I. Background

Generally, compensation for personnel services is the largest expense charged to sponsored projects. Effort reporting is a federally mandated process to confirm that the wages charged to sponsored projects are reasonable and reflect actual work performed. The Office of Management and Budget (OMB) Circular A-21, “Cost Principles for Education Institutions”, Section J.10 c (2) “After-the-fact Activity Records” describes the requirements Florida Atlantic University must follow in ensuring a compliant effort reporting system.

II. Purpose

The purpose of this policy is to establish institutional requirements for effort reporting and the reporting of payroll distribution activity on sponsored projects.

III. General Statement

Research Accounting is available to answer questions and provide assistance regarding the requirements of Time and Effort Certification.

IV. Policy

It is the policy of Florida Atlantic University to be in compliance with the federal guidelines and regulations regarding Effort Certification of individuals on sponsored programs. Effort reporting policies, supported by detailed procedures, are necessary to
ensure that the salaries and wages charged to these sponsored programs are allowable, allocable, reasonable, and consistently treated.

As a condition of receiving sponsored awards, Florida Atlantic University must assure sponsors that the effort expended on their projects justifies the salary charged to those projects and the commitment indicated (including mandatory and voluntary committed cost sharing) in the proposal and subsequent award are met in accordance with the sponsor’s terms and conditions. FAU provides this assurance by requiring quarterly effort reports for each individual whose salary is charged to one or more sponsored projects and/or cost sharing account during the effort reporting period. These effort reports indicate the percentages of the total effort that are dedicated to the sponsored project(s) and other University activities, and require a certification that the reported effort percentages are accurate. Effort is not calculated on a 40-hour work week, but is expressed as a percentage based on the total hours spent on work-related duties.

Employees with any portion of their salary charged directly to a sponsored program or cost share account are subject to effort reporting. They must be aware of their level of committed effort to sponsored projects, and the ability to meet those commitments in light of any other University obligations they may have.

**Effort Reporting**

Effort reporting certifies to the granting agencies that the percentage of effort required as a condition of the award has actually been completed. FAU utilizes an after-the-fact reporting system which reflects the distribution of salaries and wages supported by an activity report that represents actual costs. Charges are initially made on the basis an estimate of one’s effort before the services are performed. This system reflects employees’ payroll distribution to various institutional accounts, including cost share, and sponsored program accounts. It documents the distribution of salaries and wages based on a reasonable estimate, which distinguishes between institutional and sponsored activities and reports this on a quarterly basis.

To ensure that the effort reporting system reasonably reflects actual effort expended during the reporting period, the person completing the effort certification must be someone who has direct involvement with the sponsored project has suitable means of verification and firsthand knowledge that the work was performed.

In determining “reasonableness”, OMB Circular A-21 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.” As a result, in determining the effort percentage, FAU allows for the use of reasonable estimates in which a, +/-5% (of the initial committed effort) degree of tolerance is allowed between the actual time spent and what is reported.

*For example:* If your salary is allocated 30% to a project, you would not be required to make an adjustment if your expended effort can reasonably be determined to fall between 28.5% and 31.5%.

The certified effort report must reflect all activities for which the employee is paid by Florida Atlantic University. The total work expended must equal 100%. All departments must ensure that initial allocations of salaries to sponsored projects are reasonable in relation to the expected effort of the employees whose salaries are being
allocated, and that such allocations are monitored and adjusted where necessary to reflect significant changes in employee effort.

In no case can the percentage of an individual’s salary charged to a sponsored project exceed the percentage of the individual’s total effort that is expended on the project during an effort reporting period. If the percentage of total effort expended in a given effort reporting period is less than the percentage of salary charged to the sponsored project during the period, the salary charges must be reduced to reflect actual effort.

• All adjustments to prior salary allocations that are necessary as a result of a Time and Effort report must be made in a timely and accurate manner. FAU requires for all cost transfers to be completed within ninety days of the original charge.

Certification Period(s)

All applicable employees at FAU will certify effort quarterly using suitable means of verification. At a minimum, suitable means of verification should be accompanied by some form of written documentation. The documentation used as suitable means of verification needs to be sufficient to support a reasonable estimate of effort expended. Oral verification from a principal investigator to an administrator will not be sufficient.

University policy requires effort to be certified within 45 days of the end of the reporting period.

First Quarter (January-March) – Effort Certification due - May 15.
Second Quarter (April-June) - Effort Certification due - August 15.
Third Quarter (July-September) - Effort Certification due - November 15.
Fourth Quarter (October-December) – Effort Certification due - February 15.

• All department pre-reviewers and certifiers must complete the Time and Effort reports on a timely basis, to ensure that certification by all employees are completed by the due date.

Non-Compliance

Non compliance can result in disallowances and financial loss to FAU. Disallowances are a result of audit findings and require the return of federally awarded funds. Failure to follow the provisions of FAU’s effort reporting policies and procedures may subject the individuals and departments responsible for the violation(s) to administrative and/or disciplinary actions in accordance with University disciplinary procedures. Specifically, and without limitation:

1. The Department Chair and Dean will be notified of non compliance.
2. Office of Sponsored Programs may suspend submission of any new proposals on behalf of a noncompliant PI (or inclusion of a noncompliant researcher) in proposals until Effort Reports are up-to-date and properly completed and certified; or
3. Individual may lose eligibility to the Research Incentive Plan.
4. All payroll expenditure transactions may be reversed for the period not certified.
5. Principal Investigator’s spending authority may be suspended.
Minimum Level of Effort

Proposals should clearly state the amount of effort and equivalent salary committed by the PI or key personnel who have a significant role in meeting the objectives of a sponsored project. Principal Investigators and key personnel should request full salary support for the effort that they expect to expend in meeting the objectives of the project. FAU requires a minimum commitment of 1% effort for the PI or key personnel, during the period in which the effort will be expended (academic year, summer term only, or both). When the PI's or key personnel’s effort is committed in the proposal and the related salary is not directly charged to the sponsored project, then the effort committed must be treated and documented as cost sharing. However, it is expected that salary request be commensurate with the effort proposed.

The minimum effort of 1% requirement for PI or key personnel does not apply to:

- Equipment and instrumentation grants
- Doctoral dissertation grants or other student augmentation grants
- Faculty mentors (also known as preceptors or program faculty) on institutional training grants
  - Faculty mentor’s effort will be assigned to their specific research projects on which the trainees are involved
- Limited purpose awards characterized as Other Sponsored Activities like travel grants or conference support.
- Specialty License Plate (SLP) Accounts

Maximum Level of Effort

Total effort for University activities cannot exceed 100%. In accordance with the OMB Circular A-21, voluntary uncommitted cost sharing is not included in effort reporting. Maximum effort relates to one's full workload that includes activities such as instruction, research, administration and other institutional activities.

At the proposal stage, department administrators and faculty must review proposed sponsored effort, to assure that what is proposed is feasible considering other activities required of the faculty member. Department administrators and faculty must also review the faculty member’s certified effort statement to ensure it accounts for all activities.

Given that most faculty members have responsibilities for teaching, administration, or patient care, it is typically not feasible for them to charge 100% of their salary or certify 100% of their effort to sponsored research. Rare exceptions to this may include faculty who have no other teaching, clinical, or administrative responsibilities. Administrative responsibilities include new proposal preparation, service as departmental chair and service on department/or College committees. As a result, there are very few instances, if any, in which a faculty member can justifiably be 100% committed to sponsored programs.

Proposing Effort and Requesting Salary Support

Levels of effort proposed in any sponsored project application should be consistent with the actual effort that each individual is expected to expend on the project during the
relevant project period(s). The amount of salary support requested should normally be determined by multiplying the proposed level of effort by the individual’s Institutional Base Salary.

For example, if the proposed effort is 25% and the individual's Institutional Base Salary is $100,000 normally the requested salary support would be $25,000 per year.

In no event should the requested salary support exceed the amount determined by multiplying the proposed level of effort by Institutional Base Salary.

Convert percent effort into person months

For proposal purposes, proposed level of effort must be expressed in accordance with sponsor requirements. Some sponsors require that level of effort be proposed in terms of person months. Since effort is not based on a forty hour work week, the calculation should be based on percentage effort converted into person months. To convert percent effort to person-months, multiply the total effort percentage by the number of months and the Full Time Equivalent in the appointment.

For example 30% effort for a 9-month faculty at 1.0 FTE, equates to 2.70 person-months (.30 x 9 x 1.0 = 2.70).

Salary Cap

Some sponsors, most notably NIH, impose limitations on the amount of Institutional Base Salary (IBS) that may be used as a basis for charging salary to their projects. Where such limitations apply, the requested salary support is determined by multiplying the proposed level of effort by the maximum IBS allowed (e.g., the NIH salary cap). For example a PI commits 10% effort on a project and his annual salary is $250,000. The salary cap for FY 2012 is $179,700. Because the payroll distribution and effort calculation will be based on the $250,000 salary, the 10% effort committed needs to be split into a grant account and a separate account entitled “Salary over cap-999999”

Salary over the NIH Cap calculation $250,000 - $179,700 = $70,300
Charge to grant account 10% effort x 179,700 / 250,000 = 7%
Charge to Salary over-cap –999999 account 10% effort x 70,300 / 250,000 = 3%

Salary Cap restrictions are not allowable charges to the project and cannot be used to satisfy any required cost share commitments.

Summer Period

For summer months or other periods outside the academic year, OMB Circular A-21 stipulates that charges for work performed may be charged at a rate that does not exceed the base rate for the academic year. Faculty with 9 and 10 month appointments shall be permitted to expend up to an additional three and two months of effort/salary, respectively, on sponsor awards. In addition to the other requirements of this policy, faculty shall comply with the following:
• 9-month faculty receiving summer salary must ensure that the effort was expended during the summer period for which they were funded. Effort expended during the academic year cannot be counted towards the summer period.

• If a faculty member has administrative or other non-research responsibilities during the summer period, they will be precluded from devoting 100% effort to any sponsored projects and cannot request 3 months of salary support.

• Charges for work performed by faculty members on sponsored agreements during the summer months will be determined for each faculty member at a rate not to exceed 100% of the institutional base salary divided by the period to which the base salary relates. The institutional base salary period used in computing charges for work performed during the summer months will be the number of months covered by the faculty member’s official academic year appointment.

Sabbatical Leave

Unless there are special conditions in a program solicitation or in the grant terms and conditions, charges to a sponsored project for services rendered to the project by an individual during their sabbatical period are allowable provided such compensation is:

a. proportional to the service rendered;

b. in accordance with established institutional sabbatical policies regardless of source of funds (Section J.10 (f) (4) of OMB Circular A-21);

c. at a rate which, when added to the individual’s sabbatical salary rate, does not exceed the individual’s base salary rate for the individual’s most recent academic year or equivalent prior period.

Cost Transfers

Whenever payroll does not accurately reflect how an individual’s effort is spent by the degree of tolerance +/-5%, an adjustment to the effort report is necessary. This is accomplished by completing a labor redistribution transaction. Labor redistributions cannot be processed on a Journal Entry (JE16).

Cost transfers made as a result of the effort certification process must be made in accordance with University policies and procedures on cost transfers (http://wise.fau.edu/research/ocg/procedures/Cost-Transfer-Policy.php). Once the effort has been certified, the record will be locked. No payroll adjustments or labor redistributions can be made to locked records. Only in rare circumstances will subsequent salary adjustments be permitted. If it is necessary to adjust the salary charges for a previously certified effort period, documentation must provide a detailed explanation of the need for the salary adjustment and subsequent recertification. This documentation must be approved by the Dean, Department Chair and the Principal Investigator, and be submitted to the Director of Research for approval. If approved, a labor redistribution adjustment and a re-certification of the effort period is then required.
Tuition

While OMB Circular A-21 indicates that tuition remission should be subject to effort reporting requirements, it is generally recognized that it is impractical to do so since tuition remission is not paid through the payroll system. However, the tuition remission portion charged to a grant (e.g., 50 percent of the student’s tuition) should not exceed the proportion of the student’s salary that is paid from the grant (subject to agency rules).

If a student is receiving a stipend, the conventional wisdom is that this is educational assistance (i.e., student aid), and this activity is not certified.

Extenuating Circumstances

If an extenuating circumstance occurs such as the conversion of the university’s financial system or a natural disaster that would prevent completing the certification in the time period outlined within this policy; an extension will be permitted.

V. Definitions

Effort: The portion of time spent on any activity, expressed as a percentage of the total activity. Effort is not calculated on a 40-hour work week, but is calculated as a percentage based on the total hours spent on work-related duties. For example, if a person averages 60 hours per week during a reporting period and spends an average of 15 hours on a Sponsored Project, that person has spent 25% effort on the sponsored project and 75% effort on other activities.

Effort Report(s): The mechanism used to provide a sponsoring agency with a reasonable assurance that salaries paid from a grant are appropriate and reflect a reasonable estimation of the time spent working on the project.

Total Effort: The total appointed time in the payroll system and all Work-Related Activities paid is the Total Effort or 100% effort of the employee. The total number of hours worked does not affect Total Effort. For example if a person worked on average 20 hours or 40 hours a week, either equates to 100% of their Total Effort.

Committed Effort: The amount of time proposed for the PI and key personnel in the approved sponsored agreement. For example, if an NIH grant application proposes that an employee will devote 30% of his or her effort to the grant, with salary support for 10% of effort, 20% of the effort will be voluntary committed cost share, and 10% charged to the grant, for a total of 30%.

Voluntary Committed Cost Sharing: Is cost share proposed by the University when it is not a specific requirement of the sponsor. When an award is received which proposed voluntary committed cost sharing, the cost sharing becomes a binding commitment that the University must provide as part of the performance of the sponsored agreement.

Voluntary Uncommitted Cost Sharing: Is not required by the sponsor as a condition for the award and is not committed in the proposal budget. It is typically the PI’s or other key researcher’s effort that is over and above the effort committed and budgeted for in a sponsored agreement. Voluntary uncommitted cost sharing does not have to be documented.
**Institutional Base Salary (IBS):** The compensation paid by an organization for an employee’s appointment, whether that individual’s time is spent on research, teaching, patient care, or other institutional activities, and is specifically set for a 9-month, 10-month or 12-month period depending on the individual’s appointment. IBS does not include bonuses, one-time payments (lump sum), summer pay for 9 month faculty, or incentive pay. Also excluded from IBS is any income that an individual is permitted to earn outside of duties at FAU.

**Student Augmentation Award:** An award to the university intended to provide financial support for a student. This is not provided as financial aid but given to students in the form of an award, to assist them with the costs associated with graduate school.

**Firsthand Knowledge:** Direct evidence of work performed. One may have this knowledge of work performance by either performing the work or through supervising the individual performing the work.

**Suitable Means of Verification:** The process through which one receives assurance that work was performed so as to provide a certification of effort on the quarterly effort reports. This process must take into consideration other university records and provide for the documented review of such records in support of work performed. Some examples of these records might include: calendars, teaching schedules, or logbooks. Other means of verification may also suffice, including e-mails attesting to effort devoted based upon firsthand knowledge. Oral verification from the employee/Principal Investigator will not suffice as a suitable means of verification.

**VI. Roles and Responsibilities**

**Pre-Reviewer (Business/Financial Manager):**

- Must complete Pre-Review of effort reports within the first 15 days of availability.
- Review effort reports for accuracy prior to releasing to the certifier.
- Ensure that sponsor imposed salary caps are calculated and appropriate salaries are recorded properly.
- Make any necessary adjustments to labor redistribution in accordance with the Cost Transfer Policy [http://www.fau.edu/research/docs/policies/research-accounting/cost_transfer_policy.pdf](http://www.fau.edu/research/docs/policies/research-accounting/cost_transfer_policy.pdf)
- Make timely labor redistribution adjustments for persons supported from sponsored activities to ensure appropriate allocations of salary costs.

**Principal Investigator (PI):**

- Know and be familiar with all charges on the sponsored project(s).
- Must certify effort within 45 days from the end of the quarter that the effort is being certified for.
- Are responsible for understanding the principles of accurate effort and timely reporting.
- Must be aware of the level of effort committed to a sponsor in relation to all other professional activities included in total effort.
• Ensure that proposed level of effort is reasonable and necessary to carry out the proposed project.
• Must request a change to the effort report when inaccuracies exist.
• Should obtain sponsor’s prior approval when the reduction of the effort for the PI and/or key personnel is 25% or greater (when appropriate).
• Are responsible for certification of time and effort for employees no longer working with the University.
• Ensure that documentation used as suitable means of verification is sufficient to support a reasonable estimate of effort expended.

Employees working on sponsored projects:

• Responsible for understanding the principles of accurate and timely effort reporting.

• Must certify effort within 45 days from the end of the quarter that the effort is being certified for unless the PI or Co-PI chooses to certify for them.

VII. Annual Review of Procedures

The Time and Effort Policy will be reviewed annually.

POLICY APPROVAL

Initiating Authority

Signature: ________________________________ Date: 09/29/2015

Daniel Flynn, Vice President for Research

Executed signature pages are available in the Research Accounting Office