



UT System Administration Policy Library -- Policy UTS163

GUIDANCE ON EFFORT REPORTING AND CERTIFICATION POLICIES

Responsible Officer: Vice Chancellor For Research & Technology Transfer

Sponsoring Office: Office of Research & Technology Transfer

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CONTENTS

[Policy Statement](#)

[Rationale](#)

[Scope](#)

[Website Address For This Policy](#)

[Related Statutes, Policies, Requirements Or Standards](#)

[Contacts](#)

[Definitions](#)

[Responsibilities](#)

[Procedures](#)

[Special Instructions for Initial Implementation](#)

[Forms Tools/Online Processes](#)

[Appendix](#)

POLICY STATEMENT

It is the policy of The University of Texas System (UT System) to comply with federal guidelines and regulations regarding Effort reporting and certification, referred to in the federal costing principles as payroll distribution confirmation. Federal and state agencies, private foundations, organizations, industry, non-profit organizations and other organizations provide significant funding to enable the UT System to conduct instruction, public service, research and training under extramurally funded Sponsored Programs. Consequently, Effort reporting and certification policies, supported by detailed procedures, are necessary to ensure that the salaries, wages, and fringe benefits charged to these Sponsored Programs are allocable, allowable, consistently treated, and reasonable.

Each UT System Institution shall have an electronic online Effort Certification system that meets the requirements of this policy.

RATIONALE

This policy identifies the fundamentals of “UT System Guidance on Effort Reporting and Certification Policies,” by stipulating the critical policy areas and the minimum requirements for each policy area.

The Office of Management and Budget (OMB) Circular A-21, *Cost Principles for Educational Institutions*, sets forth the cost principles that institutions of higher education (institution) must follow in expenditures of federally Sponsored Program funds. Section J.10, Compensation for Personal Services, stipulates that institutions of higher education must have a payroll distribution system that allows salaries, wages, and fringe benefits paid under federal grants, contracts, or other agreements, to be properly allocated and that confirmation is made by the institution that Individual salaries, wages, and fringe benefits, paid under federal awards are appropriate to the award and that the labor charges documented were actually incurred on the projects and activities. It is now generally recognized that the January 5, 2001 clarification of the OMB Circular A-21 expanded the concept of payroll distribution verification to include verification of an Individual’s professional effort.

It is the responsibility of each UT institution to establish a system which conforms to the payroll confirmation requirement of OMB Circular A-21 as well as verifying an Individual’s total professional effort. A UT institution may be required to comply with 45 CFR Subtitle A, Part 74, Appendix E (formerly OASC-3), *Principles for Determining Costs Applicable to Research and Development Under Grants and Contracts with*

Hospitals. Each institution must determine which federal guidelines, either OMB A-21 or 45 CFR Part 74 Subtitle A Appendix E, are applicable to their specific institution. As of the issuance date of this policy only M. D. Anderson Cancer Center is required to comply with 45 CFR Part 74 Subtitle A, Appendix E.

SCOPE

All institutions and UT System Administration.

WEBSITE ADDRESS FOR THIS POLICY

<http://www.utsystem.edu/policy/policies/uts163.html>

RELATED STATUTES, POLICIES, REQUIREMENTS OR STANDARDS

UT System Administration Policies & Standards	Other Policies & Standards
None	<ul style="list-style-type: none"> • <u>Code of Federal Regulations, Title 45, Part 74, Appendix E, Uniform Administrative Requirements for Awards and Subawards to Institutions of Higher Education, Hospitals, Other Nonprofit Organizations, and Commercial Organizations; Principles for Determining Costs Applicable to Research and Development Under Grants and Contracts with Hospitals [Formerly known as OASC-3];</u> • <u>Code of Federal Regulations, Chapter II, Part 215, OMB Circular A-21, Cost Principles for Educational Institutions;</u> • <u>Code of Federal Regulations, Chapter II, Part 215, OMB Circular A-110, Uniform Administrative Requirements for</u>

	<p><u>Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations;</u></p> <ul style="list-style-type: none"> • <u>Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs</u> dated January 5, 2001; • <u>OMB A-133, Audits of States, Local Governments, and Non-Profit Organizations;</u> • <u>NIH Grants Policy Statement</u> dated December 2003; • <u>NIH Guidelines for Inclusion of Clinical Practice Compensation in Institutional Base Salary Charged to NIH Grants and Contracts</u> Notice Number NOT-OD-05-061 dated August 4, 2005; and • <u>National Science Foundation Proposal and Award Policies and Procedures Guide.</u>
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CONTACTS

If you have any questions about UT System Administration Policy UTS 163, *Guidance on Effort Reporting Policies*, contact the following offices:

Subject	Office Name	Telephone Number	Email/URL
	Office of Research & Technology Transfer	(512) 499-4546	http://www.utsystem.edu/rtt/

DEFINITIONS

Committed Effort: The amount of Effort specified in a Sponsored Program award agreement, regardless of whether salary support is requested for the Effort.

Cost Sharing: The mandatory or voluntary commitment of institutional resources incorporated in the award agreement. The concept of matching is synonymous with Cost Sharing. This policy only pertains to Cost Sharing as it relates to Committed Effort. There are different types of Cost Sharing:

- **Mandatory Committed Cost Sharing** is required by the sponsor as a condition of obtaining an award.
- **Voluntary Committed Cost Sharing** represents Committed Effort that was not required by the sponsor and that is in excess of Committed Effort paid by the sponsor and/or Mandatory Committed Cost Sharing.

For both Mandatory and Voluntary Committed Cost Sharing, the Cost Sharing is a binding commitment that must be provided and tracked in a consistent manner across each UT institution.

- **Salary-cap Cost Sharing** results when an Individual's Institutional Base Salary exceeds a sponsor's salary cap. The prorated excess is a form of mandatory Cost Sharing that must be accounted for.
- **Voluntary Uncommitted Cost Sharing** represents Effort that may benefit a project but was not committed in the award agreement.

Cost Transfers: Transfers of a salary charge to or from a Sponsored Program account.

Designated Responsible Party (DRP): A person(s) at each UT Institution shall be designated to manage and be responsible for the Effort reporting compliance program. This person shall be responsible for managing the risk of non-compliance and have the appropriate knowledge and necessary authority to do so. Therefore, the chief research officer shall be the Designated Responsible Party. It is acknowledged that the Designated Responsible Party will work closely with the chief business officer and the institutional compliance officer to ensure all specific risks are adequately mitigated and effectively monitored. An exception to this definition requires approval from the appropriate executive vice chancellor.

Effort: The amount of time spent on any activity expressed as a percentage of Total Institutional Activities for which an Individual is compensated by a UT Institution. **For exempt employees, it is extremely important to understand that Effort for an**

Individual is not calculated on a 40-hour workweek or any other standard workweek.

OMB Circular A-21 Section J.10.b.(1)(c) 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. Reliance, therefore, is placed on estimates in which a degree of tolerance is appropriate." Moreover, OMB Circular A-21 Section J.10.b.(2)(a) states "The payroll distribution system will ... (ii) reasonably reflect the activity for which the employee is compensated by the institution;..."

Effort Certification: A means of confirming that the Effort paid or unpaid by the sponsor has been performed. It is important to note that payroll distributions and Effort Certifications are related but not the same thing. Payroll distributions describe the allocation of an Individual's salary; whereas, Effort Certification describes the allocation of an Individual's Effort.

Fiscal Year: The Fiscal Year for each UT Institution is September 1st through August 31st.

Individual: An Individual is anyone who has paid Effort and/or Committed Effort on a Sponsored Program. Where appropriate in this policy the following subcategories will be utilized:

- A **Primary Individual** is a person listed as principal investigator, project director, co-investigator, co-project director, or those personnel with comparable responsibilities on a sponsored project application. A Primary Individual typically, but not always, carries and academic (i.e., faculty) appointment.
- A **Supporting Individual** is an employee other than a Primary Individual who has expended Effort on a Sponsored Program.

Institutional Base Salary (IBS): The total guaranteed annual compensation an Individual receives from a UT Institution, whether the Individual's time is spent on research, teaching, patient care or other activities. The IBS shall be used to compute salaries charged to Sponsored Programs unless sponsored policies further limit salary charges. IBS includes compensation for instruction, public service, research, and/or other activities. Individuals who work continuously as Deans, Department Chairs, or Center Directors may include this supplemental compensation as a part of the IBS based on their Institution's written policy. IBS excludes: fringe benefit payments; reimbursed expenses; temporary, supplemental compensation for incidental work; income earned outside of duties to the institution; and any portion of compensation deemed to be at-risk.

Sponsored Programs: Activities conducted in research, instruction, training, or public service as a result of a formal written agreement – such as a grant, contract, or cooperative agreement – obtained as a result of a formal application and approval

process. These activities can be funded either externally by government, industry, or private sponsors; or, internally by the UT Institution. Sponsored Programs are separately budgeted and accounted for, meaning there is a defined scope of work, a budget that identifies the costs to be incurred in the performance of the work, and the accumulation of costs actually incurred in support of the project. Sponsored Programs usually involve a specific commitment of time for the Individual(s) involved in achieving the aims of the project. Sponsored Programs may be thought of as transactions in which there are specified statements of work with a related, reciprocal transfer of something of value.

Total Institutional Activities: Total Institutional Activities are those activities for which an Individual is paid by the UT Institution. Common activities include administrative duties, instruction, patient care, public service, and research. Total Institutional Activities shall not exceed 100% and shall be consistent with his/her other duties as agreed upon with his/her supervisor.

RESPONSIBILITIES

UT Institution

- Ensures a written, accessible policy exists for every policy area contained in UTS163.
- Appoints a DRP who meets the requirements/specifications.

Designated Responsible Party for Effort Reporting Compliance

- Ensures education and training programs are available to assist all administrators, faculty, and staff to fully understand the intent and the implications of all policies referenced herein.
- Ensures an effective monitoring process exists at the UT Institution.
- Responds to Audits.

Institutional Compliance Officer

- Files a report assessing institutional progress towards full compliance with this policy.

Internal Audit Department

- Performs a periodic audit to determine compliance with this policy.

Primary Individual

- Communicates with his/her department, and, as appropriate, other administrative functional areas within the UT Institution regarding Effort commitments.

Executive Vice Chancellor

- Approves any alternative oversight mechanism that adequately and effectively monitors the approval process for Effort Reporting.
- Approves any alternative to the Designated Responsible Party definition.

Vice Chancellor for Research and Technology Transfer

- Responsible Officer for UTS 163.
- Approves any exceptions to UTS 163.

PROCEDURES

1. General

Each UT Institution shall ensure a written, accessible policy exists for every policy area contained in this policy. **A UT Institution may find it advantageous to incorporate multiple policy areas and/or requirements into a single policy.** Each policy area must be supported by procedures and monitoring activities to ensure the policy is implemented as intended. Each policy area shall also contain the following attributes:

- 1.1** A purpose statement and reference to federal requirements (i.e. OMBs A-21, A-110, etc.);
- 1.2** The office or department that is responsible for developing and monitoring the policy;
- 1.3** First issued and last revised dates of the policy;
- 1.4** Accessible via the internet or the intranet;
- 1.5** Definitions section for all key terminology;
- 1.6** Clearly stated roles and responsibilities of applicable departments and/or Individuals;
- 1.7** Reporting requirements (if applicable); and
- 1.8** Procedures and monitoring activities to ensure each policy area is implemented as intended.

The Designated Responsible Party (DRP) shall ensure education and training programs are available to assist all administrators, faculty, and staff to fully understand the intent and the implications of UTS 163.

The Designated Responsible Party (DRP) shall also ensure an effective monitoring process exists at the UT Institution. The monitoring process should be based on a risk assessment, identification of the internal controls to be relied upon, identification of the monitoring strategies to be deployed, and how the results will be communicated to executive management at each UT Institution.

Rare and unusual circumstances may require an exception to this policy. In such cases an exception should be requested in writing by the Designated Responsible Party to the Vice Chancellor for Research and Technology Transfer for approval.

2. Institutional Base Salary

The following are requirements of Institutional Base Salary (IBS):

2.1 IBS for health institutions - The National Institutes of Health (NIH) has indicated that if an institution chooses to include clinical practice compensation in IBS, clinical practice compensation must be set by the institution and be paid through or at the direction of the institution. In addition, the clinical practice activity must be shown on the institution's payroll or salary appointment forms and records approved by the institution, be included, and accounted for, in the institution's Effort reporting and payroll distribution systems. Finally, the institution must assure all financial reports and supporting documents associated with the combined IBS and resulting charges to NIH grants are retained and made available to federal officials.

2.2 IBS for academic institutions – An Individual whose salary is based on a nine-month appointment shall be annualized to twelve months to determine IBS.

3. Management of Effort Commitments

The management of Effort commitments for a Primary Individual requires ongoing communication between the Primary Individual, his/her department, and, as appropriate, other administrative functional areas within the UT Institution. This communication is critical because over time responsibilities and commitments change. Each UT institution shall have a management of Effort commitments policy with the following attributes:

3.1 Each UT Institution must have an approval process for Sponsored Program proposals. The Primary Individual's supervisor must review and approve the Committed Effort in proposals, as well as ensure that each Primary Individual listed in proposals with a specific Committed Effort is aware and has approved his/her participation in the activity;

3.1.1 An alternative oversight mechanism that adequately and effectively monitors the approval process may be approved by the appropriate Executive Vice Chancellor;

3.2 Each UT Institution must have a policy that stipulates a minimum level of Committed Effort for an Individual on each Sponsored Program in which he/she is listed as a Primary Individual. The minimum level and the Primary Individual's actual Effort should be commensurate with his/her responsibilities;

The OMB A-21 Clarification Memorandum of January 5, 2001 states that some types of federally-funded research projects, such as grants for equipment and instrumentation or student augmentation and/or training, do not typically require committed Primary Individual Effort. Exceptions to the minimum level of Effort may be permitted for equipment and instrumentation grants, doctoral dissertation grants, augmentation grants, and special institutional and training awards. Such exceptions are to be documented and approved by the institution's DRP;

3.3 Each UT Institution must have a policy that stipulates the maximum level of Committed Effort for a Primary Individual who has Effort commitments on Sponsored Programs. Primary Individuals could be segregated into groups with similar institutional activities. For example, a Primary Individual with Sponsored Program Effort commitments who is also a department head might have a maximum level of 80%; whereas a Primary Individual with a non-tenure track research appointment might need a higher maximum level threshold. Each UT Institution's policy on maximum commitments should acknowledge there are rare occasions for a Primary Individual to be appointed 100% on Sponsored Programs. These occasions are rare due to the likelihood the Primary Individual will perform other activities whose costs may not be allowable charges to the sponsored project under OMB A-21. Therefore, nearly all Primary Individuals funded by Sponsored Programs would ultimately certify their level of Effort related to the Sponsored Program at something less than 100%; and

3.4 A Primary Individual with a nine-month appointment for the Fiscal Year, primarily found at UT academic institutions, and who has Committed Effort on a Sponsored Program may be allowed a 100% appointment outside the academic year; however, care should be exercised to ensure the Primary Individual does not perform other activities during that period whose costs are not allowable under OMB A-21. Such unallowable costs, as an example, may be the taking of leave during a 100% appointment, consulting during the 100% summer appointment, teaching a course(s) that will exceed the 100% Committed Effort, or engaging in summer service activity that will exceed the 100% Committed Effort.

4. Cost Sharing Related to Effort

Mandatory or Voluntary Committed Cost Sharing that is contained in a funded Sponsored Program proposal becomes a binding commitment by the UT Institution upon either formal acceptance of the award document or expenditure of funds if no formal acceptance is required. This commitment creates the requirement for each UT Institution to track all Cost Sharing. Each UT Institution shall have a Cost Sharing policy with the following attributes:

4.1 A statement on the philosophy of Cost Sharing;

4.2 A requirement that Mandatory and Voluntary Committed Cost Sharing contained in Sponsored Program proposals are part of the review and approval process by the Primary Individual's supervisor included in the management of Effort commitments (see **Section 3.1**) of this policy;

4.2.1 An alternative oversight mechanism that adequately and effectively monitors the approval process may be approved by the appropriate executive vice chancellor;

4.3 A requirement for each UT Institution to have a process in place to verify the Cost Sharing amounts remain available and are appropriate, especially when an awarded budget is less than the proposed budget;

4.4 A requirement that Effort commitments used as Mandatory or Voluntary Committed Cost Sharing on awards must only be used once and not be used against multiple Sponsored Programs;

4.5 A requirement for a process to ensure each UT Institution adheres to salary caps established by sponsors; and

4.6 Each UT Institution shall have a process to identify, monitor, and track all Mandatory and Voluntary Committed Cost Sharing covered by this policy.

5. Cost Transfers

Cost Transfers are a reality of Sponsored Programs; however, 1) a high volume of Cost Transfers, 2) a high volume of cost transfers that occur several months after the initial accounting transaction, 3) Cost Transfers that occur after an Effort Certification report is completed, and/or 4) a pattern of Cost Transfers from a Sponsored Program may indicate poor awards management. Each UT Institution must have a Cost Transfer policy with the following attributes:

5.1 The Cost Transfers process duties must be appropriately segregated to ensure no one person or academic department has the sole authority to initiate, approve, and post a Cost Transfer into the official accounting records;

5.2 All Cost Transfers must have adequate support documentation as to the reason it is necessary. To indicate “to correct an error” or “to transfer to correct project” are insufficient reasons without supportive documentation;

5.3 All Cost Transfers must occur in a timely manner per institutional policies; and

5.4 Salary Cost Transfers are not permitted after Effort Certification reports are completed and signed by the Individual or after the Sponsored Program closeout date unless it benefits the sponsor (i.e., a salary transaction is removed from a sponsored account).

6. Effort Certification

Each UT Institution shall have implemented an online Effort Certification system that meets the requirements of this policy. Each UT Institution shall have written Effort Certification policies and procedures that reflect the Effort Certification system in place at that institution. The policies and procedures must have the following attributes:

6.1 A definition of Effort and Effort Certification, which should include a statement that: 1) Effort is based on Total Institutional Activities and does not assume a 40-hour workweek or any other standard workweek for exempt Individuals; 2) that the Effort Certification report and payroll distribution records are not the same; and 3) that the Effort Certification report includes Total Institutional Activities, including all Cost Sharing activities;

6.2 A statement of why Effort Certification reports are important and a reference to the federal statutory guidance as well as a statement that criminal charges may be brought against an Individual who certifies a falsified report;

6.3 A statement indicating the frequency that each category of Individual (**Primary or Supporting**) must complete Effort Certification reports, in order to meet the minimum requirements of OMB Circular A-21;

6.4 A statement that indicates Effort Certification reports are based on a reasonable estimate by recognizing that administration, patient care, research, public service, and teaching are often inextricably intermingled;

6.5 A requirement that Effort shown on the Effort Certification report must be reported in whole percentages and all Effort must equal 100%;

6.6 A requirement for a Primary Individual to certify his/her own Effort Certification report;

6.7 A requirement for a Primary Individual to certify Effort Certification reports for all Supporting Individuals who have expended Effort on his/her Sponsored Programs;

6.8 Each Effort Certification form contains an attestation statement which indicates the certifier has suitable means of verification and the amounts shown are a reasonable estimate of actual work performed during the stated period;

6.9 A requirement for all Effort Certification reports to be completed within 30 days of the notice to certify. A UT Institution may define special circumstances where the interval is extended not to exceed 45 days; and

6.10 A statement on the consequences of not completing Effort Certification reports in a timely manner; e.g., a possible strategy includes moving all non-certified salary expenses off of the sponsored account and onto a departmental unrestricted account.

Failure to comply with the guidelines and regulations contained in the aforementioned authoritative guidance could result in expenditure disallowances, penalties and fines levied against the UT Institution, and damage to the UT Institution's research reputation. In addition, criminal charges may be brought against an Individual who certifies a falsified effort report.

FORMS AND TOOLS/ONLINE PROCESSES

Examples of the calculation of Effort are available on the Office of Research and Technology Transfer website:

<http://www.utsystem.edu/rtt/COMPLIANCE/Time&Effort/Time&Effort-Index.html>

APPENDIX

None

Keywords: reporting, salaries, wages, property
