

JMU Sponsored Programs Effort Reporting Policy

1.0 Purpose

This policy establishes institutional requirements for reporting effort on externally funded sponsored projects. Compensation for personnel services constitutes the largest component of the expenses charged to sponsored projects so it is important that the effort is charged correctly to the projects. Effort reporting is a process required by the federal government to verify that direct charges for salary to Federally sponsored agreements are reasonable and reflect actual work performed. The Office of Management and Budget (OMB) requires that distribution of salaries, whether treated as direct or facilities and administrative (F&A) costs, must be documented in the institutional accounting system. OMB Circular A-21 requires that the allocation of salaries will be accomplished by a method which will be in accordance with the criteria in A-21, will produce an equitable distribution of charges for employee's activities, and distinguishes employees' direct activities from their F&A activities.

2.0 Definitions

Effort is defined as the amount of time spent on a particular activity. It includes the time spent working on a sponsored project in which salary is directly charged or contributed through cost share. Effort is not based on a standard work week or number of hours, such as "40", but is based on the total time attributed to institutional activities.

Individual effort is expressed as a percentage of the total amount of time spent on work related activities (such as instruction, research, patient care, administration) for which the University compensates an individual. Reported effort must equal 100% regardless of the number of hours worked.

Institutional Base Pay is defined as the annual compensation that the institution pays for an employee's appointment, whether that individual's time is spent on research, teaching, patient care, or other activities. Base salary excludes income that an individual may be permitted to earn through outside duties to the applicant organization. Base salary is not to be increased as a result of replacing institutional funds with grant funds

Effort reporting is the method required under federal regulations for certifying that the salary charged or cost share certified to each award actually was actually contributed.

PI is the Principle Investigator ultimately responsible for completion and administration of the sponsored award.

Cost Transfer is defined as the moving of an expense from only University Department ID to another. These moves are generally accomplished using an Agency Transaction Voucher (ATV). Cost transfers include salary charges transferred from one project to another.

Cost sharing is a requirement by a sponsor (usually Federal) that the university share in the cost of a sponsored award. After cost sharing is committed in a proposal budget or narrative, the actual cost sharing must be provided and documented. If cost sharing is not provided in accordance with the approved budget, the sponsor may reduce the award to compensate for the unmet cost sharing. In this case expenditures exceeding the reduced award become a debt for which the PI or their department is responsible.

There are two main types of cost sharing that must be tracked:

- **Mandatory:** Cost sharing that is required as a condition of the award (normally, but not always federal) and that was agreed to between the University and the sponsor in the initial negotiation of the grant or contract.
- **Voluntary Committed:** Cost sharing where effort is shown on the sponsored project proposal budget or budget justification but was not required by the sponsor. Once this type of cost sharing is offered and the grant or contract is awarded, the cost sharing is required. (Note: The University discourages voluntary match).

Note: Any effort performed that was not placed on the budget page or budget justification of the proposal is considered "voluntary uncommitted effort" and is not required to be documented separately.

3.0 Guidelines

According to OMB Circular A-21, the institution's effort reporting system must meet the following standards:

- The system will be incorporated into the official records of the institution, reasonably reflect the activity for which the employee is compensated, and encompass both sponsored and all other activities on an integrated basis.
- The system must recognize the principle of after-the-fact confirmation or determination that costs distributed represent actual costs.
- The system will reflect activity applicable to each sponsored agreement and to each category (instruction, research and other sponsored activity) needed to identify F & A and the functions to which they are allocable.
- The system will reflect categories of activities expressed as a percentage distribution of total activities.
- The system will provide for modification of an individual's salary distribution commensurate with any significant change in work activity. Short-term (one or two pay periods) 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 or budget period.
- Certifications must be signed by either the employee, the principal investigator, or by responsible officials having suitable means of verification that the work was performed.
- Suitable Means of Verification is the required standard of documentation in the event that someone other than the employee is certifying the employee's effort. Suitable Means of Verification could include but is not limited to any of the following:
 - Lab notebooks
 - Timesheets
 - Calendars
 - Emails, memos, letters
- The system will provide for independent internal evaluations to ensure the system's effectiveness and compliance with the standards.

4.0 Policy

- 4.1 Faculty and all employees paid from sponsored funds are required to certify their effort. Each semester, the employee, Principal Investigator, or responsible individual with a suitable means of verification that the work was performed, will certify a statement verifying that the effort reported as research, instruction, and other sponsored activities is reasonable in relation to the work performed. If the effort expended is substantially different than the payroll distribution, a financial entry will be generated to correct the payroll distribution. The Effort Reports will be submitted electronically on a timely basis so that necessary corrections to the payroll system can be made.

- 4.2 Effort Reports should reflect only the activity for which the employee is compensated by the institution.
- 4.3 Effort Certifications must be completed using the on-line Effort Reporting System within 30 days of release of certification form.
- 4.4 Total effort cannot exceed 100% and should include only those activities for which the individual receives compensation from the institution.

5.0 Requirements

- 5.1 Government sponsors expect to pay only for those portions of employee effort actually devoted to their sponsored projects. The university is subject to audit to enforce this expectation. As a general rule, overtime exempt employees should understand how their salary charges are being distributed, and should verify for themselves that there is a reasonably close relationship between those charges and the effort devoted to a project. For research assistants and support staff, the allocation decisions are often made by the Principal Investigators, who are assumed to be most knowledgeable about the relationship between effort devoted and benefit received. It is therefore appropriate for the Principal Investigator to certify the Effort Report for these individuals.
- 5.2 Sponsored Program proposals should accurately express the amount of effort that key personnel are committing to the project.
- 5.3 Administrative activities such as budget projection and proposal preparation should not be considered as project effort.
- 5.4 For NIH funded projects, salary charged cannot exceed the NIH Salary Cap. The difference between the employee's salary and the NIH salary cap must be cost-shared. See http://grants.nih.gov/grants/policy/salcap_summary.htm for the current NIH Salary Cap.
- 5.6 When cost-sharing commitment consists of direct effort on a sponsored project, federal regulations require that this effort be accounted for in the same manner as the direct effort that is reimbursed by the sponsor under the agreement.
- 5.7 If a PI's budgeted effort on a project is reduced by 25% or more, or the PI must be absent from the project in excess of 90 days, the sponsor must receive advance notification of this effort reduction. The PI should contact the Office of Sponsored Programs to initiate this contact with the sponsor.

6.0 Cost Transfers:

- 6.1 A cost transfer is defined as the moving of an expense from one University Department ID to another. These moves are generally accomplished using an Agency Transaction Voucher (ATV). Cost transfers include salary charges transferred from one project to another. Cost transfers may be required to align reported effort to reported salary expenses.
- 6.2 The principal investigator is responsible for ensuring that transfers of costs to sponsored projects are made promptly. Transfers must be supported by documentation which contains a full explanation and justification of why the transfer is being made. Explanations such as "to correct an error" or "to transfer to correct project" are

unacceptable. At a minimum, explanations to move salary expenses must include the employee that earned the salary and the time period in which the salary was earned. If several employees are included on one ATV, a breakdown of the transaction by employee and pay dates is still required.

- 6.3 Prudence dictates that care must be exercised in making any cost transfer, especially transfers made after termination date of a project and/or the reporting period of a project (i.e., after annual financial reports are submitted). Transfers of costs to any sponsored project account are allowable only where there is direct benefit to the project being charged. The transfer from one sponsored project to another shall not be completed merely to resolve a deficit or expend funds from an expiring award.
- 6.4 Cost transfers involving a Sponsored Program must be prepared and submitted within [45 days](#) from month end in which the transaction is first recorded. Transfers not requested during this period, due to extenuating circumstances, must include an adequate explanation why there was a delay in initiating the move.
- 6.5 Cost transfers may be made, provided the following conditions are met:
- the cost is a proper and allowable charge to the project;
 - the transfer is supported by adequate documentation fully explaining the circumstances and certified by the Principal Investigator; and
 - they are properly approved by the Grants and Contract Financial Services Office.

7.0 Roles and Responsibilities:

7.1 Office of Sponsored Programs:

- In conjunction with PI, calculate the effort percent attributable to each sponsored program proposal and award.
- Track, in conjunction with the PI, the total effort committed to all university activities. At no time can committed effort exceed 100% effort.
- Determine, in conjunction with the PI and university department, applicability of cost sharing that can or must be offered in a sponsored proposal.

7.2 Grants and Contracts Financial Services:

- Establish the Effort Reporting System (ERS) framework and certification percentages as calculated from the university's payroll database and processed cost transfers.
- Monitor the status of outstanding Effort Certification Forms and take necessary steps to secure these certifications through actions including, but not limited to, freezing sponsored program funding for PI's with delinquent forms.
- Review and approve all cost transfers affecting sponsored awards and securing adequate documentation for cost transfer requests.
- Verify all cost sharing requirements have been met and that adequate documentation is obtained to support that assertion.

7.3 Principal Investigator:

- Maintain adequate documentation to determine the effort of individuals working on the sponsored award.
- Provide applicable documentation of all cost sharing applied to the sponsored award.

- Process cost transfers in a timely fashion as defined in this policy providing adequate documentation and describing the reason for the transfer.
- Complete the certification process at the end of each semester within 45 days of receiving the email notice that certification forms are available for review.

Applicable Links:

- Principles for Determining Costs Applicable to Grants, Contracts, and Other Agreements with Educational Institutions (OMB Circular A-21)
http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html
 - Section J.10.c.(2)(b)
 - Section J.10.c.(2)(c)
 - Section J.10.c.(3)(g)
 - Section J.10.d.(1)
- Cost Transfers and Overruns
http://grants2.nih.gov/grants/policy/nihgps_2003/NIHGPs_Part5.htm#_Toc54600120

QUESTIONS ABOUT THE EFFORT CERTIFICATION STATEMENT OR THIS POLICY:

Questions may be directed to the Director of Sponsored Programs Administration and Accounting at jmu_grants@jmu.edu or 540/568-6872.