Scope of Policy & Rationale:

I. Background

Faculty and staff compensation, related benefits, and Facilities and Administrative (F&A) or indirect costs, account for the majority of the costs reimbursed to the University from externally sponsored agreements (grants, contracts and cooperative agreements). Federal and other sponsors generally expect to pay only for those portions of an employee’s effort that are actually devoted to their projects. Effort reporting is essential for the proper allocation of salary expenses to sponsored agreements. As such, the integrity of the University’s effort reporting process is of the utmost importance.

As a recipient of federally sponsored agreements, the University must comply with Title 2 in the Code of Federal Regulations, subtitle A, chapter II, part 220, (2 CFR Part 220) “Cost Principles for Educational Institutions”, formerly referred to as “Office of Management and Budget (OMB) Circular A-21”. The “Cost Principles for Educational Institutions” (2 CFR Part 220) embodies the federal regulations determining the allowability and allocability of costs charged to federally sponsored agreements. Recognizing that research and teaching are intertwined, OMB said: “A precise assessment of factors that contribute to cost is not always feasible, nor is it expected. Reliance is placed therefore on estimates in which a degree of tolerance is appropriate.”

Section J.10.2 of 2 CFR, Part 220, “Compensation for Personal Services” requires that the University maintain a payroll distribution¹ system that will:

- Be incorporated into the official records of the institution;
- Reasonably reflect the activity for which the employee is compensated by the institution; and
- Encompass both sponsored and all other activities on an integrated basis but may include the use of subsidiary records².

¹ The payroll distribution system collectively refers to the Banner ERP Payroll and Finance Modules, the Effort Reporting System (ERS), and the F & A Rate Proposal System (CRIS).
This section also requires that:

- The [payroll distribution] method must recognize the principle of **after-the fact confirmation** or determination so that costs distributed represent **actual costs**;
- Direct cost activities and F&A (facilities and administrative or indirect) cost activities may be confirmed by responsible persons with **suitable means of verification** that the work was performed;
- The payroll distribution system will allow confirmation of activity allocable to each sponsored agreement and each of the categories of activity needed to identify F&A costs and the functions to which they are allocable;
- Direct charges may be made initially to sponsored agreements on the basis of estimates made before services are performed. When such estimates are used, **significant changes** in the corresponding work activity must be identified and entered into the payroll distribution system. Short-term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term, such as an academic period.
- **Mandatory cost sharing** requirements that must be funded out of University funds must be properly documented in the payroll distribution system.

To comply with the after-the-fact certification requirements of 2 CFR Part 220, the University uses the Maximus Effort Reporting System (ERS). This policy applies when all or a portion of faculty or staff effort is expended on any federal, state, local and privately sponsored agreements.

II. Definitions

**After-the-fact-certification:** Certification by someone with suitable means of verification of an employee’s effort.

**Base Pay:** That part of total compensation for which effort certification is required by 2 CFR Part 220. For faculty, base pay includes regular academic year pay and summer pay for those with nine-month academic year appointments and regular fiscal year pay and B-component for medical school faculty with 12 month appointments. Base pay excludes overtime, chair stipends, supplemental compensation (e.g. bonuses), consulting and other payments².

**Central Administrator:** The role in the Maximus Effort Reporting System (ERS) that provides the oversight and management of the system. This role is limited to the staff of Research Accounting Services and select members of the Finance Competency Center and Computer Services. Individuals who have this role in the system are responsible for the initiation of effort reports, approval and processing of cost transfers generated by the system, and providing help desk support for ERS.

² The use of subsidiary records refers to the administrative component of the faculty activities, which is calculated in the University’s F & A Rate Proposal, and need not be documented in the payroll distribution system.

³ Except for overtime and cross-college/school consulting (in very rare circumstances) supplemental pay is generally unallowable on sponsored agreements. The exceptions are, in effect, certified when the appropriate payroll forms are completed and signed by authorized individuals at both the home college and the college requesting the service.
Certification Period: The time period for which effort is certified; with a few exceptions generally this is quarterly for all medical school faculty and staff and for non-medical school staff; fall and spring for all other faculty\(^4\).

Certifier: Individuals acting in this role should have first-hand knowledge of the activities of the employee whose report is being certified. The certifier role in the Maximus Effort Reporting System (ERS) allows an individual to review, update and provide an electronic signature certifying the effort report.

Compensation: Compensation for personal services covers all amounts paid or accrued by the University for services provided by an employee in conjunction with University activities or functions of instruction, research, public service, and administration, etc. Activities external to the University, such as external consulting, external appointments or other activities that benefit a separate legal entity are excluded. 2 CFR Part 220 requires that total compensation to individuals be reasonable and conform to University policies.

Department Coordinator: The role in the Maximus Effort Reporting System (ERS) that allows the individual responsible for the effort certification process in their college/budget unit to determine the routing and monitor the completion of effort reports. Individuals assigned to this role have the ability to delegate administrative functions by creating sub-department coordinators and change assignments of individuals as needed. Department coordinators can also pre and post review, certify effort reports (where appropriate) and create cost transfers.

Division Head: The role in the Maximus Effort Reporting System (ERS) that provides the individual responsible for an entire college or division to access the system to monitor the reporting process for compliance and completion of the effort reports.

Effort Report: The medium used to certify an employee’s effort.

Effort Reporting: The disclosure, accounting and reporting of an individual’s proportional time spent on sponsored agreements and other University activities expressed as a percentage of total time.

First-hand knowledge: Direct knowledge of the activities of the employee. Those having direct knowledge include the employee, the principal investigator and the employee’s supervisor.

Institutional Based Salary (IBS): The annual compensation paid by an organization for an employee’s appointment, whether that individuals time is spent on research, teaching, patient care, or other activities. The University has defined IBS as follows:

<table>
<thead>
<tr>
<th>IBS Account Codes</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>60XX</td>
<td>Full-time faculty</td>
</tr>
<tr>
<td>6106</td>
<td>Graduate/Teaching Assistant</td>
</tr>
</tbody>
</table>

\(^4\) Summer pay for June is certified as part of the Spring effort report, July and August on the Fall effort report.
6201, 6204 and 6205  Part-time faculty  
6203    Summer Pay  
63XX    Graduate research assistants, fellows, post-doctoral  
65XX    Professional and Administrative Staff  
6660    Visiting Research Scholar  

**Non-IBS Account Codes**  
6202, 6260   Faculty Overload  
6280    Chairperson-Stipend  
6296    Faculty one-time payments  
66XX    Overload, Consulting, Allowances and Miscellaneous  
67XX    Incentive Compensation  

Note: Student workers (6700-6702) will be excluded from effort reporting since time cards satisfy their effort reporting requirements.

**Payroll Distribution:** The amount of an individual’s salary charged to sponsored agreements and other activities based on percent of effort to produce an equitable distribution of charges for an employee’s activities based upon actual work performed, subject to limitations imposed by law, regulation and sponsored agreement terms and conditions.

**Pre-Reviewer:** The role in the Maximus Effort Reporting System (ERS) that allows an individual in a college/budget unit to review an effort report to ensure the accuracy of payroll distributions, initiate cost transfers to reflect the correct effort distribution and wherever necessary, update cost sharing prior to the certification of the effort report.

**Post-Reviewer:** The role in the Maximus Effort Reporting System (ERS) that allows an individual in a college/budget unit to review changes made by a certifier to an effort report. The post-reviewer determines if the changes are appropriate and consistent with the certified effort and if so, initiates cost transfers in the system, captures cost sharing or resolves any necessary discrepancies with the certifier.

**Sponsored Agreement:** Grants, contracts and cooperative agreements with government agencies (federal, state, and local) and private sources (foundations, corporations, etc.) under which the University agrees to perform a certain scope of work, according to specified terms and conditions, for specific, budgeted, monetary compensation. Effort must be apportioned to each sponsored agreement with the residual, if any, assigned to University (non-sponsored) funds. Sponsored agreements are established in the Banner ERP’s Finance Module using grant and fund numbers beginning with 24 through 49 and 55.

**Sub-Department Coordinator:** The role in the Maximus Effort Reporting System (ERS) that allows the individual who has been delegated the responsibility for part of the effort certification process in their college/budget unit to determine the routing of effort reports and to monitor the completion of effort reports. Individuals assigned to this role have the ability to further delegate administrative functions by the additional creation of more sub-department
coordinators. They may also change assignments of individuals, pre and post review, certify effort reports (where appropriate) and create cost transfers.

**Suitable means of verification:** A method that the individual certifying effort uses to verify the effort of employees of whom he/she does not have first-hand knowledge of their activities. This means confirming effort with investigators, supervisors and others having first-hand knowledge of employee activities.  

**Summer Pay:** Payment of salary to faculty members who are 9-month appointees. These payments are paid during the months of June, July and August.

### III. Responsibilities

#### Principal Investigators, Project Directors and Other Supervisors

- Have first-hand knowledge of their own and project staff’s activities.
- Provide actual effort distribution to Department Chair and/or Administrator.
- Certify effort using suitable means of verification
- All faculty are required to certify their own effort report.

#### Department Chair and/or Administrator

- Oversee effort planning. Plan, assign and budget salary distribution for work activities based upon an individual’s expected effort at the beginning of each academic period or upon hiring.
- Monitor the accuracy and appropriateness of all effort expended on activities.
- Update payroll distribution as significant changes become known to ensure the proper accounting for effort recorded on sponsored projects and departmental accounts.
- Certify effort using suitable means of verification.
- Ensure overall departmental compliance with this policy.

#### College/Budget Unit – Department Coordinators, Division Heads, Pre and Post Reviewers and Sub-Department Coordinators

- Coordinate assignments of effort reports.
- Complete Pre and Post review processes within enough time to allow for certifiers to certify the effort report in the effort reporting system (ERS) by the prescribed due dates.
- Ensure overall college/budget unit compliance with this policy.

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5 Departments should have written documentation of the certifier’s means of verification.
Controller’s Office

- Maintain an adequate system of accounting and internal control for effort reporting within the University payroll, general ledger, and F&A Rate Proposal systems.
- Initiate effort reports in the Maximus Effort Reporting System (ERS).
- Review and process cost transfer entries generated during the effort certification process in the Maximus effort reporting system for posting to the Financial Management System.
- Provide support to departments on regulatory issues related to effort reporting in accordance with 2 CFR Part 220.
- Ensure overall University compliance with this policy.
- Provide training and education to the community on the use of the Effort Reporting System and related regulations.
- Complete routine system upgrades of Effort Reporting System.

IV. Policy

A. Effort reported via the Maximus Effort Reporting System (ERS) is the official University record for faculty and staff whose salary, or portion thereof, is charged to externally sponsored agreements. Other time and effort reporting must not be in conflict with effort reported in ERS.

B. Salaries charged to sponsored agreements must meet the criteria of a direct cost as set forth in the University’s Direct and Indirect Cost Policy (RASPL01).

C. The initial annual salary distribution must be established at the beginning of a fiscal year for existing employees, or by their start date for new employees, based on a plan of how the employee’s effort will be distributed. Significant changes of more than 5% in actual effort, or for new or expiring sponsored agreements, must be reflected in the Human Resources Payroll System by adjusting the current payroll distribution. Using the effort report as a substitute for keeping salary distributions reasonably reflective of current actual effort is contrary to federal regulations and is not permitted.

D. The ERS effort report for each employee reflects the initial salary and effort distribution for the certification period. Changes in effort percentages, not dollars, should be made on the effort report in ERS and will generate a corresponding cost transfer.

E. Certification is required for all Institutional Base Salaries charged to sponsored agreements for faculty, staff and graduate students. Duly authorized time sheets are required for undergraduate students.

F. The effort certification must account for 100% of all effort for which the University compensates the individual during the certification period. Even where the number of hours of effort the individual dedicates each week substantially exceeds the "normal" workweek of 35 or 40 hours, effort percentages must be based on total effort, not hours. Certification must be based on actual effort. Using budgeted effort, if not reflective of actual effort, is not permitted.
G. Certification must be for the period indicated on the effort report. An effort report for one certification period may not be used to adjust any other period’s salary distribution.

H. The effect of cost sharing (required by the sponsor or voluntarily committed to in the project proposal) must be taken into account and properly documented and/or adjusted when completing an effort report. This includes and cost sharing requirements related to the NIH salary cap.

I. Clerical and administrative salaries may not be charged to a sponsored award unless specifically budgeted and approved by the awarding agency.

J. The expense distribution change form (EDCF) should be used routinely as a proactive measure to properly adjust time and effort allocations prior to the issuance of an effort report. During an effort reporting cycle EDCF’s and labor journals may be submitted in order for the effort to be captured correctly in the next certifying period. After an effort report is issued, all adjustments must be completed as cost transfers through the Effort Reporting System (ERS). Invoicing and cash draws of federal funds are based on the expenditures charged to federally sponsored agreements. As such, it is a critical that timely adjustments are made to salaries on sponsored awards to avoid inaccurate invoices and cash draws.

K. Effort Certification may require the reallocation of salary expenses. Federal regulations require adjustments to salary distributions be made in a timely manner. As such, Fall semester and 1st through 3rd quarter effort reports must be completed by the deadline set forth by Research Accounting Services. Spring semester and 4th quarter Effort Reports must be certified and returned by the due dates announced in the fiscal year end closing calendar. There are no exceptions to these requirements.

L. Great care must be exercised in the certification of effort. Once certified, an employee’s effort distribution should not be changed if it will affect the amount of salaries charged to a sponsored agreement. Consideration will be given to correct clerical errors and other unusual circumstances, upon written request from the individual who certified the original effort report, and containing a detailed explanation of the error, how it occurred and the correct distribution of effort. The Controller’s designee will evaluate such requests and make the final determination of its appropriateness. Repeated requests with similar explanations will be summarily denied.

M. Individuals who deliberately falsify, or knowingly allow falsified effort reports to be processed, may be subject to disciplinary action including, but not limited to revocation of signature authorization, suspension from participation in sponsored agreements and suspension or termination from employment. Government actions may include debarment from government funding and civil and/or criminal sanctions under the False Claims Act.