

# EFFORT REPORTING GUIDANCE<sup>1</sup>

## 1. Purpose

Under Office of Management and Budget Circular A-21 and other regulations, the University is required to prepare effort reports to confirm, on an after-the-fact basis, any effort that has been compensated or contributed as cost share under a sponsored award. These reports or effort certifications are only prepared for exempt employees whose salaries are charged to restricted funds. The effort of non-exempt employees is tracked through timesheets.

In recent years, effort reporting has been a primary focus of auditors for the federal government. If it is determined that inaccurate, incomplete, or untimely effort reports were submitted to the federal government, an institution could face substantial penalties and funding disallowances. Several universities have paid large amounts to settle accusations of submitting false effort reports. As examples, in 2003, one university had to pay the government \$5.5 million; in 2004, a university paid \$2.6 million; in 2004, another university paid \$3.3 million; and more recently in 2005 a university paid \$11.5 million. Additionally, criminal charges may be brought against an individual for certifying a falsified effort.

## 2. 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.

*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.

*Effort reporting* is the method required under federal regulations for certifying to sponsoring agencies that the effort charged or cost shared to each award actually has been expended.

## 3. Standards for Reasonable Distribution of Effort

The nature of academic work precludes absolute accuracy in accounting for the time devoted to a particular project. Therefore, the OMB A-21 regulations require effort reports to be only reasonably accurate, as follows:

[I]n 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. Reliance, therefore, is placed on estimates in which a degree of tolerance is appropriate [emphasis added].

<sup>1</sup> This guidance, it should be noted, does not apply to clinical research, which will be the subject of a separate guidance.

### *Effort reports include all UNM-related activities*

The proper base for determining effort percentages is the total activity or effort for which the university compensates an individual, including administrative activities such as serving on a university committee. As exempt employees, faculty members are not compensated for their duties on the basis of a forty-hour workweek. Instead, the workweek for faculty members is based on the actual number of hours spent on job related activities. Accordingly, an effort commitment of 50% for a faculty member working 80-hour weeks is twice as great (40 hours) in terms of hours as a 50% effort commitment by a faculty member working 40-hour weeks (20 hours). The total percentage of compensated effort must never exceed 100%.

### *Similar work under different awards*

The OMB A-21 regulations contain specific guidelines for situations in which individuals engage in similar work under more than one sponsored award. Effort for similar work under two or more awards can be allocated by using either a proportional method or any other reasonable basis, as follows:

If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then...the costs may be allocated or transferred to benefited projects on any reasonable basis...[emphasis added].

### *Estimated effort versus actual effort*

Initial estimates generally differ, to one degree or another, from the amount of work actually performed on sponsored awards. Under the OMB A-21 regulations, short-term discrepancies between the estimated and actual effort are considered inconsequential if the long-term distribution of salaries is reasonable, as follows:

“[C]harges 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 [emphasis added].”

When the discrepancy between estimated and actual effort is not inconsequential, such as for three months, then principal investigators should submit a payroll cost transfer to reflect this change.

For more significant discrepancies, it would be necessary to amend the sponsored award to reflect the actual effort commitment. UNM requests an amendment if at any time prior to or during a sponsored project the key personnel working under an award:

- Reduce their time and effort on the project by more than 25% to stay within the 100% total time and effort limit.
- Are absent for three or more months from the project.
- Withdraw from the project completely.

#### 4. Duties and Responsibilities for Distribution and Certification of Effort

The department or unit administration is responsible for monitoring the principal investigators and other researchers' allocation of effort to ensure that their allocations are consistent with estimates of effort in the proposed budget.

Core accounting offices are responsible for receiving and reviewing returned and signed effort certification forms for completeness.

##### *Responsible person must certify effort*

Under A-21, direct cost activities and F & A cost activities must be "confirmed by responsible persons with suitable means of verification that the work was performed." If necessary, the responsible person should review the allocation for accuracy with the other individuals whose efforts are detailed on the certification. At UNM, effort certification reports must be signed by a principal investigator, director, or department chairperson.

#### 5. Effort Certification Form

See attached Exhibit A.

#### 6. Source and Frequency of Certification

Under OMB Circular A-21, the university is required to certify twice a year that the salaries charged to a sponsored award reasonably reflect the work performed under the award.

#### 7. Answers to Specific Questions

For answers to specific questions about effort reporting, contact your representative in the Office of Contract and Grant Accounting.