

Effort Reporting

Effort Certification, the
Salary/Effort Relationship,
and Commitments of Effort

Effort Certification

- ▣ What is it?
- ▣ Why is it necessary?
- ▣ The role of the Principal Investigator
- ▣ In the News

Effort Certification: What is it?

- ☛ "Effort" refers to the amount of work or proportion of time (salary) spent on an activity
- ☛ "Certification" is referring to obtaining a signature or approval that the recorded effort allocation is correct
- ☛ Certification is done via a *report* that shows the *effort* as reflected in the institution's payroll system, therefore the process is commonly referred to as "Effort Reporting"

Effort Certification: WHY?!

- ☛ OMB Circular A-21 requires it. Specifically section J. 10, Compensation for Personal Services.
- ☛ The federal government wants documentation to confirm
 - The appropriateness of salary expense charged to the sponsor
 - That labor-related cost sharing commitments have been met

Effort certification: The Role of the P.I.

- Certification is to be performed by someone with first-hand knowledge of the work being carried out on the project.
- Audit findings and federal agency site visits show that the government generally expects this to be the P.I. and expects the P.I. to be well-informed about the effort reporting process.
- P.I.'s are generally expected to certify effort for all employees working on their projects

Effort Certification: The Role of the P.I.

Example of federal agency expectations: NIH compliance site visit questions for P.I.'s

- What are your effort-reporting responsibilities?
- How do you maintain this responsibility?
- How do you track the amount of time spent on the award by you, by a trainee, or post-doc?
- How is effort reported? To whom and how often? How is it approved?
- Who maintains effort reports?

Effort Certification: In the News

- Article in July 16, 2004 Chronicle of Higher Education titled, "Accounting for Researcher's Time"
 - Multi-million dollar settlements at three institutions due to effort reporting issues
 - Discusses university view of effort reporting as overly burdensome, difficult to accomplish.
 - Government says effort reporting is necessary and not going away!

The Effort/Salary Relationship

- Total Salary = Total Effort
- Allocation of Salary
- Changes in allocations

The Effort/Salary Relationship

• Total Salary (Pay) = Total Effort

- Regardless of the number of hours worked. FTE's do not equate to any set number of hours for effort reporting purposes
 - 70 hours a week = 100% effort
 - 43 hours a week = 100% effort
 - 39 hours a week = 100% effort
 - You get the idea!

The Effort/Salary Relationship

• Allocation of salary among all activities

- Total Pay represents effort for all activities
 - Research (sponsored, non-sponsored and cost-shared)
 - Teaching
 - Administrative duties
 - Committee work
 - Etc.
- No activity is performed "for free" for effort reporting purposes!

The Effort/Salary Relationship

Allocation of Salaries

- Sponsors expect to pay for only those portions of total effort that are devoted to their projects
- Allocations of pay in the payroll system (HRIS) should be established based on presumptions of how actual effort will be expended over a future academic period
- Over the span of an academic semester, the percentage of an employee's salary should approximate the actual portion of effort expended on an activity

The Effort/Salary Relationship

Changes in Allocations

- Generally, personnel specialists should work with exempt employees to ensure salaries are allocated reasonably in relation to how they plan to actually spend their time. Special care should be taken to adjust for
 - New awards started during the semester
 - Awards that are ending during the semester

The Effort/Salary Relationship

Changes in Allocations

- Effort certifications are done on an after-the-fact basis to verify that salary allocations of a completed semester reasonably reflect actual effort expended
 - Transfers should be requested for any significant differences. The certified report should incorporate the pay transfers.
 - Consider any adjustments that should be made to future funding allocations in HRIS
 - If transfers of pay are done for payroll costs that have been previously certified, a new certification must be done

Certifying Effort Reports at KSU

- Currently done via a home-grown system referred to as the "PAR" (Personnel Activity Reporting) system
- To be replaced via the LASER project using Oracle Financials
- Details on the actual process are not yet available, but for PI's it will most likely involve signing paper reports that show the allocation of total salary, including sponsor-paid and cost-shared commitments of effort

Commitments of Effort in Proposals/Awards

- ▮ What is a commitment of effort?
- ▮ Accounting for Sponsor-paid effort
- ▮ Accounting for Cost-Shared effort

Commitments of Effort

- ▮ What is a commitment of effort?
 - A commitment of effort is any quantifiable effort explicitly offered in the proposal, budgeted and/or described anywhere in the narrative. Examples of phrases often found in narratives include
 - "Professor Y will devote X% of his/her time to this project during the semester"
 - "Professor Y will work on the project part-time at no cost to the project"

Commitments of Effort

What is a commitment of effort?

- Commitments of effort are binding if the award is funded
 - Effort may be sponsor-paid or cost-shared by the institution.
 - Actual (vs. committed) effort must be documented and is subject to audit.
 - Cost-shared effort is difficult to document, increases administrative burden and has a negative effect on the university's F&A reimbursement and rate.
 - Some sponsors require periodic reporting of cost-shared effort along with sponsor-paid costs or payment may be withheld or withdrawn

Commitments of Effort

Food for thought:

- Limiting explicit commitments of time allows researchers the freedom and flexibility that faculty salaries are intended to provide and reduces administrative burden.
- This must be balanced, however, with sponsor requirements or mandates and the OMB Circular A-21 requirement that most projects should include some level of effort from key personnel, *either sponsor-paid or cost-shared.*

Commitments of Effort

Accounting for Sponsor-paid effort

- This is the easy one! This effort is readily identifiable as payroll costs charged to the sponsored project account
- On effort reports the payroll costs are converted to percentages
 - If \$50,000 out of \$100,000 total salary for an employee is charged to a sponsored project, the effort report will indicate 50% effort was spent on this project during the reporting period.

Commitments of Effort

Accounting for Cost-shared effort

- This is the difficult one! This must somehow be "separately identified" within the faculty salary accounts
 - For example, cost sharing is often accomplished by "diverting" instructional salaries/effort toward specific research projects.
 - Some universities require separate salary accounts to be established for this purpose. This is great in theory, but messy in practice!
 - KSU is working on a "custom" process for accounting for cost-shared effort that will not require separate accounts.

Commitments of Effort

- Additional complications with Cost-shared effort:
 - If less effort (pay) is charged to the sponsor than was originally budgeted, then the difference is considered to be cost sharing and must be accounted for as such.
 - If the total level of effort for the project decreases, (the combination of sponsor-paid and cost-shared effort no longer matches what was committed to in total in the award) a budget revision through PAS or the sponsor may be required.

In Summary

- 100% of Effort must be certified by those with first-hand knowledge of the work done
- Total Salary = Total Effort regardless of FTE's or hours worked

In Summary

- ▮ Salary allocation must include ALL activities
- ▮ Commitments of Effort are binding upon award
- ▮ Total commitments of effort for each award must be accounted for either as sponsor-paid or cost-shared