Effort Reporting: A Conversation

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Office of Sponsored Research
Educational Institutions that receive federal funding are required by the OMB Circular A-21 "Cost Principles for Educational Institutions" to maintain an effort reporting system, the purpose of which is to assure that the distribution of pay is in accordance with actual effort expended (by funding source and activity).

OMB Circular A-21
http://www.whitehouse.gov/omb/circulars_a021_2004/
§ J.10. Compensation for personal services.

b(2)(a): The payroll distribution system will “reasonably reflect the activity for which an employee is compensated by the institution”

b(2)(b): “…must recognize the principle of after the fact confirmation or determination so that costs distributed represent actual costs, unless a mutually satisfactory alternative agreement is reached.”

c(1)(e): “At least annually a statement will be signed by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed, stating that salaries and wages charged to sponsored agreements as direct charges, and to residual, F&A cost or other categories are reasonable in relation to work performed.”
The answer to both questions is yes. Per the Uniform Guidance §200.430 (i) *Standards for Documentation of Personnel Expenses:*

- “Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.”
- “Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated”
- “Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities”
- “Comply with the established accounting policies and practices of the non-Federal entity”
Here’s a *searchable* version of the Uniform Guidance, which goes into effect in December:

http://www.ecfr.gov/cgi-bin/retrieveECFR?gp=1&SID=4e84f69382b3d1422ad60ca9f1d993be&ty=HTML&h=L&n=2y1.1.2.2.1&r=PART
In the simplest of terms, UNC receives federal funding, so we are required to have all individuals who are paid from, have cost sharing on, or have committed effort on a sponsored project complete an effort report, per federal regulations. So anyone whose salary distribution included sponsored project activity will have an effort report generated, which they must review (and make any appropriate adjustments to) and certify to reflect a reasonable estimation of the time spent on each activity during that period.
Because labor expenses typically represent the majority of direct costs on most research projects, the effort certification is the primary means of verification that the effort supported (paid) by or expended in support of (cost sharing) a sponsored project has been performed on that project as promised. Under Uniform Guidance, UNC will continue to use effort certification as the employee’s confirmation of how they spent their time and whether the charges made to each project reasonably reflect the time spent on that project.
But our researchers do more than work on sponsored projects. How do they consider what is a “reasonable” estimate on a project?

The effort reports will pre-populate the percentages using the salaries and wages paid to an employee during a given period of performance. These salaries and wages should be based on the employee’s Institutional Base Salary (IBS), which is defined as the annual compensation paid by the University for all of their activity pursuant to his or her University employment, whether that employee’s time is spent on research, teaching, clinical practice, service, administration, or other activities.

The salary distribution is initially submitted by the department based on the anticipated percentage of that researcher’s time for each activity. Any additional compensated activities performed outside of their normal appointment, such as Overloads or Summer Salaries, also use the employee’s IBS to ensure a consistent rate of pay.
At the end of a period of performance, the pre-populated effort report will display the percentage of their pay for each project or activity during that period. The researcher should review the information to determine if the percentages are an approximation of their time/effort spent on each activity, and make the appropriate adjustments if the salary distribution percentages differ from how they actually expended the effort before certifying.

The employee’s overall effort on all activities MUST total 100%, to show how they had spent all of their compensated time, regardless of their full-time/part-time, permanent/temporary, hourly/salaried, or EPA/SPA statuses.
How is the researcher supposed to remember what they did in the past?

The effort reports are generated every six months (January–June and July–December) for EPA employees and every quarter (as close as we can get to a standard year’s quarter, given the bi-weekly pay schedule) for SPA employees. The effort reports are being built with every pay cycle paid and at the end of the period of performance (6-month or quarter) we bring in at least one more pay cycle to capture the BULK of the retroactive payroll corrections.
OSR will then send a notice to all of the departments’ effort coordinators to complete their pre-review of the effort reports about to be released. This is the department administrators’ chance to review the content and make any adjustments for retro payroll actions that haven’t been completed yet, to discover and resolve payroll transactions that may have been posted incorrectly, to assign proxy certifiers for employees who have left the University or are otherwise unable to complete their own effort certifications, and to let OSR know about anything unusual.
At the end of the approximate 14-day pre-review period, we’ll release the effort reports to the researchers to review (and make any appropriate adjustments) and certify their effort within a 30-day deadline – which includes the department’s Primary Effort Coordinator’s (PEC) processing of their certification (approval/disapproval as appropriate.)
Typically, the certification periods would be approximately (again, depending on the how the bi-weekly schedules fall):

<table>
<thead>
<tr>
<th>Period of Performance</th>
<th>Pre-review</th>
<th>Certifying &amp; Processing</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPA January-June</td>
<td>8/1–8/15</td>
<td>8/15–9/15</td>
</tr>
<tr>
<td>EPA July-December</td>
<td>2/1–2/15</td>
<td>2/15–3/15</td>
</tr>
<tr>
<td>SPA roughly Jan-March</td>
<td>5/1–5/15</td>
<td>5/15–6/15</td>
</tr>
<tr>
<td>SPA roughly April-June</td>
<td>8/1–8/15</td>
<td>8/15–9/15</td>
</tr>
<tr>
<td>SPA roughly July-Sept</td>
<td>10/1–10/15</td>
<td>10/15–11/15</td>
</tr>
<tr>
<td>SPA roughly Oct-Dec</td>
<td>2/1–2/15</td>
<td>2/15–3/15</td>
</tr>
</tbody>
</table>
So if they’re certifying their effort on time, an EPA employee would need to recall their activities as much as 8 months later and an SPA employee as much as 5 months later. They are certainly encouraged to refer to their ‘suitable means of verification’ (project reports, schedules, emails, notebooks, etc) to confirm their time spent on each activity if their effort fluctuates drastically over time.

If a researcher certifies the effort different from the percentages listed per their salary distribution for that period, the PEC is responsible for reviewing the variance and if they approve the effort certification then they have taken responsibility for making the necessary payroll corrections. We cannot charge a sponsor for time that was not spent working on their project.
The biggest challenges that ALL universities face with effort certifications are having the researchers certify correctly and completing certifications on-time. Researchers who do not understand “what or why” they are certifying could call into question the integrity of their effort ‘certification’ as well as suggest that there may be concerns with their grasp of other regulations, sponsor terms, and university policies. In addition, department administrators who do not complete the necessary cost transfers after-the-fact put the university at risk of sponsors being billed incorrectly (both overcharged and undercharged) and having cost transfers disallowed due to untimeliness. These risks can be very expensive for a university.
In my personal experience, the top five issues that affect effort on our campus are:

- Failure to complete effort certification on time
- Failure to complete effort certification *at all*
- “Button clickers” certifying ‘whatever it says’ instead of actually reviewing the content
- Constant retroactive payroll changes AFTER effort has already been certified
- PEC’s approving variances but never actually resolving the payroll errors
Failure to complete effort certification on time

- The longer the effort goes uncertified, the greater the risk they won’t remember what they actually did during that time.
- If there was a payroll error and the person’s salary sources do NOT reflect their actual effort during the period of performance, then the delay in reviewing and certifying effort could result in:
  - sponsors being erroneously billed for time that was not spent on their projects OR
  - in the case of ‘missing’ accounts, the final financial reports could be sent without the person’s direct charges for their effort and the department must then provide the funds for the effort as cost sharing instead.
- “I’m waiting for department to fix my payroll first” is not a valid reason since a researcher can manually adjust their Certified Effort column to show how they actually spent their time (although they may need their EC or OSR to add a ‘missing’ account.) The employee themselves should have the greater knowledge of how they actually spent their time during a period of performance, not the department’s (or UBC) HR Facilitator.
Failure to complete effort certification *at all*

- The longer the effort goes uncertified, the greater the risk they won’t remember what they actually did during that time.
- Terminated employees should have a proxy designated by the department (“The proxy should be the PI or another responsible official with first-hand knowledge of all of an employee's effort or who has suitable means of verification that the work was performed.”)
- If the effort on a sponsored project cannot be certified, then the department should remove the erroneous charges from the sponsored projects AS SOON AS POSSIBLE to prevent the sponsor from being billed for time that was not spent on their project.
“Button clickers” certifying ‘whatever it says’ instead of actually reviewing the content

Means the employee is ‘certifying’ that they were paid, but not necessarily how they truly spent their time. We KNOW that they were paid and HOW they were paid, but they need to confirm whether their salary sources reflected a reasonable estimation of their activities during a given period of performance.
Errors that may not get caught by "button clickers" include:

- Salaries paid on closed accounts
Errors that may not get caught by "button clickers" include

- Paid on wrong accounts (especially transpositions)
Errors that may not get caught by "button clickers" include:

- Summer salaries (or other lump sums) paid at wrong rates and/or in wrong effective cycle.

<table>
<thead>
<tr>
<th>Sponsored</th>
<th>Payroll</th>
<th>Cost Share</th>
<th>Computed Effort</th>
<th>Certified Effort</th>
<th>Certify Checkboxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>A03- Internalizing Pathways to Drug Use: A Multi-Sample Analysis</td>
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<td>0.0%</td>
<td>22.8%</td>
<td>🍀 25.0%</td>
<td>⚫</td>
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<tr>
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</tr>
<tr>
<td>Non Sponsored</td>
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<tr>
<td>Non Sponsored Total</td>
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<tr>
<td>Grand Total:</td>
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<td>100.0%</td>
<td></td>
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</tbody>
</table>

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Errors that may not get caught by “button clickers” include

- Previously unrecorded cost sharing (be aware of your sponsors’ salary caps and/or mandatory cost sharing.) The time to catch these errors is NOT when OSR’s Financial Reporting group is trying to send the final financial report on a five-year project.

<table>
<thead>
<tr>
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<th>Certified Effort</th>
<th>Certify Checkboxes</th>
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<tbody>
<tr>
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<td>Award Total:</td>
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<td>0.0%</td>
<td>18.7%</td>
<td>10.3%</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Non Sponsored</th>
<th>Payroll</th>
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<th>Certified Effort</th>
<th>Certify Checkboxes</th>
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</tr>
</tbody>
</table>

| Grand Total:      | 100.0%  | 0.0%      | 100.0%          | 100.0%           |                    |
Constant retroactive payroll changes AFTER effort has already been certified

- Once an employee has **CERTIFIED** their effort (and especially if the PEC has also approved/processed that certification) the department should **NOT** add effort to a sponsored project unless it is to correct the payroll to match what the person has certified.

- Otherwise, it indicates that the employee is not actually reviewing what they’re certifying, despite their legal attestation statement to the contrary:
  - “I certify the salary charged, salary transfers processed and effort certified this period reasonably reflect the work performed in the designated period, and that I have sufficient technical knowledge and/or I am in a position that provides me with suitable means of verification that the work was performed.”

- Repeated re-openings of effort cards for a department due to retro payroll changes indicates that not only are the researchers not paying attention to what they are ‘certifying’ but also that the PIs and department administrators are not managing their departments’ projects.
PEC’s approving variances but never actually resolving the payroll errors

- Same ‘button clicking’ problems as we have with the certifiers not reviewing the content
- The longer you wait to remove the erroneous charges from a sponsored project, the greater the risk that the sponsor will be erroneously billed for it.
The consequences and risks for non-compliance with the effort reporting regulation and UNC Policies and Procedures include:
Failure to comply with federal regulations, sponsors’ terms and conditions, and University policies and procedures puts the employees, departments, and University at risk (especially since sponsors and auditors may request copies of the effort reports at any time)

Sponsored projects may not be maintained appropriately, and burn rates may not be reliable (especially for extremely late and frequent retros)

Monthly key performance indicator reports are provided to UNC-GA and repeated or high numbers of delinquencies could result in audits for PIs and/or departments

The University may not allow personnel or non-personnel charges to be posted to a grant with existing uncertified effort.

The University may suspend proposal privileges for PIs and/or departments with delinquent effort reports

Disciplinary action
Notable OIG/NSF audit findings related to time and effort reporting include:
University of Colorado FY2010  
(OIG A-07-11-06013)

18 unallowable salary transactions (totaling $7,619) out of 100 sampled resulted in $529,145 recommended refund to Federal Government.

- 15 transactions were ‘not supported with sufficient documentation’
- Three transactions totaling $329 should have been treated as F&A costs
University of California, Santa Barbara
FY2009-FY2010 (NSF 12-1-005)

Total $6,325,484 recommended refund to Federal Government, which included

- $1,913,474 in overcharged summer salaries ($425,258 payments more than employees’ base salary and $1,488,231 for “inflated daily salary rates”) Included a review of an annual report which reported 12 people working on the grant – yet the numbers weren’t supported by the salaries charged to the grant, including 2 employees paid from the grant funds that were not listed on that annual report.

- $2,821,676 excess federal cash due to cost sharing requirements not filled (including having no effort reports for any employees who were not paid any portion of their salary from federal funds)

- $496,466 inappropriate cost transfers (after the grants had expired, “original costs charged to wrong account”, “employee error”, and “to account for” explanations not in compliance)
Florida State University FY2009 & FY2010
(OIG 04-11-01095)

47 transactions (totaling $54,423) out of 100 salary transactions sampled resulted in $586,370 recommended refund to Federal Government for unallowable salary, benefits, and associated F&A costs.

- 23 of the unallowed samples should have been treated as F&A costs.
- 17 had ‘documentation that did not corroborate the amount of effort charged to the award
- Four were not supported with sufficient documentation (no effort report)
- Three did not comply with NIH guidelines regarding graduate student compensation.
Ohio State University FY2004-FY2009 (three NSF awards; 11-1-009)

Included $1,736,068 of questioned NSF costs and $9,796,159 of at-risk cost share and $263,937 for unallowable cost share.

- “…employee effort has not consistently been certified on a timely basis and by someone with sufficient knowledge to ensure the reliability of the certification…”
- “…inadequate controls for meeting cost share commitments…”
- “… 24% of the effort reports tested were certified by departmental Human Resource personnel who were not in a position to have first-hand knowledge of activities or percent of effort expended on federal awards”
- “…committed cost share was not incurred proportionately to the time elapsed on the award.”
Seven out of 30 sampled employees (74 effort reports) charged $21,522 in salaries (plus associated benefits and IDC) to NSF with no benefit to the NSF research grants.

- "sampled employees demonstrated a lack of understanding of Delaware’s effort certification process including their responsibilities… certified after the University’s mandated turnaround period of 60 days." …effort reports were certified even though they were incorrect…” “21 of 74 effort reports certified after University mandated turnaround period. The late certifications ranged from one day to over 600 days.” “8 instances of PI summer salaries exceeding the NSF two-ninths limit…”
- “…two graduate students and two professionals stated that they spent approximately ten percent of their time assisting in preparing grant proposals. Proposal preparation costs generally cannot be charged directly to a grant. Another professional charged approximately five percent of her time serving on a university hiring committee that did not directly benefit the grant charged.”
- “… employee stated more time was spent on educational duties and less on research than was reflected on the effort reports. The employee did not understand how items were classified on the Delaware effort report and, in fact, could not describe the effort report…”
- “…three employees initially were unable to clearly support the effort charged to NSF, and three faculty members did not clearly understand the difference between workload and effort.” “…an employee stated he worked for a major research center as a system administrator and did not realize that he was actually working on a NSF grant…” “…an employee stated that he was familiar with the NSF grant, but believed that he did not work on the grant during FY2008. “…one employee stated in an interview that half of the time charged to NSF as for work on research for another Federal agency.” “…these employees certified effort without a complete understanding off the NSF projects assigned to them or their roles and responsibilities for the projects from which their salaries were paid.”
- “Excess Salary Payment Improperly Allocated to a Sponsored Project.” “…did not adequately document why the excess salary was paid…”
Resources

- The ecrt website [https://ecrt.unc.edu](https://ecrt.unc.edu) has links to the federal regulations, UNC policy and procedures, the ecrt user guide, and training materials.

- If you have questions, you can also contact us by email at [ecrt_help@unc.edu](mailto:ecrt_help@unc.edu).
EXAMPLES: what is reasonable / not reasonable?

- A PI spent January-May working exclusively on an DoEd grant that ended May 31, then spent June writing new proposals for future projects. The PI certified 95% effort on the DoEd grant on their 6-month effort report. Is this reasonable? Why or why not?

- A PI spent most of her time every week last year working on her 5-year NIH grant, but also spent a couple of hours each week serving on a committee. She certified 95% effort on the NIH grant on her 6-month effort report. Is this reasonable? Why or why not?

- An Administrative Assistant is spending half of his time supporting a “major project” and the other half doing general department administrative duties. Should he be able to certify 50% effort on the project?
EXAMPLES: what is reasonable / not reasonable? (cont’d)

- A department administrator is helping the PIs put together their final reports to the sponsors. How much effort should be paid on the grants? How much effort should be certified?
- A 9-month faculty spends his academic appointment teaching, meeting with students, etc and is paid entirely from state/departmental funds for those 9 months. He also works over the entire summer on a DoD grant (at 100% of his summer salary), writing proposals, and preparing his fall semester materials. How should he certify his July-December effort report?
- A PI was working on two projects (one NIH, and one DHS) at exactly 50% effort each during each month of January-June. The NIH project funds ran out in April. How should his payroll be broken down? What about his January-June effort report?