopting the monitored workload approach and adapting an existing system rather than building an entirely new system.
3. Many of the horror stories you have heard from colleagues have originated in institutions which chose to go the personnel activity report route, frequently on a monthly basis. We believe that our choice of the monitored workload approach will prove to be much less burdensome.

4. Recently, there have been rumors that part or all of the new requirements will be withdrawn by the Reagan Administration. We have found no hard evidence to support these rumors. The key members of Congress who brought pressure on DHEW to initiate the new requirements are still in Congress and in even more influential positions. Also, a recent survey of our benchmark institutions and other major research universities indicated that these institutions have already implemented such a system or will do so by July 1st.

Thus, we have no real alternative but to implement the system. The effective operation of this system is of primary importance to all of us. I ask for your serious attention to this chore and your best efforts to make it work.

OAS:bmr