Grant & Contract Training Session

Effort Certification
Introduction

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is being sponsored by the following:

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WHAT IS EFFORT?
What Is Effort?

- Effort is a calculation of the time spent on a sponsored project. It is represented as a percent of the employee’s total workload for a given period of time.

- Effort is unique to sponsored projects, because a majority of research takes place within organizations which do not require time cards.

- The total effort an employee can show must equal 100%.

- The effort percentage is based upon the employee’s Institutional Base Salary (IBS).
Institutional Base Salary

• Annual compensation paid by the University for an employee’s appointment. This appointment includes research, teaching, patient care, service and administration.
  – Excludes any income that an individual is permitted to earn outside of their duties for the University.

• Generally defined in an appointment letter.
What Is Effort?

John Doe
100%

- Dept. Obligation: 50%
- Research Project 1: 20%
- Research Project 2: 25%
- Research Project 3: 5%
What Is Effort?

John Doe
70 Hours

- Dept. Obligation
  35 Hours
- Research Project 1
  14 Hours
- Research Project 2
  17.5 Hours
- Research Project 3
  3.5 Hours
WHY DO WE CERTIFY TO OUR EFFORT?
Why Do We Certify To Our Effort?

- Per federal OMB circular A-21 (now codified into law under 2 CFR 220), UND must maintain a system utilizing after-the-fact confirmation of salary and effort by persons involved with externally funded sponsored projects.

- Provides supporting documentation for salary charged to grants and contracts.
Why Do We Certify To Our Effort?

• In recent years, the federal government and its auditors have become much more active in their review of effort reporting requirements and a number of Universities have received large audit disallowances.

• Cases of audit disallowances are:
  * Northwestern University paid $5.5 million to settle issues related to problems with effort reporting on a contracts and grants base of $325 million.
  * South Florida returned $4.1 million to the federal government to settle a number of charging issues, including effort reporting.
  * University of California paid a total of $2.1 million to settle an NIH salary cap limitation disallowance.
Why Do We Certify To Our Effort?

• The federal government continues to concentrate much of its audits to the confirmation of effort.
• University and Federal Auditors will review labor costs on grants & contracts to ensure that they:
  ♦ were actually incurred;
  ♦ benefited the awards;
  ♦ were accurately and timely recorded and charged; and
  ♦ were allowable and allocable-type activities as required by federal guidelines.
Risks of Noncompliance

- Sponsor has the right to request salary dollars be returned.
- Federal government has the right to limit or suspend future federal grants.
- Federal government has the right to fine the University for its actions.
- University has the right to reprimand the employee.
Risks of Noncompliance

- Negative press to the University, Principal Investigator, and employee.

- Red Flag for the University in the eyes of the Federal Government, resulting in additional scrutiny with future proposals and awards.
HOW DO WE CERTIFY TO OUR EFFORT?
How Do We Certify To Our Effort?

- Certification of effort at the University of North Dakota has three aspects:
  - Proposal
  - Appointment
  - Certification
How Do We Certify To Our Effort?

Proposal

Effort percentage is estimated based upon scope of work.

Appointment

Employee is appointed based upon approved proposal.

Certification

Employee certifies that effort shown on the PAC form is correct.
How Do We Certify To Our Effort?

- Personnel Activity Confirmation (PAC) reports are sent to all employees paid from a sponsored project.

- These forms are generated by Grants & Contracts Administration from information obtained from payroll.

- These reports are generated three times a year (semesterly).
How Do We Certify To Our Effort?

• The employee needs to review this report for accuracy.

• If this report is accurate, the employee must sign and date the report.

• If this report is inaccurate, the employee needs to revise the report and then sign and date the report, as well as initial and date the changes.
How Do We Certify To Our Effort?

- Per federal OMB Circular A-21 (now 2 CFR 220), these effort certification reports need to be signed by the employee or a responsible official having direct knowledge of the activities.

  *Note: This should not be administrative staff unless they are listed as the supervisor.*

- These reports need to be reviewed, signed, and returned in a timely manner (30 days).

- Original reports are filed in the Grants & Contracts Administration office.
OTHER THINGS TO CONSIDER
NIH Salary Cap

• For twenty-two consecutive years, Congress has legislatively mandated a provision for the limitation of salary. For federal FY 2011, the Government restricts the amount of direct salary of an individual under an NIH grant, cooperative agreement, or contract to $199,700.
NIH Salary Cap

• John Doe makes $220,000 per year.
  – 20% of $220,000 = $44,000
  – 20% of $199,700 = $39,940
  – Difference = $4,060

• John Doe can only propose a salary of $39,940. The department needs to pay the difference, which is $4,060 as cost share.
 Proposed vs. Actual Effort

- The federal regulations allow for a variance of effort up to 25% of what was proposed without prior approval.
  - $20,000 annual proposed salary payment
  - $15,000 annual is the minimum paid effort allowed without needing to go back to the agency for approval

- Effort promised or proposed to a sponsored activity (even if not budgeted) must be accounted for.

- It is the employee’s responsibility to ensure that their actual effort equals or exceeds the effort that was proposed.
## Proposed vs. Actual Effort

<table>
<thead>
<tr>
<th>Project</th>
<th>Proposed</th>
<th>Actual</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research Project 1</td>
<td>20%</td>
<td>20%</td>
<td>OK</td>
</tr>
<tr>
<td>Research Project 2</td>
<td>20%</td>
<td>25%</td>
<td>*</td>
</tr>
<tr>
<td>Research Project 3</td>
<td>20%</td>
<td>10%</td>
<td>**</td>
</tr>
<tr>
<td>Research Project 4</td>
<td>20%</td>
<td>18%</td>
<td>***</td>
</tr>
</tbody>
</table>

* Actual effort exceeded proposed effort. Do not need approval for this change.
** Actual effort was less than proposed effort by more than 25% of proposed. Need approval for this change.
*** Actual effort was less than proposed effort by less than 25% of proposed. Do not need approval for this change.
Salary Corrections

• Salary corrections affect the percent of salary and percent of effort shown on the Personnel Activity Report.

• A new PAC form needs to be generated after the salary correction is done.

• A salary correction is not to be done after the employee has certified to his/her effort on their PAC form.

Note: Salary corrections need to be avoided if possible. Projects need to be monitored and reviewed on a regular basis and evaluated for burn rates. Please keep in mind that a temporary project number can be set up before the award notice is in place if the department is certain that it is forth coming.
COMMON QUESTIONS
Effort Reporting Questions

• Where does the information on my PAC form come from?
  – It is pulled directly from the payroll system.
  – The Grants & Contracts Administration office can input effort if it exceeds the amount of your salary (cost share).
Effort Reporting Questions

• My effort per project can vary from week to week. How do I accommodate that in my PAC Report?
  – Effort is certified three times a year and you are required to certify to a picture of your activity during that period. You should use an average percentage. This is, if you worked on a project 50% for two months and 30% for two months during this period, your average effort was 40% and that is the amount you should indicate on the form.
  – Remember that you are reporting your best estimate of time spent over a semesterly period.
# Workload Example

<table>
<thead>
<tr>
<th>Week</th>
<th>Teaching</th>
<th>Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 3-7</td>
<td>16 Hours (32%)</td>
<td>34 Hours (68%)</td>
</tr>
<tr>
<td>Jan. 10-14</td>
<td>16 Hours (32%)</td>
<td>34 Hours (68%)</td>
</tr>
<tr>
<td>Jan. 17-21</td>
<td>8 Hours (16%)</td>
<td>42 Hours (84%)</td>
</tr>
<tr>
<td>Jan. 24-28</td>
<td>8 Hours (16%)</td>
<td>42 Hours (84%)</td>
</tr>
<tr>
<td>Jan. 31-Feb. 4</td>
<td>8 Hours (16%)</td>
<td>42 Hours (84%)</td>
</tr>
<tr>
<td>Feb. 7-11</td>
<td>20 Hours (40%)</td>
<td>30 Hours (60%)</td>
</tr>
<tr>
<td>Feb. 14-18</td>
<td>20 Hours (40%)</td>
<td>30 Hours (60%)</td>
</tr>
<tr>
<td>Feb. 21-25</td>
<td>16 Hours (32%)</td>
<td>34 Hours (68%)</td>
</tr>
<tr>
<td><strong>400 Total Hours</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Average:</strong></td>
<td><strong>112 Hours (28%)</strong></td>
<td><strong>288 Hours (72%)</strong></td>
</tr>
</tbody>
</table>
Effort Reporting Questions

• What if my real effort on a grant project is more than the percentage of my salary that the grant project pays?
  – This is okay. You need to fill in your effort as it accurately describes your activities. For example, if you are being paid 50% from a grant and 50% from a department fund, but you spend 60% of your time on the grant, you should record your effort that way: 60% on the grant, 40% on the department fund.
  – Only if your grant effort is less than you are being paid do we need to make a payroll change.

Please note with proper monitoring of projects this should rarely happen.
IN CLOSING ...
Pitfalls of Effort Certification

- Effort not certified (PAC forms not signed), or effort not certified in a timely manner.

- Certified effort does not match actual effort.

- Certified effort does not match proposed effort.

- Over-commitment of effort by an employee.
  - Proposed effort commitments can be > 100%, but keep in mind how these need to be reduced if more proposals are awarded than expected.

- Inadequate education.
How To Ensure Accurate Reporting

- Review your effort report, and understand what it means. Do not just sign and return your report.
- Make sure that your PAC form reports your total effort. (Are you working on a grant project which does not show up on your PAC report?)
- Do you have any grant projects with cost share requirements?
- If you have administrative duties, these duties need to be shown on your effort report.
Who’s Responsibility Is It?

• In the eyes of the Federal Government, employees are responsible for accurately certifying how they spend their University effort (time). It is up to you to ensure that your effort is reported correctly.

• If you are the PI of a grant project, you are ultimately responsible for all aspects of your project. This includes your employee’s effort reports.
Additional Information

- For additional information on how to read the PAC form, and/or how to calculate your effort:

  Please come see me, I am located in room 5120.

  My phone number is 777-2808.
University within the University (U2)

- The UND U2 program is co-sponsoring this session.

- Visit the U2 website at [http://www.conted.und.edu/u2/index.html](http://www.conted.und.edu/u2/index.html) for future training sessions.

- Does anyone have any suggestions on what they would like for future training sessions?
Questions

• Do you have any questions?

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