



EFFORT REPORTING POLICY AND PROCEDURES

PRIMARY RESPONSIBILITY: *Office of Research Compliance (ORC).*

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CERTIFYING EFFORT ON SPONSORED PROJECTS

This document sets forth Alabama Agricultural & Mechanical University's ("University") Policy on certification of effort expended on sponsored project awards administered by the University. This Policy applies to all employees who commit and devote effort to a sponsored project and those involved in certifying the effort of employees on a sponsored project.

REASON FOR POLICY

As a recipient of federal funding the University is required to comply with the Office of Management and Budget Circular Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ([Uniform Guidance Subpart E §200.430](#)) as well as other federal requirements for certifying effort expended on sponsored awards. The University uses quarterly project effort certifications as the primary means for complying with the federal regulations relating to effort certification. Financial penalties, expenditure disallowances, and harm to the University's reputation could result from failure to provide accurate effort certifications or failure to comply with the University's effort reporting requirements. All employees involved in the effort certification process are expected to abide strictly by the provisions of this Policy.

POLICY STATEMENT

- The University is committed to ensuring that effort reports completed in connection with sponsored projects are accurate.
- All faculty and staff who are involved in allocating salaries and wages to sponsored projects, managing sponsored projects, or completing effort reports are responsible for understanding the principles of accurate and timely effort reporting.
- In no case can the percentage of an employee's salary charged to a sponsored project exceed the percentage of the employee's total effort expended on the project during an effort reporting period. If this arises, the salary charges must be reduced to reflect actual effort.

1. What is "effort certification?"

Effort certification is a process in which the proportion of the employee's salary charged directly to a sponsored project or committed as cost-share is calculated as a percent of the Institutional Base Salary (IBS). The employee is asked to certify that this percent salary distribution reasonably reflects their Total Institutional Effort during the reporting period.

2. To whom does the effort certification requirement apply?

Effort certification is required of all salaried (i.e., “exempt”) employees—faculty, administrative/professional staff, and graduate assistants—who are compensated from or contribute mandatory or voluntary committed time as cost share to a sponsored project as part of their Total Institutional Effort. Employees paid hourly (non-exempt staff, student assistants, and casual laborers) do not participate in the effort certification program. These employees complete a daily timecard that records hours worked on the sponsored project and, when approved by the supervisor (generally the Principal Investigator/Project Director), serves as documentation of effort.

3. Why must effort be certified?

Effort certification is required because salaried employees do not keep detailed time records to document their activity. It is an alternate method for assuring that employees paid with federal funds have contributed the required effort. The requirement for effort certification is outlined in [2 CFR 220 - Cost Principles for Educational Institutions](#), which applies to any federally funded grant, cooperative agreement, contract, subaward, or subcontract. [2 CFR 220](#) provides the rules regarding the allowability and allocability of costs on federal awards, including compensation for personnel services and acceptable methods of effort certification. For consistency, the University extends effort certification requirements to all non-federally funded sponsored projects.

4. What is “Institutional Base Salary (IBS)?”

An employee’s Institutional Base Salary (IBS) is the annual compensation the University pays for their Total Institutional Effort, whether that employee’s time is spent on teaching, research, service, administration, or other regular assigned activities. IBS may include salary supplements for assigned extra duties but excludes additional compensation for incidental work, including overload pay.

5. What is “Total Institutional Effort?”

Total Institutional Effort includes all activities the institution expects the employee to perform (i.e., a full workload or all regularly assigned job responsibilities) in exchange for their Institutional Base Salary (IBS) compensation, regardless of the number of hours the employee works. Total Institutional Effort does not include incidental work (i.e., work performed for the University on an infrequent and short-term basis that is more than normal for the employee) for which extra compensation is received. Separately compensated external (private) consulting and other outside professional activities are not included in Total Institutional Effort.

6. Why is work for extra compensation not considered part of the Total Institutional Effort?

Federal regulations allow the exclusion of incidental effort (i.e., work performed for the University on an infrequent and short-term basis that is more than normal for the employee) for which the employee is additionally compensated above their Institutional Base Pay if such compensation is paid under institutional Policy and is separately identified and documented in the institution’s financial management system. Since extra compensation is initiated by the use of a specific document and coded separately in the accounting system, these requirements are met, allowing the University to exclude the incidental work associated with the extra compensation

to be excluded from the effort certification process. The employee's signature on the additional compensation form bearing a sponsored programs account number is the employee's verification that the work performed for that extra compensation will be related to the sponsored project.

7. How is an employee's distribution of effort determined?

The University employs an "after-the-fact" effort certification method, one of three methods prescribed by [2 CFR 220 - Cost Principles for Educational Institutions](#) (OMB CIRCULAR A-21). The portion of the effort to be charged or committed to the sponsored project is initially estimated during proposal development. Upon award, the Grants and Contracts Accountant completes the paperwork necessary, with the Principal Investigator/Project Director's approval, to charge the proposed effort to the sponsored project account and/or its associated cost-share account.

At the close of each reporting period, salary distribution is calculated in percentages. The numerator represents compensation from the sponsored project or associated cost share account, and the denominator is the Institutional Base Salary. In most cases, the salary distribution reasonably reflects the actual distribution of effort. When it does not, the employee is asked to make corrections before certifying their effort.

8. How can an employee ensure that the effort they are certifying is reasonably represented by the salary distribution percentages?

The federal government does not require faculty and other salaried personnel to keep time records indicating the number of hours or days worked on a sponsored project. Most employees working on a single sponsored project can estimate the actual percentage of effort devoted to the project on a semester basis. However, employees working on more than one sponsored project or those who work only sporadically on a single sponsored project during the semester may find it more difficult to estimate actual effort from memory. Employees are encouraged to document their time in the manner that will best assist them in comparing the actual effort to the salary distribution reported on the certification form. Although not required, such documentation could become auditable, so a commitment to maintaining an employee tracking system should also include an obligation to apply it consistently and accurately.

9. What is the definition of "reasonable" when one compares salary distribution to actual effort?

The federal government recognizes that "teaching, research, service, and administration are often inextricably intermingled in an academic setting." A precise assessment of factors contributing to costs is not always feasible or expected. Reliance, therefore, is placed on **estimates** in which a degree of tolerance is appropriate ([2 CFR 220 - Cost Principles for Educational Institutions](#)). In accordance with a 1979 interpretation by the U.S. Department of Health and Human Services, the University defines "reasonable" as no more than + 5% variance in effort distribution from the salary distribution percentages reported. The percent variance allowed is a percent of the Total Institutional Effort.

For example, if a grant pays 50% of an employee's salary, no adjustment to the level of effort indicated on the certification form would be required if the employee's effort reasonably falls

between 45 and 55%. However, if the employee certifies effort at, for example, only 30%, an after-the-fact salary reallocation would be required to reduce the salary charges to the sponsored project.

10. What should the employee do if the percentages are not accurate?

The employee should individually review the effort form to determine if the salary distribution during the reporting period reasonably represents effort during that period. “Reasonable” is no more than $\pm 5\%$ variance in effort distribution from the reported salary distribution percentages. If the salary distribution is not a reasonable representation of effort, the employee should make corrections on the certification form to indicate actual effort distribution and then sign the certification statement. The employee should remember that total effort must always equal 100%. If the employee changes one percentage figure to reflect a different level of effort, a corresponding change must be made in another category to keep the total effort at 100%.

In all cases, if the salary distribution presented on the effort form is not a reasonable representation of the distribution of the employee’s total effort performed for the University during the reporting period, the employee should make appropriate changes before certifying. In the event the proportion of the effort on the sponsored project significantly exceeds (i.e., $> \pm 5\%$) the proportion of payroll charged to the sponsored project account, no change in the charges to the sponsored project is generally required. If, however, the employee’s actual effort is significantly less than the proportion of their compensation charged to the sponsored project, a reduction of the personnel costs charged to the sponsored project account during the reporting period will likely be necessary.

11. Can someone else sign the effort certification form for an employee?

The best practice is for employee to certify their effort. If another employee has to certify efforts, it should be a designated group of individuals with firsthand knowledge of the employee’s work on the project. Although the federal government does not define “firsthand knowledge,” an auditor may closely question the signer about the exact nature of their firsthand knowledge. Graduate assistants, departmental clerical staff, and even department heads/unit directors rarely have the firsthand knowledge necessary to certify effort for another employee. Thus, a PI/PD signing for an employee no longer at the institution is the most usual case of an alternate certification signature. Alternate certification in other cases should be rare and likely involve a special circumstance.

12. Should the Principal Investigator/Project Director approve other employees’ certification forms?

An approval signature, in addition to the employee’s signature, is optional. An approver can be questioned about the nature of firsthand knowledge of the employee’s work during an audit. Thus, this practice is optional since there is no federal requirement for an approval signature.

13. What are the common errors that should be avoided in effort certification?

There are several specific practices or possible deficiencies in an institution's effort certification system that auditors and inspectors generally examine. Any effort certification totaling something other than 100% automatically invites detailed scrutiny. Thinking that a standard "40-hour work week" has application to effort reporting can lead to this kind of miscalculation of total effort. An employee is improperly reporting effort if, proceeding on this assumption, they report an allocation of 50% of their total effort to a sponsored project based on having devoted 20 hours per week to the project when the 20 hours actually reflect a smaller proportion of their overall work. Likewise, a researcher who has spent many hours mentoring a promising graduate student erroneously thinks, "I do that on my own time." These well-intentioned beliefs can result in costly mistakes because they fail to recognize that effort on a sponsored project must be measured against "Total Institutional Effort."

Other "red flag" areas for auditors are completeness and timeliness of certification. Late, unsigned, or missing effort reports will likely raise questions. Effort reports that appear to have been signed in batches can be problematic. "Corrected" effort reports may draw an auditor's attention, especially when the "corrected" effort certifications lead to an unusually large number of payroll cost transfers. Employees who need to correct effort certifications should keep meticulous documentation to explain why the correction was necessary. This explanation may be required in an audit conducted years later when memories have faded, and it may have to be delivered to potentially skeptical federal auditors and officials. Finally, simply "correcting" effort certifications near the end of the term of a sponsored project to "spend out" unused funds present such egregious non-compliance that criminal charges may be made under the False Claims Act ([31 U.S.C. § 3729 et seq.](#)).

14. What are the potential consequences of inaccurate or non-timely effort certification?

Effort certifications provide the basis for institutional claims for reimbursement of direct and indirect charges under a federal grant or contract. Inaccurate or fraudulent reports may give rise to a False Claims Act ([31 U.S.C. § 3729 et seq.](#)) lawsuit. An employee who is found to have violated this Act can be subjected to civil penalties of not less than \$5,000 nor more than \$10,000 for each violation; to criminal sanctions, if the violation was willful, of imprisonment for up to five years and fines of up to \$25,000; and to an order to reimburse the government for treble the damages sustained by the government because of the employee's act. There have been instances in which individual researchers have been required to make substantial civil monetary reimbursements to the federal government because of their involvement in improper effort certifications. Of course, the institution can suffer as well from False Claims Act violations by its employees. Institutional sanctions may include the payment of costly settlements or even debarment from participating in federally funded research. The issue of compliance with effort certification requirements should always be approached with these potentially heavy sanctions for violations in mind.

Every institution that receives federal grant or contract funds must abide by the same rules, including implementing an accurate effort certification system and ensuring that the federal government is not overbilled for effort that did not occur. Auditors may elect to review the effort certification system of any institution at any time, regardless of the type of institution or

the size of its sponsored programs portfolio. Although the small size of an institution or a relatively modest volume of federally funded research may lower the probability of an effort certification audit, if it should occur, the magnitude of the impact of audit disallowances or a False Claims Act suit would be substantially greater, as small institutions generally do not have large monetary reserves from which to pay for disallowances, fines, settlements, and attorneys' fees. Thus, any institution, regardless of size, is remiss if effort certification is not taken seriously and is not done in a way that satisfies federal regulations and ensures that the federal government is not overcharged for personnel time on sponsored projects.

PROCEDURES

The University's practice utilizes an after-the-fact effort reporting system to certify that salaries charged or costs shared to sponsored awards are reasonable and consistent with the work performed. The employee's effort is first assigned to specific awards in the payroll system based on anticipated activities. The actual effort expended on each project is certified by a responsible person with suitable means of verifying that the work was performed, generally the principal investigator, at the end of specified reporting periods.

All personnel paid from research funds - including principal investigators, co-investigators, senior personnel, other personnel, and graduate students – must record their time and effort using the Time and Effort Report Form (or electronically in Banner Self-Service), and certify that the information is correct. Certified effort reports are due to the Office of Research Compliance (ORC) by the 15th of the month after the end of each quarter (see Table below). As a courtesy, a notification will be sent at the end of the month before the 15th due date.

Compliance is mandatory. Failure to submit the required Time and Effort Report may result in suspending all accounts associated with project fund numbers.

Quarterly Reporting Periods

| Reporting Period | Due Date | Period Covered |
|-------------------------|------------|---|
| 1 st Quarter | January 15 | October-November-December previous year |
| 2 nd Quarter | April 15 | January-February-March |
| 3 rd Quarter | July 15 | April-May-June |
| 4 th Quarter | October 15 | July-August-September |