

# Effort Reporting

## Background

Effort reporting is a method for documenting activity expended in support of sponsored projects. Federal OMB Circular A-21 requires that the University document the distribution of direct activity to each individual sponsored project. Federal OMB Circular A-21 recognizes "...that, 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..."

Failure to comply with Federal OMB Circular A-21 can result in serious penalties for the University and/or the individual certifying their effort. Effect of non-compliance could result in loss of grant funding (current or future), vulnerability to audit findings/suit, large settlements/fines, corrective actions, administrative sanctions, adverse publicity—damage to reputation and loss of public or donor confidence.

Salary and wage charges typically represent more than half of all direct costs. Effort reports document and account for the use of those funds. Principal Investigators and the University are ultimately responsible for ensuring that all charges to an award are appropriate, including salary charges. Federal audit personnel rely on effort reporting to evaluate whether the salary paid on an award is reasonable relative to the effort expended on the award.

Compliance is part of the bargain we make when we accept federal funds. The following information is intended to inform department heads and principal investigators of their responsibilities for ensuring compliance.

## Time and Effort reporting System

Utah State University's (USU) payroll and effort reporting system complies with the requirements of OMB Circular A-21, "Cost Principles for Educational Institutions." USU uses the various payroll systems as described in Policy number 582 "Time and Effort Reporting."

The method for documenting must:

1. Reasonably reflect the activity for which an individual is paid by the University.
2. Reflect all of the activities performed by the individual.
3. Include after-the-fact confirmation to ensure that initial salary charges reasonably approximate actual effort.
4. Include signed certification by the individual who performed the service or a responsible individual who has a "suitable means of verification that the work was performed"

## Effort reporting at Utah State University

The effort certification at Utah State University (USU), applies to all employees (e.g., faculty members, graduate students, postdoctoral fellows, and similar persons) who work on federal or federal flow through awards, and related cost sharing funds. A commitment of effort in a proposal triggers a requirement to track and certify the actual effort. The effort report form must account for all effort for which the University compensates the individual.

Bonus pay, variable pay, overload compensation and compensation received from sources other than the University such as compensation from outside consulting work are excluded from effort reporting.

When effort reports are printed they include the current payroll distribution as a starting point. There is a general presumption that the individual is paid based on their distribution of activities. In many cases, work may occur differently than planned and salary adjustments may need to be made to reflect effort. The completed effort report must represent a reasonable approximation of how effort was devoted (within a 5% variance).

Cost Sharing is a portion of total project or program costs related to a sponsored agreement that is contributed by someone other than the sponsor. Effort for committed cost sharing is a part of the total effort rendered on sponsored projects. Cost sharing effort is tracked and requires certification on the annual Time and Effort Report.

The cycle for effort reporting is as follows:

1. Proposals are submitted, effort is proposed and a commitment is made to the sponsor.
2. Salaries are charged as awards are received. Salary distribution must be adjusted as effort commitments change.
3. Effort is certified at the end of each fiscal year. The certification includes all of the employee's salary for the fiscal year.

Areas of risk include:

1. Individuals signing and certifying effort do not understand the requirements.
2. Policy not followed, e.g. late certifications.
3. Effort not commensurate with salary.
4. Individual certifying does not have "suitable means of verification".
5. Certifying to budgeted effort, not actual.
6. Cost transfers not incorporated into certification (i.e., salary dollars are transferred to/from a project after the certification process and there is no "recertification").
7. Time spent writing new grant proposals charged directly to existing grants.
8. PI's not reporting any level of effort committed on sponsored awards.
9. Employees charging 100% of their time to awards but not charging non-sponsored activities to appropriate University indexes.

### **Suitable Means of Verification**

Procedures for documenting the payroll vary from department to department. The documentation should be designed to provide the effort signer or an auditor with a suitable means of verification that the work was performed and that charges to the sponsored projects are reasonable in relation to the work performed.

It is the department head's responsibility to implement procedures within the department to adequately meet University and Federal requirements. Departmental personnel need to develop a means to monitor actual activities against the planned activities. Work plan changes are entered into the system by department personnel.

Examples of effort on sponsored projects could be conducting research, writing grant related papers/progress reports for an existing award, holding meetings with lab staff to discuss specific projects, attending a scientific conference to present research results, consulting with colleagues and graduate students about the project, reviewing financial reports/expenditures relating to sponsored projects, correspondence with the sponsor, drafting proposals for continuation funding, maintaining research compliance for sponsored awards (Institutional Research Bond/Institutional Animal Care and Use Committee(IRB/IACUC)).

Examples of effort on Non-Sponsored Activities are mentoring a junior faculty member in the department, attending departmental faculty meetings, serving on the IRB, IACUC boards, serving on Federal review panels, supervising administrative staff, curriculum development, advising students/dissertation or thesis advising, teaching, committee work, student recruiting and admissions, drafting proposals for new or competing funding, attending professional conferences.

### **Certification of Time and Effort**

The effort report must represent, in percentages totaling 100%, a reasonable estimate of an employee's University compensated effort for the period. Someone with firsthand knowledge of the effort performed must sign certifications. If someone other than the principal investigator signs the certification, the signer must be able to demonstrate suitable means of verification of the work performed.

The individual must review the report for accuracy and if in agreement with the salary distribution, sign the certification statement. If the individual does not agree with the salary distribution, they should work with the PI or department grant manager to correct the information.

The signer is certifying to the best of their knowledge and belief that the salary percentage distribution reflects a reasonable estimate of work performed.

Direct charges to sponsored agreements are originally based on estimates. Adjustments must be made throughout the year to reflect actual effort.

## **Effort reporting is a Shared Responsibility**

### Department Responsibilities

1. Develop an effort plan for each individual at the beginning of the fiscal year.
2. Ensure accurate planning and confirmation of effort, including cost-sharing.
3. Periodically, review effort distribution for appropriateness and accuracy of effort expended on all projects. It is recommended that the review be done no less than quarterly.
4. Make modifications to salary distributions commensurate with significant changes in the employee's work activity.
5. Establish effective processes and controls to ensure compliance with Time and Effort Policy.
6. Assign an administrator to oversee the effort planning and confirmation process.
7. Review and countersign certified effort reports to ensure proper completion.

### Principal Investigators Responsibilities

1. Ensure appropriateness and accuracy of all effort expended on sponsored projects.
2. Provide updates to effort distribution system, as changes become known.
3. PI certifies Time and Effort Report for themselves as well as students working on their projects following USU's policy Number 582 "Time and Effort Reporting".
4. Ensure that mandatory and voluntary committed salary cost sharing obligations are met.

### Sponsored Program Accounting Responsibilities

1. Establish procedures for effort reporting which are consistent with regulations set forth in OMB Circular A-21 "Cost Principles for Education Institutions."
2. Develop and provide appropriate training to all employees involved in the effort planning and confirmation process.
3. Produce Time and Effort Reports for all employees identified as expending effort on sponsored projects.
4. Monitor the effort planning and confirmation process to ensure compliance with USU's Time and Effort Reporting Policy.
5. Check for timely submission, accuracy, and completeness of Time and Effort Reports and coordinate findings with departments.
6. Report questionable practices and recurring problems to Deans, Department Heads and Internal Audits.
7. Check for signature, date, and changes made on the form that would require a reallocation of salaries.
8. Follow up on late time and effort certifications with letter to Department Heads, Deans and Vice President for Research.
9. Provide reports to help Departments monitor time and effort.
10. Retain all certified effort reports for audit purposes.

Related items - Policies

Time and Effort Policy 582

<http://www.usu.edu/hr/policies/section500/582.pdf>

Cost Transfer Policy 581

<http://www.usu.edu/hr/policies/section500/581.pdf>