



THE UNIVERSITY
of NORTH CAROLINA
at CHAPEL HILL

Effort Reporting

Brian Bertlshofer
Director of Cost Analysis
Office of Sponsored Research

Symposium for Research Administrators
July 29, 2015



Presentation Goals

- What is Effort Reporting?
- Overview of Effort Reporting Requirements
- Roles and Responsibilities
- Why should you care?
- Update: Effort Reporting at UNC



Basics

- In a grant proposal, we **offer** effort
- When receiving an award, we make a **commitment** of effort
- During the life of the award, we **charge salary** to the sponsor

Sponsors may wish to verify:

- Did we devote enough effort to justify the salary charges?
- Have we fulfilled our commitments?



What is Effort Reporting?

- Effort reporting is a process to assure sponsors that:
 - Salary charges are **justified**
 - Researchers **devoted the effort that was promised** in the proposal and agreed upon at the time of the award
- This is **not “timekeeping”** or “activity tracking”



or in another way...

Effort reporting is the process by which the **salary charged** to a sponsored project is **reviewed after-the-fact to assure** that the salary charged was **reasonable in relation to the effort expended** on that project.



Regulations, Statutes, & Related UNC Policies

Federal Government

- 2 CFR Part 220 (OMB Circular A-21)
- 2 CFR Part 200 (Uniform Guidance)

UNC

- OSR Policy 600.5 Effort Reporting
- OSR Policy 500.7 Cost Sharing
- OSR Standard Operating Procedure: Summer Effort Guidance



A-21: 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.



Uniform Guidance—What has Changed from A-21?

1. Requirements and standards have been streamlined across most entities that receive Federal awards.
2. Specific frequency and methodology requirements have been eliminated.
3. New standards for documentation of personnel expenses have been defined.



New Standards of Documentation

Charges to Federal awards must be based on records that accurately reflect the work performed (2 C.F.R. §200.430(i)(1)). In addition, the records must:

- Be supported by a **system of internal control** that provides reasonable assurance about the accuracy, allowability, and proper allocation of the charges
- Be incorporated into the entity's **official records**
- Reflect the **total activity for which the employee is compensated** by the entity, not exceeding 100% of compensated activities, or **Institutional Base Salary (IBS)**
- **Encompass both federally assisted and all other activities** compensated by the institution on an integrated basis, i.e. reflect 100% of the employee's activities
- Comply with the entity's established accounting policies and practices
- Support the distribution of the employee's salary and wages among **specific activities or cost objectives** if the employee works on multiple activities



Internal Controls

- Internal controls are addressed in section 200.303 and specifically mentioned in 200.430 Compensation-Personal Services
- Internal controls should be in compliance with guidance in:
 - “Standards for Internal Control in the Federal Government” (Green Book) issued by the Comptroller General of the U.S. (Updated September 2014)
 - “Internal Control Integrated Framework” issued by COSO (2013)
 - Appendix XI, Compliance Supplement – Part 6 Internal Control (which follows COSO but will consider both the Green Book and COSO in the 2015 update)



Internal Controls

COSO's Internal Control-Integrated Framework (2013 Update)

- Codification of 17 principles supporting the five components:
 - Control Environment
 - Risk Assessment
 - Control Activities
 - Information & Communication
 - Monitoring Activities



What does it all mean???

- The internal control framework gives institutions a clear framework to follow when designing their systems of control and provides auditors the same framework against which to evaluate those systems.
- The stated expectations for internal controls very clearly places the burden on institutions to have, implement, and follow well documented policies and procedures to ensure their effort reporting practices satisfy Federal requirements.



Effort Reporting

- Proper “Effort Reporting” encompasses much more than certification, and includes:
 - Definitions, policies, procedures, forms, data and systems
- Effort Reporting includes the management of:
 - Faculty and staff appointments
 - Pledging and tracking of institutional effort commitments (both direct charged and cost shared)
 - Payroll distribution
 - Effort certification
 - Communication and training on all aspects of system



Effort Reporting – It's Not an Exact Science!

- Precision is not required
- Federal guidance states, "...it is recognized that, in an academic setting, research, teaching, service and administration are often inextricably intermingled
- Reasonable estimates are expected and acceptable, but...

There are some rules to follow!



Effort Reporting Process

Key components for effort certification:

- Determine which group will generate effort reports
- Outlining who should certify
- Determine the frequency and timing of effort reports
- Have certifiers meet deadlines (and identifying repercussions for not meeting them)
- Educating certifiers on how to complete effort reports



Effort Reporting Process

Important Concepts:

- All individuals paid from or with effort committed to a sponsored project (including clinical trials) are required to complete an effort report.
- Effort to be considered for the effort report includes sponsored projects, teaching, clinical practice, administrative effort, and other activities, expressed as a **percentage of total institutional effort**.



Effort Reporting Process

Important Concepts, continued:

- Total work effort expended **cannot be more or less than 100%**
- The percentage of an individual's salary charged to a sponsored project **cannot exceed the percentage of the individual's total effort** expended on the project
- If the percentage of total effort expended is less than the percentage of salary charged to the sponsored project during the period, **the salary charges must be reduced**



Effort Reporting Process

Important Concepts, continued:

- Generally, once a certification of effort has been completed, future salary reallocations will not be permitted unless doing so **favors the sponsor**
- **Proposed effort should be consistent with the actual effort** that each individual is expected to expend on the project during the relevant project period(s)
- Establish a **reasonable period of time** for completion of the effort reporting process (usually 30-60 days)



Effort Reporting Process

Important Concepts, continued:

- Charge a project only for time that pertains specifically to the project
- **Do not charge** a grant for time spent writing a proposal for a new project or a competing continuation
 - ✓ Time spent on these activities must be covered by institutional or gift funds



Roles and Responsibilities



Central Administration Responsibilities

- Manage the effort reporting system (ecrt)
- Notify campus regarding the availability of effort reports for review and certification
- Assist with questions regarding effort reporting policies and/or process
- Monitor effort reporting process
- Review effort reports for compliance with University policy
- Provide University leadership with list of individuals with uncertified effort reports at completion of certification period



Certifier's Responsibilities

- Review activities listed on the effort report and the proportion of salary charged to each
- If the information is accurate, read certification and certify the form
- **If not accurate**, add any missing activities and/or correct percentages
- **Ensure all salary distribution percentages match actual effort** on each activity
- **Sum total effort to 100%**
- Read the certification at bottom of form and certify



Effort Coordinator Responsibilities

Pre-Review of Effort Reports:

- Examine each effort report for accuracy and note needed modifications.
- Compare salary distributions with effort commitments for each award and discuss with PI(s), if necessary.
- Identify individuals who should have received an effort report but did not.



Effort Coordinator Responsibilities

Post-Review Activities:

- **Review the certified effort report.** If the certifier has made any changes to the effort report, cost transfers may be needed to bring payroll records into line with certified effort.
- Execute cost transfers in accordance with University policies. Retain supporting documentation.
- **Follow-up to make sure all assigned effort reports have been certified by appropriate individual.**



It's Important to Get This Right!

- Consequences of not getting right can be dire for the University
- Effort Reporting is the #1 target area for Federal auditors
- Many universities have paid millions in fines



Red Flag Issues

- Late/delinquent effort reports
- Re-Certifications
- Many post certification revisions
- Cost transfers
- Not resolving effort/payroll differences
- Inappropriate charges
- Internal control weaknesses
- Effort certified by someone not having suitable means of verification



Recent Effort Reporting Audits



Recent Effort Reporting Audits and Settlements

Yale University

Effort Reporting and Cost Transfers
\$7.6 million

Ohio State University

Commitments and Cost Sharing
\$1.7 million in questioned costs

Weill Cornell Medical College

Committed Effort
\$2.6 million

Columbia University

Suitable Means of Verification
Mischarging Grants

St. Louis University

Overstatement of Effort
\$1.0 million

University of Delaware

Effort Reporting

Florida State University

Salary/Non-Salary Disallowances
\$3.0 million in requested refund

University of Alaska-Anchorage

Effort Reporting and Grants Management

University of Michigan

Effort Certification

Louisiana Board of Regents

Effort Reporting, Cost Sharing
\$1.9 million questioned costs

University of Wisconsin-Madison

Effort Reporting System



Audit Summaries

Yale University

- \$7.6 Million Settlement – December 2008
- Broad, multi-year investigation of federal research grant accounting going back to 1999. Settlement partially covers effort reporting errors that include:
 - PI failed to provide the 25% level of effort proposed in sub-award application, PI did not submit effort reports for lab technician, two effort reports not confirmed.
 - University did not have procedures for monitoring the budgeted or minimum level of effort for key personnel.

Weill Medical College of Cornell University

- \$2.6 million for False Claims Act Violation – March 2009
- \$4.4 million DOJ Settlement for Effort
- An investigator allegedly failed to disclose the full extent of her various active research projects in the grant application; the totality of her research commitments exceeded 100 percent of her available time.



Audit Summaries

University of Delaware – March 2010

NSF's review identified weaknesses in Delaware's automated effort system.

- System did not capture transactions which impacted effort reports, resulting incorrect and negative effort.
- Approximately 28% of effort reports were certified after the institution's defined deadline of 60 days.
- There was a lack of understanding of effort reporting by employees, resulting in incorrect certifications
- Identified the need for improved effort reporting policies, monitoring and training

University of Alaska-Anchorage - August 2011

NSF identified areas for improvement in its effort reporting system.

- Effort certifications were not always signed by individuals with suitable means of verification.
- Identified the need for improved effort reporting policies, monitoring and training



UNC-Chapel Hill

FY2014 A-133 Audit (State of NC Auditors)

Lack of Salary and Wage Certifications Increases Risk of Inappropriate Charges to Federal Grants

The University did not timely approve all of the required Effort Certifications necessary to ensure that all salaries and wages charged to federal grants were for services rendered under those grants. The University had 300,396 transactions for salaries and wages totaling \$195,841,274 that were paid from federal funds in fiscal year 2014.

Out of a sample of 60 randomly selected salary and wage transactions billed to federal grants, 11 transactions (18%) did not meet federal requirements:

- In 6 out of 60 (10%) transactions tested, the payee completed their Effort Certification but it was not certified (approved) by appropriate personnel within the appropriate time frame established by the University.
- In 5 out of 60 (8%) transactions tested, the payee did not complete the Effort Certification at all.

Because the University did not timely approve and obtain all of the required certifications, there was an increased risk salary and wage charges could be inappropriately billed to federal grants.



Update: Effort Reporting at UNC



Update: Effort Reporting at UNC

- In response to the FY2014 A-133 audit finding and the implementation of the Uniform Guidance we are **updating our Effort Reporting Policy and Procedures (OSR Policy 600.5)**
- Working with Huron Consulting Services, LLC to **upgrade our effort reporting system (ecrt)** to current version 5.1
- **FY2015 Effort Certification in Late Fall 2015**



Effort Reporting Policy Revision

Highlights:

- Minimum effort requirement: PIs must certify at least 1% effort (direct charged or pre-approved cost share) during at least one effort cycle per year to accurately reflect their leadership of a project
- Updated Definitions and Roles and Responsibilities
- The certification process, appropriate payroll actions for significant adjustments made by the certifier, and final departmental processing must be completed within 30 days of the initial report distribution
- The University considers the effort report to be certified once *ecrt* routes the report to the Primary Effort Coordinator after certification by PI/employee



Effort Reporting Policy Revision

Highlights, continued:

Effort reports not certified in a timely manner:

- Provides guidance on a reminder and escalation procedure that will be initiated following the certification due dates for those reports not certified
- Escalation notices will be sent to Department Chair and Research Dean from AVCR, Director of OSR and VC for Research
- If the effort report has not been completed by a defined date the related salary and fringe benefit charges will be removed from all sponsored projects
- The charges may not be transferred back to the sponsored project(s)



ecrt Upgrade - Highlights

- Latest version of Huron's effort reporting software
- Upgrade includes implementation of PeopleSoft (ConnectCarolina) Chartfield Strings and accounting structures.
- Huron reviewing effort reporting and certification process as part of the OSR Transformation Project.
- Campus-wide training for ecrt upgrade and EF process updates will take place this Fall before FY2015 effort certification cycle.



OSR-Cost Analysis Contacts

- Brian Bertlshofer – Director, Cost Analysis
 - bertlsbj@email.unc.edu
 - (919) 843-4891
- Chris Lawless – Central Effort Administrator
 - cklawless@email.unc.edu
 - (919) 962-4685
- Rachael Sitcheran – Central Effort Coordinator
 - rachael_sitcheran@unc.edu
 - (919) 962-6632

