Effort Reporting Regulations

Objectives

- Become familiar with the federal requirements for Effort Reporting
- Receive a broad understanding of what is Effort and Effort Reporting, and the relationship between Effort and Salary
- Know who can and cannot certify effort reports
- Appreciate the consequences of effort reporting non-compliance or false claims
Overview

- Federal regulations require that any entity receiving federal funding must ensure that controls are in place to support effort expended on federal awards. To comply, UCLA’s policy is to certify effort, including committed cost sharing, and effort expended on federally sponsored projects through the Effort Reporting System.

- Incomplete or improper reporting of effort is a compliance violation that could result in audit disallowances and/or withholding of federal research funding.

- Effort documentation must be supported by a system of “internal controls” which provide reasonable assurance that amounts charged are accurate, allowable and properly allocated.

Regulations for Effort Reporting

Federal

  
  - The guidance incorporates and streamlines eight existing OMB Circulars. This is a major reform of how the federal government provides assistance awards (e.g., grants and cooperative agreements) with the goal of increasing accountability and transparency while reducing the administrative risk of waste, fraud and abuse.
  
  - The Uniform Guidance became effective December 26, 2014. New awards issued on or after December 26, 2014 are subject to the guidance regulations. The new regulations do not affect grant funds awarded prior to December 26, 2014, unless funds are carried forward into a new Federal fiscal year or a continuation award.

- 2 CFR 200.430(Compensation-Personnel Services), sets the criteria for acceptable methods of charging salaries and wages and requires that institutions follow acceptable methods for documenting the distribution of effort for all project personnel.
**Regulations for Effort Reporting -continued**

**UCLA POLICY**

- **UC Accounting Manual and Business and Finance** policies require that any individual committing effort on a federal or federal flow-through contract or grant certify that the salary charged or cost shared by the institution is reasonable in relation to the effort expended on that project.

**What is Effort Reporting?**

- Method of certifying to the federal granting agencies that the effort required as a condition of the award has actually been completed.
- Effort reporting is only a requirement on federal and federal flow-through contracts or grants.
- Effort Reporting certification must include all personnel costs and cost sharing (if applicable).
- Certification will include all employee activities on an integrated basis (i.e., 100% effort).
- Compensation must conform to institution/federal policies and be consistently applied.
What is Effort?

- Effort is the proportion of time spent on any single professional activity which is reflected as a **percentage of the total professional activity** for which an individual is employed by an institution.

- Total professional activity at UCLA may include but is not limited to teaching, clinical practice, research, preparing proposals, administrative responsibilities or any other duties performed for UCLA.

What is Effort? - continued

- Total effort will **always** equal, whether full or part-time work.

100%
100% Effort Scenario 1
Dr. King works 60 hours in a week

- Teaching 34%
- Serving on IRB committee 8%
- Research on NIH grant 33%
- Research on Private Grants 25%

100% Effort

100% Effort Scenario 2
Mark is hired to work part time – 20 hours a week

- NIH grant 50%
- American Heart Assn. Grant 20%
- Teaching assistant 15%
- Office work 15%

100% effort
Is Payroll the Same as Effort?  **NO!**

**Payroll**
- Payroll distributions describe the allocation of an individual’s salary
- Payroll can be expressed as an estimate of actual time worked
- Payroll is the basis for generating the effort report

**Effort**
- Effort describes the allocation of an individual’s time contributed to sponsored projects to meet effort commitments agreed to in the award, whether or not reimbursed by the federal sponsor

Who Should Expect an Effort Report?

**Automatic Generation**
- Any individual who has salary paid from a federally sponsored project; this includes federal flow-through funds
  - Direct charge to the fund
  - Payroll Expense Transfer (PET)
    - Moving expenses from one fund to another
  - Retroactive or Late Pay (LX)
    - Paying an employee for a past period that was not originally paid

**Manual Generation**
- For individuals with no salary paid on a Federal contract or grant, but have committed effort, their report may not always be automatically generated. Instead, the report may need to be manually added to the Effort Reporting System
- To generate an effort report manually, an individual must have the ER5-Coordinator role is DACCS
How Payroll Expense Transfers Affect Effort

- A payroll expense transfer is an after-the-fact reallocation of the cost associated with a transaction from one activity/account to another.

- The difference between certified effort percent and percent of salary charged may require a payroll expense transfer.

- It is important that the salary charged to a sponsored project not exceed (within tolerance) the effort spent on the project. If the salary charged is greater than the effort expended, a payroll expense transfer should be made to remove excess salary from the sponsored project.

- Formal re-certification must be completed, if a payroll transfer occurs after the certification for the effort that has already taken place.

- Transfers should be made within 120 days of the close of the ledger period in which the original charge was posted, to follow federal guidelines.

Acceptable Tolerance between Payroll and Effort can be +/- 5%

- 2 CFR220 (Uniform Guidance) provides for “a degree of tolerance” in the preciseness of effort reporting.

- Effort reports at the University may be completed with a preciseness tolerance of plus or minus 5%.

- An individual at the University may certify a level of effort for an award or activity that is within 5% of their best estimate of the actual effort expended during the reporting period.
The 5% tolerance does not mean that there can be a difference between the payroll % [A] column and the paid effort percent [B] column.
**What is Effort Commitment?**

- Effort commitment 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., administrative, clinical or teaching).

- On NIH projects, if key personnel intend to reduce their committed effort on a sponsored program by more than 25%, the institution needs to notify the sponsor and receive approval (e.g., reducing from 20% to 14%). Note: Review agency budgeting rules as requirements may vary.

- If the receipt of an award increases an investigator’s total effort commitments to greater than 100%, the investigator must revise the level of committed effort requested by communication with the sponsor, reduce effort on other activities, or refuse the award.

**Committed Effort Begins at the Proposal Stage**

- **Pre-Award**
  - Appointing Faculty & Staff
  - Preparing the Proposal Budget
  - Effort is proposed, a commitment is made to the sponsor

- **Post-Award**
  - Charging Salary
  - Salary is charged equal to or less than activity
  - Monitor salary distribution monthly

- **Relating pay to the effort**
  - Effort is certified after activity has occurred
**Committed effort equals effort worked greater than or equal to salary paid**

**Committed Effort**
- Effort proposed or reported on proposals, progress reports, and prior approval requests to change effort

**Effort Worked**
- How the employee spent their time
  - Effort actually worked on the grant or project throughout the quarter
  - Percent of total time worked, not number of hours

**Salary Paid**
- How the employee was paid
  - Actual payroll charged to the grant or project
  - Must factor in salary cost transfers (UPAYs)

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**Federal Flow-Through**

- **Definition**: A non-federal entity that receives a federal award and provides a portion of the award to UCLA via a sub award.

- **UCLA Policy**: The effort of employees who are paid on or have commitments to work on federal or federal flow-through funds must be certified.
1. UCLA must report effort because of federal funds flowing through NIH.

2. American Heart Association issues an award to UCLA.

3. UCLA must report effort because of federal funds flowing through AHA.
Federal Flow-Through on an Award Snapshot

Who Should Review the Effort Report?

- Effort Reports must be reviewed for accuracy before certification. If it is determined that any changes (payroll transfers and cost sharing) need to be made, they should be made before certification.

- Designated individuals
  - ERS Coordinators
  - Fund Managers

- Principal Investigators
Who Should Certify the Effort Report?

- **UCLA Policy**

To confirm that the distribution of activity represents a reasonable estimate of the work performed by the employee during the period, the reports will be signed by one of the following:

- Employee
- Principal investigator
- A responsible official(s) using suitable means of verification that the work was performed.

Who Should Certify the Effort Report? -continued

- **Principal Investigators**
  - PIs must self-certify [Highlighted in Yellow]
  - It is also recommended that PI’s certify for staff that they have primary oversight of, given the fact that they have first-hand knowledge of the work performed

- **Other faculty in Professorial, Professional Research, and Management titles**
  - Recommended to self-certify because they are in the best position to understand how they are spending their time in support of the various activities in which they are engaged

- **Staff**
  - Self-certification is an option and each department sets their own policies on self-certification
  - PI can certify

If you are uncertain who should certify the effort report, please consult with your ERS Coordinator or ERS Support
What is Suitable Means of Verification?

◆ Suitable means of verification is otherwise known as *first-hand knowledge* of the work performed

◆ Typically, an individual with first-hand knowledge is someone in a supervisory role who oversees the employee performing their duties

◆ The individual should have some documentation of how their time was spent to support the certification. We recommend:
  - detailed calendars
  - log books
  - project reports
  - time cards

Who Must Never Certify?

An individual that *does not have firsthand knowledge* of work performed

- An administrator on behalf of the PI or any academic personnel
- An ERS Coordinator or department Fund Manager
Effort report forms are the primary auditable document to support salary on sponsored research awards.

Uniform Guidance (formerly OMB-A-133)
- Audits to verify institution’s financial practices are consistent with the federal regulations and provisions of contracts and grants agreements.

Extramural Fund Management
- Oversee effort reporting system and institutional practices
  - Potential Audit Risks
    - 100% effort on research for faculty
    - Multiple re-certifications

University Responsibilities
- Principal Investigators and their campus departments are responsible for ensuring full compliance with effort reporting requirements.
- The University shall require all effort to be certified within 120 days of the end of the reporting period.
- Effort not certified within 120 days may result in action being taken by the campus to reverse the charges on the award, may jeopardize submission of future proposals, cause a proposal to be withdrawn, and/or jeopardize the acceptance of future awards.
- Campus departments and Extramural Fund Accounting Offices shall take progressive action to prompt corrective action and resolution according to local campus policy when required, including:
  - Notification of the Vice Chancellor of Research for intervention and resolution
  - Notification of the Dean, Department Chair or Director for resolution
Audits/Compliance - continued

Non-Compliance

- The risks of non-compliance with effort reporting are significant
  - Numerous investigations have been conducted by the federal government that have focused on effort reporting – settlements have been in the millions of dollars
- If effort reports are not complete, research sponsors may:
  - Disallow related salary, fringe benefits and F & A (indirect costs)
  - Reduce or eliminate future funding
  - Report “False Claims Act” allegations
  - Press criminal charges
  - Require additional oversight of systems and controls

Audits/Compliance - continued

- National Science Foundation in particular has conducted many reviews of institutions’ effort reporting practices. Common findings have included:
  - Effort reports certified late and/or by individuals without suitable means of verification
  - Problems with summer salary/effort calculations and reports
  - Effort commitments not considered in certification
  - Failure to report committed cost sharing accurately
  - Inadequate education programs for faculty and administrators
NSF Audit at UCLA

- May 1, 2015 the National Science Foundation (NSF) completed its review and resolution of an audit report of UCLA’s incurred cost under NSF awards for the period July 1, 2009 – June 30, 2012

- There were 3 potential findings that involved salary/effort. The issues included:
  - Overcharged Summer Salary
  - Retroactive Salary Paid
  - Late Effort Report Certifications
  - Results: No refund to the government

Examples of Non-Compliance -continued

- Yale University (2008)
  - Government alleged that Yale overcharged Federal awards through improper cost transfers used to “spend down” grant funds which resulted in inaccurate and overstated effort reports
  - Government alleged that Yale researchers inaccurately certified 100% of effort on funds, when a significant amount of work was spent on other projects
  - Government alleged that a PI did not dedicate 25% of effort on project, as proposed in subaward budget
  - $7.6 million paid to the government
Examples Non-Compliance - continued

◆ Florida International University (2005)
  ▪ An audit discovered that FIU did not have proper documentation to verify that PIs spent the percent of time they had promised
  ▪ Improperly billed for time, travel, and admin expenses
  ▪ $11.5 million paid to government

◆ Harvard University (2004)
  ▪ Harvard disclosed that it had overcharged grants by requesting reimbursement for researchers who did not work on the grants
  ▪ $3.3 million paid to government

Best Practice

Sit down with the PIs (or other staff) and assist in the certifying process and provide assistance if needed. In doing this you:

- Make sure reports are certified by the right person
- Make sure PI (or other staff) understands the report
- Verify that the information to be certified is correct
ERS Regulations Quiz

1. Who should certify effort reports?
   a) The department chair
   b) Department administrators
   c) A co-worker or colleague of the employee
   d) The PI, employee or someone of a supervisory role who has firsthand knowledge of the work performed
ERS Regulations Quiz

2. Who should always self-certify?
   a) All employees should self-certify
   b) The PI only
   c) All faculty in professional research and management titles
   d) Nobody
3. Which awards require Effort Reporting?
   a) All awards
   b) Federal and Federal-Flow through awards
   c) Federal, but not Federal Flow-through awards
   d) Private awards
   e) State awards
ERS Regulations Quiz

4. When does Committed Effort begin?
   a) At the proposal stage
   b) When the work is performed
   c) When the effort reports are generated
   d) When the salary is charged
ERS Regulations Quiz

5. Total effort will always be ________?
   a) The percentage the employee has committed to the Federal award
   b) Equal to the percentages of the appointment
   c) 100%, but only if a full time employee
   d) 100%
ERS Regulations Quiz

6. What is the Golden Rule of Effort Reporting?
THANK-YOU