

# EFFORT REPORTING: Understanding the Requirements

William “Bill” F. Hoffman, Jr.  
Research Department Administrator  
University of Maryland, Baltimore – School  
of Dentistry  
Dean’s Office  
Baltimore, Maryland

Dominic Esposito  
Director of Corporate, Government and Foundation  
Relations  
The College of New Rochelle  
New Rochelle, New York

# Objectives:

- Understand the Federal Requirements of Effort Reporting
- Review Best Practices for Designing and Implementing an Effective Effort Reporting Process
- Understand What Auditors and Investigators Look for When Auditing
- Learn Techniques to Mitigate Risks

# Agenda:

- Background
- Knowing the Rules
- Where to Start
- What's Your Effort Tracking System
- Effort Reporting and Uniformed Guidance
- Scenarios
- Audits
- Questions

# KNOWING THE RULES



# What is Effort?

- Proportion of time each employee commits to spend on a project/sponsored activity
  - Salary support
  - Not measured in hours
  - Percentage of Institutional Base Salary (IBS)
- Several types of effort:
  - Budgeted, actual, reported, uncompensated, committed, in kind, cost sharing
  - Allowable, accurate/reasonable, allocable, defensible/justified



# What is Payroll?

- The activities for which the employee is being compensated
- Dollars paid to an employee (costs)



# Institutional Based Salary (IBS):

- Base annual compensation for an employee's appointment (usually Faculty)
  - Research, teaching, patient care, or other activities
- Salary level used to request salary support in proposals/submissions
- Set at the beginning of the fiscal year
  - Not effected by funding sources
  - Usually done via Faculty Contract or IBS letter



## **Rules of Thumb:**

- **100% rule- All effort is calculated using 100% of the Employee/Faculty's FTE. You can not exceed 100%.**
- **90-95% rule- Faculty effort on sponsored projects can not total more than 90-95%. (Maximum effort rule)**
- **25% rule-if a Faculty or Staff change their effort on a Federal (NIH) grant more than 25%, it need Sponsor's approval.**

## Summer Salary & Effort:

- This is for Faculty who have 9-month appointments, NOT 12-month appointments.
- These Faculty are permitted to spend an additional 3 months of summer effort on Sponsored Projects and other Institutional activities.
  - The maximum effort (90-95%) rule applies to these summer salaries.
- IBS for 9-month appointments usually are from September 1-May 31.

## EFFORT REPORTING MUST:

- Be consistent at your Institution.
  - Assure Federal sponsors that payroll charged agrees with actual effort that was agreed upon at award time.
- Be completed and certified (usually quarterly) if your Institution receives Federal funding.

## No Cost Extension (NCE) Rule:

- Key personnel must maintain effort on project for the duration of the NCE.
- Changes to effort must follow the NIH 25% rule.
- If work is still being completed on the Sponsored Project, effort must still be charged accordingly.

The Current NIH Salary Cap is:

**\$185,100**

Which means you can not charge NIH more than this amount when working on a NIH grant, for Faculty salary.



# NIH Salary Cap (FY2016)

A legislatively-mandated provision limiting the direct salary for individuals working on NIH grants, cooperative agreement awards, and extramural research and development contracts.

Notice Number: NOT-OD-16-045

Release Date: December 24, 2015\*

## FY 2016 Awards Issued

- October 1, 2015 - January 9, 2016 (Executive Level II): \$183,300
- January 10, 2016 - September 30, 2016 (Executive Level II): \$185,100

[http://grants.nih.gov/grants/policy/salcap\\_summary.htm](http://grants.nih.gov/grants/policy/salcap_summary.htm)

\* Relevant notice at time presentation was prepared 02/13/18

# Cost Share:

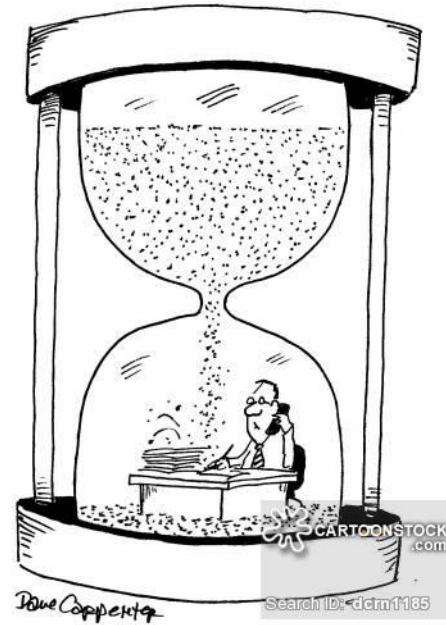
- Cost sharing (committed or uncommitted) represents the portion of the total project costs (direct or indirect) of a sponsored agreement not funded by the sponsor, and must be funded by the Institution receiving the award.
- Some cost sharing is Mandatory others are Voluntary, depending upon the Sponsor.
  - *Example: Salary in excess of the NIH mandated Salary Cap, K Awards*

# Uncompensated Effort:

- Uncompensated Effort - It may be appropriate to contribute effort to the performance of a sponsored project without salary support. Cost sharing effort is recorded in the official effort reporting system and included in the calculation of total committed effort that may not exceed 100%.
  - *Example: Clinical Trials, Good Citizens*

Remember—you only have 90 days to close out your grant and get all of your Effort Reports completed and certified and cost transfers completed, if needed !!

# 90 Days



"I have to hang up. I only have an hour to get these reports done."

# Late Reasons:

Late explanations must answer the following questions:

- Why did the error occur?
- Why was the expense erroneously charged when first incurred?
- How was the error discovered?
- Is the correct cost object or object code now being charged appropriately?
  
- Your Cost accounting and Auditing Departments will need thorough explanations before they will approve late cost transfers to be processed.
- These usually need the Principle Investigator's (PIs), Chairs, or Dean's Office approval as well.
- Moral of the story---try to avoid these if at all possible.
- Be proactive—not reactive !!

# More Late Reasons:

- Must offer sufficient detail for an independent auditor to identify a clear audit trail and conclude the transfer is appropriate.
- Explanations such as "to clean up", "to correct an error", "staff shortages" and "to spend up" are inappropriate reasons which will probably be rejected.
- A detailed late explanation is required on transfers issued more than 90 days from the date of the original transaction, in accordance with Federal guidelines.
- You should get both the Principle Investigators (PIs) and Department Chair/Dean's Office signature when processing delinquent effort reports.

**WHERE TO  
START?**





By failing to prepare,  
you are preparing to fail.

- Benjamin Franklin

# Process:

- Paper or Electronic
- Organized/Structured
- Accessible
- Timely
- Own it

# Types of Effort:

- Budgeted/Proposed Effort
- Actual Committed Effort
- Reported Effort
- Uncompensated Effort
- In Kind Effort
- Undocumented effort
- Summer salary effort

# What Constitutes Effort?

- Review/familiarize yourself with Faculty contracts/offer letters/IBS letters
- How does this work in primarily teaching Institutions?
  - E.g. Faculty are on a 21 credit load
- Do you have a method for calculating effort on the proposal preparation side or are you just guessing effort?

# Scenario #1

- Employee A is a Statistician on a multi-year grant for 5% effort. Your Institution certifies effort on a quarterly basis. He receives his effort report but refutes his working on the grant 5% of the time for this quarter. He said he did not work on this grant at all this quarter and refuses to certify or sign the Effort Report. What should you do?

# Scenario #2

- You pre-certify Effort Reports for your Department and a PI comes to you because there is no mention on the Effort Report about a grant in which he agreed to be Co-PI on the report. You have no prior knowledge of this grant nor that your Faculty member has been working with this other Department. What do you do?

**WHAT'S YOUR  
EFFORT TRACKING  
SYSTEM AT YOUR  
INSTITUTION?**





# NIH Salary Cap Cost Share Calculation Example:

UMB Base Salary x Committed (Reported) Effort = Actual Effort

NIH Salary Cap x Committed (Reported) Effort = CAP Adjusted Effort

Actual Effort – CAP Adjusted Effort = Cost Share Effort

$$\$200,000 \times 20\% = \$40,000$$

$$\$185,100 \times 20\% = \$37,020$$

$$\$40,000 - \$37,020 = \$2,980 \text{ Cost Share portion}$$

$$\$185,100 / \$200,000 = 92.55\%$$

$$92.55\% \times 20\% = 18.51\% \text{ Cap Adjusted Effort}$$

# EFFORT REPORTING



# Federal Regulations and Requirements:

- As part of the Federal regulations and Uniform Guidance to administer Sponsored Projects, any entity receiving Federal funding has a fiduciary responsibility to account for the labor distribution of all *employees*.
- This responsibility also ties directly to the Effort Reporting requirements in the Federal Regulations.
- If corrections to this distribution are made, the Institution is required to document any reasons for this change and provide an audit trail for subsequent audits on sponsored awards.
- Effort must be uniformly reported in both time period (quarterly, bi-annual, yearly) and format (electronic or paper).

# Effort Reporting Under OMB Uniform Guidance:



# The Three Most Significant Changes:

- Streamlines the effort reporting requirements and documentation standards across most entities that receive Federal awards (except hospitals).
- Eliminates specific methodologies and other requirements.
- Emphasizes an overall system of internal controls to ensure compliance.
- Located in section 2 CFR 200.430 and commonly referred to as “time and effort reporting.”

# Intentions:

- Mostly an administrative move that is intended to simplify auditing by agencies and reporting by said entities (except hospitals).
- This reform parallels previous circulars and regulations and may have little impact on the operations of Institutes.
- OMB stated its desire to have auditors focus on an Institute's internal controls rather than on their adherence to the strict procedural requirements of a prescribed methodology and frequency, which provides more operational flexibility to meet the standards of documentation for the Institute.

# Intentions....con't.

- Institutes have more flexibility in devising their own internal controls—provided they consistently apply and adhere to those controls to meet the standards in reporting effort.
- As outlined in 2 CFR 200.303, internal controls must comply with the “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the US & COSO (Committee of Sponsoring Organizations) of the Treadway Commission.
- Strong internal controls must now exist for the reporting of salaries and wages to ensure that the payroll charged to various grants must match the actual time that is spent on the grant (supported by actual hours worked) for non-exempt staff.
- Bottom line, those Institutes that had good effort reporting practices and systems in place prior to the issuance of Uniform Guidance should not have to make any significant changes and those Institutes who need to improve their effort reporting practices must now invest their time and money to comply with the new regulations. Don't fix what isn't broken—if that applies to your Institute !!

# Effort vs. Salary Distribution:

## Effort

- How someone spent their time
- **Drives** the allocation of costs
- Amount of time needed
- Effort reports are primary auditable documents to support salary costs
- If the actual effort is more or less than what was agreed upon between the sponsor and the PI, certain procedures need to be followed.

## Salary Distribution

- How someone's salary is charged
- **Does not** drive effort
- Cost of time spent
- Many times, correct salary distribution is a starting point for pre-reviewing effort forms



# Pre-reviewing an Effort Form:

- Salary distribution matches the proposed effort where possible and appropriate
- No default salary lines on the report (payroll clearing accounts)
- Mentoring/cost-share activity is shown, if appropriate
- Cost-share is reflected if the salary is over the cap and/or applicable
- **Best practice:** During routine(monthly/quarterly) finance/research team meetings with the PI, discuss effort/salary distribution for all personnel on their grants and ask if anything has changed.

# Certifying an Effort Form:

- Principal Investigators/Faculty - Must self-certify
- Staff – Self-certification recommended but can be certified by the PI, if need be.
  - Suitable Means of Verification:  
First Hand Knowledge
    - Someone in a supervisory role
    - Documented via calendars, lab notebooks and/or time cards.

# Sample Effort Form

Johns Hopkins University  
Reporting Period: 123113 (07/01/2013 - 12/31/2013)

This Effort Form is potentially over Salary Cap. Please review.  
This Effort Form is a newly created RCT form.

Pre Review Effort Form

Name: Einstein, Albert  
SubDept:

Employee ID:  
Division:

Title: Faculty  
Title Code: U010

[View Previously Certified Effort Statements](#)

Payroll		Accounts		Cost Transfer		Cost Sharing		Total \$	Total %
<b>Sponsored Accounts</b>									
<a href="#">\$9,158.52</a>	6%	<a href="#">90000123</a>	R01A	\$ <input type="text" value="0.00"/>	0%	\$ <input type="text" value="0.00"/>	0%	\$9,158.52	6%
<a href="#">\$28,572.00</a>	19%	<a href="#">90000223</a>	R01B	\$ <input type="text" value="0.00"/>	0%	\$ <input type="text" value="0.00"/>	0%	\$28,752.00	19%
<a href="#">\$8,985.00</a>	6%	<a href="#">90000356</a>	U01	\$ <input type="text" value="0.00"/>	0%	\$ <input type="text" value="0.00"/>	0%	\$8,985.00	6%
<a href="#">\$8,985.00</a>	6%	<a href="#">90000478</a>	U01	\$ <input type="text" value="0.00"/>	0%	\$ <input type="text" value="0.00"/>	0%	\$8,985.00	6%
<a href="#">\$11,441.00</a>	8%	<a href="#">90000500</a>	Priv01	\$ <input type="text" value="0.00"/>	0%	\$ <input type="text" value="0.00"/>	0%	\$11,441.0	8%
<b>\$67,321.52</b>	<b>45%</b>	<b>Total Sponsored Accounts</b>		<b>\$0.00</b>	<b>0%</b>	<b>\$0.00</b>	<b>0%</b>	<b>\$67,321.52</b>	<b>45%</b>
<b>Non-Sponsored Accounts</b>									
<a href="#">\$19,708.48</a>	13%	80000013	NS 1	\$ <input type="text" value="0.00"/>	0%	\$ <input type="text" value="0.00"/>	0%	\$19,708.48	13%
<a href="#">\$8,985.00</a>	6%	80000017	NS 2	\$ <input type="text" value="0.00"/>	0%	\$ <input type="text" value="0.00"/>	0%	\$8,985.00	6%
<a href="#">\$8,985.00</a>	6%	80000110	NS 3	\$ <input type="text" value="0.00"/>	0%	\$ <input type="text" value="0.00"/>	0%	\$8,985.00	6%
<a href="#">\$45,000.00</a>	30%	80000777	NS 4	\$ <input type="text" value="0.00"/>	0%	\$ <input type="text" value="0.00"/>	0%	\$45,000.00	30%
<b>\$82,678.48</b>	<b>55%</b>	<b>Total Non-Sponsored Accounts</b>		<b>\$0.00</b>	<b>0%</b>	<b>\$0.00</b>	<b>0%</b>	<b>\$82,678.48</b>	<b>55%</b>
<b>\$150,000.00</b>	<b>100%</b>	<b>Grand Total</b>		<b>\$0.00</b>	<b>0%</b>	<b>\$0.00</b>	<b>0%</b>	<b>\$150,000.00</b>	<b>100%</b>

Notes   
Maximum 800 characters

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Employee ID:  
Division

Title Faculty  
Title Code: U010

[View Previously Certified Effort Statements](#)

**CAP Adj**  
↓



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<b>\$150,000.00</b>	<b>100%</b>	<b>Grand Total</b>		<b>\$0.00</b>	<b>0%</b>	<b>\$0.00</b>	<b>0%</b>	<b>\$150,000.00</b>	<b>100%</b>

**Subject to Cap**

**\$150,000.00**

Notes

Maximum 800 characters



# AUDITS

# Risks:

- Failure to use a suitable means of verification
- Failure to have a system for tracking
- > 90-95% Research Effort
- = 100% Research Effort
- Failure to recognize other non-research effort
- Uncompensated Effort
- Late transfers
- Multiple corrections/re-certifications
- In trouble with the Federal Government may mean “Your name in the Papers.”

# Non-Compliance:

Non-compliance may lead to significant financial implications for the Institution, negative public attention and potential criminal action against individuals.

## **The Johns Hopkins University:**

### **Settlement (February 2004): \$2.6 million (+ legal fees)**

False Claims Act alleged that researchers overstated time spent on medical-research projects financed by the federal government.

## **University of Maryland, Baltimore:**

Finding 2005 (Ernest and Young) - The payroll charges to research and development contracts during the fiscal year ended June 30, 2004 are not supported by time and effort reports resulting in approximately \$16,802 in questioned salary and wage costs.

# VALUE ADDED



# Value Added:

- Informed Faculty
- Total Effort Compliance
- Appropriate Cost Share
- Ease of Payroll Processing
- Timely Effort Reporting
- Source for Other Support Documentation
- Increased Spending Control
- Clean Audits
- Increased Communication between the PIs and Administrators

# Final Thoughts:

- Have a Process for the entire Institution
- Document using a Best Practice
- Know the Rules/Read
- Enjoy your contribution to the Research Process
- Increase Communication in your Department



**QUESTIONS?**

# EFFORT REPORTING: Understanding the Requirements

Special Thank You and shout out to:

Libre McAdory- University of Maryland,  
Baltimore

Lisa Campbell—The Johns Hopkins University