

Effort Reporting Basics

Wayne State University

Effort Reporting Enhancement Project

Education ↔ Risk Mitigation ↔ Automation

Fall/Winter 2010

Role of the Principal Investigator (PI)



- Sponsored awards are made to Wayne State University, with the Principal Investigator serving as the “steward” of the research project and accompanying funds received from the sponsor
- The University is legally responsible to the sponsor, but the PI is held accountable for the proper fiscal management and conduct of the project. PI responsibilities include:
 - Scientific performance of the work related to the project
 - Management of the project within funding limitations
 - Assurance that the sponsor will be notified when significant conditions related to the project change
 - ***Responsibility for the day-to-day management of project finances may be delegated to administrative or other staff, but accountability for compliance with WSU policy and sponsor requirements ultimately rests with the PI.***

Why Certify Effort?



- Effort Certification is a Federal requirement
 - OMB Circular A-21 (*Cost Principles for Educational Institutions*) Section J-10 (*Compensation for Personal Services*) requires some sort of after-the-fact confirmation that labor expenses represent actual costs
- Effort certification is the primary means of verifying that:
 - Effort supported (paid) by the project has been performed as promised, and
 - Effort expended in support of a project but not paid by the project (cost sharing) has been performed as promised.
- Labor expenses typically represent the majority of direct costs of research (therefore, auditors focus here first)
- Other recipients of federal funds have more detailed and precise methods of verifying labor expenses (i.e., timecards for all employees at defense contractors)

What is Effort?



- Effort is the portion of time spent on a given professional activity and expressed as a percentage of the total professional activity for which an individual is employed by WSU.
- Important points:
 - The government recognizes that it is a “reasonable estimate”
 - Total effort must equal 100%
 - Effort is not based on a standard (e.g., 40-hour) work week, instead based on whatever was worked
 - “100% Effort” considers all professional activities related to the individual’s WSU appointment (teaching, research, service)
 - Effort does not include outside activities (e.g., external consulting)

Institutional Base Salary (IBS)



- **IBS Definition**

Consistent with the definition of “100% Effort”, Institutional Base Salary (IBS, to be used as the basis for requesting, charging, and cost sharing salaries from/to sponsors) is to include only the component of pay which is intended to compensate the individual for his/her base duties to WSU. This includes the annual salary paid by WSU for a faculty or staff member’s base appointment, and includes additional stipend amounts for recurring, long-term activities (e.g., department chair). This will not include one-time payments or stipends for activities intended to be short-term in nature (less than six months).

Included in IBS:

- Teaching
- Research (externally- and internally-sponsored)
- Service
- Administration

Excluded from IBS:

- External consulting
- Special activities resulting in a one-time payment
- Temporary activities over and above normal responsibilities
- For clinical faculty, VA and UPG activities

Certifying Effort or Payroll?



- Effort reports may pre-populate total percentages of payroll distributions to be used as a starting point, since it is often assumed that payroll distribution is monitored and revised based on effort expended
- However, these percentages may need to be revised during certification based on **actual expended effort**
- This **after-the-fact** confirmation is necessary for compliant effort reporting

Reasonable Estimate & Suitable Means

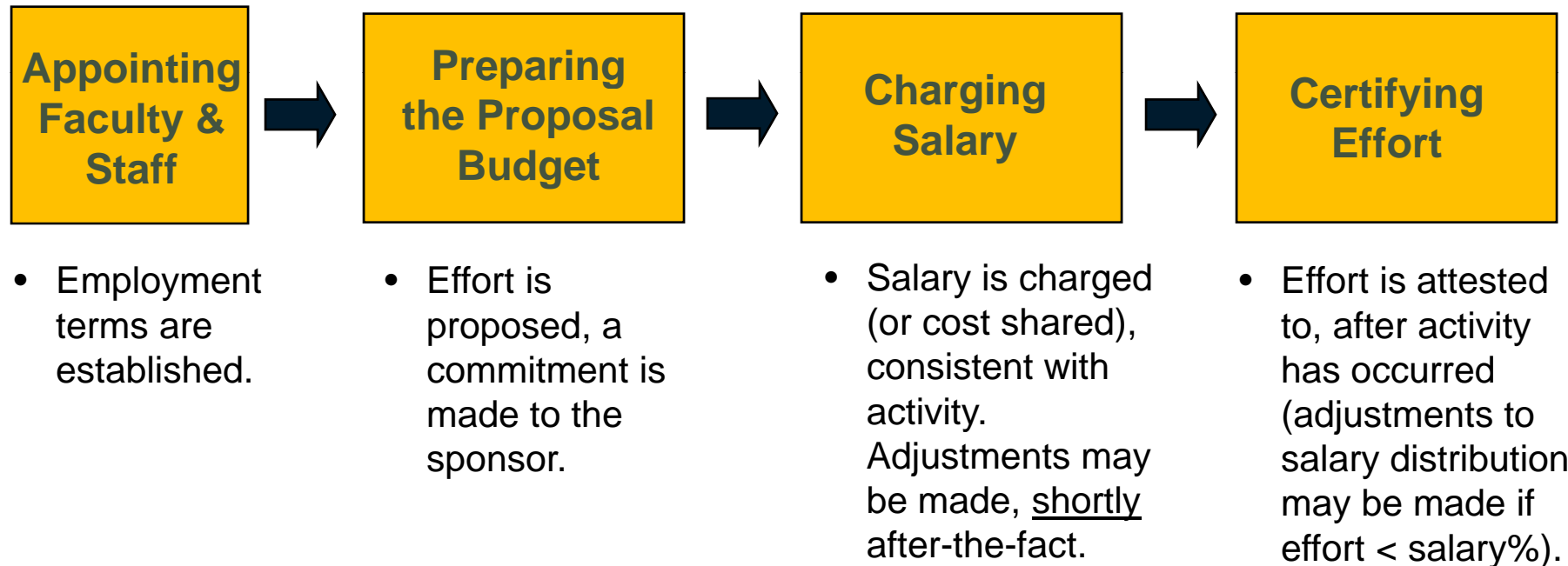


- Sponsors recognize that the activities that constitute effort are often difficult to separate. Effort certification must often rely on a reasonable estimate of effort, and when estimating, a degree of tolerance (up to 5%) is appropriate. Examples:
 - It would be reasonable for a faculty member who was awarded and expended 40% effort on a grant to sign an effort report stating 39% payroll support for that grant.
 - It would not be reasonable for a faculty member who teaches two classes to certify that she worked 95% on sponsored research.
- What are suitable means of verification?
 - The individual should have some documentation of how the time was spent that is certified.
 - Documentation could be in the form of an email, calendar, project reports, etc.

The Context of Effort Reporting



Effort Reporting encompasses more than just certifying effort



Key Effort Reporting Concepts



Important concepts to consider with respect to effort reporting include:

- Who must complete an effort report?
- Who should sign effort reports?
- Cost sharing
- Summer salaries
- Committed Effort
- Payroll cost transfers

Who Needs to Certify



- All individuals paid from or with effort committed to a sponsored project are required to complete an effort report , per federal regulations
- Effort reports should be certified by:
 - An employee, principal investigator or other responsible official with first-hand knowledge of **all** of an employee's effort, or
 - An individual who used suitable means of verifying that the work was performed.

Cost Sharing



- Cost Sharing Definition: A commitment of WSU resources or funding that supplements externally sponsored projects.
- Salary cost sharing occurs when effort exceeds the payroll charged to a particular project.
 - Examples – 10% effort but no salary outlined in proposal; NIH Salary Cap
- These costs are not reimbursed by the sponsor (will not be charged to the sponsored project) and therefore must be supported by WSU funds
- ***Cost shared effort should be included in the effort report***
- Mandatory cost sharing
 - Required by sponsor, quantified in proposal
- Voluntary cost sharing
 - Not formally required by sponsor, but becomes mandatory once proposal accepted

Summer Salaries



- A faculty member's summer salary rate cannot exceed the base salary divided by the period to which the base salary relates (e.g., monthly rate for summer salary = no more than 1/9 of academic year salary)
- Charges for summer sponsored research activities must be consistent with the level of effort provided during that time period.
 - It is not compliant for an individual who is absent from research for a substantial period of the summer session to charge three full months of summer salary to sponsored research and report 100% research activity on effort reports.
- It is not compliant for an individual to do any other work besides that on the sponsored award, if the full (three summer months') salary is being charged to the sponsored award for that period of time
 - Individuals should not be preparing teaching materials, writing proposals, working on other research projects, or performing any administrative tasks over this time period for significant amounts of time.

Committed Effort



- Committed effort is the amount of effort promised by the institution in the proposal or the amended effort included in the award documentation.
- The total distribution of effort dedicated to all institutional activities for an individual must not be greater than 100%, including cost sharing commitments.
- 100%, or nearly 100% research effort, is not realistically possible for individuals with significant non-research obligations to the institution (e.g., teaching and service).
- If key personnel intend to reduce their effort on sponsored programs by more than 25%, the institution needs to notify the sponsor and receive approval.
- If the receipt of an award increases an investigator's committed effort to greater than 100%, the investigator must revise the level of effort requested by communication with the sponsor, reduce effort on other activities, or refuse the award.

Payroll Cost Transfers and Effort



- The differences between certified effort % and % of salary charged may require a resulting cost transfer.
- It is important that the salary charged to a sponsored project not exceed the effort spent on the project. If the salary charged is greater than the effort expended, a payroll cost transfer should be done to remove salary charged to the sponsored project.
- If a payroll cost transfer is performed after the effort report is certified, the corresponding effort report may need to be recertified.

Case Study



Sample Effort Situation

Sample Effort Situation



- ◆ From January through June 2010, Prof. Smith...
 - Estimates that, on average, he worked an average of approximately 6 days/week on the following:
 - 2 days/week on Grant A
 - 2 days/week on Grant B
 - One day a week teaching undergraduate students in a class unrelated to his research activity
 - A few hours each week providing oversight on Dr. McGee's grant (Grant C) due to his specific expertise
 - The remaining time was spent working on new research areas, proposal development and administration

Sample Effort Situation



- ◆ What would be a reasonable estimate of effort for Prof. Smith on his effort report?

<u>Activity</u>	<u>Effort %</u>
Sponsored Activities	
Grant A	_____
Grant B	_____
Grant C	_____
Sub-Total Sponsored	
University Activities (teaching, administration, etc.)	_____
TOTAL	_____

Sample Effort Situation



Effort Report for Prof. Smith

<u>Activity</u>	<u>Effort %</u>	
Sponsored Activities		
Grant A	<u>33%</u>	2/6 = 33%
Grant B	<u>33%</u>	2/6 = 33%
Grant C	<u>5%</u>	A few hours/week – estimate 5% (could be different)
Sub-Total Sponsored	71%	
University Activities (teaching, administration, etc.)	<u>29%</u>	100% - above total = 28% check to ensure teaching is included [1 day/week = 1/6 or 17%, so yes)
TOTAL	<u>100%</u>	

Who to Contact with Questions



Sponsored Program Administration

- ◆ Marlene Erno, Senior Director, Sponsored Program Finance
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Effort Reporting Project consultants

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Questions? Comments??

