

Research Administration: Fundamentals of Effort Certification



Training Objectives

The following objectives will be reviewed during this workshop

- ✓ What effort reporting is and why is it important
- ✓ What are the risks of non-compliance
- ✓ Understanding effort and terminologies
- ✓ The University of Arizona's effort reporting process
- ✓ How to review an effort report
- ✓ Who is required to certify the effort report



Self Assessment

- Periodically, slides with questions about the content will be displayed.
- The subsequent slide will display the answer for you to assess your response against.



What is effort reporting?

- Effort reporting is a federally-mandated process by which the salary charged to a sponsored project is certified as being reasonable in relation to the effort expended on that project.
- Involves estimating a percentage of compensated time spent on each project or activity. The total percentage of time worked cannot be more than 100%.
- Then comparing the estimation of one's time to a report of the actual pay distribution in the accounting system.
- The certifier must be an individual with firsthand knowledge of the work performed - usually the principal investigator.



Why is effort reporting required?

- The federal regulations for administering grants and contracts specifically list requirements that educational institutions must follow in regard to compensation for personal services and certification of work for those services.
- The University is required to have an effort reporting system in order to receive federal grants and contracts.
- The regulations that require effort reporting and payroll distribution are located in Uniform Guidance section 200.430 "Compensation – Personal Services"



Who does it apply to?

- Effort reporting is required for all UA employees who have been paid fully or partially from federal or sub-federal sources, or have cost shared time on federal or sub-federal sources.
- The University defines its effort reporting process with the Effort Reporting Policy and Procedure, which is located on the Research Gateway website.
 - rgw.arizona.edu



Why is effort reporting important?

- Salaries and fringe benefits typically account for about 70% of the direct costs on federal and sub-federal sponsored projects.
- Effort reports are the federally-mandated method of documenting and certifying that the salaries charged or cost shared were reasonable in relation to the work performed directly for the projects.
- From the federal government's perspective, effort reporting is the method to ensure institutions are not overcharging the government for work that did not directly benefit the federal projects.
- Because salaries account for a significant portion of project costs, effort reporting is a common audit focus.



Self Assessment: Which of these choices best describes what effort reporting is?

- A duplicate copy of the biweekly payroll expenditure report
- A federally mandated process by which the salary charged to a sponsored project is certified as being reasonable in relation to the effort charged to the project
- A six month hourly timesheet
- An optional report created by the University



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Self Assessment: Employees paid in full or partially on which of these University accounts will receive effort reports?

- State appropriation accounts
- Federal and sub-federal sponsored projects
- All sponsored project accounts
- All of the above



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Self Assessment: Which type(s) of employees does effort reporting apply to?

- Principal Investigators and Key Personnel
- Classified Staff
- Students
- All of the above



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Risks of non-compliance

The University of Arizona requires 100% compliance with effort reporting policy and procedures. Risks of non-compliance include, but are not limited to:

- Disallowance of salaries charged to grants.
- Loss of federal and non-federal sponsor funding for the institution.
- Monetary fines to the institution.
- For investigators, monetary fines, debarment from receiving federal funding and legal charges.



Examples of non-compliance

- University of Minnesota (1998) - \$32 million settlement
Some salaries charged to grant in excess of employee effort spent on the grant; effort reports completed by employee(s) who did not have reasonable means of verifications of the effort expended
- Northwestern University (2003) - \$5.5 million settlement
Researchers overstated effort commitment for federal medical research projects
- Johns Hopkins University (2004) – \$2.6 million settlement
Researchers overstated effort commitment for federal clinical research projects
- Florida International University (2005) – \$11.5 million settlement
Improperly maintained or incomplete records related to time and effort
- Weill Medical College of Cornell Univ. (2005) – \$4.3 million settlement
Salary payments to employees who did not work on the grant



Understanding effort

- Effort is the proportion of time spent on any activity, expressed as a percentage of an individual's total effort.
- Effort is represented as a percentage, not hours.
- When calculating effort, one considers all of the UA job duties performed during the period of report, and assigns a percentage of time spent on each duty.



Understanding effort

- Effort includes all professional activity for which an individual is compensated by the University of Arizona:
 - sponsored activities
 - Teaching
 - administrative duties
 - clinical activities
 - other UA activities
- Effort includes all of these activities, regardless of when (daytime, evening, weekends) or where (on campus, at home, while traveling, etc.) the activities take place.



Effort and Base Salary

- Institutional Base Salary is the total cash compensation paid by the University of Arizona for an employee's full work load during the academic or fiscal contract period.
- It includes the regular assignment, additional job/titles and related components of pay.
- The Institutional Base Salary multiplied by the percentage of effort determines the allowable salary to be charged to the project.



Supplemental Compensation

- Supplemental compensation is a separate pay mechanism from base salary, therefore a second effort report is created to certify supp comp payments.
- An employee with both base salary and supp comp during the reporting period will have two effort reports, one for each pay type.



Understanding effort percentages

- A 40 hour work week is not an appropriate base to use for effort percentage calculation, unless the employee is an hourly FLSA non-exempt employee, such as a student employee.
- Instead, since the majority of employees working on sponsored projects are salaried employees who do not report by hour, the average duties performed during the reporting period should be considered, and then the effort percentages estimated.



Fluctuations in effort

- The federal government recognizes that activity fluctuates from pay period to pay period and generally does not require the payroll system to be updated for these changes unless a significant change in effort occurs.
- A significant change is defined as 5% or more of an employee's total UA compensated effort over a period longer than two months.
- Therefore, when funding personnel, the six month cycle of effort should be considered. Funding plans should reflect the best estimation of work during the cycle.
- Week to week variations in effort do not require revised funding plans unless the overall period of effort will be affected.



Self Assessment: True or False: Effort reporting is based on a 40 hour work week for salaried employees such as faculty.

- True
- False



Self Assessment: True or False: Effort reporting is based on a 40 hour work week for salaried employees such as faculty.

- True
- False



UA Effort Reporting Timelines

- A semi-annual after-the-fact activity electronic effort certification report is generated for each employee in the UAccess Financials system.
- Reporting periods are July to December and January to June.
- After a reporting period ends, Sponsored Projects will allow approximately 2 pay periods (4 weeks) for departments to make corrections to payroll distribution in the financial system.



UA Effort Reporting Timelines (cont'd)

- SPS generates the electronic reports, and the system will route the electronic reports first to the fiscal officers, and then to the principal investigators.
- By default, any active faculty or staff with UA NetID can login and approve, edit, or ad hoc route the electronic reports.
- The reports are to be fully approved by all parties within 30 days.



Self Assessment: How often are the effort reports distributed and certified?

- Monthly
- Quarterly
- Semi-Annually
- Annually



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How to review the effort report

- Effort report lists pay distribution percentage by project and activity.
- If the actual level of effort on a project is different than the listed distribution percentage, a correction is required. The report should be modified to show the actual level of effort.
- Either the fiscal officer, project director, or ad hoc reviewer can make corrections. The document will route to all fiscal officers and project directors so that all involved approve the changes.
- When estimating effort percentages, a level of precision or “degree of tolerance” of 5% of the total effort is reasonable.



Self Assessment: What is the level of precision established by the UA for estimating effort percentage variations on an effort report?

- 5% of an employee's total compensated effort
- 10% of an employee's total compensated effort
- 15% of an employee's total compensated effort
- None of the above



Self Assessment: What is the level of precision established by the UA for estimating effort percentage variations on an effort report?

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Cost sharing effort

- Cost sharing on sponsored projects is shown on the effort report as effort on dedicated cost share subaccounts that are setup for each project that has cost share.
- The approver is responsible for ensuring all cost shared effort is shown on the effort report.
- If the effort report has both direct charged and cost shared effort, the total of the two together is the total effort for the project.
- If missing, cost share subaccounts can be added to the effort report using the "add accounts" button. Please see the electronic Effort Certification tutorial in UAccess Learning for instructions on doing so.



The effect of multiple positions and pay rates or FTE changes on the effort report

- The pay distribution percentages may be different from the actual effort percentages when an individual holds multiple appointments with different pay rates. The fiscal officer should list the correct effort percentages by adding a note to the effort certification, but do not modify the effort column or salary amounts.
- Adjustments to pay or changes in FTE during the period may also cause the pay distribution to be different from the actual effort. List the correct effort percentages by adding a note to the effort certification, but do not modify the effort column or salary amounts.



Salary caps and effort reports

- If the individual is restricted by a salary cap, such as the NIH/HHS cap, there must be a cost share subaccount that the over the cap salary is charged to. The combination of the grant and the cost share subaccount should then total the actual project effort.
 - Example:
 - NIH Grant salary direct charged: 7%
 - NIH Grant over the cap cost share salary charged to cost share subaccount: 3%
 - Total effort for the project: 10%
 - If the cost share subaccount is not on the effort report, it must be added.



Who should approve the effort report

- The effort report will be routed first to the fiscal officers for the accounts on the report, then to the project directors.
- The federal circulars require certification by someone with first hand programmatic knowledge of the work performed. A business official generally does not meet this requirement. Suitable approved include:
 - Employee
 - Principal investigator with first hand knowledge of the work performed
 - Other individual with first hand knowledge of the work performed (i.e. lab manager or supervisor)



What approvals mean

- The fiscal officer approves the report if it matches their reconciliations of how sponsored payroll was to be posted based on the investigators instructions.
 - The approval of the fiscal officer will constitute an administrative approval.
- The principal investigator approves the report if the pay distribution matches the actual amount of work performed on the sponsored project.
 - The approval of the principal investigator or ad hoc recipient will be the certification approval.
 - This approval cannot be delegated.
- The investigator should direct the fiscal officer to correct the report if there is a discrepancy, and then the corrected report is approved by all parties.



Self Assessment: Which of these individuals is generally NOT appropriate to certify an effort report

- The employee
- The principal investigator
- Another individual with first hand knowledge such as research supervisor
- The business manager



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Self Assessment: True or False: The Principal Investigator can delegate their approval to their business manager

- True
- False



Self Assessment: True or False: The Principal Investigator can delegate their approval to their business manager

- True
- False



Conclusion and resources

- Additional content is available on Research Gateway at:
 - <http://rgw.arizona.edu/administration/managing-projects/effort-reporting>
- Contact Sponsored Projects for personalized training. We will visit your location to discuss effort reporting and strategies for your review and approval.

