

University of Massachusetts
Guidance on Effort Reporting Policies

Effective Date: April 2009

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GUIDANCE STATEMENT

It is the policy of the University of Massachusetts to comply with federal guidelines and regulations regarding effort certification of individuals receiving compensation on sponsored projects. In addition, state agencies, private foundations, organizations, and industry provide significant grant funding to enable UMass faculty and staff to conduct instruction, public service, research, and training activities. This Guidance statement provides guidelines to ensure that the salaries and wages charged to sponsored projects are allocable, allowable, reasonable, and consistently reported. These guidelines are intended as a tool for developing more detailed effort reporting procedures by the campuses toward the end of achieving more timely and accurate effort reports. These improved procedures should include implementation of effort training activities, independent internal evaluations and electronic-based effort reporting review and certification systems (ECERT). All campus guidelines and procedures must comply with the applicable federal rules and regulations. These guidelines and procedures may include online instructions, FAQs, manuals, and other resources.

RATIONALE

The Office of Management and Budget (“OMB”) Circular A-21, *Cost Principles for Educational Institutions*, outlines the federal government’s cost principles for colleges and universities receiving funding via a federally sponsored grant, contract, or cooperative agreement to perform a certain scope of work. It sets forth regulatory requirements to which institutions of higher education must adhere regarding the expenditure of federally sponsored program funds. More specifically, Section J.10 stipulates that institutions must have a payroll distribution system that allows salaries paid under federal grants to be properly allocated so that verification can be made by the institution that individual salaries paid under federal awards are appropriate to that award. This includes effort directly charged to sponsored projects, cost sharing, and any other statutory-funded activities.

OMB Circular A-21 Section J.10b(1)(c) states “in an academic setting, teaching, research, service, and administration are often inextricably intermingled. A precise assessment of factors that contribute to costs is not always feasible, nor is it expected. Reliance, therefore, is placed on estimates in which a degree of tolerance is appropriate.” Moreover, OMB Circular A-21 Section J.10b(2)(a) states “The payroll distribution system will ... (ii) reasonably reflect the activity for which the employee is compensated by the institution.”

The OMB A-21 Clarification Memo of January 5, 2001, further emphasizes the effort confirmation requirements as they relate to committed effort (as outlined in a proposal) that may or may not be paid on the resultant award.

SCOPE

All campuses and central administration.

RELATED STATUTES, POLICIES, REQUIREMENTS, OR STANDARDS

UMass-Wide Policies and Guidance

DOC. T94-034, *Policy for the Development and Administration of Grants, Contracts and Cooperative Agreements for Sponsored Programs*

DOC T01-012 *Policy on Additional Faculty Compensation*

Other Policies & Standards

Code of Federal Regulations, Part 74, Appendix E, *Uniform Administrative Requirements for Organizations, and Commercial Organizations, and Certain Grants and Agreements with States, Local Governments and Indian Tribal Governments*

OMB Circular A-21, *Cost Principles for Educational Institutions*

Clarification of OMB A-21 *Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs* dated January 5, 2001

OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*

OMB A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

NIH Grants Policy Statement dated December 2003

NIH IBS Statement NOT-OD-05-061 dated August 4, 2005

DEFINITIONS

Committed Effort: The amount of effort proposed in a grant or other project application that is accepted by a sponsor, regardless of whether salary support is requested for the effort.

Cost Sharing: A portion of total project or program costs related to a sponsored agreement that is contributed to a sponsored project or program by an entity other than the primary sponsor and usually consists of the mandatory or voluntary commitment of institutional resources contained in a proposal or award. *For both mandatory and voluntary committed cost sharing, when a notice of grant award is received in which cost sharing is proposed, the cost sharing becomes a binding commitment that must be provided and tracked across each campus. Additionally, these forms of cost sharing must be included in the appropriate direct cost base in the facilities and administrative (F&A) rate proposal.* The concept of

matching is synonymous with cost sharing. *This Guidance only pertains to cost sharing as it relates to time commitments made by individuals listed in a proposal or award.* There are various types of cost sharing; these include:

- **Mandatory Committed Cost Sharing** is required by the sponsor as a condition of obtaining an award. It must be included in the contract or grant proposal to receive consideration from the sponsor.
- **Salary-cap Cost Sharing** results when an individual's institutional base salary exceeds a sponsor's salary cap. The prorated excess is a form of mandatory cost sharing that must be funded by an appropriate and allowable source.
- **Voluntary Committed Cost Sharing** represents effort proposed that was not required by the sponsor and that is in excess of effort paid by the sponsor and/or mandatory cost sharing.
- **Voluntary Uncommitted Cost Sharing** represents effort that may benefit a project but was not committed in the proposal or award.

Cost Transfers: Transfers to or from a sponsored account of a charge that was previously recorded on another account or to another funding source. *This Guidance only pertains to and addresses cost transfers related to effort commitments.*

Designated Responsible Party: A person at each campus shall manage and be responsible for the effort reporting compliance program. The person must possess exclusive responsibility for managing the risk, including the appropriate knowledge and necessary authority to manage the risk. Each campus must name a designated responsible party. It is acknowledged the designated responsible party will work closely with appropriate campus offices (e.g., the controller's office) to ensure all specific risks are adequately mitigated and effectively monitored.

Effort: The amount of time spent on any activity expressed as a percentage of total institutional activities for which an individual is compensated by the campus.

Effort Certification: A process of verifying a principal investigator's or employee's allocation of time to various activities for which they receive compensation from the campus. In relation to sponsored projects, it represents those procedures used to document and verify effort supported or paid by the sponsor. Effort reporting also extends to effort expended in support of a project (but not paid by the sponsor). It does not include commitment to external activities such as consulting or activities associated with non-university professional committees.

Fiscal Year: The fiscal year for each campus is July 1st through June 30th.

[Sponsored] Individual: A sponsored individual is anyone who has paid effort and/or committed effort on a sponsored project. Where appropriate in this Guidance, the following subcategories will be utilized:

- **Primary [Sponsored] Individual:** A person listed as principal investigator, project director, co-investigator, co-project director, or those with comparable responsibilities on a sponsored project application. A primary individual typically, but not always, carries an academic (i.e., faculty) appointment.
- **Supporting [Sponsored] Individual:** An employee other than a primary individual who has expended effort on a sponsored project. The supporting individual may or may not have been

identified on the funded application and typically does not have committed effort greater than the amount paid on a specific sponsored project.

Institutional Base Salary (IBS): The total base compensation an individual receives annually from the campus, whether the individual's time is spent on research, teaching, or other activities. IBS includes: compensation for instruction, public service, research, and/or other activities. IBS excludes: fringe benefit payments; reimbursed expenses; temporary, supplemental compensation for incidental work; income earned outside of duties to the institution; and any portion of compensation deemed to be at-risk. IBS may or may not include additional payment for administrative duties per each campus' written policy.

No Cost Extension: Gives the principal investigator additional time to complete the scope and objectives of the project without additional funds being provided by the sponsor. During a no cost extension, the funding agency expects that effort will be commensurate with the previous budget period.

Sponsored Programs: Involve a commitment of time and can be either: (a) externally funded activities in which a written agreement, such as a cooperative agreement, contract, or grant, is entered into by the campus and by a sponsor for research, training, and other public service activities; or (b) internally funded for which the activities are separately budgeted and accounted for by the campus as a result of a formal application and approval process within the campus. For externally funded programs, the commitment of time can either be paid or unpaid by the sponsor (see mandatory and voluntary committed cost sharing definitions). A sponsored program may be thought of as a transaction in which there is a specified statement of work with a related, reciprocal transfer of something of value.

Total Institutional Activities: Total institutional activities are those activities for which an individual is paid by his/her campus. Common activities include administrative duties, instruction, patient care, public service, and research.

PROCEDURES

1. Guidance Implementation

Each campus shall establish an effort reporting action plan that provides guidance in the following areas: management of effort commitments, cost sharing, cost transfers related to effort, and effort certification. Each area must be supported by procedures and monitoring activities to ensure this Guidance is implemented as intended. Each campus should adopt the most suitable methodology to ensure effective implementation for its culture and community.

2. Training; Evaluations

Each campus Designated Responsible Party shall develop and implement education and training programs to assist all administrators, faculty, and staff to fully understand the intent and implications of effort certification. Each campus should conduct periodic independent internal evaluations to determine compliance with effort reporting requirements.

3. Management of Effort Commitments

It is extremely important to understand that effort is not calculated on a 40-hour workweek or any other standard workweek. Effort reports must account for all effort for which the campus compensates the individual and, as such, should equal 100%. For example, if an individual averages 60 hours per week

during the reporting period and spends an average of 15 hours on a sponsored project, that represents 25% effort; the other 45 hours, allocated to other institutional activities, represents 75% effort.

The management of effort commitments for a Primary Individual requires ongoing communication between the Primary Individual, his/her department, and several other administrative functional areas within each campus. This communication is critical because the Primary Individual may be fully committed (100%) and when a new award is received, this typically causes another commitment(s) to be reduced. Moreover, if multiple reductions occur over time a sponsor might need to be notified in advance based on the cumulative effect of the most recent reduction.

- 3.1.** The Designated Responsible Party will work closely with appropriate campus offices (e.g., the controller's office) to ensure all specific risks are adequately mitigated and effectively monitored.
- 3.2.** Through appropriate means, each campus shall ensure that a Primary Individual's institutional activities shall not exceed 100% total effort and shall be consistent with his/her other duties as agreed upon with his/her supervisor.
- 3.3.** Consistent with the established approval process for sponsored program proposals, the Primary Individual's supervisor must review and approve the committed effort in proposals, as well as ensure each Primary Individual listed in proposals with a specific committed effort is aware and has approved his/her participation in the activity.
- 3.4.** Each campus shall ensure the minimum level of effort and the Primary Individual's actual effort is commensurate with his/her responsibilities.
- 3.5.** A Primary Individual with a nine-month appointment for the fiscal year, and who has committed effort on a sponsored project may be allowed a 100% appointment during the summer; however, care should be exercised to ensure the Primary Individual does not perform other activities during that period whose costs are not allowable under OMB A-21, including proposal writing, student advising, curriculum review, and professional development.

4. Cost Sharing

Mandatory or voluntary committed cost sharing that is contained in a funded sponsored program proposal becomes a binding commitment to the campus upon either formal acceptance of the award document or expenditure of funds if no formal acceptance is required. This commitment creates the requirement for each campus to track all cost sharing. As a general rule, cost sharing commitments should be avoided unless they are required for application. Under extraordinary circumstances, cost sharing may be voluntarily offered to the sponsor with appropriate campus administration approval. Each campus shall have cost sharing guidelines and procedures that are consistent with this Guidance and with applicable federal regulations.

5. Cost Transfers

Cost transfers are a reality of sponsored programs; however, a high volume of cost transfers, cost transfers that occur several months after the initial accounting transaction, cost transfers that occur after an effort certification report is completed, and/or a pattern of cost transfers from a sponsored projects may indicate poor awards management. Each campus shall have cost transfer guidelines and procedures providing as follows:

- 5.1. Duties involved in the cost transfer process must be appropriately segregated to ensure no one individual has the ability to initiate, approve, and post a cost transfer into the official accounting records.
- 5.2. All cost transfers must have adequate support documentation as to the reason it is necessary. To indicate “to correct an error” or “to transfer to correct project” are insufficient reasons.
- 5.3. All cost transfers should occur in a timely manner.
- 5.4. Salary cost transfers are only permitted after effort certification reports are completed and signed by the individual if it benefits the sponsor (i.e., a transaction is moved off of a sponsored account) or to correct inaccurate allocations.

6. Effort Certification

Each campus must develop a mechanism to determine and verify how individuals actually expend effort during a specified time period. Such confirmation is to be made by either the individual or a responsible official who has first-hand knowledge of 100 percent of the employee’s compensated activities. The after-the-fact confirmation method used for most UMass projects requires that reports for faculty and professional staff be completed each academic term but no less frequently than every six months, while for support staff, it is completed on a monthly basis. Each campus shall develop effort certification procedures that provide the following:

- 6.1. A definition of effort and effort certification, which should include a discussion that effort is based on total institutional activities and does not assume a 40-hour workweek or any other standard workweek; the effort certification report and payroll distribution records are not the same; and the effort certification report includes total institutional activities, including all cost sharing activities.
- 6.2. A discussion of why effort certification reports are important with references to the applicable federal requirements and resources.
- 6.3. A requirement that identifies who is required to complete effort certification reports.
- 6.4. A statement that indicates effort certification reports are based on a reasonable estimate by recognizing that administration, patient care, research, service, and teaching are often inextricably intermingled.
- 6.5. A requirement that effort shown on the effort certification report must be reported in percentages and all effort must equal 100%.
- 6.6. A requirement for a Primary Individual to certify his/her own effort certification report.
- 6.7. A requirement for a Primary Individual (or designee) to certify effort certification reports for all Supporting Individuals who have expended effort on his/her sponsored project.
- 6.8. A requirement that each effort certification form contains an attestation statement that indicates the certifier (or their proxy) has suitable means of verification and the amounts shown are a reasonable estimate of actual work performed during the stated period.

- 6.9.** A requirement for all effort certification reports to be completed in a timely manner that is to be further defined by each campus, including through implementation of electronic-based effort reporting review and certification systems (ECERT).

Failure to comply with this Guidance could result in expenditure disallowances, penalties and fines levied against the noncompliant campus, and damage to its reputation. In addition, criminal charges may be brought against an individual who certifies a falsified effort report.