



DEPARTMENT OF THE NAVY

OFFICE OF NAVAL RESEARCH
875 NORTH RANDOLPH STREET
SUITE 1425
ARLINGTON, VA 22203-1995

IN REPLY REFER TO:

ONR BD242/sa11-14
4 January 2017

Ms. Julie Seppala
Director, Office of Sponsored Programs
Michigan Technological University
3rd Floor, Lakeshore Drive
1400 Townsend Drive
Houghton, MI 49931

Subj: Michigan Technological University Payroll Certification Federal Demonstration
Partnership (FDP) Pilot

Ref: (a) National Science Foundation Audit Resolution Letter dated 2 June 2016
(b) Office of Naval Research Letter to Michigan Technological University (MTU)
dated 24 October 2011, Approval of MTU Payroll Certification Pilot

Dear Ms. Seppala:

I am very pleased to acknowledge the success of payroll certification at MTU. The FDP pilot identified five goals MTU successfully demonstrated:

- Replace the certifying “effort” with certifying the reasonableness of salary and wage charged to a federally funded research project
- Improve the internal control environment over direct salaries and wages charge to federally funded research projects
- Reduce institutional overhead costs of salary and wage support systems
- Ensure timely reporting of Financial Status Reports
- Focus certification on direct salaries and wages

Your feedback to the FDP since 2011 documents how the pilot met these goals. The National Science Foundation (NSF) audit of this pilot is fully resolved (reference a). Accordingly, the reporting requirements identified in reference (b) to FDP and ONR are no longer required.

The Office of Management and Budget (OMB) issued changes to grant policy in December 2013. One of the changes eliminates effort certification effective December 26, 2014. This allows payroll certification to continue at MTU without approval from your cognizant Federal agency for indirect costs.

In closing, I appreciate the significant effort invested by MTU during this pilot. Your effort contributed to OMB's decision to eliminate effort reporting. All universities now have the flexibility to adopt payroll certification.

I congratulate MTU on a very successful FDP pilot.

Sincerely,

Deborah K. Rafi
Director, University Business Affairs

Cc: Tammie LaBissoniere