

Faculty Effort Reporting Guide

Why do we do Effort Reporting?

Federal regulations require that proper internal controls for payroll compensation are followed, and effort reporting serves as a verification that the percentages of effort for which an employee is paid, reasonably reflect the actual effort expended. Everyone who receives any portion of their salary from a sponsored project is required to certify an effort report which assures the sponsor and auditors that effort was devoted at a level that corresponds with how the payroll was paid.

Why Should We Care?

Effort reporting has become a focus of federal sponsors and auditors in recent years. The risks of non-compliance include being subject to False Claims Act allegations, the University may be subject to fines and direct cost refunds, adverse publicity, and erroneously certifying effort can be viewed as fraud. In recent years universities of all sizes have had adverse audit findings related to effort reporting resulting in fines and paybacks totaling over \$100 million.

Common Audit Findings

Some of the most common audit findings include:

- Business managers signing effort reports without sufficient knowledge that work was performed
- Effort reports not being returned within the allotted time period (45 days)
- Department Chairs not being held accountable for effort reports being completed on time
- Excessive cost transfers
- Cost transfers after effort reports have been certified
- Incorrect charging of administrative and clerical salaries
- Time spent working on sponsored award being overstated.

Why Should We Care?

Effort certifications are the subject of much attention from federal sponsors and auditors. Erroneously certifying effort can be viewed as fraud. Sanctions can apply to both the institution and the individual.

What is Effort?

Effort is activities or functions to which an employee directs time and energy, including instruction, sponsored projects, and departmental administration. Effort is work or the proportion of time spent on any activity.

What is Effort Reporting?

Effort Reporting is the process of verifying that the actual effort performed on a sponsored project during a period meets or exceeds the percentage of effort that was paid. It offers a method to verify that sponsored awards are not overcharged for personnel expenses.

What is on the Effort Report?

The effort reports show the sources from which you were paid (including the account/project number, as well as a written description), the actual salary dollars paid from each funding source and your cost-shared effort on sponsored projects.

Who Should Sign the Effort Report?

Effort Reports must be certified by an individual with first-hand knowledge of all the activities performed by an employee.

- **Faculty:** Ideally, all faculty should certify their own effort report. If the faculty member is unable to do so, (no longer employed or cannot be reached in a timely manner) it may be determined that the applicable PI or departmental chair may have adequate knowledge about how the faculty member spent or divided their effort between more than one activity/funding source. In these cases, the applicable PI or departmental chair should certify.
- **Staff:** Effort Reports for classified staff, non-classified staff, and Research Corp employees should be certified by someone with first-hand knowledge of the employee's effort. If the staff member has an understanding of how their effort directly benefits the accounts that were charged, the employee can certify the effort. If the staff member is not knowledgeable about how their effort directly benefits the accounts that were charged, the employee's supervisor or PI of the award should certify the effort report.
- **Student Workers, Graduate Assistants, Temporary employees, Seasonal Employees –** Effort Reports for student workers, graduate assistants or temporary employees must be certified by the PI of the award or the employee's supervisor. The PI or the supervisor should have first-hand knowledge of the effort expended in order to review and certify the report.

There may be other unusual circumstances when other exceptions can be made for who should certify an effort report with the approval of the Department of Finance. Deviation from the certification practices outlined above should not occur merely for PI or departmental convenience or expedience. Please contact the Cost Accounting Effort Reporting representative for possible alternative approval scenarios.

General Certification Guidelines

Certifying effort is NOT the same thing as certifying payroll. In certifying payroll, an employee would be confirming that the payroll charges on an effort report match what was really paid. The purpose of certifying effort is not to confirm how an individual was paid, but to confirm that salary charges to the sponsor are reasonable in relation to the work performed, and that the effort provided to each sponsor is at least as great as the effort promised to the sponsor.

Effort distributions should be reasonable estimates of activities, recognizing that research, instruction, and clinical activity are often inextricably intertwined.

The total effort percentages on the effort report must equal 100%. The effort report is not based on any fixed number of hours per week. Often, the idea of a standard work week comes up in the discussion of total University effort. Some faculty and staff view their work week as a fixed number of hours, such as 40 or 37.5. However, if 40 hours were to represent 100% effort, this would create the interpretation that more than 100% effort is being expended whenever the employee works more than 40 hours, and this would result in inequitable cost allocations. Regardless of the number of hours worked, effort percentages must be based on total University effort, not hours.

Level of Precision in Confirming Effort

Precision in effort reporting pertains to the acceptable variance between an individual's actual effort and the effort certified on the effort report. Only significant changes in effort must be adjusted.

A variation of 5% or more is defined as significant. If a reasonable estimate of the actual effort is within five percentage points of the effort percentage shown on the effort report, it is permissible to certify the level of effort shown on the report. However, if a reasonable estimate of the actual effort is not within 5% of the effort percentage shown on the statement, the certifier must change the estimate of actual effort on the statement before certifying the report. For example, if an individual's salary is allocated 50% to a sponsored project, it is permissible to certify 50% effort for the project if the effort devoted to the project is reasonably estimated to fall between 45% and 55% of total effort.

When Should an Effort Report not be certified?

- If the effort reflected for a sponsored award is higher than the effort expended on the award for that period and the variance is greater than five percent
- If effort is listed for a sponsored award for which you have no knowledge
- If effort is missing for a sponsored award for which effort was expended

If any of these occur notify your departmental coordinator so that a labor distribution adjustment can be processed to correct the problem, and a new effort report will be issued.

Other Possible Problems with Effort Reports

Another problem is a distribution of effort that leaves too little non-sponsored time to credibly cover teaching, administrative, or other university duties.

The following activities cannot be charged to a sponsored award:

- writing grant proposals for new awards
- serving on an IRB, IACUC, selection committee, or similar group
- conducting administrative work, such as department chair
- teaching, tutoring, mentoring, or counseling students on something other than a specific research project
- paying a Graduate Assistant 100% from a grant when they help teach a class or help grade assignments